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APPENDIX B

Proposed Settlement Agreement

BEFORE THE PUBLIC UTILITIES COMMISSION

OF THE STATE OF CALIFORNIA

In the Matter of the Application of CALIFORNIA WATER SERVICE COMPANY (U-60-W), a California corporation, for an order 1) authorizing it to increase rates for water service by $92,765,000 or 19.4% in test year 2014, 2) authorizing it to increase rates on January 1, 2015 by $17,240,000 or 3.0%, and on January 1, 2016 by $16,950,000 or 2.9% in accordance with the Rate Case Plan, and 3) adopting other related rulings and relief necessary to implement the Commission's ratemaking policies.	Application 12-07-007 Filed July 5, 2012

SETTLEMENT OF CALIFORNIA WATER SERVICE COMPANY (U-60-W),

THE OFFICE OF RATEPAYER ADVOCATES, THE CITY OF CARSON,

THE CITY OF LANCASTER, THE CITY OF SELMA, THE CITY OF VISALIA,

THE COUNTY OF KERN, THE COUNTY OF LAKE, THE LEONA VALLEY TOWN COUNCIL,

RESIDENTS AGAINST WATER RATES, THE UTILITY REFORM NETWORK,

AND JEFFREY YOUNG

October 30, 2013

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CHAPTER 1. GENERAL ISSUES

A. OVERVIEW

This Settlement Agreement addresses the new rates to be established for the twenty-three districts of California Water Service Company ("Cal Water") for calendar years 2014 through 2016. Pursuant to Article 12 of the Rules of Practice and Procedure ("Rules") of the California Public Utilities Commission ("Commission"), Cal Water, the Office of Ratepayer Advocates ("ORA"),[1] and the parties listed below submit this Settlement Agreement for Commission approval, with the following limitations: the parties listed below support, or do not oppose, this Agreement, *with certain conditions noted*.

- The **City of Carson** (located in the Dominguez District).
- The **City of Lancaster** (located in the separately-tariffed Lancaster area of the Antelope Valley District). RATE INCREASE AND SALES FORECAST CONDITION: The City of Lancaster only takes a Settlement position on Antelope Valley District matters impacting the City of Lancaster. The City of Lancaster supports the capital projects that the Agreement proposes in the Lancaster area of the Antelope Valley District. The City of Lancaster otherwise opposes the Agreement and any rate increase in the Lancaster area of the Antelope Valley District. In particular, the City of Lancaster does not support the increase in rates proposed under the Agreement for the Lancaster area of the Antelope Valley District, which is largely due to the sales forecast, and reserves the right to propose alternative rates based upon a different sales forecast and formula.
- The **City of Selma** (located in the Selma District). SALES, EXPENSE FORECASTS AND/OR DISTRICT PLANT CONDITIONS: The City of Selma does not support the rate increase proposed under the Agreement for the Selma District, and reserves the right to propose alternative rates based

[1] The Division of Ratepayer Advocates was renamed the Office of Ratepayer Advocates effective September 26, 2013, pursuant to Senate Bill No. 96 (Budget Act of 2013: public resources), which was approved by the Governor on September 26, 2013. Whenever possible, references in this Agreement have been modified to reflect ORA, however some references to DRA may have been overlooked.

upon different sales and/or expense forecasts or proposed additions to plant in service.

- The **City of Visalia** (located in the Visalia District). The City of Visalia actively participated in confidential settlement discussions on certain issues, and it is the Parties' understanding that staff is recommending that the City of Visalia support relevant sections of the Agreement. The Parties have been informed that this recommendation will soon be brought before the governing body of the City of Visalia, and the official outcome will be conveyed to the service list. Notwithstanding the City of Visalia's general support for the Agreement, the City of Visalia does not support the rate increase proposed under the Agreement for the Visalia District.
- The **County of Kern** ("Kern County") (for ratepayers in the Kern River Valley and Bakersfield Districts). RATE DESIGN CONDITION (refer to charts in Chapter 3): The County of Kern does not support the rate design shift underlying the proposed rates under the Agreement for the Kern River Valley District, and reserves the right to present alternative proposals on this issue.
- The **County of Lake** ("Lake County") (for ratepayers in portions of the Lucerne and Unified ratemaking areas of the Redwood Valley District).[2] The County of Lake actively participated in confidential settlement discussions on certain issues, and it is the Parties' understanding that staff is recommending that the County of Lake support relevant sections of the Agreement. The Parties have been informed that this recommendation will soon be brought before the governing body of the County of Lake, and the official outcome will be conveyed to the service list.
- The **Leona Valley Town Council** ("LVTC") (located in the separately-tariffed Leona Valley area in the Antelope Valley District).
- **The Utility Reform Network** ("TURN") (for all ratepayers, particularly residential and small business).

[2] The County of Lake supports the Affordability, Rate Design, and Redwood Valley – Lucerne Plant portions of this Agreement, and does not expressly oppose any other portion of the Agreement.

- **Mr. Jeffrey Young** ("Mr. Young") (located in the Coast Springs ratemaking area of the Redwood Valley District).
- **("R.A.W.") Residents Against Water Rates** (located in the Kern River Valley District). RATE DESIGN CONDITION (refer to charts in Chapter 3): R.A.W does not support the rate design shift underlying the proposed rates for the Kern River Valley District, and reserves the right to present alternative proposals on this issue.

Unless otherwise specified, "Parties" generally refers to Cal Water, ORA, and the parties listed above. However, most settling parties were focused on negotiations in one or more of the following general areas: revenue requirement determination for a specific area; modification of the Low-Income Ratepayer Assistance Program ("LIRA") and the Rate Support Fund ("RSF") (collectively, "affordability" issues); and rate design (the shift in revenues recovered through the service charge versus the quantity charges). TURN also addressed certain special requests.

Therefore, to the extent that an issue was specifically negotiated between a subset of the parties, this Agreement identifies those parties at the beginning of the relevant section or chapter.

For general reference purposes, the following have been provided as attachments to this Agreement:

Attachment 1 - Summary of Earnings Comparison Tables, by District

Attachment 2 - Rate Base Comparison Tables, by District

B. LEGAL TERMS OF SETTLEMENT

1. Since this Agreement represents a compromise by them, the Parties have entered into the Settlement on the basis that Commission approval of this Agreement should not be construed as an admission or concession by any Party regarding any fact or matter of law in dispute in this proceeding.
2. The Parties do not intend that approval of this Agreement 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).
3. The Parties agree, without further consideration, to execute and/or cause to be executed, any other documents and to take any other action as may be necessary, to effectively consummate this Agreement. Except as specifically provided in Section A, the Parties shall take no action in opposition to this Agreement. In the event that an alternative proposal

identified in Section A is presented, a party's silence to that alternative does not constitute "action in opposition to this Agreement."

4. If any part of the Agreement is disapproved or modified, except for modifications relating to the alternative proposals identified in Section A, the remaining provisions of the Agreement shall be void, with the Parties returning to their positions in this proceeding as if the Agreement were never reached.

5. The Parties agree that no signatory to the Agreement assumes any personal liability as a result of this Agreement. All rights and remedies of the Parties are limited to those available before the Commission.

6. The Parties acknowledge that unless expressly and specifically stated otherwise herein, the California Public Utilities Code, Commission regulations, orders, rulings, and/or decisions shall govern the interpretation and enforcement of this Agreement.

7. This Agreement may be executed in counterparts, each of which shall be deemed an original, and the counterparts together shall constitute one and the same instrument.

[END OF CHAPTER]

CHAPTER 2. AFFORDABILITY ISSUES

A. OVERVIEW

Many of the interveners in the general rate case were also parties to the Affordability discussions. These parties included Cal Water, ORA, TURN, Jeffrey Young, Lake County, R.A.W., Kern County, Leona Valley Town Council, City of Selma, and City of Visalia. Unless otherwise noted, the term "the Parties" as used in this chapter refers to the parties listed above. The Parties request that the Commission approve the Low Income Rate Assistance ("LIRA") and Rate Support Fund ("RSF") settlement described herein under the conditions specified.

B. LOW INCOME RATE ASSISTANCE ("LIRA") PROGRAM

As part of a settlement of the affordability issues in this rate case, the parties agree to the following LIRA program components:

1. LIRA program eligibility will continue unchanged from current standards, and will continue to be offered in all districts.

2. The LIRA benefit (credit) is equal to 50% of the monthly service charge; however the current $12.00 cap to this benefit is increased to $18.00 for non-RSF Districts and $30.00 for RSF Districts.

3. The **LIRA program will be funded by an estimated surcharge of 2.313%** applied only to a customer's monthly service charge and quantity charges. The LIRA surcharge applies to all customers in all districts, except for LIRA customers. The amount of the surcharge will be set sufficient to fund the LIRA program.

4. A balancing account will be used to track and true-up the credits and surcharges of the LIRA program (see Low Income Rate Assistance Balancing Account in Chapter 7 of this Settlement Agreement).

5. There is a new requirement to the LIRA program that Cal Water will report upon its efforts in verification of participant eligibility. Specifically, prior to Cal Water's next General Rate Case, it shall report on its efforts in the process of recertification and verification of LIRA customers. This reporting can be combined with the annual report of

Cal Water's LIRA program that Cal Water is required to submit to the Division of Water and Audits and Office of Ratepayer Advocates per D.06-11-053. (See ORA Company-Wide Report on the Results of Operations of California Water Service Company, March 1, 2013, p.15-3, lines 13 – 17 and p. 15-9, lines 18-19, and Cal Water's Testimony in Rebuttal to ORA Report on General Issues, April 30, 2013, p. 45, lines 15-16.).

C. RATE SUPPORT FUND ("RSF") PROGRAM

In its Application, Cal Water proposed a checklist system to screen for the applicability of the RSF to include additional districts. The checklist contained the latest unemployment data for the area, percentage of customers enrolled in the LIRA program and the water bill as a percentage of median household income. Based upon a weighting of these criteria, Cal Water proposed to add to the RSF program the Antelope Valley District's Leona Valley, Lancaster, and Lake Hughes service areas and the Oroville District (the Kern River Valley District, the Redwood Valley District, and the Antelope Valley District's Fremont service area are already part of the existing RSF program). Cal Water also proposed to modify rate support (i.e., RSF credit) in existing areas so that the rate change was approximately equal to the district revenue requirement change (see Direct Testimony of Thomas F. Smegal, July 2012, p. 6 - 10).

In its testimony, ORA analyzed Cal Water's proposal by comparing the average residential bill in current RSF districts as well as Cal Water's proposed additional RSF districts to the Cal Water proposed system-wide average residential bill. ORA recommended the comparison of each of these districts with a system-wide average bill as an additional criterion for determining district (service area) eligibility for the RSF program. ORA also compared the cost per ccf (total revenue per 100 cubic feet) for each district with the system wide average to ensure that a district's relatively high average residential bill is not solely a result of high usage within that district. Based upon this analysis, ORA recommended calculating the relief in RSF districts to result in the district's average cost per ccf being no greater than 150% of the Cal Water system-wide average (see Company-Wide Report on the Results of Operations of California Water Service Company, March 1, 2013, p.15-7 to 15-8).

As a result of settlement discussions, the Parties agree to consider the RSF eligibility of Cal Water's current and proposed RSF districts based on a comparison of Cal Water's proposed total revenue per ccf in each district relative to a system-wide average (both numbers reflect Cal Water's July 2012 application request). The Parties

agree to include only Cal Water's current and proposed RSF districts whose revenue per ccf rate exceeds 150% of the system-wide average rate. The Parties agree not to change the principles of the joint RSF Settlement adopted by the Commission in Ordering Paragraph 1 of A.05-08-006 other than as specified below. As part of a settlement of the affordability issues in this rate case, the parties agree to the following RSF program components:

1. The districts eligible for benefits under the RSF program are limited to the Leona Valley, Fremont, and Lake Hughes areas of the Antelope Valley District; the Coast Springs, Lucerne, and Unified ratemaking areas of the Redwood Valley District; and the Kern River Valley District (collectively, the "RSF Districts"), subject to paragraph 6, below.

2. All customers in the RSF Districts (with the exception of fire service) will receive a quantity rate discount on the first units of water consumption, up to a certain number of units per month (one unit = one hundred cubic feet or ccf). For the Coast Springs area (in the Redwood Valley District), the "RSF Usage Limit" is <u>4 ccfs per month</u>; for all other areas of the RSF Districts, the RSF Usage Limit is <u>10 ccfs per month</u>. The adopted Quantity Rate will apply to all water consumption above the monthly RSF Usage Limit.

- Example: If a customer uses 12 units of water in a district (rate area) with an RSF Usage Limit of 10 units, a discount off of the Quantity Rate will be applied to 10 units, and the full Quantity Rate[3] will be applied to the remaining 2 units.

3. The Quantity Rate discount will be equal to the difference between the adopted Quantity Rate and an "RSF Index Rate." The RSF Index Rate will be 150% of the system-wide average rate of total residential usage revenue divided by total residential water sales. Using the quantity rates resulting from this Agreement, the **final RSF Index Rate is $4.52**. (Based on the proposed rates in Cal Water's 2012 GRC Application, the system-wide average rate was calculated to be $3.28/ccf, resulting in an RSF Index Rate of $4.92/ccf.)

- Example: For a customer using 12 units per month, with an RSF Index Rate of $4.92/unit and a Quantity Rate of $15.00/unit, the RSF Quantity Rate discount is $100.80 ($15.00 - $4.92, multiplied by 10 units). The quantity

[3] For districts (rate areas) with tiered Quantity Rates, applicable tiered Quantity Rates apply to units (in ccf) above the Rate Usage Limit.

charge for this customer would then be $79.20 ($4.92 x 10 units + $15.00 x 2 units).

With the proposed RSF discount structure and the revenue requirement resulting from this Settlement Agreement, the Parties anticipate the following change to the RSF credits.

	Current Support[4]	Proposed Support
Kern River Valley	$25.00 surcredit / month	Discounted quantity rate equal to RSF Index Rate and applicable to first 10 ccf (for RVW – Coast Springs, first 4 ccfs). The RSF Index Rate = 150% of system-wide quantity rate = approximately $4.52 / ccf
Antelope Valley - Fremont	$12.10 surcredit / month	
Antelope Valley – Lake Hughes	none	
Antelope Valley - Leona Valley	none	
Redwood Valley - Lucerne	$24.00 surcredit / month	
Redwood - Coast Springs	$10.37 surcredit / ccf	
Redwood - Unified	$2.31 surcredit / ccf	

4. **The RSF program will be funded by an estimated surcharge of 0.502%** applied only to a customer's monthly service charge and quantity charges. The RSF surcharge applies to all customers in all districts, except for LIRA customers in RSF Districts and fire protection service. The amount of the surcharge will be set sufficient to fund the RSF program.

5. A balancing account will be used to track and true-up the credits and surcharges of the RSF program (see Rate Support Fund Balancing Account in Chapter 7 of this Settlement Agreement). Cal Water will continue to provide a summary report on RSF benefits provided and surcharges collected in the next GRC for each RSF district.

6. In the RSF Districts, where the Quantity Rate is lower than the RSF Index Rate, the Quantity Rate will apply, resulting in no Quantity Rate discount.

[END OF CHAPTER]

[4] Based upon 9/1/2010 "Settlement of the Division of Ratepayer Advocates and California Water Service Company (U 60 W) of Special Request #12: Continuation and Enhancement of Rate Support Fund.

CHAPTER 3. RATE DESIGN ISSUES

A. OVERVIEW

Many of the interveners in this general rate case were also parties to the Rate Design discussions. These parties included Cal Water, ORA, TURN, Jeffrey Young, Lake County, Residents Against Water Rates ("R.A.W."), Kern County, the Leona Valley Town Council, the City of Selma, and the City of Visalia. Unless otherwise noted, the term "the Parties" as used in this chapter refers to the parties listed above. The Parties request that the Commission approve the rate design settlement described herein under the conditions specified.

B. RATE DESIGN SETTLEMENT

As part of a settlement of the rate design issues, the Parties agree they will make no changes to conservation rate design principles adopted in D.08-02-036, and D.10-12-017 (as modified by D.11-05-001 and D.11-08-010) other than as described below. The Parties agree to the following rate design components in this general rate case for Cal Water, with the exception that neither R.A.W. nor the County of Kern support the proposed ratio change for the Kern River Valley District provided in the tables contained in paragraphs 3 and 5:

<u>California Urban Water Conservation Council Best Management Practice 1.4 ("CUWCC BMP 1.4")</u>

1. In recognition of CUWCC BMP 1.4, rates will be designed so that the percentage of average customer revenue that is derived from the monthly service charge, versus the quantity charges, moves towards a ratio of 30% / 70%, respectively.
2. The movement towards the 30% / 70% ratio will occur gradually to allow customers to become accustomed to rate design adjustments made in pursuit of this ratio.
3. With the goal of recovering 30% of authorized customer revenue through the fixed monthly service charge, and recognizing that in many districts the current ratio is distant from the 30% / 70% goal, rates for this GRC period will be designed using the following guideline to move the ratio toward that goal:

District	Rate of Change to Achieve 30%/70% Ratio
Antelope Valley - Leona Valley	Modify ratio over 3 GRCs
Antelope Valley - Lancaster	Modify ratio over 3 GRCs
Antelope Valley - Fremont & Lake Hughes	Modify ratio over 4+ GRCs
Bayshore	Modify ratio over 2 GRCs
Bakersfield	Modify in this GRC
Bear Gulch	Modify ratio over 2 GRCs
Chico	Modify ratio over 2 GRCs
Dixon	Modify ratio over 2 GRCs
Dominguez	Modify ratio over 3 GRCs
East Los Angeles	Keep Prelim Settlement Ratios
Hermosa Redondo	Modify ratio over 2 GRCs
Kern River Valley *	Modify ratio over 4+ GRCs
King City	Modify ratio over 2 GRCs
Livermore	Modify ratio over 2 GRCs
Los Altos	Modify ratio over 2 GRCs
Marysville	Modify ratio over 2 GRCs
Oroville	Modify ratio over 2 GRCs
Palos Verdes	Modify ratio over 2 GRCs
Redwood - Coast Springs	Modify ratio over 3 GRCs
Redwood - Lucerne	Modify ratio over 2 GRCs
Redwood - Unified	Modify ratio over 3 GRCs
Salinas	Modify ratio over 2 GRCs
Selma	Modify ratio over 2 GRCs
Stockton	Keep Prelim Settlement Ratios
Visalia	Modify in this GRC
Westlake	Modify ratio over 2 GRCs
Willows	Modify ratio over 4+ GRCs
* Neither R.A.W. nor the County of Kern support the service charge ratio change proposed for Kern River Valley	

4. While this guideline references time frames beyond this GRC cycle, the Parties agree that they, and the Commission, are not bound to this guideline in future GRCs, that in future cases each Party is free to propose a rate design that deviates from this guideline, and that the Parties are not seeking to bind or constrain future Commission decisions.

5. These changes do not alter the cost allocation between residential and non-residential customer classes. Based on the guideline above, the Parties agree that rates

in this GRC will reflect the following changes in the percentage of revenue recovered through the service charge (last column highlighted in yellow).

District	% of Revenue in Service Charge July Application	% of Revenue in Service Charge Preliminary Settlement	% of Revenue in Service Charge at New Ratios	% Change in Service Charge Ratio
Antelope Valley - Leona Valley	38%	48%	42%	6%
Antelope Valley - Lancaster	40%	51%	44%	7%
Antelope Valley - Fremont & Lake Hughes	57%	65%	56%	9%
Bayshore	15%	17%	23%	7%
Bakersfield	32%	33%	30%	3%
Bear Gulch	16%	17%	23%	7%
Chico	39%	42%	36%	6%
Dixon	39%	43%	37%	7%
Dominguez	12%	13%	19%	6%
East Los Angeles	21%	25%	25%	0%
Hermosa Redondo	20%	21%	25%	5%
Kern River Valley *	54%	56%	53%	3%
King City	36%	42%	36%	7%
Livermore	18%	19%	26%	7%
Los Altos	17%	18%	24%	6%
Marysville	38%	40%	35%	5%
Oroville	39%	40%	35%	5%
Palos Verdes	14%	14%	22%	8%
Redwood - Coast Springs	48%	50%	43%	7%
Redwood - Lucerne	39%	39%	35%	4%
Redwood - Unified	51%	52%	45%	7%
Salinas	36%	39%	35%	5%
Selma	40%	41%	36%	5%
Stockton	26%	26%	26%	0%
Visalia	34%	36%	30%	6%
Westlake	15%	17%	23%	6%
Willows	57%	55%	49%	6%
* Neither R.A.W. nor the County of Kern support the service charge ratio change proposed for Kern River Valley				

The first two columns above show the percent of revenue in the service charge reflected in Cal Water's initial July 2012 Application, and the percent of revenue in the service charge reflected in the latest available data at the time that the Parties negotiated the rate design issues (column titled "Preliminary Settlement"). Although the Parties understand that final Commission approved rates might vary from the information included in the Preliminary Settlement, the Parties involved in the rate design

negotiations used the Preliminary Settlement column for settlement discussions, and the last column – % change in revenue recovered through the service charge – as the final settlement position (with the exception of R.A.W. and Kern County as noted above).

6. The Parties agree that, since the service charge revenue percentages for the East Los Angeles District and the Stockton District are currently 25% and 26%, respectively, those two districts will stay at the percentages shown above when final rates are designed in this case.

C. OTHER RATE DESIGN SETTLEMENT ISSUES

1. The Parties agree with the elements of the Low Income Rate Assistance ("LIRA") program and the Rate Support Fund ("RSF") program described elsewhere in this Agreement.
2. The Parties agree that no party will request a phase-in of customer rate increases in this GRC.
3. The Parties agree that non-residential customers will have a single quantity rate for all consumption (i.e., no tiered rates), except in the Visalia and Stockton Districts.
4. The Parties agree that, in districts that do not have tiered rates, residential and non-residential customers will have the same rates.
5. The Parties agree to defer to a future GRC their positions on whether residential and non-residential customer service charges should be the same.
6. Cal Water agrees to provide with its next GRC filing up-to-date information that would enable the Parties to propose modifications to the residential tier breakpoints using currently effective criteria. This provision does not require Cal Water to propose new breakpoints, only to provide the data necessary for a party to make such a proposal.
7. The Parties agree to defer to a future GRC the presentation of their positions on whether the rate differentials between the tiers in each district should be modified.
8. The Parties agree to defer to a future GRC the presentation of their positions regarding changes to the uniform WRAM surcharges for all tiers.

[END OF CHAPTER]

CHAPTER 4. CONSERVATION PROGRAM

"Parties" in this chapter refers to Cal Water and ORA, with the exception that "Parties" also includes the City of Visalia when addressing conservation related to Cal Water's Visalia District.

A. ISSUES

Cal Water and ORA both used a targeted approach to conservation funding for each district in this GRC. With multiple regulatory and legal requirements to reduce consumption, both the Parties agree that it is prudent for Cal Water to have a program in this GRC cycle to reduce water use that will enable compliance with Senate Bill X7-7. The Parties also used methodologies that generally result in the most cost-effective best management practices, while creating comprehensive opportunities for all customer classes. Cal Water and ORA originally differed on direct install programs, public information programs, administration/research programs, and other specific conservation programs. These items accounted for most of the difference between the Parties' positions. Other smaller differences related to 1) conservation staffing, 2) cost for certain measures, and 3) program flexibility.

B. RESOLUTION

Summary of Resolution

The Parties worked together to develop a three-year conservation program that establishes overall district budgets, criteria for the flexible use of conservation funding, a one-way balancing account to ensure any unspent balance is refunded back to the ratepayers, and an annual as well as GRC reporting format. Finally, the Parties agree to fund one additional conservation staff out of the administrative/research budget to help implement and measure the success of programs and funding for additional outside consulting to assist in the expansion of the landscape conservation program.

Settlement Budget

ORA and Cal Water agree to an average annual conservation budget of $6,999,757 for Test Year 2014, Escalation Year 2015, and Escalation Year 2016 for a total 3-year budget that shall not exceed $20,999,271. These budgets are excluded from escalation and instead use the average annual budget in calculating the allowed

revenue requirement for Test Year 2014, Escalation Year 2015, and Escalation Year 2016. Budgets may be used in a district at any time during the 3-year rate case cycle as long as the total amount spent over the three years does not exceed the total 3-year budget. Funds are not transferrable across districts.

Table 1 provides a summary of the average annual budget broken down by category for each district. For more detailed information, see Attachment 10 (Conservation Budget).

Table 1: Average Annual Conservation Budget (2014-16)

District	Programs	Public Information	School Education	Administration Research	Total
Antelope Valley	$12,466	$3,748	$749	$3,500	$20,463
Bayshore	$662,262	$160,625	$39,799	$172,544	$1,035,231
Bakersfield	$365,608	$90,425	$21,972	$94,614	$572,618
Bear Gulch	$343,382	$86,611	$20,636	$90,318	$540,948
Chico	$141,303	$33,499	$8,492	$35,680	$218,974
Dixon	$7,426	$1,832	$446	$1,885	$11,589
Dominguez	$500,099	$129,155	$30,054	$138,410	$797,718
East Los Angeles	$255,499	$58,634	$15,354	$65,768	$395,255
Hermosa Redondo	$382,858	$92,235	$23,008	$101,903	$600,003
Kern River Valley	$11,621	$2,484	$698	$2,939	$17,742
King City	$12,463	$2,929	$749	$3,154	$19,294
Livermore	$244,587	$58,141	$14,699	$64,021	$381,447
Los Altos	$154,195	$43,682	$9,267	$39,792	$246,936
Marysville	$5,264	$1,435	$316	$1,506	$8,521
Oroville	$10,118	$2,287	$608	$2,528	$15,542
Palos Verdes	$329,325	$94,209	$19,791	$95,426	$538,752
Redwood Valley	$6,338	$1,598	$381	$1,652	$9,969
Salinas	$321,432	$98,586	$19,317	$95,728	$535,062
Selma	$18,092	$4,694	$1,087	$4,762	$28,635
Stockton	$140,781	34,331	$8,460	$36,928	$220,501
Visalia	$238,641	$61,958	$14,341	$63,404	$378,345
Westlake	$249,450	$61,607	$14,991	$67,486	$393,533
Willows	$7,672	$2,323	$461	$2,223	$12,679
Total	$4,420,881	$1,127,029	$265,677	$1,186,170	$6,999,757

<u>The following conditions apply to the average annual conservation budget:</u>

1. The budgets are separated into four categories of spending: Administrative/Research, Public Information, School Education, and Programs;
2. All administrative costs, including those for program activities, shall be part of the Administrative/Research Budget;
3. All marketing costs, including those for program activities, shall be part of the Public Information Budget;
4. The Administrative/Research, Public Information, and School Education budgets are subject to spending caps (amount shown in Table 1 above);
5. Budgets allocated for Administrative/Research, Public Information, and School Education may also be used for Programs;
6. Budgets allocated for Programs shall not be used for Administrative/Research, Public Information, and School Education;
7. Budgets or balances for each district cannot be transferred to other districts;
8. A one-way balancing account will be established for each district;
9. Any unspent monies left from the total three-year budget of $20,999,271 will be refunded to the ratepayers at the end of this GRC cycle.

Conservation Programs

Table 2 provides a summary of the average annual budget broken down for each program activity.

Table 2: Average Annual Program Activity Levels and Budgets

Program	Class	Average Annual Activity Level	Average Annual Budget
U-HE Toilet (R/V)	SF	1,655	$ 165,500
U-HE Toilet (R/V)	MF	618	$ 61,800
HE CW (R/V)	SF	3,038	$ 315,638
HE CW Common (R/V)	MF	90	$ 33,000
HE CW In-Unit (R/V)	MF	374	$ 35,138
Smart Controllers (R/V)	SF	1,717	$ 217,800
Smart Controllers (R/V)	MF	98	$ 58,350
HE Pop-Up Nozzle (V)	SF	119,894	$ 389,656
HE Pop-Up Nozzle (V)	MF	52,057	$ 169,185
HE Pop-Up Nozzle (V)	CII	189,684	$ 616,473
HE Toilet (R/V) (b)	CII	713	$ 100,400
HE CW Coin-Op (R/V)	CII	68	$ 27,200
HE Urinals (R/V)	CII	223	$ 65,700
Smart Controllers (R/V)	CII	200	$ 118,050
Commercial Irrigation Sys (R)	CII	146	$ 292,000
Commercial Kitchen (R)	CII	10	$ 3,300
Ice Machine (R)	CII	5	$ 9,925

Program	Class	Average Annual Activity Level	Average Annual Budget
Pre-Rinse Spray Valve (R)	CII	10	$ 1,100
Cooling Tower Controller (R/I)	Ind	5	$ 5,000
Cooling Tower pH Contr. (R/I)	Ind	5	$ 19,050
HE Toilet Direct Install	SF	3,040	$ 1,006,240
HE Toilet Direct Install	MF	1,189	$ 345,985
Audits and Surveys	SF	45	$ 5,760
Audits and Surveys	MF	16	$ 15,200
Web-Based Home Survey	SF	4,172	$ 62,580
Audits and Surveys	CII	6	$ 12,000
Industrial Process Audits (I)	Ind	4	$ 5,132
Lrg Landscape Surveys	Irr	67	$ 93,800
Lrg Landscape Water Use Rpt	Irr	1,373	$ 117,143
Residential Conservation Kit (V)	SF	2,399	$ 52,778
Programmatic Total			$ 4,420,881
Administration and Research			$ 1,186,170
Salary			*$ 415,081*
Benefits			*$ 303,009*
Office Supplies/Travel/Other			*$ 468,080*
Public Information			$ 1,127,029
School Education			$ 265,677
Total			**$ 6,999,757**

The following conditions apply to conservation program activities:

1. Approved Program budgets may be used on any program identified in Cal Water's original proposal in the Application with the following stipulations:

    a. Residential HE Toilet Direct Install Program may only be offered to LIRA qualified customers in the following districts subject to the 3-year budget caps provided for each district: Bayshore ($539,199), Bear Gulch ($195,621), Dominguez ($436,920), East Los Angeles ($314,781), Hermosa Redondo ($397,200), Los Altos ($96,321), Livermore ($276,054), Palos Verdes ($112,209), Stockton ($198,600), Visalia ($148,950), Westlake ($302,865).

    b. Non-residential (Commercial) HE Toilet Direct Install Program may not be implemented in any district.

    c. Multi-Family Conservation Kit Program may not be implemented in any district.

    d. Multi-family HE Toilet Direct Install Program may only be implemented in the following districts subject to the 3-year budget caps provided for each district: Bayshore ($407,526), Bear Gulch ($177,471), Dominguez ($82,632), Livermore ($129,582), Los Altos ($57,639), Palos Verdes ($129,582), and Westlake ($53,523).

e. Funds for all HE Toilet Direct Install programs can be transferred to other programs within the district, but funds from other programs cannot be transferred into any direct install programs.

f. A pilot policy shall be implemented in the Visalia District for this rate cycle, whereby any change in the mix of programs, whether it be between the final agreed-upon programs in this settlement or new programs, must maintain or exceed the average overall cost-effectiveness for the Visalia conservation portfolio. Cal Water will submit documentation of the cost-effectiveness of such measures in its annual reports. If the Visalia District is not on track to meet the SB 7x7 mandate of reducing water usage by 20% by 2020, then within 60 days of Escalation Year 2016, the City of Visalia and Cal Water shall meet and develop an implementation strategy for the remaining conservation budget, which improves conservation while being mindful of cost-effectiveness. Any measure that is implemented in Escalation Year 2016 must be at least as cost-effective as the least cost-effective program included in the final agreed-upon programs in this settlement for the Visalia District.

2. Any measure that is implemented, and not specifically included in the programs identified in Cal Water's original proposal, must be at least as cost-effective as the least cost-effective program included in the final agreed-upon programs in this settlement for that specific district. Cal Water will submit documentation of the cost-effectiveness of such measures in its annual report.

One-Way Balancing Account

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

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

Annual Reporting Requirement

Cal Water agrees to file an annual report in accordance with the requirements of Schedule E-3 included in D.11-05-004.

[END OF CHAPTER]

CHAPTER 5. AFFILIATE TRANSACTIONS AND NON-TARIFFED SERVICES

A. AFFILIATE TRANSACTIONS

Cal Water has three regulated affiliates in addition to its parent company, California Water Service Group ("CWS Group"): Washington Water Service Company, Hawaii Water Service Company, and New Mexico Water Service Company. In addition, Cal Water has one unregulated affiliate in California: CWS Utility Services ("CWSUS"). Any charges directly attributable to these operations are billed to the respective affiliate. For indirect costs attributable to affiliate operations, general expenses are allocated to affiliates based on a modified four-factor calculation. Cal Water allocated additional expenses to out-of-state affiliates by estimating the portion of GO departmental expenses that are general in nature, and therefore may benefit out-of-state operations.

In its direct testimony (Company-Wide Report, Chapter 3), ORA raised several issues related to the property purchase in the Dominguez District (Projects 13543, 20973 and 20978) and related loan transactions between Cal Water and CWSUS.

Detailed discussion of the issue and resolution on the property purchase is presented in the Dominguez District Plant chapter of this Agreement. Additionally, to address ORA's concerns of inadequate disclosure of the related short-term loan from Cal Water to CWSUS, Cal Water agrees to credit the Administrative Charges Transferred Account 8120 to recognize the interest amount of $86,960. Cal Water also agrees that all future cash (short- or long-term) loans between CWS and its affiliates must bear interest and terms in accordance with Rule VI of D.10-10-019. Cal Water further agrees to amend its affiliate transaction reporting procedure to comply with Rule VIII.F, Item 7 of D.10-10-019 regarding the Annual Statement on Affiliate Transactions. Specifically, Cal Water agrees to report all affiliate loans and interest payments as "financing arrangements and transactions between the utility and the affiliated companies" (D.10-10-019, Appendix A, Rule VIII.F, Item 7).

B. NON-TARIFFED PRODUCTS AND SERVICES

Consistent with the Commission's rules regarding the provision of "non-tariffed" or unregulated products and services ("NTP&S") by water companies, formerly referred to as activities conducted using regulated "excess capacity," Cal Water has developed a methodology for allocating costs to unregulated activities and sharing 10% of gross revenues with ratepayers. The detailed methodology is provided in Cal Water's Report on Unregulated Activities.

In its direct testimony (Company-Wide Report, Chapter 3), ORA recommended several adjustments to Cal Water's estimates for the Account 8120. ORA's recommendations and the Parties' resolutions are summarized below.

- ORA recommended that Cal Water update its calculations to the Administrative Charges Transferred Account 8120 to reflect the new NTP&S rules, which in the case of certain contracts resulted in increased amounts of revenue sharing credited to the Account 8120. In settlement discussions, Cal Water agreed to use ORA's calculations supported by this updated methodology.
- ORA recommended that Cal Water include revenue sharing forecasts for two new antenna lease contracts entered into in 2012 in the Bakersfield District. Cal Water agreed to this recommendation.
- ORA recommended that Cal Water update its ratepayer revenue sharing forecasts to include the tenets of the HomeServe USA settlement agreement which allowed for annual revenue sharing with ratepayers of the "anniversary payment." Cal Water agreed with this treatment.
- ORA recommended using ORA's inflation escalation factors to escalate recorded revenue data for forecasting purposes. Cal Water agreed with this approach.

The district-specific estimates for the Administrative Charges Transferred Account 8120 reflecting the above-described agreement concerning NTP&S are presented in Chapter 10 – General District Expenses.

[END OF CHAPTER]

CHAPTER 6. SPECIAL REQUESTS

A. SPECIAL REQUEST #1: ADDITIONAL RATE DESIGN PHASE

In its Application, Cal Water originally requested a limited second phase to address rate design and tariff preparation issues. Cal Water clarified its request during the Prehearing Conference and proposed an alternate schedule that was supported by all parties active in the proceeding at that time. The procedural schedule established for the proceeding reflected the parties' proposal. The Parties agree that no further Commission action on Special Request # 1 is needed.

B. SPECIAL REQUEST #2: COORDINATION WITH OPEN PROCEEDINGS

Cal Water requested that the final decision in this proceeding reflect the outcomes of certain open proceedings to the extent that they are resolved in a timely manner. ORA expressed concerns about the cumulative impact of reflecting the outcome of those proceedings in final rates. Specifically, ORA was concerned that the inclusion of other proceedings and offsettable expenses could potentially lead to the perception of higher revenue changes than what Cal Water has requested in its filing. The Parties agree that final rates should reflect the outcomes of the following Commission proceedings, and that the cumulative impact of these outcomes do not cause the rate increases to exceed the revenue increases publicly-noticed by Cal Water for the reasons discussed below.

1) Billing Contracts with HomeServe USA (A.08-05-019)

After Cal Water filed its GRC Application, the Commission adopted a settlement agreement between Cal Water and ORA in A.08-05-019, a proceeding initiated to address whether Cal Water could use its regulated utility to provide a full suite of unregulated products to its customers via a third-party provider of home insurance services, HomeServe USA ("HomeServe"). In adopting the settlement, D.13-02-026 ordered issuance of customer surcredits, specified that new rates authorized in this GRC proceeding would reflect the sharing of 10% of gross unregulated revenues with ratepayers, and authorized amortization and closure of the HomeServe Memorandum Account (Preliminary Statement Q) after new rates are put into effect.

The Parties agree that, consistent with D.13-02-026, the rates proposed in this Settlement Agreement fully reflect the appropriate revenue sharing methodology, and thus serve to decrease the rates borne by ratepayers. In addition, as described in Chapter 7 regarding all of Cal Water's balancing and memorandum accounts, amortization of the HomeServe Memorandum Account after new rates go into effect will result in an additional ratepayer benefit in the form of a surcredit. After amortization is complete, the Parties agree that the HomeServe Memorandum Account should be closed.

2) Cost of Capital Application (A.11-05-001 et seq.)

In the 2011 cost of capital proceeding for Cal Water and three other large Class A water companies, the companies and ORA reached a settlement on the appropriate rate of return for each company for the period of January 1, 2012 through December 31, 2014. When Cal Water filed this GRC Application on July 5, 2012, the Commission had released a proposed decision adopting the settlement, but had not yet voted on the proposed decision. The proposed new rates in this Agreement reflect the Commission-authorized cost of capital (D.12-07-009). Below is a comparison of the cost of capital used in Cal Water's July 2012 application, and the cost of capital reflected in ORA's March 2012 reports and in this Settlement Agreement.

Cost of Capital	Cal Water's July 2012 Application	Settlement Agreement
Cost of Debt	6.24%	6.24%
Cost of Equity	9.99%	9.43%
Weighted Cost of Debt	2.91%	2.91%
Weighted Cost of Equity	5.33%	5.03%
Rate of Return	8.24%	7.94%

3) LIRA Petition to Modify D.06-11-053 (A.05-10-035)

In D.12-09-020, the Commission approved the settlement agreement between ORA and Cal Water resolving all issues in the proceeding. Consistent with that decision, Cal Water has already implemented a temporary surcharge to recover historical balances in the memo account, and has modified the ongoing surcharge to reflect the expected level of LIRA subsidies in 2013.

4) Renovation of IT/HR Building on General Office Campus (A.12-06-016)

In A.12-06-016, Cal Water's requested cost recovery related to renovation of the Information Technology and Human Resources ("IT/HR") building on the General Office campus that was completed at the end of 2011. Because the beginning plant balance for this rate case application is based upon plant in service as of December 31, 2011, Cal Water's proposed rates in this GRC already incorporate the costs of the building renovation. As Cal Water explained in A.12-06-016, however, Cal Water is aware that the settlement from the 2009 GRC indicated that Cal Water would file a separate application for the IT/HR building renovation. Upon the Commission's determination of the reasonable level of recovery for that renovation, a surcharge will be applied to customers' bills, and will end upon implementation of new rates from this GRC. ORA has agreed with this approach in an all-party settlement filed on March 4, 2013. Because the proposed settlement would decrease the costs for the project (Project 16992) from $6,011,172 to $5,734,400, the Parties agree that the lower costs for this project must also be incorporated in this GRC's revenue requirement calculations.

C. SPECIAL REQUEST #3: RATE DESIGN PILOT

Cal Water proposed continuation of elements of the current Conservation Rate Design Pilot, including tiered rates for residential customers, single-tariff rates for non-residential customers, a full Water Revenue Adjustment Mechanism ("WRAM"), and a Modified Cost Balancing Account ("MCBA"). ORA recommended modifications to exclude non-revenue water, reflect the actual conversions of flat-to-meter customers, and reflect the revenue from any "phase-in" of rates. In addition, ORA urged that the Commission preserve the options identified in D.12-04-048.

The Parties agree that the above-described elements of the current Conservation Rate Design Pilot should continue without any significant modifications. Specific related issues such as the conservation program and rate design adjustments are discussed in other chapters.

D. SPECIAL REQUEST #4: SALES RECONCILIATION MECHANISM

Cal Water proposed the addition of a "Sales Reconciliation Mechanism" for the escalation years of the general rate case period. The mechanism would adjust the adopted sales forecast for escalation years if recorded aggregate sales for the past year are more than 5% different (higher/lower) than adopted test year sales. The mechanism

would make a 50% adjustment, so if, for example, sales are 6% above adopted, escalation year rates would be set based upon a 3% upward adjustment in sales forecast.

ORA and TURN submitted testimony opposing this mechanism. ORA stated that the mechanism would allow customer rates to change beyond that which is currently permitted in the General Rate Case Plan for Class A Water Utilities. This issue is not being resolved in this Settlement Agreement. Parties request the opportunity to brief Cal Water's proposed mechanism.

E. SPECIAL REQUEST #5: RATE SUPPORT FUND

For modifications to the Rate Support Fund for this GRC period, please refer to Chapter 2 on Affordability Issues. For discussion of the Rate Support Fund Memorandum Account and the related Preliminary Statement, please refer to Chapter 7 on Balancing and Memorandum Accounts.

F. SPECIAL REQUEST #6: RATE PHASE-IN

In its Application, Cal Water proposed rate phase-ins for several districts. After discussions with impacted parties, Cal Water agreed to withdraw this proposal.

G. SPECIAL REQUEST #7: WAIVER OF NOTICE FOR ESCALATION YEARS' RATE INCREASES

For its Application, Cal Water calculated proposed rates for the escalation years, 2015 and 2016, based on future projections of inflation. The Commission's rules require additional customer notice if actual inflation causes the escalation years' rate increases to exceed those identified in the 2012 customer notices regarding the rate case application. As part of this Settlement, Cal Water agreed to withdraw this special request.

H. SPECIAL REQUEST #8: SUBSEQUENT OFFSET INCREASES

Cal Water proposed Special Request #8 to ensure that any rate increases authorized between the filing of its July 2012 GRC Application, and the effective date of new rates, are included in new rates. Water companies are allowed to change rates in between rate cases to reflect increased water production costs ("offsettable expenses"), the completion of certain capital projects ("rate base offsets"), and other defined

changes (which can result in an increase or decrease in rates). These rate changes are implemented via advice letter, and may result in surcharges/surcredits, changes to the quantity rate, or changes to the service charge.

Any rate changes authorized via advice letter prior to Cal Water's filing of its July 2012 GRC Application were incorporated into Cal Water's proposed rates. However, if the Commission has authorized rate changes since then, those changes should also be reflected in new rates. Cal Water therefore seeks explicit Commission authorization to incorporate into new rates any rate changes that occurred after this proceeding opened (hereinafter referred to as "subsequent" rate changes).

To effectuate this request, there are two components to integrate into the calculation of new rates. The first component is to correct the "present rates" that will appear in the Commission's final decision (for the purposes of comparing "present rates" against the newly adopted rates). The second component is to ensure that the revenue requirement model for the new rates include the rate changes subsequent to the GRC Application. For example, since offsettable expense filings reflect an increase in the unit cost for wholesale water purchases, that unit cost must be incorporated into the estimated test-year production costs to reflect true operating costs going forward.

The Parties agree that rate changes that occur after the July 2012 filing of Cal Water's GRC Application should be incorporated into new rates. For the rates proposed in this settlement, subsequent rate changes have been incorporated into the revenue requirements for the Dominguez, East Los Angeles, Los Altos, Hermosa Redondo, Oroville, Palos Verdes, Stockton, and Westlake Districts.

I. SPECIAL REQUEST #9: APPLY SALINAS DISTIRCT'S TARIFF TO BUENA VISTA CUSTOMERS

In D.07-09-013, the Commission approved the transfer of Buena Vista Water System to Cal Water. The Parties agree that the Salinas District's tariff should be applied to Buena Vista customers, and that Cal Water should receive authorization to remove the legacy tariff that applied to those customers.

J. SPECIAL REQUEST #10: APPLY KERN RIVER VALLEY DISTRICT'S KERNVILLE TARIFF TO JAMES WATER CUSTOMERS

In D.12-02-003, the Commission approved the transfer of James Water Company to Cal Water. The Parties agree that the Kern River Valley District's Kernville

tariff in the Kern River Valley District should be applied to James Water customers, and that Cal Water should receive authorization to remove the legacy tariff that applied to those customers.

K. SPECIAL REQUEST #11: AMORTIZE AND CLOSE BALANCING AND MEMO ACCOUNTS

See Chapter 7.

L. SPECIAL REQUEST #12: AMORTIZE AND CONTINUE BALANCING AND MEMO ACCOUNTS

See Chapter 7.

M. SPECIAL REQUEST #13: HEALTH COST BALANCING ACCOUNT

Cal Water requested a new Health Cost Balancing Account to track the difference between costs authorized in rates and actual costs for recovery or reimbursement. As part of the settlement of this proceeding, the Parties agree that Cal Water should be authorized to open a Health Cost Balancing Account and add a relevant preliminary statement via a Tier 1 advice letter. The balancing account for healthcare costs would be in effect for this rate case cycle only, and the determination to continue the balancing account will be addressed in the next general rate case. For more detail, see Chapter 7 (Balancing and Memorandum Accounts) and Chapter 9 (General Office Expenses), and Attachment 5 (Draft Preliminary Statements).

N. SPECIAL REQUEST #14: WATER QUALITY FINDING

Cal Water provided detailed testimony demonstrating its compliance with all water quality requirements in each of its districts. After evaluating Cal Water's water quality showing, ORA concluded that the company appears to be in compliance with all applicable water quality standards, and is addressing any issues raised by the California Department of Public Health ("CDPH"). No party alleges that there are violations of General Order 103 that Cal Water has failed to address. The Parties agree that the Commission should grant Special Request #14 and render a finding in its decision that Cal Water meets all applicable state and federal water quality requirements.

O. SPECIAL REQUEST #15: MODIFICATIONS TO CUSTOMER SERVICE RULES

Cal Water proposed several changes to its tariff rules primarily related to interactions with customers that included replacing outmoded language, updating requirements to reflect current law or practice, minor modifications to maintain internal consistency, and policy proposals that Cal Water believes better serve customers and the company. ORA opposed one proposal that would have increased the administrative fee for customers who submit bad checks or electronic transfers. The Parties agree that Cal Water's customer service rule modifications should be adopted with the exception of the increased bad check/electronic transfer fee, and that Cal Water should be authorized to file a Tier 1 advice letter to so modify its tariff rules. See Attachment 3 (Draft Modifications to Customer Service Rules).

P. SPECIAL REQUEST #16: BALANCED PAYMENT PLAN

Cal Water requested authority to offer a Balanced Payment Plan ("BPP") option to customers similar to that of Pacific Gas & Electric ("PG&E") that would allow residential and business customers to receive bills equal to their last 12 months' average bill, or a representative neighborhood bill if their consumption history is shorter than 12 months. The Parties agree that Cal Water should be authorized to file a Tier 2 advice letter to implement the BPP with minor changes to Cal Water's original proposal, and to add to its tariff provisions language that is substantially similar to those provided for the Balanced Payment Plan in Attachment 3 (Draft Modifications to Customer Service Rules). In addition, the advice letter will include a discussion of the procedures for how customers may remove themselves, or be removed from, the program, such as the following:

- A customer may end enrollment in the BPP by informing Cal Water by phone, or by submitting a form in person, by mail, or by email.
- Cal Water may end a customer's enrollment in the BPP as follows: After a bill becomes delinquent, the next customer bill will provide notice of the delinquency, and a warning that a continued failure to pay will result in water shut-off and removal from the BPP program. If the customer fails to pay within 10 days of the notice, Cal Water will include the same warning with its standard termination letter for nonpayment.
- If water is turned back on, the customer's next bill will indicate that the customer was removed from the BPP due to non-payment, and that they may not re-enroll unless their account is in good standing for at least 12 consecutive months (12 regular cycles or 6 bi-monthly cycles).

The accounts of customers who enroll in the BPP will be electronically tagged with a special identifier. For continuing customers who sign up, Cal Water will retain one year's worth of historical usage and billing data for that specific customer for later analysis. For program evaluation purposes, Cal Water agrees to monitor the success of the BPP program and provide a report in its next GRC. The report will include enrollment rates, water consumption, bill delinquencies, and service shutoffs. The report will also discuss major incremental costs incurred to initiate and maintain the program, and major cost savings that could be attributed to the program. Cal Water will also discuss whether further adjustments to the program may make it more cost effective.

Q. SPECIAL REQUEST #17: CREDIT/DEBIT CARD PROGRAM

Cal Water requested elimination of the pilot program for the company's no-fee credit/debit card options, and approval to offer these payment channels on a permanent basis without continuing the Credit Card Pilot Program Memorandum Account. Cal Water proposed to close the memorandum account without amortization of the balance. ORA expressed concern about cross-subsidization by customers who do not choose the credit/debit card options.

The Parties agree that the credit/debit card option is a customer benefit that should continue as long as customers who do <u>not</u> use the credit/debit option do <u>not</u> subsidize the option. Therefore, the Parties agree that a Modified Credit/Debit Card Pilot Program ("Modified Pilot") and accompanying memorandum account should be authorized, and that Cal Water will investigate the lowest-cost options that enable customers to pay by credit or debit. These may include credit card options other than (or in addition) to Visa credit/debit cards, as well as different credit/debit payment processors.

If, in the course of the Modified Pilot, Cal Water is unable to develop a cost-effective way to offer payment by credit or debit card, Cal Water may end the Modified Pilot by filing a Tier 1 advice letter. At that time, Cal Water would close the Modified Pilot and any balance in the account shall not be amortized. Existing customers that do not use this service should not have to subsidize any cost associated with it. Thus, any cost tracked in the memorandum account that exceeds the savings should be absorbed by Cal Water, not ratepayers, because Cal Water chose to pursue a program without a card processing fee. Cal Water would then have the option of pursuing a fee-based credit/debit payment offering via Tier 3 advice letter.

Cal Water should be authorized to implement the Modified Pilot Program, with associated changes to the preliminary statement for the memo account that are substantially similar to Attachment 5 (Draft Preliminary Statements), via a Tier 1 advice letter.

R. SPECIAL REQUEST #18: CHROMIUM 6 MEMO ACCOUNT

ISSUE: In its Application, Cal Water requested a Chromium-6 Memorandum Account to track the incremental costs for complying with the Maximum Contaminant Level ("MCL") for chromium-6 (or hexavalent chromium) that the CDPH will adopt in the near future. Cal Water has been active in the industry-wide process to determine the most-efficient and lowest-cost technologies for treating chromium-6 at different MCLs, but did not include any capital projects in this GRC that are specifically intended to treat for chromium-6. Instead, Cal Water requested authorization (Special Request #18) to open a Chromium-6 Memorandum Account because of concerns that the CDPH's final rule on chromium-6 may not provide an implementation period sufficient to build and put into use the facilities necessary for compliance.

ORA opposed Cal Water's request to begin tracking costs for complying with the impending CDPH's final chromium-6 rule because of uncertainty regarding both the final MCL, and how soon that MCL will be adopted. In August 2013, the CDPH issued a draft rule establishing an MCL of 10 parts per billion ("ppb") for chromium-6. After a public review process, the CDPH will adopt a final rule establishing the MCL level for chromium-6.

RESOLUTION: Both Parties recognize the importance of protecting public health by ensuring that Cal Water's drinking water meets the MCL standard as required by the CDPH. The Parties agree that Cal Water may file a Tier 1 advice letter to open a Chromium-6 Memorandum Account before the CDPH adopts a final MCL for chromium-6. The related preliminary statement for this account will be substantially similar to the draft included in Attachment 5 (Draft Preliminary Statements). However, Cal Water may only begin tracking the incremental costs for complying with the MCL once the CDPH adopts the final MCL, and the costs to be tracked can only be the incremental costs incurred on or after the date that the final MCL is adopted.

In this context, incremental costs are defined as costs (including labor, overhead, operations & maintenance expenses, and capital-related costs including return on investment, income taxes, ad valorem tax, depreciation, and other taxes and fees) that

are over and above those that the Commission has approved for recovery through base rates authorized in this GRC.

Projects completed before MCL adopted: In the event that a relevant capital project is operationally in service and closed to plant before the final MCL is adopted, Cal Water may start tracking the incremental revenue requirement associated with that project when the final MCL is adopted. If a capital project is completed after the final MCL is adopted, Cal Water may start tracking the revenue requirement associated with that project when it is operationally in service and closed to plant.

MCL adopted before Commission decision on Agreement: If the CDPH adopts a final MCL for chromium-6 before the Commission adopts a final decision on this settlement, ORA will not oppose a Cal Water request to open a memorandum account that includes the terms described in this section, provided that Cal Water's request complies with all applicable Commission rules and procedures.

Interactions with next GRC: In its 2015 GRC application, Cal Water may propose recovery for chromium-6 costs through the GRC, rather than through the memorandum account, as long as such request is noted in the memo account and the application provides the detailed justifications described below. This memorandum account is only intended to cover chromium-6 costs that Cal Water was not able to forecast for inclusion in its July 2012 general rate case filing. Cal Water may not track in this memorandum account costs that can reasonably be forecasted for inclusion in Cal Water's next general rate case application, to be filed in July 2015 (i.e., Cal Water may not include in this memorandum account costs and revenue requirement expected to be incurred starting in January 1, 2017, the beginning of the GRC cycle following the A.12-07-007 GRC).

Procedures for cost recovery via advice letter: Cal Water may file one Tier 3 advice letter per district that includes all chromium-6 related projects for that district. For each capital project, Cal Water will provide detailed justifications that contain least-cost analyses that consider all feasible alternatives, including but not limited to blending, removing the well from active status, and Best Available Technologies ("BATs") for chromium-6 treatment as specified in Title 22 of the California Code of Regulations. The need to maintain the affected well's active status, thus requiring capital investment, must be supported with consideration of the district's available water supply resources, including new supply projects agreed upon in this GRC.

When the last capital project in a district is nearing completion (operationally in service and closed to plant), approximately one month before an advice letter seeking recovery is filed, Cal Water will confer with ORA to alert it of the advice letter filing, and begin providing the data supporting both the incremental capital projects, capital-related costs and expenses in the memo account for the recovery requested.

S. SPECIAL REQUEST #19: CROSS-CONNECTION RULES

Cal Water proposed several policy changes to its cross-connection rules (in Tariff Rule 16) necessary for implementing changes to its cross-connection control program ("CCCP") being driven by staff of the CDPH. The modifications to Rule 16 are generally intended to (1) update terminology and references to reflect current industry standards; (2) provide greater specificity and clarity to Cal Water's mandates, and customers' responsibilities, in order to carry out Cal Water's enforcement of its CCCP consistent with the expectations of the CDPH. The proposed modifications have no direct impact on either customers' rates or Cal Water's revenue requirement. ORA expressed concern about the potential for the modifications to cause some customers to install backflow prevention assemblies unnecessarily.

The Parties agree that Cal Water should be authorized to file a Tier 1 advice letter to revise Rule 16 as proposed (see Attachment 4, Draft Modifications to Cross-Connection Rules), and that Cal Water will take certain steps going forward. Once the full scale CCCP is implemented, Cal Water will begin tracking the rate of error for mistakenly notifying customers that they must install a backflow prevention device, and will report its findings in its next GRC. Cal Water will also provide a proposal on how it may reduce the program's error rate in its next GRC. In addition, any customer notices indicating that a backflow prevention assembly is required will clearly specify that the customer has the option of requesting that Cal Water conduct an on-site inspection to confirm the requirement before having to install the backflow prevention assembly.

T. SPECIAL REQUEST #20: LOT AND TRANSMISSION FEES

Cal Water has a variety of per-lot-fees in place across several of its districts. These include a source of supply fee for predominantly groundwater-supplied districts, a unitized 12" transmission line per lot fee in the Visalia District, and per lot fees in the Kern River Valley and Antelope Valley Districts. In this proceeding, Cal Water proposed increasing the fees for the unitized transmission main fee to reflect the inclusion of fire hydrants, and to update costs to reflect increased construction costs. Likewise, Cal Water proposed increasing the per lot fee in the Kern River Valley and Antelope Valley Districts to reflect higher costs. ORA reviewed the proposed fees and found them to be reasonable.

The Parties agree to increase the unitized transmission line per lot fee to $1,400 per 1" equivalent service and $5,350 per acre of development in the Visalia District. The Parties also agree to increase the per lot fees in the Kern River Valley and Antelope Valley Districts to $1000. Cal Water should be authorized to modify Rule 15 via a Tier 1 advice letter. In order to simplify the tariffs with regard to per lot fees, Cal Water will add language to Tariff Rule 15 to include per lot fees for the Kern River Valley District and the Antelope Valley District, and will cancel the existing per lot fee sheets for those districts (currently found on tariff sheets 330-W and 483-W). Cal Water also agrees to review and present the cost of its source of supply per-lot-fees in its next general rate case.

U. SPECIAL REQUEST #21: TARIFF FOR FIRE SERVICE

In several of its districts, Cal Water has a special tariff for residential services that also have a fire sprinkler demand. The terms of each tariff vary, and Cal Water proposed to standardize the tariffs in this proceeding. Additionally, the State of California has implemented a law requiring residential fire sprinklers on all new construction. Complying with this requirement usually requires a customer to upgrade the usual meter service to a larger size to accommodate the additional potential demand on the service.

In all of its districts, for these upgraded residential services that are required because of fire flow, Cal Water proposed to bill customers for a service charge that is applicable to one or two meter sizes lower than the installed meter size, depending on circumstances. ORA recognized the need to standardize and update Cal Water's

residential fire service tariffs, but recommended following Standard Practice U-7-W to achieve consistent results based on an established methodology.

The Parties agree to use the methodology outlined in Standard Practice U-7-W to calculate a residential fire service charge for each district. For those districts that already have a residential fire service tariff in place, the Parties agree that charges should not be recalculated at this time. Cal Water further agrees to work with its Customer Service Department to systematically identify customers who have a larger meter because of the residential fire service demand, and to switch those customers to the special fire service rate after a comprehensive outreach campaign.

[END OF CHAPTER]

CHAPTER 7. BALANCING AND MEMORANDUM ACCOUNTS

A. GENERAL ISSUES

ISSUE: In its Application and the Testimony of Mr. Thomas F. Smegal, Cal Water summarized the existing memorandum and balancing accounts authorized by the Commission (generally, "accounts"). Most accounts are associated with a "preliminary statement" that describes the purpose of and accounting procedures for the account, and that is included in Cal Water's tariffs. Some accounts are not associated with a preliminary statement. Cal Water requested authority to close some accounts, to amortize some accounts, and to continue and/or modify some accounts. For some accounts that are continuing that do not have an existing preliminary statement, Cal Water also requested creation of a preliminary statement (International Financial Reporting Standards Memorandum Account, Water Contamination Litigation Memorandum Account, Infrastructure Memorandum Account, Rate Support Fund Balancing Account, and Credit Card Program Memorandum Account). In addition, Cal Water submitted a revised Preliminary Statement AE for the 2010 Tax Law Memorandum Account.

ORA reviewed the memorandum and balancing accounts, sought additional information through data requests, and provided recommendations in its Report on the Balances in the Memorandum and Balancing Accounts of California Water Service Company.

RESOLUTION: In settlement negotiations, Cal Water and ORA reached agreement on the status of all existing and proposed accounts. For the purposes of this chapter, "Parties" refers to Cal Water and ORA unless otherwise specified.

In Section C of this Chapter, the Parties identify the memo and balancing accounts that they agree should be closed because no future transactions are appropriate, and the balances are zero. The Parties request that the Commission authorize closure of the accounts. To the extent that an account to be closed has a "preliminary statement," the Parties request that the Commission also authorize Cal Water to file a Tier 1 advice letter to remove the preliminary statement from its tariff.

In Section D of this Chapter, the Parties identify the memo and balancing accounts that have balances, but that should be closed after appropriate disposition of those balances. If an account in this category has already been amortized once, and there is still a small residual balance, the Parties recommend that the residual be transferred to the General District Balancing Accounts (discussed in Section F, below) so that small balances can be aggregated for later amortization. If an account in this category does not have a preliminary statement, the Parties do not recommend adding a preliminary statement because the accounts are intended to be closed in the near future. However, there are two accounts that must be amortized before closing that were established to track costs in the 2011-2013 rate case period – the Conservation Expense Balancing Account and the Pension Cost Balancing Account. Because the Parties are proposing in this Agreement that new balancing accounts for the same purposes be opened for the 2014-2016 rate case period, the preliminary statement "identifiers" of the old accounts – Z and AA – should be changed to Z1 and AA1 to prevent confusion with the two new accounts, which will be designated Z2 and AA2.

In Section E of this Chapter, the Parties identify the memorandum and balancing accounts that they agree should continue. For accounts in this category without an existing preliminary statement, the Parties request Commission approval for Cal Water to file Tier 1 advice letters to add preliminary statements to its tariff that are substantially similar to those provided in Attachment 5 (Draft Preliminary Statements).

The Parties agree to establish the following new balancing and memorandum accounts for the rate case period of 2014 through 2016: Chromium-6 Memorandum Account (Preliminary Statement AI), Conservation Expense Balancing Account (Preliminary Statement Z2), Pension Cost Balancing Account (Preliminary Statement AA2), Health Cost Balancing (Preliminary Statement AB2), and East Los Angeles Memorandum Account (new preliminary statement). In addition, the Parties agree to the creation of a General District Balancing Account for each ratemaking area to aggregate small residual balances for later amortization. (See Section F of this Chapter.) In the event that the Commission does not adopt this settlement until after the first day of the first test year, all memorandum and balancing accounts that would have become effective on the first day of the first test year, will become effective instead on the effective date of the final decision in this proceeding. Cal Water will propose an interim rate memorandum account and a method to track in the interim rate memorandum

account any revenue requirement components that would have been tracked in other balancing or memorandum accounts agreed to in this settlement.

For the advice letters that the Parties propose be authorized in this chapter, the deadline for filing will be 120 days after a final decision in this proceeding, unless otherwise specified.

1) Formal Procedures for Reviewing Memo and Balancing Accounts

ISSUE: ORA noted in its report that Cal Water did not have formal procedures in place for recording transactions in and maintaining its numerous existing memo and balancing accounts consistently.

RESOLUTION: The Parties agree that Cal Water should establish more formal internal procedures to ensure that the company's memo and balancing accounts are more consistently maintained. During the settlement process the parties discussed how the process should be improved. Cal Water will apply the formal processes established for new memo and balancing accounts to existing memo and balancing accounts. As part of the improvement process, Cal Water's goal is to maintain a current running balance in each of the accounts going forward (except in situations where the amounts to be included in the account may not be identified until a later date, *e.g.,* tax accounts, certain legal accounts that may not be billed until the end of the case, etc.).

The milestones for developing a more formal internal review process, and procedures/guidelines for memorandum and balancing accounts are as follows:

- November 27, 2013: Complete spreadsheet with details of all memorandum and balancing accounts.
- January 6, 2014: Complete modifications to written internal procedures/guidelines for maintaining memorandum and balancing accounts.

These spreadsheets and written internal procedures/guidelines will include:

1) A detailed description of the step-by-step process of recording transactions in the memorandum and balancing accounts;
2) Detailed instructions for the process of determining which transactions are eligible to be included (e.g., effective date that transactions can begin being recorded in the accounts, types of costs, etc.);
3) A detailed discussion of how certain departments will coordinate with respect to memorandum and balancing accounts that require different types of costs to be captured (e.g., engineering (plant expenditures), legal costs, etc.);

4) A finalized approach for storing and organizing legal invoices and detailed instructions as to how the legal invoices will be recorded and/or allocated to the litigation memorandum accounts;

5) A detailed discussion of how to ensure that expenses that are already included in rates, are not also double-counted in the memorandum and balancing accounts (e.g., internal labor, overhead costs, legal expense, etc.);

6) Instructions for maintaining the older balancing and memorandum accounts;

7) Identification of any special reporting Cal Water is required to make in association with each memorandum and balancing account (e.g., litigation status reports, conservation reports, etc.);

8) All preliminary statements should be attached to the guidelines for ease of reference; and,

9) A process for systematically updating the guidelines and spreadsheets every GRC cycle and periodically to account for any new changes in the existing accounts as well as addition/deletion of accounts.

2) Balance Sheet Treatment vs. Income Statement Treatment

ISSUE: In its report, ORA noted that Cal Water records some memo accounts on its balance sheet. Per Standard Practice U-27-W, balances in memorandum accounts are not a guarantee of recovery as they have not been reviewed by the Commission, with the exception of instances where there is a Commission directive identifying a known and measurable liability or recovery amount (*e.g.*, MTBE memorandum account, etc.).

Cal Water maintains that in the normal course of the company's accounting practices, revenues and expenses flow into its "income statement," which forms the basis for the revenues and expenses forecasted in GRCs to develop new rates.

RESOLUTION: As part of a settlement in this proceeding, to the extent Cal Water determines without a relevant Commission order that an amount in a balancing or memo account should be recorded as a regulatory liability or asset on the company's "balance sheet," rather than being included on its income statement, Cal Water agrees that it will not cite that accounting treatment as justification in favor of a particular disposition of the given amounts in an informal or formal Commission proceeding. This is not intended to prohibit Cal Water from referencing the regulatory treatment that has been applied to an amount.

3) Elimination of Residual Account Balances

ISSUE: Cal Water requests authority to establish district-specific general balancing accounts because, currently, there is no mechanism for Cal Water to close out small balances that remain from memo and balancing accounts that have been over- or under-amortized. For Cal Water to implement small surcredits and surcharges to eliminate these balances, the administrative burden to Cal Water and the Commission and the confusion to customers of another surcharge/surcredit outweigh the minor benefits of closing out the accounts.

RESOLUTION: Accordingly, the Parties agree that small residual account balances that meet certain conditions can be transferred to district-specific general balancing accounts so that they can be aggregated, and amortized together. The conditions that apply to transfer residual account balances to the new "general district balancing accounts" are discussed below in Section F of this Chapter.

B. SUMMARY OF AGREEMENT ON BALANCING AND MEMO ACCOUNTS

	REGULATORY ACCOUNT	Prelim. (Abbrev.)	Close	Con-tinue	Action to Prelim.	Notes
1	Recycled Water Memo Account	E RWMA	X		Eliminate via AL.	No balance to amortize.
2	MTBE Memo Account	F MTBE MA		X		File AL for projects completed after 2011.
3	Military Family Relief Program MA	G MFRP	X		Eliminate via AL.	No balance to amortize.
4	Low-Income Ratepayer Assistance Memo Account	H LIRA MA		X		Tier 1 - amortize thru 2011. Tier 3 - amortize 2012-2013.
5	Water Conservation Memo Account	I WCMA	X		Eliminate via AL.	No balance to amortize.
6	Credit Card Pilot Program Memo Account	J1 CCPP MA	X		Eliminate via AL.	No balance to amortize.
7	Credit/Debit Card Pilot Program Memo Account (Modified)	J2 CCPP MA		New	Add via AL	New account.
8	Wausau Memo Account	K WMA		X		
9	Water Conservation Exp. Memo Account	L WCEMA	X		Eliminate via AL.	Transfer balance to District BAs.

	REGULATORY ACCOUNT	Prelim. (Abbrev.)	Close	Con-tinue	Action to Prelim.	Notes
10	Water Revenue Adj. Mech. /Modified Cost Bal. Account	M WRAM/MCBA		X		
11	Water Conservation Expense One-Way Balancing Account	N WCBA			Eliminate via AL.	Transfer balance to District BAs.
12	Groundwater Rule Compliance Cost MA	O GRCC MA	X		Eliminate via AL.	No balance to amortize.
13	Dept of Toxic Substances Control Memo Account	P DTSC MA		X		
14	A.08-05-019 Memo Account (HomeServe)	Q HomeServe MA	X		Eliminate after amortization.	Balance to amortize (surcredit only).
15	Temporary Interest Rate Balancing Account	R TIRBA	X		Eliminate via AL.	Transfer balance to District BAs.
16	Water Cost of Capital Adjustment Mechanism	S WCCM		X		
17	Lucerne Balancing Account	T LBA		X		
18	Tort Litigation Memo Account	U TLMA	X		Eliminate after amortization.	Balance to amortize.
19	PCE Litigation Memo Account	V PCE LMA		X		
20	TCP Litigation Memo Account	W TCP LMA		X		
21	Operational Energy Efficiency Program Memo Account	X OEEP MA	X		Eliminate after amortization.	Balance to amortize (rate base offsets).
22	OII 07-01-022 Memo Account	Y OII 07-01-022	X		Eliminate via AL.	No balance to amortize.
23	Conservation Expense One-Way Balancing Account	Z1 CEBA	X		Eliminate after amortization.	Balance to amortize (surcredit only).
24	Conservation Expense One-Way Balancing Account	Z2 CEBA2		New	Add via AL.	New account.
25	Pension Cost Balancing Account	AA1 PCBA	X		Eliminate after amortization.	Balance to amortize (2011-2013 balance).
26	Pension Cost Balancing Account	AA2 PCBA2		New	Add via AL.	New account.
27	Health Care Expense Memo Account	AB1 HCEMA	X		Eliminate via AL.	No balance to amortize.
28	Health Cost Balancing Account	AB2 HCBA		New	Add via AL.	New account.
30	Pressure Reducing Valve MA	AC PRV MA		X		
31	Stockton Litigation Memo Account	AD SLMA		X		File reports every October and April.
32	Tax Act Memo Account	AE Tax Act MA		X	Modify via AL.	Update prelim.
33	Caltrans Litigation Memo Account	AF CLMA	X		Eliminate via AL.	Project included in rates.

	REGULATORY ACCOUNT	Prelim. (Abbrev.)	Close	Con-tinue	Action to Prelim.	Notes
34	Catastrophic Event Memo Account	AG CEMA		X		
35	Cost of Capital Interim Rate Memo Account	AH CCIMA	X		Eliminate via AL.	Transfer balance to District BAs.
36	Chromium-6 Memo Account	AI Chromium-6 MA		New	Add via AL.	New account.
37	LIRA Balancing Account	AJ LIRA BA		X		
38	Incremental Cost Balancing Accounts	ICBAs	X		[none]	Transfer balances and eliminate.
39	General Office Synergies Memo Account	GOS MA	X		[none]	Eliminate.
40	Salinas Water Treatment Memo Account	Salinas WT MA	X		[none]	Eliminate.
41	Kern River Improvements Memo Account	KRIMA	X		[none]	Eliminate.
42	American Job Creation Act Adjustment Mechanism	AJCA	X		[none]	Eliminate after amortization.
43	General District Balancing Accounts	Gen BA		New	New Prelim	Add prelim and amortize balances.
44	Water Contamination Lit. Memo Account	WCLMA		X	New Prelim	Continuing account (new prelim).
45	Infrastructure Act Memo Account	Infrastructure MA		X	New Prelim	Continuing account (new prelim).
46	Rate Support Fund Balancing Account	RSF BA		X	New Prelim	Continuing account (new prelim).
47	International Financial Reporting Standards MA	IFRS MA		X	New Prelim	A "triggered" new account; Cal Water may only file the advice letter to establish the account if the SEC adopts the final International Financial Reporting Standards.
48	East Los Angeles Memo Account	ELAMA		New	New Prelim	New account.
	Shaded accounts to be eliminated.					

C. ACCOUNTS TO BE CLOSED (NO BALANCES)

1) Recycled Water Memorandum Account ("RWMA") Preliminary Statement E

ISSUE: Cal Water filed Advice Letters ("AL") 1614 and 1614-A pursuant to D.04-04-041 to establish a memo account to track the revenues and costs incurred that were associated with the sale of recycled water in the Palos Verdes and Dominguez Districts. Cal Water stated that the memorandum account is no longer necessary because recycled water is included in the WRAM and MCBA accounts, and requested that the

account be closed and that Preliminary Statement E be canceled. Cal Water also requested that the Commission authorize it to remove the reference to the memo account from the Dominguez tariff. The balance in the memorandum account as of August 31, 2012 was zero. ORA agrees the account should be closed.

RESOLUTION: The Parties agree that the account should be closed and Preliminary Statement E should be canceled.

2) Military Family Relief Program Memorandum Account ("MFRPMA") Preliminary Statement G

ISSUE: Cal Water filed Advice Letter 1761 to implement the Military Family Relief Program in compliance with Assembly Bill No. 1666. The MFRPMA tracks uncollectibles and the implementation costs for later recovery. Cal Water requested closure of the memorandum account because no costs were ever recorded in the account, and cancellation of Preliminary Statement G. The balance in the memorandum account as of August 31, 2012 was zero. ORA agrees the account should be closed.

RESOLUTION: The Parties agree that the account should be closed and Preliminary Statement G should be canceled.

3) Water Conservation Memorandum Account ("WCMA") Preliminary Statement I

ISSUE: On January 11, 2007, an Order Instituting Investigation to Consider Policies to Achieve the Commission's Objectives for Class A Water Utilities was opened (I.07-01-022). In accordance with that proceeding, Cal Water received approval to establish a Conservation Memo Account for its South San Francisco, Mid-Peninsula, and Bear Gulch Districts. The account was superseded by the WRAM/MCBA accounts in July 2008.

Cal Water stated that it did not track a balance in this account and never requested amortization of any balance. Cal Water requests authorization to eliminate the memorandum account and to cancel Preliminary Statement I. The balance in the memorandum account as of August 31, 2012 was zero. ORA agrees the account should be closed.

RESOLUTION: The Parties agree that the account should be closed and Preliminary Statement I should be canceled.

4) Groundwater Rule Compliance Cost Memorandum Account ("GRCCMA") Preliminary Statement O

ISSUE: In D.08-07-008, the Commission authorized Cal Water to implement the GRCCMA to record costs associated with complying with the Federal Groundwater Rule. Cal Water stated that there was no balance in this account because the company was able to meet the requirements without major expenditures. Cal Water requests authorization to close the memorandum account and to cancel Preliminary Statement O. The balance in the memorandum account as of August 31, 2012 was zero. ORA agrees the account should be closed.

RESOLUTION: The Parties agree that the account should be closed and Preliminary Statement O should be canceled.

5) Conservation OII Expenses (I. 07-01-022) Memorandum Account ("COIIMA") Preliminary Statement Y

ISSUE: In D.08-02-036, the Commission authorized Class A water utilities to establish memorandum accounts to track legal and related costs of participating in I.07-01-022, an Order Instituting Investigation to Consider Policies to Achieve the Commission's Objectives for Class A Water Utilities. Cal Water does not request recovery for any incremental consultant costs incurred and requests authorization to close the account because I.07-01-022 is closed. The balance in the memorandum account as of August 31, 2012 was zero. ORA agrees the account should be closed.

RESOLUTION: The Parties agree that the account should be closed and Preliminary Statement Y should be canceled.

6) Kern River Improvement Memorandum Account ("KRIMA") No Preliminary Statement

ISSUE: In D.06-01-018, the Commission authorized Cal Water to establish a memorandum account to record costs (not to exceed $7.5 million) associated with complying with new arsenic treatment standards adopted by the Federal Environmental Protection Agency. Cal Water stated that it completed its compliance, never recorded any balance in the account, and requests authorization to close the account without amortization. The balance in the memorandum account as of August 31, 2012 was zero. ORA agrees the account should be closed.

RESOLUTION: The Parties agree the account should be closed.

7) Salinas Water Treatment Memorandum Account ("SWTMA") (No Preliminary Statement)

ISSUE: In D.02-08-054, the Commission authorized Cal Water to establish a memorandum account to record incremental costs, from the date of the decision, for ion-exchange purification equipment for four wells in the Salinas District. The decision stated that the company could seek Commission consideration of amounts in the account in its next GRC. D.04-03-025 modified the previous decision by allowing the company to seek ratemaking consideration by annual advice letter filings, rather than in the next GRC, in order to mitigate rate shock because the balance in the account had become significant. Cal Water made one filing to amortize the balance accrued from 11/1/2002 through 12/31/2004, did not further accrue any balances in the account after 2004, and requests closure of the account without further amortization. The balance in the memorandum account as of August 31, 2012 was zero. ORA agrees the account should be closed.

RESOLUTION: The Parties agree the account should be closed.

8) General Office Synergies Memorandum Account ("GOSMA") (No Preliminary Statement)

ISSUE: The settlement in A 01-09-062 authorized Cal Water to establish a memorandum account to track the revenue requirement associated with Cal Water's proposed synergies adjustment for subsequent recovery, if found reasonable, as a result of combining Dominguez Water Corporation and Cal Water's general offices. In its testimony, the company stated that, "due to the staggered nature of rate case filings until 2009, Cal Water amortized these balances pursuant to several different Commission Orders. Remaining amounts from under-amortizing the balances or due to interest remain in the account. Cal Water requests authorization to amortize and close this account." The company stated that there is no balance in this account. ORA recommended the account be closed without amortization.

RESOLUTION: The Parties agree that there is no balance in the account and the account should be closed.

9) Health Care Memorandum Account ("HCMA") Preliminary Statement AB[1]

ISSUE: The settlement approved in D.10-12-017 authorized the company to implement a memorandum account to track costs limited to unknown and potentially significant cost changes related to the federal health care bill passed by Congress in April 2010. Cal Water proposed amortizing the balance in the Health Care Memorandum Account at the end of 2013, and closing the account. ORA contends that

the balance in the memo account as of August 31, 2012 was zero. Cal Water subsequently indicated that $438,600 related to 2011 and 2012 health care changes should be recoverable through the account. ORA recommended the account be closed without amortization because, in its analysis, there was no balance in the account as of August 31, 2012. Cal Water disagreed with ORA's interpretation of the balance that is properly recoverable through the account.

As discussed in this Agreement in Section F of this chapter, as well as in Chapter 6 (Section M), Cal Water proposed a different mechanism, a new Health Cost Balancing Account (Special Request #13), that would track the difference between actual and authorized health cost expenditures.

RESOLUTION: As part of this Settlement Agreement, the Parties agree to the following: (1) the Health Care Memorandum Account should be closed, no costs will be requested for recovery, and Preliminary Statement AB[1] should be canceled, and; (2) as discussed in Section F of this chapter, and in Chapter 6 (Section M) addressing Special Requests, Cal Water may open a new Health Cost Balancing Account ("HCBA") with a new Preliminary Statement AB2.

D. ACCOUNTS TO BE AMORTIZED AND CLOSED

1) Water Conservation Expense Memorandum Account ("WCEMA") Preliminary Statement L

ISSUE: In D.07-12-055, the Commission authorized Cal Water to establish the WCEMA to track conservation expenses. On January 27, 2012, the company filed Advice Letter No. 2006-A pursuant to Resolution W-4870 to recover the $1,861,877 balance in the WCEMA through a surcharge. Cal Water stated that amortization should be completed in March 2013 and that it would request amortization of any under/over-collection in its next GRC. During the course of settlement, Cal Water modified its request to propose further amortization of any residual balance through the general district balancing accounts. The balance in the account as of August 31, 2012 was $959,879. ORA agrees the account balance should be amortized and closed.

RESOLUTION: The Parties agreed that the residual balance in the account should be transferred to the general district balancing accounts, and Preliminary Statement L should be canceled. Any residual balance other than the balance reviewed

by ORA is subject to approval or rejection by the CPUC, pursuant to GO 96-B, Water Industry Rule 7.3.1.

2) Water Conservation Expense One-Way Balancing Account ("WCEBA") Preliminary Statement N

ISSUE: In D.06-08-011, the Commission authorized Cal Water to establish the WCEBA to track conservation expenses by district against the corresponding budget allowances adopted in the decision in a one-way balancing account for its Antelope Valley, Bear Gulch, Dominguez-South Bay, Hermosa Redondo, Kern River Valley, Marysville, Palos Verdes and Redwood Valley Districts. In D.08-07-008, the Commission also authorized Cal Water to establish a one-way balancing account to track conservation expenses for its Chico, East Los Angeles, Livermore, Los Altos, Mid-Peninsula, Salinas, Stockton and Visalia Districts.

The company requested to close the memorandum accounts, cancel Preliminary Statement N, and transfer any residual balance to the general district balancing accounts. The accounts have been amortized via AL's 2025 and 2026, and a residual credit balance of ($33,802) which represents a refund to ratepayers, remained as of August 31, 2012. ORA agrees that the account should be closed.

In addition, because the revised rate case plan delayed the GRCs for Cal Water's Antelope Valley, Bear Gulch, Dominguez-South Bay, Hermosa Redondo, Kern River Valley, Marysville, Palos Verdes and Redwood Valley Districts, the Commission increased the conservation budget for those districts in D.08-08-030. The settlement in that proceeding established a memo account for the 1.5 year gap for the eight districts, and provided that the additional conservation funding be booked into the memo account as a result of the delay. The company's rebuttal testimony stated that the account authorized in D.08-08-030 had no balance and agreed with ORA that the account should be closed.

RESOLUTION: The Parties agree that all of the conservation-related memo accounts described above (authorized by D.06-08-011, D.08-07-008, and D.08-08-030) should be closed, and Preliminary Statement N should be canceled. The Parties also agree that residual balances should be transferred to the appropriate general district balancing accounts. Any residual balance other than the balance reviewed by DRA is subject to approval or rejection by the CPUC, pursuant to GO 96-B, Water Industry Rule 7.3.1.

3) Conservation Expense Balancing Accounts ("CEBA") (Preliminary Statement Z1)

ISSUE: The Commission authorized the CEBA in D.10-12-017 as a one-way balancing account to track the difference between actual and authorized conservation expenses for the rate case period of January 1, 2011 through December 31, 2013. The tracking methodology is described in Preliminary Statement Z. Cal Water requested authority to amortize the CEBA in 2014 via surcredits as appropriate. ORA verified the balance in this account to be ($5,976,962) as of August 31, 2012.

RESOLUTION: The Parties agree that Cal Water should be authorized to request to amortize the CEBA for 2011-2013 via a Tier 1 advice letter within 120 days of a Commission decision on this Settlement. Any balance other than the balance reviewed by ORA is subject to approval or rejection by the CPUC, pursuant to GO 96-B, Water Industry Rule 7.3.1. The preliminary statement for that CEBA must continue while the account is being amortized. In addition, as discussed in Section F, below, the Parties agree that Cal Water should be authorized to open a new CEBA for the period of 2014-2016. In order to retain "Preliminary Statement Z" to designate any current and future conservation balancing accounts in general, the Parties agree that the CEBA for the 2011-13 rate case period should be renamed "Preliminary Statement Z1." For the rate case period of 2014-2016, a new preliminary statement designated "Preliminary Statement Z2" should be authorized.

4) Pension Cost Balancing Account ("PCBA") (Preliminary Statement AA1)

ISSUE: In D.12-10-017, the Commission authorized creation of the PCBA to track the difference between actual and authorized pension costs for 2011-2013. ORA verified the balance in this account as $1,673,629 as of August 31, 2012.

RESOLUTION: The Parties agree that Cal Water should be authorized to amortize the PCBA for 2011-2013 via a Tier 1 advice letter within 120 days of a Commission decision on this Settlement. Any balance other than the balance reviewed by ORA is subject to approval or rejection by the CPUC, pursuant to GO 96-B, Water Industry Rule 7.3.1. The preliminary statement for that PCBA must continue while the account is being amortized. In addition, as discussed in Section F, below, the Parties agree that Cal Water should be authorized to open a new PCBA for the period of 2014-2016. In order to retain "Preliminary Statement AA" to designate any current and future pension cost balancing accounts in general, the Parties agree that the PCBA for the 2011-13 rate case period should be renamed "Preliminary Statement AA1." For the rate

case period of 2014-2016, a new preliminary statement designated "Preliminary Statement AA2" should be authorized.

5) A.08-05-019 Memorandum Account ("HomeServe/ESP MA") (Preliminary Statement Q

ISSUE: ALJ Ruling dated May 11, 2009 in A. 08-05-019 stated that:

> Pending the resolution of this proceeding, Cal Water is directed to track all revenues received from utility customers for the subject services and all costs incurred since the inception of the service in a memorandum account. Costs should be tracked under two methodologies: (1) Cal Water's affiliate transaction rules (greater of cost or fair market value); and (2) the excess capacity rules for utilities established in D. 00-07-018, as modified by D. 03-04-028 and D. 04-12-023.

Cal Water's direct testimony in this proceeding stated that:

> a proposed settlement agreement addresses the historical balance in this account, and would resolve how future costs and revenues should be handled, is currently before the Commission in A. 08-05-019. If the proposed settlement is adopted, the only costs left to be tracked will be those incurred between June 30, 2011 and January 14, 2014. In that event, Cal Water proposes that this account be amortized and closed on or after December 31, 2013.

In D.13-02-026, the Commission approved a joint settlement between Cal Water and ORA that resolved all issues raised in A.08-05-019, including the disposition of costs in this memo account up through June 30, 2011. The decision ordered that the appropriate forecast for revenue sharing with customers be included in the new rates adopted in this GRC proceeding, and that the balance in the memo account for the period of July 1, 2011 to December 31, 2013 subsequently be amortized.

The balance in the account as of August 31, 2012 was ($2,161,000) which represents a credit to ratepayers. ORA's report stated that it was not opposed to amortizing the balance and closing the memo account after the remaining transactions are reviewed.

RESOLUTION: Consistent with D.13-02-026, the Parties agree that Cal Water should be authorized to file a Tier 2 advice letter to request authorization to amortize the balance in the account for the period of July 1, 2011 through December 31, 2013 (which may only result in a surcredit to customers, rather than a surcharge, under the terms of the settlement in A.08-05-019). ORA agrees this should be a Tier 2 advice letter because Ordering Paragraph 10 of D.13-02-026 requires the surcredit to be given at the conclusion of Application 12-07-007.

After amortization, Cal Water may file a Tier 1 advice letter to move any remaining residual balance to the general district balancing accounts, close this memo account, and remove Preliminary Statement Q from its tariff. As discussed in Chapter 5 regarding Non-Tariffed Services, the appropriate forecast for revenue sharing has been incorporated into the rates proposed in this Settlement.

6) Temporary Interest Rate Balancing Account ("TIRBA") Preliminary Statement R

ISSUE: In D.09-05-019, the Commission adopted the TIRBA to track the difference between the interest cost for long-term debt issued after January 1, 2009, and the interest cost in the adopted cost of capital for debt issues in 2009 or later. D.12-07-09 dated July 12, 2012 authorized the balance of ($1,141,919) in the TIRBA to be amortized over twelve months via a surcredit and elimination of the balancing account. Cal Water requests that the TIRBA be closed, Preliminary Statement R be canceled, and any residual balance be transferred to the general district balancing accounts. The balance in the account as of August 12, 2012 was ($1,141,920) which represents a credit to ratepayers. ORA agrees the account should be amortized and closed.

RESOLUTION: The Parties agree that the residual balance should be transferred to the general district balancing accounts, the account should be closed, and Preliminary Statement R should be canceled. Any residual balance other than the balance reviewed by DRA is subject to approval or rejection by the CPUC, pursuant to GO 96-B, Water Industry Rule 7.3.1.

7) Cost of Capital Interim Rate ("CCIRMA") Memorandum Account Preliminary Statement AH

ISSUE: In A.11-05-001, the Commission addressed the rates of return ("RORs") that should be adopted for Cal Water and other Class A water companies beginning January 1, 2012. When the Commission's consideration of a proposed settlement agreement between ORA and the companies was delayed, ORA requested that the Commission authorize memo accounts for the companies to ensure that customers would benefit from the lower rates of return in the proposed settlement. In D.12-07-009, the Commission subsequently adopted an ROR of 8.24% for Cal Water, which was lower than the 8.58% ROR in place at that time, and resulted in a refund to ratepayers of $2,489,044 for true-up of the new ROR back to January 1, 2012.

Cal Water stated that amortization would be completed in 2013, and requested that Preliminary Statement AH be canceled and that the residual balance be transferred to the general district balancing accounts. The balance in the account as of August 31, 2012 was ($2,489,044), which represents a credit to ratepayers. In its report, ORA agreed the account balance should be further amortized and closed when amortization is complete.

RESOLUTION: The Parties agree that Cal Water will recalculate the balance in the account to include interest and the resulting residual balance in the account should be transferred to the general district balancing accounts, the account should be closed, and Preliminary Statement AH should be canceled. Any residual balance other than the balance reviewed by DRA is subject to approval or rejection by the CPUC, pursuant to GO 96-B, Water Industry Rule 7.3.1.

8) Incremental Cost Balancing Accounts ("ICBAs") (No Preliminary Statement)

ISSUE: Cal Water described the purpose of this account as follows:

> Prior to the adoption of the WRAMs and MCBAs, each ratemaking area historically had a set of ICBAs to track increased costs caused by unit rate increases in purchased water and purchased power that occurred between rate cases. The ICBAs did not include increased costs caused solely by changes in water consumption.

Cal Water stated that it stopped booking to the accounts in July 2008 when they were replaced by the Water Revenue Adjustment Mechanisms and Modified Cost Balancing Accounts ("WRAM/MCBAs"). The remaining balances were amortized via Advice Letters 1964, 1965, and 2024-A. Cal Water requested authority to move the residual balances to the general district balancing accounts. The net balance in the accounts as of August 31, 2012 was $367,867. ORA agrees the accounts should be amortized and closed.

RESOLUTION: The Parties agree the residuals in the accounts should be transferred to the general district balancing accounts and the accounts should be closed. Any residual balance other than the balance reviewed by DRA is subject to approval or rejection by the CPUC, pursuant to GO 96-B, Water Industry Rule 7.3.1.

9) American Job Creation Act True-Up Mechanism ("AJCA Adjustment Mechanism") (No Preliminary Statement)

ISSUE: In D.06-08-011, the Commission authorized Cal Water to collect, subject to refund, the amount of its adopted revenue requirement resulting from the Commission's computational assumption that the American Jobs Creation Act of 2004 ("Act") does not apply, until an order establishing in a future proceeding the actual tax benefit, if any, conveyed to Cal Water under the Act. The company stated that it had determined that, due to the American Jobs Creation Act, there is a ratepayer benefit of $287,822 that should be returned to ratepayers. Cal Water proposed that this amount be returned to ratepayers in this GRC, and that the mechanism be discontinued after the balance is refunded to ratepayers. ORA reviewed the workpapers supporting the balance and did not note any exceptions. ORA agrees the amount should be refunded to ratepayers and the mechanism be discontinued.

RESOLUTION: The Parties agree the account balance of ($287,822) should be refunded to ratepayers, and the mechanism be discontinued.

10) Operational Energy Efficiency Program Memorandum Account ("OEEPMA") Preliminary Statement X

ISSUE: In D.07-12-050, the Commission approved a one-year pilot for operational energy efficiency programs ("OEEPs") totaling $6.37 million for the major gas and electric regulated utilities which were to develop partnerships with water agencies, undertake specific water conservation programs, and measure results. D.08-11-057 modified D.07-12-050 by approving an additional $1.33 million for the pilot OEEP to be done in collaboration with California regulated water utilities. D.10-04-030 then modified D.08-11-057 by approving $3.4 million for pilot programs to improve energy efficiency for well pumps and booster pumps, and authorizing the regulated water utilities to establish memorandum accounts for their OEEP costs. The memo accounts would track OEEP costs and payments from the energy utilities.

Cal Water initially believed that there was a continuing need for this account, but that the OEEP projects completed at that time were included in the rates proposed in its GRC Application. Cal Water subsequently determined that, of the three completed OEEP projects, only one was included in recorded plant, and further, that no additional OEEP effort was planned. ORA recommended that the account be closed without amortization based on the conclusion that there was no balance in the account as of August 31, 2012.

RESOLUTION: As part of the settlement in this case, the Parties agree that the OEEP project that was included in recorded plant will be removed for ratemaking

purposes (Chico PID 10950), and instead recovered through the memo account. Cal Water will request recovery for that project, as well as for the two remaining projects (Bakersfield PID 36947 and Visalia PID 28649) via a Tier 3 rate base offset advice letter within 120 days of a final Commission decision in this proceeding. The full rate of return may not be earned on the projects before they are used and useful. After amortization, the account will be closed, and Preliminary Statement X should be canceled.

11) CalTrans Litigation Memorandum Account ("CTLMA") (Preliminary Statement AF)

ISSUE: Cal Water was permitted to record costs associated with litigation related to the relocation of water facilities in a state highway, and to record costs for the relocation of the facilities per its request in AL No. 2048. Cal Water initially requested this memo account remain open. The balance in this account was $2,061,649 as of August 31, 2012. ORA recommend removing charges in the account totaling $68,464 preceding the effective date of AL 2048 and offsetting the account balance by the litigation proceeds received.

RESOLUTION: During the settlement process Cal Water stated that the litigation had ceased and that the project was complete. The Parties agreed that the Caltrans memo account will not include costs that precede the effective date of the account, the balance will be offset by settlement amounts obtained through litigation with Caltrans, and capital costs in the amount of $1,781,522.37 will be included in rate base. The Commission should authorize the resulting amount to be included in the rate base for the Marysville District, and authorize Cal Water to file a Tier 1 advice letter to request closure of the account, and removal of Preliminary Statement AF from Cal Water's tariff.

12) Tort Litigation Memorandum Account ("TLMA") (Preliminary Statement U)

ISSUE: The TLMA was authorized in Resolution No. W-4835 to track the costs incurred for litigation initiated by Victor Guerrero and Hortencia Guerrero against Cal Water. When the GRC Application was filed in July 2012, Cal Water requested continuation of the TLMA because the need for the account continued. During the course of settlement, Cal Water stated that a confidential settlement had been reached with the plaintiffs, that there were insurance proceeds associated with the litigation, and that Cal Water would be filing an advice letter to amortize and close the account. ORA was not able to verify the balance in the account during the proceeding, and stated that the account should remain open until all the relevant transactions have been recorded.

RESOLUTION:. The Parties agree that ORA was not able to verify the complete balance in the account and that when recovery is sought, Cal Water will have to demonstrate that any costs for which it seeks recovery are incremental to those in rates. Since the litigation has concluded, the Parties agree that when Cal Water seeks recovery, it may seek to amortize the account balance and then close the account and cancel Preliminary Statement U once the amortization is complete. Cal Water agrees that it will not seek recovery for outside litigation costs because they were included in the forecast for litigation expenses. Should Cal Water seek recovery through an advice letter, it should be a Tier 3 advice letter.

E. ACCOUNTS TO CONTINUE

The Parties agree that several existing memorandum and balancing accounts should continue. Preliminary statements should be added to Cal Water's tariff for those existing accounts that are not currently associated with a preliminary statement. In addition, some existing preliminary statements should be modified as discussed herein. Drafts of the new and modified preliminary statements are included in Attachment 5 (Draft Preliminary Statements). The Parties agree that Cal Water should be authorized to add to its tariff preliminary statements that are substantially similar to those in Attachment 5 through a Tier 1 advice letter within 120 days of a final Commission decision on this Agreement.

1) Low Income Ratepayer Assistance Memorandum Account ("LIRAMA") (Preliminary Statement H) (To Be Amortized)

ISSUE**:** In Cal Water's Smegal Testimony, Cal Water originally requested recovery for approximately $645,000, which reflects the incremental administrative expenses incurred from the inception of the LIRA program through December 31, 2011. Correcting for errors in the original calculation, Cal Water subsequently modified its request to $586,502 in a data request response. ORA verified the balance in the account as of August 31, 2012 as $586,502.

Cal Water has also been incurring incremental administrative expenses for the LIRA program (including the new data-sharing component of the LIRA program) for 2012 and 2013. .

ORA's report also indicated that Cal Water was not in compliance with Section 4.5 of D.06-11-053, which requires Cal Water to submit an annual summary report of its LIRA program to ORA and DWA.

RESOLUTION: While Cal Water submits LIRA data with its annual report to the Commission every March, Cal Water agrees to ensure that it is explicitly in full compliance with Section 4.5 of D.06-11-053 in the future. The Parties agree that Cal Water should be authorized to file a Tier 2 advice letter to recover $586,502, the amount reviewed by ORA. Cal Water should also be authorized to file a Tier 3 advice letter to seek recovery for incremental administrative costs for the LIRA program for 2012 and 2013. These costs must be reviewed for reasonableness in accordance with General Order 96-B and demonstrated to be incremental to rates.

2) Low Income Ratepayer Assistance Balancing Account ("LIRABA") (Preliminary Statement AJ)

ISSUE: When Cal Water filed its GRC Application in July 2012, it was awaiting a Commission decision on a proposed settlement that would separate some amounts currently tracked in the LIRA Memorandum Account into a new LIRA Balancing Account. In September 2012, the Commission approved the settlement in D.12-09-020. ORA recommended that Cal Water separate amounts into the LIRA Balancing Account and the LIRA Memo Account to eliminate confusion during future reviews of the accounts.

RESOLUTION: The Parties agree that the LIRA Balancing Account should continue because the LIRA program, as modified in this Settlement Agreement, will continue. The LIRA Memorandum Account now only tracks the administrative costs related to the program, and the LIRA Balancing Account only tracks the subsidies provided and the surcharge revenues received.

3) Pressure Reducing Valve Memorandum Account ("PRVMA") Preliminary Statement AC

ISSUE: Cal Water was authorized to establish the PRVMA via Resolution W-4854 dated December 2, 2010 to track the costs associated with the proposed RD&D projects to test use of regenerative Flow Control Valves ("FCVs") to expedite Commission consideration and approval so projects and ratepayers benefit from federal tax credits. Cal Water requested that the account continue as projects developed under this pilot have not yet been evaluated. As of August 2012, the balance in the account was $124,151. In its report, ORA recommended that the account be closed as the project did not appear to be progressing.

It appears the tax credits were extended by the American Taxpayer Relief Act of 2012. Cal Water subsequently provided an updated status report from Black & Veatch

indicating the project was progressing. The company stated the estimated completion date of the project is December 2014.

RESOLUTION: As part of the Settlement, the Parties agreed that the account may continue.

4) International Financial Reporting Standards Memorandum Account ("IFRS MA") (New Preliminary Statement, if triggered)

ISSUE: In D.10-12-017, the Commission authorized Cal Water to file a Tier 2 advice letter for a memorandum account to track costs required to comply with International Financial Reporting Standards ("IFRS") after the Securities and Exchange Commission ("SEC") provides clear guidance on the timelines and actions necessary to implement IFRS. The decision stated that authorization for a triggered memo account would expire at the beginning of the test year for the next GRC. The memo account has not yet been triggered as the SEC has not issued a clear action plan for IFRS. As the account has not yet been implemented, there is no balance.

Cal Water requested a memorandum account to prospectively record these costs because they are uncertain, are potentially significant, are outside Cal Water's control, and are likely to occur before the rates that will become effective in January 2017 as a result of the next GRC application to be filed in July 2015. ORA recommended the account be canceled as there is no definite timetable to at the SEC to implement IFRS in the near future.

RESOLUTION: As part of the settlement, the Parties agree that Cal Water should be authorized to file a Tier 2 advice letter for a memorandum account that will track costs required to comply with a conversion to International Financial Reporting Standards after the SEC provides clear guidance on the timelines and actions necessary for companies to implement IFRS. Cal Water's advice letter filing will provide a clear explanation and documentation of the SEC action. The authority to file a Tier 2 advice letter and the memorandum account, if approved, will expire at the beginning of the test year of the next general rate case.

5) Infrastructure Act Memorandum Account ("IMA") PU Code Section 790 (New Preliminary Statement)

ISSUE: D. 06-05-041 ordered utilities to:

> Track all utility property that was at any time included in rate base and maintain sales records for each property that was at any time in rate base but was subsequently sold to any party, including a corporate affiliate.

> Obtain Commission authorization to establish a memorandum account in which to record the net proceeds from all sales of no longer needed utility property.
>
> Use the memorandum account fund as the utility's primary source of capital for investment in utility infrastructure.
>
> Invest all amounts recorded in the memorandum account within eight years of the calendar year in which the net proceeds were realized.

The company requested that the memo account continue. ORA requested that the company identify the balance and the offsetting entries for investment in infrastructure in this account. The company provided a statement of income and retained earnings containing a line titled "Gain on sale of non-utility property" for 2004 through June 2012 totaling $5,851,482. The company maintains that it has invested the amount of these gains and more in numerous rate cases. ORA recommends that the company track the investment in utility infrastructure per the requirements in Public Utilities Code Sections 789 and 790 in this memo account.

RESOLUTION: The Parties agree that Cal Water will track the net proceeds from the sales of all real property that was ever included in utility rate base. As will be reflected in the company's written internal procedures, those net proceeds will be used as the primary source of funds for infrastructure investment. On an annual basis, Cal Water will identify the dollar amounts expended on utility infrastructure during the prior calendar year, by account (using the Uniform System of Accounts), up to the amount of net proceeds tracked in the account for that year. Any net gain that does not exceed infrastructure investment will be carried over to the next year, and will earn interest at the 90-day commercial paper rate until the infrastructure invested exceeds the tracked net proceeds. Any net gain not reinvested within 8 years of the calendar year in which the net proceeds were obtained will be returned to ratepayers. The Parties agree that Cal Water should be authorized to include in its tariff a preliminary statement that is substantially similar to the draft IMA preliminary statement included in Attachment 5 (Draft Preliminary Statements).

6) A Rate Support Fund Balancing Account ("RSFBA") (New Preliminary Statement)

ISSUE: The RSFBA was authorized via D.06-08-011, and again in D.10-12-017 with some modifications. The account tracks the subsidies provided to RSF districts, as

well as the surcharge revenues to fund the program. Cal Water requested that the account continue. As discussed in Chapter 2, Cal Water, ORA, and the other parties to this Agreement recommend modifications to the Low-Income Ratepayer Assistance program and the Rate Support Fund program to increase the affordability of the rate increases proposed in this Agreement.

ORA verified the balance in this account of $(276,355) as of September 30, 2012. ORA determined that Cal Water was not removing administrative costs from the account as agreed-upon. ORA recommended that $88,544 in administrative charges be removed from this account as the Commission directed in D.10-12-017. ORA also noted that the Commission has the authority to fine Cal Water for the company's failure to report in this GRC certain information required by the Commission in D.10-12-017. ORA does not object to the RSF balancing account continuing because entries to the account are ongoing and will continue in the future.

RESOLUTION: Cal Water acknowledges that it can be fined for non-compliance with Commission requirements, such as the reporting requirement violation in D.10-12-017 relating to the RSF program, consistent with Resolution W-4799 (failing to remedy defects or failing to file a required report on time or at all, in violation of Rule 6.2 of G.O. 96-B).

The Parties agree that the $88,544 of administrative charges should not be included in the account. Balances in the account at the end of 2013 and each subsequent year may be rolled over to the following year. Balances may be recovered or returned to customers in the next rate case, or through a Tier 2 advice letter if the accumulated balance exceeds 2% of gross adopted annual revenues for Cal Water. Any balance other than the balance reviewed by ORA is subject to approval or rejection by the CPUC, pursuant to GO 96-B, Water Industry Rule 7.3.1.

To implement modifications to the RSF program as discussed in Chapter 2 of this Agreement, the Parties agree that Cal Water should be authorized to add to its tariff a preliminary statement that is substantially similar to the draft for the RSFBA included in Attachment 5 (Draft Preliminary Statements). In addition, Cal Water may implement the new RSF surcharge estimated in Chapter 2 to fund the modified RSF program that takes into account any outstanding balance in the RSFBA, and anticipated RSF subsidy needs until the next GRC. Cal Water may file a Tier 1 advice letter to replace the existing RSF surcharge with the new RSF surcharge, and to add a preliminary statement for the

modified RSFBA, within 120 days of a final Commission decision addressing this Agreement.

7) Stockton Litigation Memorandum Account ("SLMA") (Preliminary Statement AD)

ISSUE: On March 9, 2011, the company filed Advice Letter No. 2028 requesting authority to add Preliminary Statement AD titled "Stockton Litigation Memorandum Account" ("SLMA") to its tariff sheets to record costs associated with litigation related to a purchase water agreement with the Stockton East Water District ("SEWD"), and to record overpayments for purchased water made to SEWD. The AL requested an effective date of 30 days after the filing. Cal Water requests that this memo account remain open. The costs in this account were $51,491 as of August 31, 2012, not including overpayments made to SEWD. ORA recommended that $41,606 associated transactions that occurred before the effective date of AL 2028 be removed. ORA is not opposed to keeping this account open as litigation is still on-going. ORA also stated that Cal Water is out of compliance with the twice-yearly reporting requirements of Paragraph 5 of Preliminary Statement AD.

RESOLUTION: Cal Water agrees that compliance with specific memo and balancing account requirements such as the twice-yearly report on the SLMA must be incorporated into the formal memo and balancing account management process being developed as a result of this rate case. Specifically, Cal Water agrees that it will file information-only advice letters on the SLMA every October and April of each year and will send a copy to the Water Branch Manager of ORA. During the settlement process, Cal Water agreed with ORA's adjustment to remove costs recorded in the account prior to the effective date of the AL. In addition, the Parties agree that Preliminary Statement AD should be modified to reflect the October and April reports, as well as to clarify the information that must be provided in those reports. With these clarifications, the Parties agree that this account should continue and the transactions preceding the filing of AL 2028 be removed.

8) Lucerne Balancing Account ("LBA") (Preliminary Statement T)

ISSUE: D.08-09-002 authorized Cal Water to impose a temporary surcharge on ratepayers in the Redwood Valley Tariff Area-Lucerne Division to repay the full requested Safe Drinking Water State Revolving Fund ("SDWSRF") loan of $7,442,700, with the provision to adjust the surcharges if the approved loan is less. The proceeds of

the loan are to be used to exclusively finance the construction of a water treatment plant in the CWS Lucerne service area. Cal Water filed Advice Letter 1963 which stated that CDPH approved a loan amount of $7,078,698, and recalculated the surcharges downward to reflect the lower loan amount. Cal Water stated the need for this account continues and requested the Commission take no action in this GRC. The balance in the LBA was $6,471,280 as of August 31, 2012. ORA agrees that the account should continue

RESOLUTION: The Parties agree that the account should continue because the loan is still in effect and surcharges are being collected from ratepayers.

9) Department of Toxic Substances Control Memorandum Account ("DTSC MA") Preliminary Statement P

ISSUE: On February 2, 2009, Cal Water filed AL No. 1900 requesting authority to establish a memorandum account to record costs associated with the implementation of a pilot agreement with the California Department of Toxic Substances Control ("DTSC") in relation to the Visalia District. These costs are intended to cover groundwater analyses required under the DTSC pilot agreement. Cal Water proposes to seek recovery of the recorded costs in a Tier 3 advice letter filing upon termination of the pilot agreement.

Cal Water stated the need for this account continues and requested the Commission take no action in this GRC. The balance in this account as of August 31, 2012 was $379,446. ORA reviewed a sample of invoices supporting the costs that were included in this account. ORA noted two invoices totaling $13,074 were included in the account which were not related to the pilot agreement, and $45,132 of internal labor was included in the account. ORA recommended removing the amounts for unrelated invoices and internal labor from this account totaling $58,206. As the project appears to still be ongoing, ORA does not oppose keeping the DTSCMA open, but recommends a thorough review of transactions subsequent to August 31, 2012 be conducted when further amortization is sought

RESOLUTION: Cal Water agrees with ORA's adjustments. The Parties agree that the account should continue.

10) Wausau Insurance Litigation Memorandum Account ("WMA") (Preliminary Statement K)

ISSUE: On November 29, 2007, Cal Water filed AL No. 1839 requesting authority to establish a memo account to record costs associated with insurance coverage litigation. The purpose of the WMA is to track the costs incurred with litigation initiated by Employer's Insurance of Wausau ("Wausau") against Cal Water and Cal Water's counterclaim. The litigation involves disputed insurance coverage for two groundwater contamination lawsuits filed against Cal Water relating to the Chico District. Cal Water stated that the need for this account continues and requested that the Commission take no action in this GRC on this account.

The balance in this account as of August 31, 2012 was $416,713. ORA reviewed a sample of invoices supporting the costs that were included in this account. The company included numerous transactions totaling $423,758 in the account that were dated prior to the effective date of AL 1839. ORA recommended that the transactions recorded in the account totaling $423,758, which were incurred prior to the effective date of AL be removed. Since the Wausau litigation is related to the PCE litigation, which is still ongoing, ORA did not oppose the WMA remaining open, but recommended the balance be reviewed when amortization is sought.

RESOLUTION: Cal Water agrees with ORA's adjustments. The Parties agree that the account should continue.

11) Methyl Tertiary-Butyl Ether Memorandum Account ("MTBEMA") Preliminary Statement F

ISSUE: Pursuant to Resolution W-4094 and W-4089, Cal Water filed AL No. 1707 requesting permission to establish a memorandum account to track actual costs the company incurs in connection with its legal action against manufacturers, refiners, and service station operators, referred to as potentially responsible parties ("PRPs"), who produced, distributed, and/or released products that contained MTBE in the vicinity of Cal Water wells.

Cal Water filed A.09-07-011 for an order authorizing the allocation of net proceeds from MTBE groundwater contamination litigation. The Commission split the proceeding into two phases. In Phase 1, the Commission issued D.10-04-037 adopting the parties' settlement agreement which allowed the existing MTBE litigation memo account to be amended to track and utilize all funds available for investment or other purposes to construct or purchase MTBE treatment and replacement facilities. The available funds from the MTBE litigation settlement, determined to be $34,254,417.07 subject to adjustment based on specified contingencies, were ordered to be used for the

construction or purchase of MTBE treatment and replacement facilities. Cal Water stated that the need for this account continues and requested that the Commission take no action on the account in this GRC. Cal Water included completed MTBE projects prior to December 31, 2011 in recorded plant, offset by Contributions in Aid of Construction ("CIAC") as the projects were complete and became used and useful. Cal Water will file ALs for MTBE projects competed after 2011.

As of August 2012, the balance in the account was ($16,264,851). ORA reviewed copies of documentation supporting a sample of transactions in this account. ORA noted one duplicate invoice in the amount of $248,000 that should be removed and one capital project that should have been recorded using the Net Book Value, which would increase the account balance by approximately $12,500. ORA agreed that the account should continue.

RESOLUTION: The Parties agreed that the MTBEMA should continue, with the adjustments described above to its balance. Some MTBE projects were completed as of December 31, 2011 and transferred to CIAC (Projects 12826, 11449, 16301, and 10498). Any MTBE projects completed subsequently will be resolved via advice letter or in the next rate case, and recorded to CIAC per the Memorandum of Understanding adopted in D.11-03-043 and the decisions from the Contamination OIR, including D.10-10-018 and D.10-12-058, with which Cal Water will continue to comply.

12) Trichloropropone Litigation Memorandum Account ("TCPLMA") Preliminary Statement W

ISSUE: The TCPLMA was implemented pursuant to Resolution W-4094 which allows all water utilities to establish a memorandum account for water contamination litigation expenses. The purpose of the TCPLMA is to track costs incurred, and proceeds received and applied, with respect to litigation against manufacturers and distributors (”potentially responsible parties") that manufactured and distributed products in California that contained 1, 2, 3 trichloropropone ("TCP"). Cal Water stated that the need for this account continues and requested that the Commission take no action on the account in this GRC.

The company initially identified a balance in the account, but later stated that the account balance was zero because none of the expenses previously identified had been actually invoiced to Cal Water – first, because legal costs will come out of any award proceeds, and; second, because allocation of the general TCP expenses among the numerous plaintiffs has not been finalized. The company stated that, when litigation has

concluded and Cal Water seeks amortization of this account, ORA will have the opportunity to fully analyze these expenses without any confidentiality limitations related to pending litigation. As such, ORA was not able to verify the balance in this account. ORA does not object to the account remaining open because litigation is still ongoing. ORA recommends that all the transactions in this account be reviewed once the company has recorded all the expenses, any recoveries, and related capital projects in this account.

RESOLUTION: The Parties agree that the account should continue.

13) Perchloroethylene ("PCE") Litigation Memorandum Account ("PCELMA") (Preliminary Statement V)

ISSUE: Pursuant to Resolution W-4094 and W-4089, the company filed AL No. 1970 requesting authority to establish the PCELMA to record (i) legal fees and costs; (ii) monetary judgment or settlement in favor of Cal Water; (iii) a monetary judgment against Cal Water; and/or (iv) expenditures, expenses, or use of proceeds, related to PCE. The purpose of the PCELMA is to track costs incurred for litigation against manufacturers, refineries, and service station operators (" potentially responsible parties"),that produced and/or distributed products in California that contained perchloroethylene, also known as tetrachloroethylene (PCE). Cal Water stated that the need for this account continues and requested that the Commission take no action on the account in this GRC.

The company initially identified a balance in the account, but later stated that the account balance was zero because none of the expenses previously identified had been invoiced to Cal Water, similar in concept to the TCP memorandum account. ORA recommended adjustments to the account for costs that were unsupported, before learning from Cal Water that the account is treated similarly to the TCPLMA (in that the balance will not be known until the litigation concludes). As such, ORA was not able to verify the balance in this account. ORA recommends that the balance in this account be reviewed once the company has recorded all the relevant transactions in this account. ORA does not object to the account remaining open as litigation is still ongoing.

RESOLUTION: The Parties agree that the account should continue.

14) Catastrophic Event Memorandum Account ("CEMA") Preliminary Statement AG

ISSUE: Resolution No. E-3238 authorizes each public utility, as defined under Section 216 of the Public Utilities ("PU") Code, to establish a memorandum account to

record costs of: (a) restoring utility service to its customers; (b) repairing, replacing, or restoring damaged utility facilities; and (c) complying with government agency orders resulting from declared disasters. Section 454.9 of the PU Code also authorizes public utilities to establish catastrophic event memorandum accounts.

The company requested the account remain open. There was no balance in this account as of August 31, 2012. ORA does not object to the account remaining open.

RESOLUTION: The Parties agree that the account should continue.

15) Water Contamination Litigation Memorandum Account ("WCLMA") (New Preliminary Statement)

ISSUE: Resolution W-4094 authorized all water utilities to establish a memorandum account for water contamination litigation expenses. The company stated that this is a generic memo account authorized for all water companies by Resolution W-4094. At this time, Cal Water has separate memo account authorizations for contamination-related litigation that is currently active. If contamination-related litigation like that discussed in Res. W-4094 arises, Cal Water will follow the appropriate Commission-approved procedures to track those costs. As such, there was no balance in this account as of August 31, 2012. ORA does not object to the account remaining open.

RESOLUTION: The Parties agree that the account should continue.

16) Water Cost-of-Capital Adjustment Mechanism ("WCCM") (Preliminary Statement S)

ISSUE: D.09-07-051 authorized an automatic adjustment mechanism (up or down) to a water utility's adopted return on equity for 2009, 2010 and 2011 only if there is a positive or negative difference of more than 100 basis points during a specific period. D.12-07-009 approved an all-party settlement that continued the WCCM with a base year of 2012.

The company stated that there is no balance to address with regard to the WCCM, which is not an account that tracks costs or revenues, but instead is a mechanism that, if triggered, requires Cal Water to change its return on equity beginning the January following the triggering event. The WCCM was triggered by lower interest rates over the period of October 1, 2011 through September 30, 2012, requiring Cal Water to decrease its rates to reflect the lower return on equity of 5.03% beginning

January 1, 2013. This triggering event occurred subsequent to the period of data reviewed by ORA.

RESOLUTION: The Parties agree that the mechanism should continue as authorized by D.12-07-009.

17) 2010 Tax Law Memorandum Account ("2010 Tax Act MA") (Preliminary Statement AE)

ISSUE: The Commission required creation of this account in Resolution L-411A to track any ratepayer benefit associated with the bonus depreciation provided by the Tax Relief, Unemployment Insurance and Job Creation Act of 2010 for activities in the 2011 and 2012 calendar years. The American Taxpayer Relief Act of 2012 extended the 50% bonus depreciation through the 2013 calendar year (collectively, the "New Tax Laws"). As of August 31, 2012, there was no balance recorded in the account because the data was not yet completed by the company. ORA recommended that the Commission require the company to provide, on a CPUC-jurisdictional, revenue requirement basis, the impacts of the New Tax Law not otherwise reflected in rates from April 14, 2011, until the effective date of the revenue requirement changes in the utility's next GRC. ORA recommended that the account continue.

RESOLUTION: The Parties agree that, at the conclusion of the rate case period of 2014-2016, the balance in this account shall be reviewed after the company has completed the required entries pursuant to Resolution L-411A, including bonus depreciation through 2013 and for the other years in the GRC cycle, if the bonus depreciation is subsequently extended. In its next general rate case (2015 GRC), Cal Water agrees to facilitate a detailed review of the account through 2013 for a determination of the impact of 2011 through 2013 bonus depreciation, and whether to close the account for the impact of 2011 through 2013 bonus depreciation.

18) Credit Card Pilot Program Memorandum Account ("CCPMA") (Preliminary Statement J2)

For the reasons discussed in Chapter 6 regarding Special Request #17, the Parties agree that Cal Water should be authorized to file a Tier 1 advice letter to modify the preliminary statement for this account consistent with the draft Preliminary Statement J2 included in Attachment 5 (Draft Preliminary Statements).

19) WRAM/MCBA (Preliminary Statement M)

ISSUE: The Water Revenue Adjustment Mechanisms ("WRAM") and the Modified Cost Balancing Accounts ("MCBA") for each ratemaking area were adopted in conjunction with water rates intended to provide price signals that encourage customers to conserve water. The WRAM/MCBAs remove the disincentive for water companies to facilitate customer conservation.

RESOLUTION: As discussed in Chapter 6 regarding Special Request #33, the Parties agree to retain the WRAM/MCBAs without modification.

F. NEW MEMO AND BALANCING ACCOUNTS

Cal Water and ORA agree that the Commission should authorize the establishment of the following new memorandum and balancing accounts, and that Cal Water should be authorized to add to its tariff the related preliminary statements (which will be substantially similar to the draft preliminary statements included in Attachment 5 (Draft Preliminary Statements) via a Tier 1 advice letter.

1) General District Balancing Accounts

ISSUE: Cal Water identified accounts with residual amounts left over after amortization (for the Commission-authorized time period) had occurred, including the WCBA (an older conservation balancing account associated with Preliminary Statement N) and the obsolete balancing accounts for purchased water and power (the "Incremental Cost Balancing Accounts" or "ICBAs"). Because the surcharges or surcredits for amortization are generally calculated based upon the authorized sales and services for each district, "under-" or "over-" amortization occurs to the extent that "actual" sales and services differ from the "authorized" sales and services used to calculate the surcharges/surcredits. Since Cal Water's July 2012 GRC Application, the amortization periods for additional accounts have ended, leaving residual balances.

RESOLUTION: As discussed above, and in Section A(3) of this chapter, regarding small residual amounts in memo and balancing accounts, the Parties agree that certain balances may be transferred to "district-specific" general balancing accounts, and aggregated for amortization. Cal Water agrees that balances should be maintained by ratemaking area. The conditions of the general district balancing accounts are as follows:

a. Each ratemaking area will have an associated "general balancing account" (referred to as a "general district balancing account");

b. Each general district balancing account may be amortized consistent with the Commission's standard practices (2% of last adopted revenue requirement), or in a GRC, and;

c. For accounts for which the Commission has authorized a fixed period of amortization, the small residual balances that result from under- or over-amortization may be put into a general district balancing account..

In addition, the Parties agree that Cal Water may transfer the residual balances from the following accounts to the general district balancing accounts as part of this Agreement: Cost of Capital Interim Rate Memo Account (Preliminary Statement AH), Temporary Interest Rate Balancing Account (Preliminary Statement R), Water Conservation Expense Memo Account (Preliminary Statement L), Water Conservation Balancing Account (Preliminary Statement N), and the Incremental Cost Balancing Accounts (no preliminary statement). Notwithstanding condition (b) of the general district balancing accounts described above, the Parties agree that Cal Water may amortize these amounts transferred to the general district balancing accounts via a Tier 1 advice letter within 120 days after a final Commission decision addressing this Agreement.

2) Conservation Expense Balancing Accounts ("CEBA2") Preliminary Statement Z2

ISSUE: As discussed in Chapter 4, the Parties agree on a targeted conservation program with specific requirements, and a one-way balancing account to track the difference between actual and authorized conservation expenses for the next rate case period of January 1, 2014 through December 31, 2016.

RESOLUTION: As the Parties agreed to in Chapter 4 and as with the CEBA (Preliminary Statement Z1) for the previous rate case period, the authorized conservation expenses for each district for 2014 through 2016 should be tracked in a capped, one-way balancing account with any unspent funds returned to ratepayers at the end of each rate case cycle. Cal Water should therefore be authorized to file a Tier 1 advice letter within 120 days of a Commission decision on this Agreement to add a preliminary statement substantially similar to Preliminary Statement Z2, included in Attachment 5 (Draft Preliminary Statements) to this Agreement, for a new CEBA.

3) Pension Cost Balancing Account ("PCBA2") Preliminary Statement AA2

ISSUE: In D.12-10-017, the Commission authorized creation of the PCBA to track the difference between actual and authorized pension costs for 2011-2013. ORA

does not object to the continuation of the pension balancing account for the 2014-2016 period, but recommended that the Supplemental Executive Retirement Plan ("SERP") expense be excluded as explained in ORA's discussion of SERP expense its GO Report (in Chapter 6 regarding Pension and Benefits).

RESOLUTION: The Parties agree that Cal Water should be authorized to open a new PCBA for the period of 2014-2016 with a new preliminary statement (substantially similar to the draft Preliminary Statement AA2 included in Attachment 5 (Draft Preliminary Statements) via a Tier 1 advice letter.

4) Health Cost Balancing Account ("HCBA") Preliminary Statement AB2

ISSUE: In the Health Care Memorandum Account ("HCMA") (Preliminary Statement AB1) approved in D.10-12-017, Cal Water was authorized to track costs limited to unknown and potentially significant cost changes related to the federal health care bill passed by Congress in April 2010. In this rate case, Cal Water did not propose continuation or re-initialization of the HCMA, but instead proposed a different mechanism, a new Health Cost Balancing Account (Special Request #13), that would track the difference between actual and authorized health cost expenditures, rather than just the incremental costs of compliance with the 2010 legislation tracked in the HCMA. The proposed Health Cost Balancing Account is discussed in Chapter 6, Section M, of this Agreement.

RESOLUTION: As the Parties agreed in Special Request 13 in Chapter 9, Cal Water should be authorized to open a new Health Cost Balancing Account for the period of 2014-2016 to capture changes in healthcare costs, including PBOP, above or below adopted amounts. The HCBA would be in effect for this rate case cycle only, and whether or not to continue the balancing account would be revisited in the next rate case cycle. Eighty-five percent (85%) of the cost changes will be flowed through to ratepayers, and fifteen percent (15%) will be at the company's risk. The difference may be either positive or negative depending on how actual health care expenses compare to those included in rates. Cal Water should be authorized to add to its tariff a new preliminary statement (substantially similar to the draft Preliminary Statement AB2 included in Attachment 5 (Draft Preliminary Statements) via a Tier 1 advice letter.

5) Chromium-6 Memorandum Account ("Chromium-6 MA") Preliminary Statement AI

As discussed in Chapter 6 regarding Special Request #18, the Parties agree that Cal Water should be authorized to file a Tier 1 advice letter to open a Chromium-6 Memorandum Account before the CDPH adopts a final MCL for chromium-6. The related preliminary statement for this account will be substantially similar to the draft Preliminary Statement AI included in Attachment 5 (Draft Preliminary Statements). However, Cal Water may only begin tracking the incremental costs for complying with the MCL once the CDPH adopts the final MCL, and the costs to be tracked can only be the incremental costs incurred on or after the date that the final MCL is adopted.

6) East Los Angeles Memorandum Account ("ELAMA") New Preliminary Statement

As discussed in Chapter 21 regarding the settlement of plant issues in the East Los Angeles District, the Parties agree that Cal Water should be authorized to file a Tier 1 advice letter to add to its tariff a preliminary statement that is substantially similar to the draft ELAMA preliminary statement included in Attachment 5 (Draft Preliminary Statements).

[END OF CHAPTER]

CHAPTER 8. SALES AND SERVICES

A. SALES

ISSUE: ORA uses similar general methodology as Cal Water to estimate sales in accordance with the Rate Case Plan and the new Committee Method. Parties use different weather adjusted data, which generates varied results. Cal Water uses an alternative method in some small districts with large sales variations. For its Antelope Valley District, Cal Water proposes using average sales per service for 2011 to estimate sales.

RESOLUTION: Parties generally agree to use ORA's sales estimates per customer since it reasonably aligns with recent sales trends. Parties agree to Cal Water's estimated number of customers in most districts. The combination of estimated sales per customer and number of customers determines the settled sales by customer class for the test-year. The table below summarizes the settlement position for total sales in Cal Water's districts.

	Total Metered Sales Estimated for 2014 (KCcf)			
District	**Cal Water Direct**	**ORA Report**	**Difference**	**Settlement**
Antelope Valley	372.7	797.6	(424.9)	317.1
Bakersfield	19,908.6	19,924.3	(15.7)	19,883.4
Bayshore	10,818.7	10,885.0	(66.3)	10,885.0
Bear Gulch	5,495.5	5,790.1	(294.6)	5,790.1
Chico	8,933.4	9,195.6	(262.2)	8,953.6
Dixon	539.3	536.1	3.2	536.3
Dominguez-South Bay	15,967.7	15,856.5	111.2	15,856.5
East Los Angeles	6,777.8	6,843.6	(65.8)	6,843.6
Hermosa Redondo	5,243.5	5,214.4	29.1	5,214.4
Kern River Valley	358.2	387.1	(28.9)	358.2
King City	738.5	714.0	24.5	714.0
Livermore	4,214.0	4,359.9	(145.9)	4,359.9
Los Altos	5,616.1	5,629.9	(13.8)	5,629.9
Marysville	758.1	742.5	15.6	712.7
Oroville	1,183.2	1,150.3	32.9	1,150.3
Palos Verdes	7,763.6	8,357.0	(593.4)	8,352.4
RDV - Coast Springs	7.1	7.5	(0.4)	7.6
RDV - Lucerne	90.6	95.6	(5.0)	96.5
RDV - Unified	31.3	32.3	(1.0)	32.3
Salinas	6,900.3	6,611.9	288.4	6,604.6

District	Total Metered Sales Estimated for 2014 (KCcf)			
	Cal Water Direct	ORA Report	Difference	Settlement
Selma	1,692.0	1,743.2	(51.2)	1,744.1
Stockton	11,271.2	10,756.7	514.5	10,756.7
Visalia	13,171.6	13,387.8	(216.2)	13,396.4
Westlake	3,027.7	3,330.6	(302.9)	3,330.8
Willows	561.6	560.1	1.5	560.1
Total	**131,442.3**	**132,909.6**	**(1,467.3)**	**132,086.5**

B. UNACCOUNTED-FOR WATER

ISSUE: In previous general rate cases, Cal Water and ORA agreed to use 8% for unaccounted-for water in districts with flat-rate services. Cal Water proposes using the same estimate. ORA proposes using 7%, referencing the Rate Case Plan ("RCP"), where it notes an acceptable level for such water loss as being 7%.

RESOLUTION: Cal Water agrees with ORA's use of 7.0% in lieu of its original 8.0% as a proxy for unaccounted-for water in those districts with flat-rate services. Cal Water and ORA agree on the given percentages used except for the following districts:

Unaccounted-for Water Percentage Test-year 2014				
District	Cal Water Direct	ORA Report	Difference	Settlement
Dixon	10.1%	7.9%	2.2%	7.9%
Kern River Valley	24.1%	12.0%	12.1%	12.0%
RDV-Coast Springs	32.0%	23.7%	8.3%	26.0%

Although the districts noted in the above table depict a water loss estimate greater than 7%, this does not necessarily reflect inefficient operations or excessive leakage occurring in Cal Water's systems. The higher unaccounted-for water percentage is likely the result of flushing and other operations relating to water quality.

ISSUE: For **Dixon**, Cal Water proposes using a five-year (2007-2011) average of calculated percentages of historical unaccounted-for water relative to total water production, while ORA proposes using the last-adopted percentage.

RESOLUTION: Parties agree to use ORA's recommended last-adopted percentage for Dixon.

ISSUE: For **Kern River Valley**, Cal Water calculates the district's unaccounted-for water for purposes of forecasting using a five-year (2007-2011) average of each year's unaccounted water for 2007 through 2011. Averaging the annual unaccounted-for water percentages results in 24.1%

RESOLUTION: For purposes of settlement, Cal Water and ORA agree to use ORA's estimate of 12.0%, which was based on the Commission adopting 11.99% in the last general rate case.

ISSUE: For **Redwood Valley-Coast Springs,** Cal Water forecasts the district's unaccounted-for water using the same methodology it uses for its Kern River Valley District. ORA forecasts using a higher amount.

RESOLUTION: ORA and Cal Water agree to use the intermediate amount of 26% for purposes of settlement.

C. SERVICES

ISSUE: For Districts without flat-rate services, Cal Water forecasts its annual change in the number of customers using a five-year average (2007 to 2011) to estimate the annual incremental change in number of customers by customer class. Cal Water then applies this average change to the last-recorded year's (2011) beginning-of-year (BOY) count and subsequent years' BOY estimated counts to determine end-of-year (EOY) quantities. Cal water then averages the given (i.e., 2014) and preceding (i.e., 2013) years' EOY quantities to calculate the future average number of services. For residential customers in districts with flat-rate services, Cal Water normally estimates the district's test-year customer count by similarly using a five-year (2007-2011) average in addition to incorporating an anticipated number of flat-to-meter conversions. Excluding the Marysville and Willows Districts, where Cal Water and ORA use updated conversion rates, the anticipated number of flat-to-meter conversions used here are consistent with those used for capital projects. Cal Water also adjusts the years with unusual activities to normalize the average. An example of an unusual activity is Cal Water's customer reclassification effort in 2008 to update its customer records.

ORA and Cal Water primarily differ in their customer count estimates for districts with flat-rate customers. The difference between ORA and Cal Water's number of

customers arises from the difference in the conversion rate for the Flat-to-Meter ("FTM") Program.

RESOLUTION: Parties agree on a joint consensus on the estimated number of services. ORA accepts Cal Water's estimate, with exceptions noted below.

Bakersfield:

ISSUE: In its Application, Cal Water proposes using the FTM conversion rate of 2,600 per year. ORA proposes using a conversion rate of 2,205 per year.

RESOLUTION: Since Cal Water's actual conversions in 2012 and 2013 are closer to ORA's estimated 2,205, Cal Water agrees with ORA's conversion rate. Cal Water calculates the 2014 customer estimate by adding ORA's conversion rate to the 5-year average. This does not affect the overall total number of services.

Chico:

ISSUE: ORA proposes using an average of the most recent five years (2007-2011) for the customer estimate in the Chico District for the business, multi-family, public authority, and other services customer classes.

RESOLUTION: Cal Water agrees with ORA's method, with exceptions. It proposes eliminating 2008 from the average since Cal Water engaged in an effort to reclassify customers among different classifications in 2008. The values reflected in 2008 represent greater annual changes compared to other years, which generates biased estimates. ORA agrees to Cal Water's business, multi-family, public authority and other service counts. For FTM conversions, Cal Water and ORA agree to use rate base values to include those for Hamilton City for 2012 through 2015.

Marysville:

ISSUE: Marysville is not requesting FTM conversion project funding for 2013 on through the remainder of this rate case cycle and it was necessary to adjust forecasted conversions accordingly.

RESOLUTION: Cal Water and ORA agree on the FTM conversion rate for Marysville. For 2013, Cal Water and ORA use 69 services by annualizing actual conversion as of September 17, 2013. For 2014 and 2015, parties agree to converting 62 services per year.

Below is a summary table for the number of customers by district for 2014:

District	Total Number of Customers (Including Fire Protection & Flat-rate) Test-year 2014			
	Cal Water Direct	ORA Report	Difference	Settlement
Antelope Valley	1,368	1,368	-	1,368
Bakersfield	69,029	69,029	-	69,029
Bayshore	53,443	53,443	-	53,443
Bear Gulch	19,194	19,194	-	19,194
Chico	28,498	28,573	(75)	27,885
Dixon	2,867	2,872	(5)	2,872
Dominguez-South Bay	33,901	33,901	-	33,901
East Los Angeles	26,722	26,722	-	26,722
Hermosa Redondo	26,812	26,812	-	26,812
Kern River Valley	4,199	4,199	-	4,199
King City	2,641	2,641	-	2,641
Livermore	18,434	18,434	-	18,434
Los Altos	18,839	18,839	-	18,839
Marysville	3,662	3,661	1	3,878
Oroville	3,685	3,683	2	3,683
Palos Verdes	24,172	24,172	-	24,172
RDV - Coast Springs	253	253	-	253
RDV - Lucerne	1,224	1,197	27	1,211
RDV - Unified	429	429	-	429
Salinas	28,416	28,416	-	28,416
Selma	6,470	6,470	-	6,470
Stockton	43,124	43,124	-	43,124
Visalia	41,513	41,513	-	41,513
Westlake	7,037	7,037	-	7,037
Willows	2,408	2,420	(12)	2,420
Total	**468,339**	**468,401**	**(63)**	**467,944**

[END OF CHAPTER]

CHAPTER 9. GENERAL OFFICE EXPENSES

A. PAYROLL

ISSUE: Cal Water requested thirty-four (34) additional General Office positions in its application for the 2014 test-year. ORA recommended fourteen (14) positions in its GO report. ORA was concerned that many of the proposed positions were not necessary or Cal Water did not provide sufficient justification in support of the proposed positions. In addition, based on past history, ORA questioned whether it was realistic to assume that Cal Water would increase its personnel to the extent sought and therefore did not agree with the need for the remaining 20 positions and recommended that they be disallowed .

In its Rebuttal Testimony, Cal Water continued to support all but one of the proposed positions from its Direct Testimony. Specifically, Cal Water agrees with ORA's recommendation to disallow the pension analyst position.

RESOLUTION: During the settlement negotiations, there was additional discussion between the parties regarding the Company's need for the additional employees. The result of these discussions is ORA and Cal Water agree on a compromise position whereby twenty-three and a half (23.5) of the 34 proposed employees are allowed in the test-year for the General Office. Below is a summary of the positions in this Settlement:

ORA & Cal Water Agreed Positions for 2014				
Title	**Department**	**Settlement Position**	**Salary ($)**	**Notes**
Reg. Cost Analyst (Memo & Balancing Acct.)	Accounting	1	85,000	
Financial Planning & Analyst	Accounting	1	85,000	
Risk Management Analyst	Accounting	1	85,000	
Continuous Improvement Assistant	Administrative	1	65,169	
Env. Health & Safety Project Manager	Administrative	1	67,600	1
LIRA Manager (PT) (0.5 FTE)	Customer Service	0.5	47,500	
Enterprise Asset Mgmt Supervisor	Engineering	1	125,000	
Enterprise Asset Mgmt Technician	Engineering	1	66,942	
Engineering Assistant (GIS)	Engineering	1	70,488	
Cost Estimator	Engineering	1	79,734	
Production & Tank Maintenance Engineer	Engineering	1	75,450	
SCADA Project Manager	Engineering	1	115,000	

ORA & Cal Water Agreed Positions for 2014				
Title	**Department**	**Settlement Position**	**Salary ($)**	**Notes**
Operational Data Mgmt System Data Administrator (ODMS DBA)	IT	1	85,000	
Business & Workflow Analyst	IT	1	95,000	
I.T. Security Specialist	IT	1	130,000	
I.T. Applications Analyst	IT	1	105,000	
Records Mgmt System Administrator	IT	1	105,000	
Diversity Supplier Manager	Purchasing	1	75,000	
Tariff & Compliance Manager	Rates	1	90,000	
Sr. IT Auditor	IT	1	85,000	2
Audit Coordinator	Accounting	1	67,764	
Sr. Accounts Payable Clerk	Accounting	1	67,222	
Electrical Mechanical Superintendent	Engineering	1	95,000	
Electrical Mechanical Technician	Engineering	1	67,128	
Total		23.5	2,034,997	

Notes:

1 Environmental Health & Safety Project Manager's $67,600 salary removed from expenses on account of a temporary employee's payroll included in 2011 expenses with only the associated benefits reflected in the settlement expense work papers

2 $80,000 of Sr. IT Auditor's $85,000 salary removed from expenses on account of a temporary employee's payroll included in 2011 expenses

B. PENSION & BENEFITS

The employee benefit expenses included costs associated with the 401(k) plan, pension costs, Supplemental Executive Retirement Plan ("SERP") costs, group health insurance (including medical, dental and vision), retiree health care costs including Post Retirement Benefits other than Pensions ("PBOP"), disability benefits and benefit administrative costs. The costs were offset by the amount of benefits transferred. The costs were also impacted by the Dominguez synergy adjustment.

Cal Water and ORA agreed on the methodology and percentages applied for purposes of determining the 401(k) plan costs, disability benefits, and administrative costs. Each of these costs were impacted by the number of agreed to employees and the amount of agreed to salaries and wages. Cal Water and ORA also agreed on the Dominguez synergy adjustment.

In determining the test year and escalation year pension, SERP, PBOP and group health insurance costs, Cal Water hired the Milliman Group, an outside actuarial consulting firm, to estimate the costs. The Milliman Group calculated the projected cost per employee for pensions, SERP and group health insurance costs for both active

employees and retirees. Cal Water used the respective per-employee costs provided by Milliman Group and multiplied the per-employee costs by the total number of employees. While the original filing was based on the requested number of employees, the settlement used the agreed upon number of employees to arrive at the total pension, SERP and group health insurance amounts. Issues arose in this rate case regarding pension costs, SERP costs pension curtailment, health care costs, and executive compensation:

1) Pension costs:

The Milliman Group calculated the pension cost using various actuarial assumptions, including an annual payroll escalation of 3.5% for 2013 and 5.00% for 2014 through 2016. The result, contained in Cal Water's original filing, was a requested per employee pension cost of $34,055 for 2014 and $32,293 for 2015. Subsequent to the original filing, updated actuarial projections from the Milliman Group revised several of the actuarial assumptions based on information that is more recent. With the updated projections, Milliman also provided the impact of both reflecting their updated actuarial assumptions and reflecting an annual payroll escalation rate of 3.5% for 2013 through 2016 instead of the 5.0% payroll escalation originally used in the projections. ORA recommended that the more recent projections provided by Milliman Group reflecting the updated actuarial assumptions, and the revision to reflect the 3.50% payroll escalation rate in the actuarial calculations. Parties agree to use the per employee pension cost resulting from the updated actuarial calculations presented by Milliman, based on the version provided by Milliman that reduced the annual salary increase assumption for 2013 to 2016 from 5.0% to 3.5% . This resulted in an agreed to per-employee pension cost of $29,889 for 2014 and $28,129 for 2015.

2) Health Care Cost:

Cal Water and ORA agree to the per-employee cost for 2014 as shown in Cal Water's direct testimony based on projections provided by Cal Water's actuarial consultant, Milliman Group. Cal Water and ORA agree to use CPI-U for 2015 and 2016 labor escalation in group healthcare costs. Cal Water also agrees to apply a 97% employee participation rate for the healthcare plan to reflect that not all employees receive coverage under the plan. Cal Water affects this reduction in participation rate by multiplying the test-year's total estimated group insurance costs as determined by

multiplying 2014's per-employee group healthcare cost by the Company's estimated end-of-year company complement by 0.97.

Parties also agree to the establishment of a new Health Cost Balancing Account ("HCBA") to capture changes in healthcare costs, including PBOP, above or below the amounts adopted in this proceeding. The balancing account for healthcare costs would be in effect for this rate case cycle only; and whether or not to continue the balancing account will be addressed in the; next general rate case. Parties agree that for the amounts accumulated in the new Health Cost Balancing Account, which may be either positive or negative depending upon how actual costs incurred compare to the costs incorporated in this agreement, 85% of the balance will flow to the ratepayers, while 15% will be at the company's risk. No adjustment is required in the current rate case to account for the new Health Cost Balancing Account as the account will be effective with new rates in this case. Cal Water and ORA also agree to close the current Healthcare Memorandum Account, with the $600,000 balance recorded in the account by Cal Water not charged to ratepayers.

3) Executive Compensation:

Cal Water and ORA agree to $1.25 million gross reduction in the requested test-year expense for total executive compensation. This single-line adjustment reflected in both the test year and escalation years resolves disagreements between Cal Water and ORA about the supplemental executive retirement plan (SERP), restricted stock awards (RSA), and personal use of company vehicles by officers.

Pensions & Benefits ($000) Test-year 2014				
	Cal Water Direct	**ORA Report**	**Difference**	**Settlement**
Total	49,971.1	44,636.8	5,334.3	46,322.3

C. INJURIES & DAMAGES

ORA and Cal Water agree to $3,306,000 for injuries and damages expense, including worker's compensation expense, for the test-year as shown in the below table:

Injuries & Damages (Including Worker's Compensation) ($000) Test-year 2014				
	Cal Water Direct	**ORA Report**	**Difference**	**Settlement**
Worker's Compensation	979.9	979.9	-	979.9
Injuries & Damages (Less: Worker's Compensation)	2,934.1	2,326.8	607.3	2,326.1
Total	3,914.0	3,306.8	607.3	3,306.0

For the escalation years, ORA and Cal Water agree that the amount will be based on the agreed-to 2014 amount with the labor escalation rate applied.

D. INSURANCE EXPENSES

ISSUE: ORA initially sought not to use Cal Water's premium quote for insurance expense and Cal Water sought to use its insurance broker's recommended escalation factors, which ORA disagreed with.

RESOLUTION: ORA accepts Cal Water's recommendation to use the most recent premium quote for insurance expense to estimate the test-year insurance expense. Likewise, Cal Water accepts ORA's recommendation that property insurance be escalated using the ECOS factors that were issued on July 26, 2013 as opposed to using the escalation factors that were recommended by the Company's independent insurance broker. (ECOS factors are escalation factors published by ORA Energy Cost of Service and Natural Gas Branch.)

Insurance Expenses (Excluding Payroll) ($000) Test-year 2014				
	Cal Water Direct	**ORA Report**	**Difference**	**Settlement**
Total	250.3	118.2	132.2	297.9

E. TRANSPORTATION

ISSUE: ORA and Cal Water disagreed on transportation expenses due to differences in vehicle additions and the exclusion of select vehicles for purposes of calculating said expenses:

RESOLUTION: ORA and Cal Water agree to an additional fourteen (14) vehicles broken out by the following years:

Year	Vehicle Additions
2012	7
2013	3
2014	3
2015	1

Vehicle acquisitions are for use either by new personnel or as replacements for existing personnel and are accounted for as capital additions under rate base. The Transportation expense category covers only the operations and maintenance expense

associated with these vehicles and does not relate to the acquisition cost or the depreciation associated with new and existing vehicles. Operations and maintenance as well as A&G expenses under this category are those relate to gasoline, maintenance costs, and other such transportation expenses.

During the settlement negotiations, CWS and ORA agreed that four vehicles should be disallowed from rate base due to the low level of business use. Pursuant to this settled item, Cal Water agrees that the O&M and A&G expenses associated with the four disallowed vehicles will not be factored into forecasting O&M and A&G related transportation expense in future GRCs.

Transportation Expenses ($000) Test-year 2014				
	Cal Water Direct	**ORA Report**	**Difference**	**Settlement**
Total	741.0	599.0	142.0	696.8

F. CUSTOMER ACCOUNTING

ISSUE: ORA proposed $185,200 in the GO report for this account and Cal Water proposed $1,994,200 in its Application.

RESOLUTION: The Parties agree to $690,600 for this account for the 2014 Test Year. This includes additional software maintenance costs for critical updates and vendor support necessary to maintain the Company's computer operations. In its filing, Cal Water used an escalated five-year (2007-2011) average of historical costs escalated to 2011 dollars and included adjustments for new software maintenance costs not already embedded in historical amounts, basement modification costs, energy credits associated with a solar project and annual cost savings arising from a new air conditioning unit in the data cooling center for the test-year estimate. ORA likewise used an escalated historical five-year average and made adjustments to the forecasted amounts which included reversing the solar energy credits on account of ORA recommending disallowance of the proposed GO solar power project and updating the amount of annual cost savings associated with the new air conditioning. In addition, ORA disagreed with Cal Water's initial estimates for the new software maintenance costs. However, through the settlement discussions, Cal Water made additional adjustments to the software maintenance expense estimate and ORA and Cal Water ultimately agreed on a modified level of software maintenance expense for the 2014 test-year.

Customer Accounting Expenses ($000) Test-year 2014				
	Cal Water Direct	ORA Report	Difference	Settlement
Total	1,994.2	185.2	1,809.0	690.6

G. PURCHASED SERVICES – MAINTENANCE EXPENSES

ISSUE: For Purchased Maintenance Services, ORA proposed $36,100 for the 2014 Test Year and Cal Water proposed $63,600.

RESOLUTION: The Parties agreed to settle on $64,900 for 2014. These expenses include administrative and general costs associated with general structure and improvement and equipment and other maintenance activities as well as the maintenance of corporate headquarters and/or costs incurred at the corporate headquarters in support of maintenance activities at the district level. As part of its estimate, Cal Water included a licensing fee of $27,000 in both 2014 and 2015, which relates to its SCADA Historian software, which will enable the Company to better accumulate and analyze information generated from its SCADA System. During the settlement discussions, ORA and Cal Water ultimately agreed to add the $27,000 SCADA Historian licensing fee to the 2014 Test Year only. Including this amount in the Test Year coupled with using the ECOS factors that were issued on July 26, 2013 results in the settled amount noted above. For the escalation years, $35,500 plus the most recent escalation factors should be used when Cal Water files its step increase.

Purchased Services - Maintenance Expenses ($000) Test-year 2014				
	Cal Water Direct	ORA Report	Difference	Settlement
Total	63.6	36.1	27.5	64.9

H. OTHER OFFICE SUPPLIES

ISSUE: Cal Water and ORA differed on the amount of temporary personnel costs that should be adjusted out of expenses and whether an annual line of credit fee should be included in expenses.

RESOLUTION: Cal Water estimates expenses by either account or using the "customer accounting" and "other office supplies" level and does not develop revenue requirement forecasts on the sub-account level. In its filing, Cal Water removed payroll expense from the 2008 through 2011 historical amounts that is associated with temporary positions that the Company proposes be filled with permanent positions as

well as a one-time bank fee. In addition, ORA had made an additional adjustment to reduce 2011 recorded payroll expense related to temporary personnel with which Cal Water agreed. ORA recommended disallowing the annual run-rate relating to a line of credit. During settlement discussions, Cal Water also agreed to remove this. The following table reflects Cal Water and ORA's settled amount:

Office Supplies & Other Office Expenses (Excluding Payroll) ($000) Test-year 2014				
	Cal Water Direct	**ORA Report**	**Difference**	**Settlement**
Total	4,169.8	4,134.8	35.0	4,108.9

I. REGULATORY COMMISSION EXPENSE

ISSUE: Cal Water and ORA differed on the test-year regulatory expense amount.

RESOLUTION: For Regulatory Commission expense, ORA and Cal Water agree to settle on $261,900 for the 2014 Test Year. This settlement amount includes $61,940 for the implementation of a CPUC-mandated utility supplier diversity program (USDP), and $16,000 for the first phase of a climate change study. The climate change study is necessary for Cal Water's supply and consumption is highly dependent on weather and climatic conditions.

Regulatory Commission Expenses ($000) Test-year 2014				
	Cal Water Direct	**ORA Report**	**Difference**	**Settlement**
Total	279.8	185.0	94.8	261.9

J. OUTSIDE SERVICES

ISSUE: Cal Water used a five-year (2007-2011) escalated average of the sum of legal, accounting and other outside services adjusted for miscellaneous items (e.g., additional professional accounting services on account of increasing tax law complexity). In addition, Cal Water proposed various other expense adjustments for the 2012 through 2015 period to determine its forecasted amount. Cal Water also removed certain 2009, 2010 and 2011 historical costs that were associated with consulting services for IT security pursuant to its request for a new IT security specialist position.

ORA also used a five-year average but removed the majority of Cal Water's adjustments and added back the consulting historical costs since it disallowed the IT security specialist in the GO report. ORA also reflected annual cost savings of

$358,200 in 2014 and 2015 that relates to the allowance of several other IT related positions proposed by the Company.

RESOLUTION: Outside services is composed of legal, accounting, and other outside (i.e., those services not contained within the Company) services.

As a result of the settlement discussions, ORA agrees to allow the IT security specialist position and therefore agrees to remove the historical costs related to this function. The Parties also agreed to include $16,700 in both 2014 and 2015 that relates to a compensation study. The result of these negotiations is that Cal Water and ORA mutually agree on the aforementioned $6,043,975 for purposes of settlement.

Outside Service Expenses (Excluding Payroll) ($000) Test-year 2014				
	Cal Water Direct	**ORA Report**	**Difference**	**Settlement**
Total	6,635.3	6,027.3	608.1	6,044.0

K. COMPARISON TABLES – GENERAL OFFICE EXPENSES

CALIFORNIA WATER SERVICE CO. GENERAL OPERATIONS OPERATIONS & MAINTENANCE EXPENSES TEST-YEAR 2014 (DOLLARS IN THOUSANDS)				
	CWS DIRECT	ORA REPORT	DIFFERENCE	SETTLEMENT
OPERATION EXPENSES				
PAYROLL	3,384.8	3,041.7	343.1	3,154.1
TRANSPORTATION	256.1	209.6	46.5	243.3
PURCHASED SERVICES				
SOURCE OF SUPPLY	1.2	1.2	-	1.1
PUMPING	15.7	15.7	-	15.3
WATER TREATMENT	414.7	414.7	-	405.2
T&D	162.1	162.1	-	157.3
CUSTOMER ACCOUNTING	1,994.2	185.2	1,809.0	690.6
CONSERVATION	22.4	-	22.4	-
TOTAL	**6,251.2**	**4,030.1**	**2,221.0**	**4,666.9**
MAINTENANCE EXPENSES				
PAYROLL	338.5	304.2	34.3	315.5
TRANSPORTATION	40.9	26.4	14.5	32.1
STORES	0.1	0.1	-	0.1
PURCHASED SERVICES	63.6	36.1	27.5	64.9
TOTAL	**443.1**	**366.8**	**76.3**	**412.6**
TOTAL O&M EXPENSES				
PAYROLL	3,723.3	3,345.9	377.4	3,469.6
TRANSPORTATION	297.0	235.9	61.0	275.4
OTHER	2,674.0	815.1	1,858.9	1,334.5

CALIFORNIA WATER SERVICE CO. GENERAL OPERATIONS OPERATIONS & MAINTENANCE EXPENSES TEST-YEAR 2014 (DOLLARS IN THOUSANDS)				
	CWS DIRECT	ORA REPORT	DIFFERENCE	SETTLEMENT
TOTAL O&M EXPENSES*	**6,694.2**	**4,396.9**	**2,297.3**	**5,079.5**

* Exclusive of Administrative and General Expenses, Miscellaneous Expenses, Depreciation and Taxes

CALIFORNIA WATER SERVICE CO. GENERAL OPERATIONS ADMINISTRATIVE & GENERAL AND MISCELANEOUS EXPENSES TEST-YEAR 2014 (DOLLARS IN THOUSANDS)				
	CWS DIRECT	ORA REPORT	DIFFERENCE	SETTLEMENT
A&G AND MISC EXPENSES				
PAYROLL	19,532.4	17,552.5	1,979.9	18,201.1
TRANSPORTATION	443.6	363.0	80.6	421.4
EXP EXCLUSIVE OF P/R & TRANS				
791 A&G SALARIES	1,172.7	52.8	1,119.9	1,067.4
792 OFFICE SUPPLIES	4,169.8	4,134.8	35.0	4,108.9
793 PROPERTY INSURANCE	250.3	118.2	132.2	297.9
794 INJURIES AND DAMAGES	3,914.0	3,306.8	607.3	3,306.0
795 PENSIONS AND BENEFITS	19,653.1	16,294.4	3,358.7	16,940.3
796 FRANCHISE REQUIREMENTS	-	-	-	-
797 REGULATORY COMMISSION EXPENSES	279.8	185.0	94.8	261.9
798 OUTSIDE SERVICES	6,635.3	6,027.3	608.1	6,044.0
799 MISC GENERAL EXPENSES	2,523.2	2,489.7	33.5	2,432.6
805 MAINTENANCE OF GENERAL PLANT	352.9	250.4	102.5	245.7
811 RENT	244.8	144.8	100.0	161.6
812 ADMIN CHARGES	(20.9)	(38.8)	17.9	(38.9)
504 AMORT OF LIMITED-TERM INVESTMENT	19.1	17.8	1.3	18.7
DUES AND DONATIONS ADJUSTMENT	(128.6)	(149.1)	20.5	(149.1)
SYNERGY ADJUSTMENTS 10% excess of synergy savings	(361.4)	(361.4)	-	(361.4)
TOTAL A&G EXPENSES	**58,680.2**	**50,388.1**	**8,292.1**	**52,958.1**

[END OF CHAPTER]

[END OF CHAPTER]

CHAPTER 10. DISTRICT EXPENSES

There is little difference between many of the parties' estimates of expenses. Cal Water generally agrees to ORA's escalation methodology; removing its adjustments from the escalated amount to outside of the escalation formulae (e.g., the adjustments are excluded from escalation). In settlement, parties agree to use more recent escalation factors issued by ORA in July 2013. Parties also agree to all expense estimates at Cal Water's proposed amounts except for those discussed herein.

A. OPERATIONS AND MAINTENANCE EXPENSES

1) PURCHASED WATER & PUMP TAX

ISSUE: Cal Water estimates purchased water costs based on its estimate of total water supply projections and availability from each source. The divergence in the total expense is largely due to differences in the sales estimates and Cal Water updating rates for select districts to reflect those increases charged by its purchased water wholesalers.

RESOLUTION: ORA agrees with Cal Water's methodology for estimating purchased water expenses.

Bakersfield:

ISSUE: Cal Water sought $500,000 per annum for a water recharge agreement for additional supply from the Kern River. During Settlement, Cal Water presented ORA with its request for $528,053 in additional funding related to a dry-year agreement with Kern County Water Agency. The dry-year agreement is necessary to maintain long-term groundwater supply and secure a reliable source of water to provide uninterrupted service to its customers.

RESOLUTION: Due to the inability to execute a final contract with Kern River, Cal Water agrees in settlement to remove the Kern River recharge agreement cost of $500,000 from Source of Supply expenses. After reviewing the signed contract with Kern County Water Agency and the purchase water cost analysis, ORA agreed to the dry-year agreement. Cal Water and ORA agree to settle on a $528,053 addition for the dry-year agreement.

Chapter 10.

[END OF CHAPTER]

District Expenses

Antelope Valley:

ISSUE: Antelope Valley's purchased water expenses of $30,200 incorporate an Antelope Valley-East Kern Water Agency (AVEK) connection and reflect the average rate when the agreement became effective on January 1, 2012 and was not reflected in Cal Water's July Application.

RESOLUTION: ORA agrees to allow the incorporation of the AVEK connection costs in Cal Water's expenses.

East Los Angeles:

ISSUE: Cal Water's July 2012 Application estimated much higher well production from a new capital project proposed in the test-year. As a result, the shift in water mix to using more well water resulted in a significant reduction in purchased water cost.

RESOLUTION: In settlement, Parties agree to include fewer wells than Cal Water originally proposed. This should have resulted in a change in the water mix to using more purchased water rather than well water as originally contemplated. Changing the water mix to reflect more purchased water would result in a revenue requirement increase that would exceed the amount from the customer notice. Cal Water and ORA agree not to fully recognize the change in the water mix at this time. This in essence adopts a lower purchased water expense level than expected. In the test-year, Cal Water expects a large balance in the Modified Cost Balancing Account to reflect the true cost of providing water to customers.

4) PURCHASED POWER

ISSUE: Cal Water and ORA's purchased power forecasts differed.

RESOLUTION: Cal Water and ORA agree to use the previously employed methodology and rates from the July 2012 Application for purposes of forecasting purchased power expenses. Settled amounts vary due to revised production forecasts.

5) PAYROLL

ISSUE: Cal Water and ORA disagreed on payroll escalation factors and the number of additional headcount.

RESOLUTION: For purposes of payroll escalation, Cal Water and ORA agree to use the following escalation factors:

Chapter 10.

[END OF CHAPTER]

District Expenses

Year	Annual Escalation %
2012	3.25%
2013	1.97%
2014	2.92%

Cal Water forecasts payroll expense using 2011 recorded data and incorporates (1) a reduction for payroll expenses that will not occur in the future, (2) replacement hires that have been absent from 2011, (3) new positions authorized that Cal Water anticipates filling in 2012, and (4) new personnel requests for the test-year. Cal Water and ORA agree to use union-negotiated increases to escalate payroll expense for 2013 and 2014. Cal Water estimates payroll expense for districts on a holistic level and does not forecast payroll by separate expense categories. Cal Water's work papers depict payroll separated out by Administrative and General, Operations, and Maintenance categories. Cal Water separates out payroll for these categories using the percentage of these categories' payroll expenses relative to the total 2011 recorded payroll expense.

Cal Water requests an additional twelve (12) positions for its districts in its Application. Cal Water and ORA settle on seven (7) new positions for 2014 as follows:

Bakersfield: The Parties agree to two (2) operation maintenance workers with 37% of their payroll expense shared by unregulated activities. This 37% is in accordance with the recently adopted non-tariffed products and services (NTP&S) rules whereby labor effort associated with these unregulated activities as estimated by management is used to allocate payroll expense to such activities (e.g., City of Bakersfield (CBK) operation, maintenance, and billing contract services). This means 37% of the overall affected payroll expense as it relates to unregulated activities does not factor into determining Cal Water's revenue requirement and thereby reduces ratepayers' rates. For a detailed discussion, please see the chapter on NTP&S.

Bayshore: The Parties agree to three (3) new positions: Hydrant Maintenance Foreman, Inspector, and Operation Maintenance Worker.

Bear Gulch: The Parties agree to one (1) new inspector position.

Chico: The Parties agree to one (1) new customer service representative position.

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District Expenses

District Payroll Summary Test-year 2014 New Additions			
District	**Position**	**Count**	**Expensed Salary**
BK	Operations Maintenance Worker	0.6	35.4
BK	Operations Maintenance Worker	0.6	35.4
BAY	Operation Maintenance Worker	1.0	11.6
BAY	Foreman - Hydrant Maintenance	1.0	73.5
BAY	Inspector	1.0	9.5
BG	Inspector	1.0	41.2
CH	Customer Service Rep 4	1.0	46.5
Total		6.3	253.2

6) POSTAGE EXPENSE

ISSUE: ORA questioned Cal Water's use of projected number of customers for purposes of determining postage expense.

RESOLUTION: ORA agrees to use Cal Water's methodology to estimate for postage expenses. Cal Water estimates postage expense by using the cost per customer multiplied by the number of customers projected for the test-year.

7) PURCHASED CHEMICALS

ISSUE: Cal Water and ORA use either averages of varying number of years or the last-recorded (2011) year for determining the per-unit cost for chemicals in estimating test-year amounts and Cal Water did not make allowance for shared production costs relating to its joint operation with the City of Bakersfield. Differences between parties' positions are due to changes in production, amount inputted for the unit cost, and updated escalation factors.

RESOLUTION: See discussion for each district below.

Bakersfield: The Parties agree to adjust out 50% of the production costs associated with the North West Treatment Plant to account for shared plant production with the City of Bakersfield (CBK) in accordance with D.07-12-055, which stated:

> Cal Water and the City of Bakersfield (City) have a contract, which obligates the City to pay for 50% of the facility in exchange for 50% of the water produced. The City of Bakersfield also funded the raw water line, which was initially budgeted in the project for $240,000. In accordance with the terms of this contract, Cal Water's proposed rates only recover 50% of the costs for the treatment plant.

This joint consumption necessitates chemical treatment to allow CBK and Cal Water to use the water in safely supplying their customers' needs. Because CBK and Cal Water's customers both benefit from this arrangement, Cal Water's customers need only to bear 50% of the purchased chemical expense associated with this facility, while simultaneously benefiting from the relationship.

Bayshore, Bear Gulch, Chico, Kern River Valley, Marysville, and Visalia: Cal Water accepts ORA's estimates. Cal Water sometimes uses a different number of years in its averages or last-recorded (2011). ORA uses last-recorded 2011 amounts for some districts with limited historical data and historical averages for districts where more consistent data exists.

Livermore: The Parties agree to use ORA's amount for Livermore.

Stockton: The Parties used different averages, with Cal Water using a 2-year (2010-2011) average and ORA using a 5-year (2007-2011) average. The Parties acknowledge the differences that flow into these two projections and agree to split the difference to settle purchased chemicals in Stockton.

Purchased Chemicals Expense ($000) Test-year 2014				
District	**Cal Water Direct**	**ORA Report**	**Difference**	**Settlement**
Bakersfield	1,198.6	1,184.0	14.6	1,040.5
Bayshore	46.0	46.2	(0.2)	44.9
Bear Gulch	96.9	83.3	13.6	83.3
Chico	171.5	174.1	(2.6)	174.1
Kern River Valley	44.8	30.7	14.1	30.7
Livermore	145.6	94.9	50.7	94.9
Marysville	17.3	17.1	0.2	17.1
Stockton	63.6	47.1	16.5	55.3
Visalia	166.3	162.2	4.1	162.2

8) OPERATIONS TRANSPORTATION

ISSUE: Cal Water and ORA differed in the number of years used in their respective averages and the number of additional vehicles sought. Cal Water uses a five-year (2007-2011) average of expenses to estimate the test-year transportation expenses in most districts. ORA recommends using a five-year average for all districts in this expense category.

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District Expenses

RESOLUTION: Cal Water agrees with ORA in this instance and accepts ORA's original position and use of a five-year average for Dixon. Parties also agree on the higher transportation expenses in Bear Gulch and Bayshore that reflect additional vehicles (1 for Bear Gulch and 2 for Bayshore) for new employees.

Transportation Expenses ($000) Test-year 2014				
District	**Cal Water Direct**	**ORA Report**	**Difference**	**Settlement**
Bayshore	369.8	334.5	35.3	342.4
Bear Gulch	283.6	274.4	9.2	275.7
Dixon	52.9	39.7	13.2	39.7

9) SOURCE OF SUPPLY

ISSUE: Cal Water and ORA differed in regards to the inclusion of Cal Water's request for potential new discharge permitting costs and forecasting methodology.

RESOLUTION: Cal Water agrees with ORA to remove costs associated with obtaining potential new discharge permitting and revises its escalation methodology similarly regarding other expense categories. Cal Water uses a three-year average (2009-2011) to forecast Bakersfield's source of supply expenses, while ORA uses a two-year average (2010-2011); Cal Water and ORA agree on using the last-recorded (2011) amount for purposes of settlement and forecasting this district's expense. Cal Water and ORA settle on the respective districts' source of supply expenses and agree to incorporate district-specific costs as discussed below.

Dominguez: The Parties agree to specific accounting treatment for non-successful well construction to be amortized in the source of supply expense category over 6 years. Unamortized portions will earn Cal Water's weighted cost of debt. The expense amount for the test year is $239,300.

Livermore: The Parties agree to specific accounting treatment for non-successful well construction to be amortized in the source of supply expense category over 6 years. Unamortized portions will earn Cal Water's weighted cost of debt. The expense amount for the test year is $113,300.

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District Expenses

Visalia: The Parties agree to include the cost of 15 air permit modifications at $2,000 each, or a total of $30,000. Parties further agree to amortize this expense over three years resulting in $10,000 additional expense per year starting in 2014.

10) WATER TREATMENT

ISSUE: Excluding the below districts, ORA agrees with Cal Water's estimates on water treatment expenses. Bear Gulch and Livermore forecasts differ since Cal Water and ORA use different forecasting methodologies. As described under District Expenses, Cal Water escalates the adjustment in addition to the base amount used in forecasting whereas ORA only escalates the base amount. Redwood Valley's Lucerne and Unified Districts' forecasts vary because Cal Water and ORA use different numbers of historical years' amounts in their respective averages for determining the test-year estimate.

RESOLUTION: See below for district specifics.

Bear Gulch, Livermore, RDV-Lucerne, and RDV-Unified: Cal Water accepts ORA's forecasted amounts.

Water Treatment Expense ($000) Test-year 2014				
District	**Cal Water Direct**	**ORA Report**	**Difference**	**Settlement**
Bear Gulch	107.0	106.7	0.3	106.7
Livermore	76.3	75.7	0.6	75.7
RDV-Lucerne	132.1	114.4	17.7	114.4
RDV-Unified	19.9	18.4	1.5	18.4

11) TRANSMISSION & DISTRIBUTION

ISSUE: ORA and Cal Water disagreed regarding Bayshore and Los Altos' transmission and distribution (T&D) expenses.

RESOLUTION: ORA agrees with Cal Water's estimate for all districts except for the Bayshore and Los Altos Districts for T&D expenses:

Bayshore: Cal Water uses a two-year (2010-2011) average whereas ORA uses a five-year (2007-2011) average. Cal Water agrees to ORA forecast.

Los Altos: Cal Water uses a three-year (2009-2011) average whereas ORA uses a five-year (2007-2011) average. Cal Water agrees to ORA forecast.

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District Expenses

Transmission & Distribution Expenses ($000) Test-year 2014				
District	Cal Water Direct	ORA Report	Difference	Settlement
Bayshore	216.3	183.2	33.1	183.2
Los Altos	265.3	232.2	33.1	232.2

12) CUSTOMER ACCOUNTING

ISSUE: Except for Bear Gulch, Parties agree to Cal Water's forecasted customer accounting expenses.

RESOLUTION: Cal Water agreed to remove a carryover amount of $5,998 previously incorporated in its July 2012 Application from the final forecasted customer accounting expense for 2012.

13) CONSERVATION

For a detailed discussion, please see Chapter 4 of this settlement.

14) MAINTENANCE TRANSPORTATION

Please see Operations Transportation.

15) MAINTENANCE STORES

ISSUE: ORA generally agrees with Cal Water's estimates on maintenance stores expense, except for Chico and Palos Verdes. Parties use different years to calculate an average to normalize the test-year expense estimates.

RESOLUTION: Cal Water accepts ORA's estimates for these two districts:

Maintenance Stores Expense ($000) Test-year 2014				
District	Cal Water Direct	ORA Report	Difference	Settlement
Chico	99.1	67.6	31.5	67.6
Palos Verdes	183.2	143.5	39.7	143.5

16) CONTRACTED MAINTENANCE

ISSUE: ORA and Cal Water generally agree on the methodology for forecasting contracted maintenance expenses. Cal Water proposes including expenses for high-priority maintenance, pressure tank inspection, well rehabilitation, and tank painting expenses. Cal Water believes high-priority maintenance expenditures are necessary to maintain aging infrastructure. The high-priority preventative maintenance program is a

relatively new concept. As such, there is little data to demonstrate the need in a straightforward manner. ORA understands the assertions behind the program; however, the lack of data available may not meet ORA's necessary criteria to support a full program in this GRC.

RESOLUTION: Cal Water and ORA agree to implement a pilot program in this GRC for Bear Gulch, Bayshore, Los Altos and Palos Verdes districts and Cal Water will report on the pilot program in the 2015 GRC filing. Parties agree to the specific terms noted below:

- The increase in contracted maintenance expense is to be spent on high-priority maintenance projects only
- Adoption of the increase in contracted maintenance expense for high-priority maintenance projects in this GRC (A.12-07-007) neither infers nor guarantees the program will be expanded beyond the districts indicated in this settlement or beyond this rate cycle (TY 2014-2016)

In the next GRC, Cal Water agrees to provide ORA with its report(s) for <u>each</u> of the districts listed below, showing the results of its high-priority maintenance program including the following:

- The ratio of high-priority maintenance to corrective maintenance at the end of the pilot program (i.e., the percentage of maintenance time spent repairing equipment due to failure compared to the percentage of maintenance time spent on planned preventive maintenance)
- Total recorded spending on high-priority maintenance projects
- Description of high-priority maintenance projects completed including: types of infrastructure (e.g., pumping equipment, reservoir maintenance, and hydrant maintenance), number of units maintained and/or replaced, and a breakdown of costs incurred
- Cal Water agrees to identify high-priority maintenance projects that were not completed including a summary of why the projects were not completed

Year	District	High-priority Maintenance Budget
2014	Bear Gulch	$60,500
2014	Bayshore	$59,850
2014	Los Altos	$85,500
2014	Palos Verdes	$145,500

[END OF CHAPTER]

Aside from the high-priority maintenance program, ORA agrees with Cal Water on expenses for pressure tank inspections, well rehabilitations, and the expense portion of tank painting.

Parties agree to the following amount for contracted maintenance:

Contracted Maintenance Expense ($000) Test-year 2014				
District	Cal Water Direct	ORA Report	Difference	Settlement
Bakersfield	2,852.0	2,598.5	253.5	2,364.5
Bayshore	1,317.3	1,219.0	98.3	1,168.4
Bear Gulch	1,121.9	997.9	124.0	1,030.2
Dominguez	879.3	673.5	205.8	742.0
East Los Angeles	463.3	305.2	158.1	296.9
Hermosa Redondo	352.3	279.4	72.9	271.5
King City	71.4	47.4	24.0	46.1
Livermore	426.1	355.3	70.8	316.8
Los Altos	820.3	657.3	163.0	712.3
Palos Verdes	704.8	406.2	298.6	540.5
RDV-Coast Springs	10.1	8.4	1.7	9.9
Salinas	1035.2	904.7	130.5	864.7
Stockton	891	749.3	141.7	692.4
Visalia	867.4	643.8	223.6	622.4
Westlake	350.9	291.7	59.2	283.5

B. ADMINISTRATIVE AND GENERAL EXPENSES

1) RENT

ISSUE: Cal Water and ORA agree regarding rent expenses, except as noted in the below table and the following commentary. Most differences between Cal Water and ORA's forecasts and settlement amounts resulted from updated escalation factors.

RESOLUTION: See below districts regarding specific details.

Rent Expenses ($000) Test-year 2014				
District	Cal Water Direct	ORA Report	Difference	Settlement
Antelope Valley	9.3	9.3	-	9.1
Bakersfield	10.2	10.2	-	10.0
Bayshore	3.8	3.8	-	3.6
Bear Gulch	24.3	98.8	(74.5)	98.8
Chico	0.7	0.7	-	0.7
Dixon	16.0	16.0	-	15.7

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District Expenses

Rent Expenses ($000) Test-year 2014				
District	Cal Water Direct	ORA Report	Difference	Settlement
Dominguez	177.1	-	177.1	170.9
East Los Angeles	-	55.0	(55.0)	52.5
Hermosa Redondo	105.0	-	105.0	-
Kern River Valley	3.2	3.2	-	2.9
King City	20.0	20.0	-	19.4
Livermore	33.4	33.4	-	32.4
Los Altos	74.3	74.3	-	72.2
Marysville	-	-	-	-
Oroville	46.0	46.0	-	44.8
Palos Verdes	-	-	-	-
RDV-Coast Springs	-	-	-	-
RDV-Lucerne	20.0	20.0	-	19.4
RDV-Unified	8.4	8.4	-	8.1
Salinas	65.5	65.5	-	63.7
Selma	35.1	35.1	-	34.1
Stockton	91.6	91.6	-	89.0
Visalia	-	-	-	-
Westlake	50.7	50.7	-	49.3
Willows	10.6	10.6	-	10.3

Bear Gulch: ORA and Cal Water agree to $98,800 for an annual Samtrans lease relating to an underground pipeline crossing and new office lease adjusted for inflation.

Dominguez: ORA recommends disallowing rent expense based upon ORA's interpretation of D.04-04-011 and D.06-08-011. These decisions exclude rent for Utility Services associated with Rancho Dominguez since consolidated services should result in offsetting synergies. Cal Water recommends adjusting out only rent associated with Utility Services and retaining the remaining rent expense. ORA accepts Cal Water's recommendation and the parties settle on $170,900 for the test-year's rent.

East Los Angeles: Cal Water plans to relocate its customer service function to the new building at the location known as the Tubeway Property. ORA opposed the relocation and made adjustments to plant amounts associated with the Tubeway Property. Cal Water and ORA's positions and eventual resolution on this issue are discussed in detail in the East Los Angeles plant section. Consistent with that resolution, ORA agrees that Cal Water should be allowed to continue recovering costs equal to $52,500, which is its last-recorded full-year (2012) rental expense associated with its previous customer service center.

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District Expenses

Hermosa Redondo: Cal Water agrees with ORA in removing rental expenses associated with Utility Services and in accordance with D.04-04-011 and D.06-08-011. These decisions encompass three of Cal Water's Districts, the Dominguez, Hermosa Redondo, and Palos Verdes Districts. Hermosa Redondo operates out of the Rancho Dominguez office. Hermosa Redondo's operations do not have any other rent aside from those related to Utility Services; adjusting out rent for Utility Services results in $0 rental expense for Hermosa Redondo.

Palos Verdes: Cal Water agrees with ORA in removing rental expenses associated with Utility Services and in accordance with D.04-04-011 and D.06-08-011. These Decisions encompass three of Cal Water's Districts, the Dominguez, Hermosa Redondo, and Palos Verdes Districts. Palos Verdes' operations do not have any other rent aside from those related to Utility Services; adjusting out rent for Utility Services results in $0 expense for Palos Verdes.

2) ADMINISTRATIVE CHARGES TRANSFERRED

ISSUE: Cal Water and ORA disagreed in terms of the amount of administrative charges transferred credited to the ratepayers. This expense category includes fees for processing contract assignments, revenue sharing for antennae lease, and activities related to non-tariffed products and services. Administrative Charges Transferred represents credits and reduces the expense amount.

RESOLUTION: Cal Water agrees with ORA's proposed amounts for purposes of settlement:

Administrative Charges Transferred ($000)
Test-year 2014

District	Cal Water Direct	ORA Report	Difference	Settlement
Antelope Valley	0.3	0.7	(0.4)	0.7
Bakersfield	336.1	847.5	(511.4)	847.5
Bayshore	212.7	234.6	(21.9)	234.6
Bear Gulch	12.1	16.1	(4.0)	16.1
Chico	102.3	110.7	(8.4)	110.7
Dixon	33.3	32.5	0.8	32.5
Dominguez	107.8	122.6	(14.8)	122.6
East Los Angeles	159.7	191.6	(31.8)	191.6
Hermosa Redondo	85.4	97.4	(12.0)	97.4
Kern River Valley	12.6	12.7	(0.1)	12.7
King City	2.8	2.9	(0.1)	2.9
Livermore	134.3	151.0	(16.8)	151.0
Los Altos	130.1	132.5	(2.4)	132.5

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District Expenses

Administrative Charges Transferred ($000) Test-year 2014				
District	Cal Water Direct	ORA Report	Difference	Settlement
Marysville	5.8	6.0	(0.2)	6.0
Oroville	0.7	1.5	(0.8)	1.5
Palos Verdes	100.7	112.4	(11.7)	112.4
RDV-Lucerne	(2.5)	(2.6)	0.1	(2.6)
Salinas	32.2	39.6	(7.4)	39.6
Selma	1.0	2.5	(1.5)	2.5
Stockton	266.1	162.6	103.5	162.6
Visalia	445.8	125.0	320.9	125.0
Willows	0.9	1.5	(0.6)	1.5
Westlake	1.2	2.9	(1.7)	2.9

3) DUES ADJUSTMENT

ISSUE: Utilities are allowed to recover expenses for dues for trade associations and certain professional organizations. Some dues do not fall under these classifications and are disallowed in rates. Cal Water adjusts these dues out of its recorded expenses in estimating the test-year expenses. ORA proposes additional adjustments for dues in the Stockton and Visalia Districts.

RESOLUTION: Parties agree to ORA's numbers:

Dues Adjustment ($) Test-year 2014				
District	Cal Water Direct	ORA Report	Difference	Settlement
Stockton	3,336.0	5,700.0	(2,364.0)	5,700.0
Visalia	1,705.8	2,100.0	(394.2)	2,100.0

4) PAYROLL

Please see Operations Payroll for a detailed discussion.

5) TRANSPORTATION

Please see Operations Transportation.

6) INJURIES AND DAMAGES (WORKERS' COMPENSATION)

ISSUE: Cal Water and ORA disagreed in their estimates of injuries and damages expenses. Cal Water estimates total workers' compensation on a company-wide basis and apportions these district expenses using gross payroll.

[END OF CHAPTER]

RESOLUTION: Cal Water agrees with ORA's total workers' compensation expense estimate. A detailed discussion is included in the General Office expense discussion.

7) NON-SPECIFIC EXPENSES

ISSUE: Cal Water and ORA use different forecasting methodologies for non-specifics expenses. Cal Water consistently applies a five-year average in its calculation due to the expense category's dynamic nature whereas ORA utilizes three-, four- and five-year averages and excludes non-recurring one-time expenses. Cal Water removed a legacy amount of $40,000 in error for Redwood Lucerne and its workpaper showed $0 in error for Salinas.

RESOLUTION: ORA's estimates corrected these errors. Cal Water agrees to accept ORA's test-year amounts for the Dixon, Hermosa Redondo, Kern River Valley, King City, Redwood Valley (Lucerne and Unified), and Salinas Districts. For the remaining districts, Cal Water and ORA agree to a mid-point amount between the parties' expense estimates for purposes of settlement.

Antelope Valley:

For the reasons discussed in Section F of Chapter 14, the plant settlement for the Antelope Valley District, Cal Water and ORA agree to reduce the non-specific expense amounts by $1,500 per year in this GRC.

Non-Specific Expense – All Districts

Non-Specific Expense ($000) Test-year 2014				
District	**Cal Water Direct**	**ORA Report**	**Difference**	**Settlement**
Antelope Valley	10.9	8.4	2.5	6.7
Bakersfield	268.2	203.3	64.9	235.8
Bayshore	198.8	115.1	83.7	157.0
Bear Gulch	85.6	50.9	34.7	68.2
Dixon	20.6	19.3	1.3	19.3
Dominguez	121.5	111.2	10.3	116.4
East Los Angeles	110.2	77.4	32.8	91.1
Hermosa Redondo	98.9	95.0	3.9	95.0
Kern River Valley	20.9	19.4	1.5	19.4
King City	22.9	21.1	1.8	21.1
Livermore	60.1	30.3	29.8	45.2
Los Altos	99.5	86.7	12.8	93.1
Marysville	32.5	8.0	24.5	20.3
Oroville	18.6	5.8	12.8	12.2

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District Expenses

Non-Specific Expense ($000) Test-year 2014				
District	**Cal Water Direct**	**ORA Report**	**Difference**	**Settlement**
Palos Verdes	156.3	72.3	84.0	114.3
RDV-Lucerne	0.8	28.1	(27.3)	28.1
RDV-Unified	18.2	14.1	4.1	14.1
Salinas	-	137.4	(137.4)	137.4
Stockton	247.6	198.5	49.1	223.1
Visalia	133.0	102.3	30.7	117.7
Willows	13.0	3.8	9.2	8.4

[END OF CHAPTER]

CHAPTER 11. TAXES

A. INCOME TAXES

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

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

There are, however, new corporate income tax regulations passed after Cal Water filed its July 2012 Application. These new tax regulations (specifically, the American Taxpayer Relief Act of 2012, generally known as the "bonus depreciation" regulations, and TD 9564, generally known as the "repair expenditures deduction") will have significant impacts on the test year.

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

- **Bonus Depreciation**: The Parties agree to incorporate the impact of 2012 and 2013 bonus depreciation in the calculation of regulated income taxes and deferred taxes in this proceeding. The Parties also agree to include the revenue requirement impact of 2013 bonus depreciation in the Tax Memorandum Account established by Commission Resolution L-411A. The Parties agree to review the balance in this memorandum account, since inception, in Cal Water's next general rate case. ORA noted that, in the current proceeding, the balance of the memo account was not identified by the company. As such, ORA was not able to verify the balance in this memo account. During the settlement process, Cal Water provided work papers associated with the bonus tax depreciation component of the 2011 tax return, which was not inclusive of all tax effects of the 2010 Tax Law or the items

required to be tracked in the account (e.g., revenue requirement impact) per Resolution L-411A.

- **Repair Expenditures Deduction**: In 2008, the U.S. Treasury Department made significant changes to tax regulations affecting the capitalization of certain expenditures associated with repairs and replacements of tangible properties. There are two components to the new tax accounting rules – the estimated current year's tax deduction and the Section 481 or catch-up adjustment. The Parties agree that all main replacements in this proceeding meet the criteria to be fully tax deductible in the year that the main is providing service to the ratepayers. In the test year, the Parties also agree to include in estimated deferred federal income taxes the accumulated effect of the change as though Cal Water had always followed the new tax accounting method. The Parties agree to incorporate the Section 481 adjustment Cal Water provided to ORA on December 4, 2012 for $30,349,524 as an addition to 2012 deferred federal income tax balance, resulting in a reduction in estimated rate base beginning in the first test year.

B. TAXES OTHER THAN INCOME

ISSUE**:** Forecasted taxes other than income are comprised of the following; payroll taxes, ad valorem or property taxes, business license taxes and local franchise taxes. ORA and Cal Water applied the same methodology in forecasting taxes other than income with one exception. In calculating local franchise taxes, Cal Water applied local franchise tax rates to total operating revenues, and ORA proposed to apply the franchise tax rates to total operating revenues net of uncollectibles.

RESOLUTION**:** Cal Water and ORA agree to apply local franchise tax rates to total operating revenues net of uncollectibles to calculate estimated taxes other than income in the test year.

[END OF CHAPTER]

CHAPTER 12. GLOBAL PLANT ISSUES

A. CAPITALIZED INTEREST

ISSUE: ORA identified two projects on which Cal Water accrued interest during construction ("IDC"), also referred to as capitalized interest charges, for periods in which those projects' estimated costs were included in the adopted rate base and were earning a rate of return. ORA contended that the accrual of IDC for periods in which a project's estimated cost is included in the adopted rate base constitutes double recovery of financing charges. Therefore, ORA asserted that a project should stop accruing IDC when its estimated cost is included in the adopted rate base. ORA also recommended that Cal Water be required to immediately conduct an audit to identify and remove the inappropriately recorded IDC described above from its 2009, 2010, and 2011 plant additions.[1]

RESOLUTION: Cal Water and ORA agree to reduce Cal Water's General Office 2013 end-of-year plant balance by $450,000, which results in a reduction in revenue requirement for 2014, 2015 and 2016. This adjustment is intended to address ORA's concern regarding some capital projects being included in the adopted rate base that earn a return and accrue IDC at the same time. **ORA retains its rights in Cal Water's next GRC to recommend an adjustment in rates related to the recorded capitalized interest for the 2012-2014 plant additions. ORA agrees that it would consider the following in its recorded capitalized interest adjustments, if any:**

- **The $450,000 rate base reduction agreed by the Parties in this GRC.**
- **Total capital expenditures and/or any capital projects that are substituted for the projects whose costs are included in rates in this GRC.**
- **Rate reductions resulting from the earnings test.**
- **Use of the adopted thirteen-month weighted average plant addition factors in determining any adjustment associated with capitalized interest due to a delay in a project's in-service date.**

Finally, ORA and Cal Water agree to collaborate to improve the earnings test used in attrition filings.

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[1] See ORA Company-Wide Report on the Results of Operations of CWS Company , page 4-26 to 4-27

B. DEPRECIATION

ISSUE: ORA recommended that the Cost of Removal ("COR") incurred during the replacement of mains and services be included as part of the project cost of newly replaced mains. This recommendation lowers the depreciation rates for mains and services, and in turn lowers the depreciation expenses. ORA also recommended expensing the COR incurred for permanent abandonment, and maintaining two separate sub-accounts for Accumulated Depreciation Reserve – one for recovery of plant and one for future cost of removal. Cal Water stated that it has historically maintained a single account for depreciation reserve, and separating it into two components would be a challenge.

RESOLUTION: ORA and Cal Water agree to use Cal Water's proposed depreciation rates broken into three components – plant, cost of removal, and salvage. Attachment 6 – Summary of Annual Depreciation Rates lists the agreed-upon depreciation rates by district.

C. PLANT AUDIT

ISSUE: ORA performed an audit on the reasonableness of the costs of a sample of recorded plant additions covering the years 2009 through 2011. ORA proposed adjustments to rate base in Visalia and Bakersfield.

RESOLUTION:

- **Visalia District – Project 15948**
  ORA proposed to remove from rate base the cost of the land acquisition for a new well or tank site based on actual versus projected customer growth and ORA's proposed disallowance of the tank and well projects on that same site. In settlement, the Parties agree to allow the well project (Project 16782); therefore, the Parties agree to include the cost of the land acquisition in rate base.

- **Bakersfield District – Project 18434**
  ORA proposed to remove from rate base the cost of the land acquisition for a pump station (PID 18434) for the Rio Bravo Development based on the project status of the Rio Bravo Development obtained during the discovery phase of the instant proceeding. Cal Water is in the process of reaching an agreement with a

developer to resume construction on the Rio Bravo Development. The pump station was funded by Advances in Aid of Construction and is expected to be in-service in July 2014. Cal Water and ORA agree to include the cost of land in rate base.

D. NON-SPECIFIC CAPITAL BUDGETS

ISSUE: Cal Water's non-specific capital budgets requested in this GRC are based on a ten-year average expenditure, escalated to 2012 dollars using escalation factors from the December 2011 memorandum issued by the ORA Energy Cost of Service and Natural Gas Branch ("ECOS factors"). This 2012 number is then escalated to forecast years 2013-2015 (using the escalation factors from the same memorandum) to arrive at the 2013-2015 proposed non-specific budgets. ORA stated that Cal Water has consistently and continually overspent its non-specific budgets, and recommended lower non-specific budgets, as well as additional reporting and justification requirements for non-specific spending. ORA's 2013-2015 non-specific budgets were 2012 non-specific budget amounts adopted in the 2009 GRC, escalated by the ECOS factors.

RESOLUTION: As a result of settlement discussions, Cal Water and ORA agree to the following non-specific budgets (see table below). These budgets are the respective mid-points between Cal Water's and ORA's estimates. The non-specific budget by district and plant category is provided in Attachment 7 – Non-Specific Capital Budgets. **In addition, Cal Water agrees to provide in its next GRC application a list of recorded and on-going non-specific projects for each district/GO with the following information: project ID, brief description, cost and status.**

Non-Specifics (Total)

Department	Settlement			
	2012	2013	2014	2015
Antelope Valley	$ 82,500	$ 87,050	$ 90,300	$ 92,500
Bakersfield	$ 2,101,700	$ 2,712,500	$ 2,813,650	$ 2,876,350
Bayshore	$ 1,652,500	$ 1,957,800	$ 2,033,550	$ 2,082,850
Bear Gulch	$ 1,336,300	$ 1,900,650	$ 1,978,700	$ 2,027,250
Chico	$ 913,500	$ 1,082,983	$ 1,121,947	$ 1,146,681
Dixon	$ 55,300	$ 66,150	$ 68,700	$ 70,450
Dominguez So. Bay	$ 740,800	$ 994,600	$ 1,034,700	$ 1,060,100
East Los Angeles	$ 937,900	$ 1,255,500	$ 1,305,700	$ 1,337,550
Hermosa Redondo	$ 1,107,600	$ 1,245,650	$ 1,293,000	$ 1,324,100
Kern River Valley	$ 189,700	$ 143,000	$ 150,400	$ 154,400
King City	$ 91,300	$ 109,550	$ 113,550	$ 116,050
Livermore	$ 638,600	$ 847,550	$ 881,750	$ 903,250
Los Altos	$ 839,500	$ 988,900	$ 1,027,200	$ 1,052,100
Marysville	$ 107,400	$ 137,380	$ 142,490	$ 145,632
Oroville	$ 92,200	$ 139,398	$ 144,851	$ 148,216
Palos Verdes	$ 542,600	$ 649,000	$ 674,150	$ 690,450
Coast Springs		$ -	$ -	$ -
Lucerne		$ -	$ -	$ -
Unified Area		$ -	$ -	$ -
Redwood Valley	$ -	$ 197,472	$ 204,295	$ 208,738
Salinas	$ 1,668,900	$ 2,305,800	$ 2,399,550	$ 2,458,450
Selma	$ 146,300	$ 178,200	$ 185,050	$ 189,600
Stockton	$ 932,300	$ 1,094,300	$ 1,136,550	$ 1,164,050
Visalia	$ 1,226,700	$ 1,435,600	$ 1,490,900	$ 1,527,100
Westlake	$ 156,800	$ 168,800	$ 180,500	$ 181,750
Willows	$ 65,500	$ 114,154	$ 118,967	$ 121,661
General Office	$ 1,089,069	$ 1,093,550	$ 1,134,600	$ 1,161,900
Total	$ 16,714,969	$ 20,905,536	$ 21,725,049	$ 22,241,177

E. MAINS

ISSUE: Cal Water stated that its main replacement program aims to reduce leaks and the damage they cause, and to maintain good service to customers. Cal Water's proposed replacements focused on steel pipes and pipes less than 6-inches in diameter. ORA reviewed each proposed main replacement project for reasonableness and recommended disallowances based on its analysis of Cal Water's project

justifications, leaks per 100 miles of main, project-specific leak history, and information gathered on field visits.

RESOLUTION: The Parties discussed each proposed main replacement project for reasonableness and cost effectiveness. Please see the relevant district chapters for main replacement projects that Cal Water and ORA agree to include as part of this settlement. **Cal Water intends to provide a more comprehensive and systematic main replacement program in the next GRC and intends to consult with ORA on this program prior to filing the next GRC.** It should be noted that as part of this settlement, ORA agrees to withdraw its opposition to Cal Water's request to purchase the Pipeline Decision Support System (Project 63934; see General Office's plant section). This software package will allow Cal Water to evaluate both pipeline condition and criticality by analyzing large volumes of pipe data, leak data, and pipeline failure consequences.

F. RISK ANALYSIS AND MANAGEMENT FOR CRITICAL ASSET PROTECTION ("RAMCAP")

ISSUE: Cal Water requested funding to conduct RAMCAP studies using the American Water Works Association ("AWWA") J100 RAMCAP guidelines. RAMCAP is an "all-hazards" approach to risk and resilience management for critical infrastructure. Cal Water anticipates that, in the near future, the federal government will require water and wastewater utilities to perform vulnerability assessments using this approach. ORA recommended disallowing all RAMCAP projects because it is still uncertain whether and when the federal government will require water utilities to perform vulnerability assessments in accordance to the AWWA J100 guidelines. ORA also had concerns with inconsistencies in Cal Water's cost estimates.

RESOLUTION: Cal Water and ORA agree to conditional advice letter treatment for all RAMCAP projects, which are listed below with corresponding advice letter cap amounts. **Parties agree that Cal Water should not implement these projects unless required by the federal government to perform RAMCAP vulnerability studies according to the AWWA J100 guidelines.**

RAMCAP Vulnerability Assessments			
District	Project ID	Budget Year	Budget Amount
Antelope Valley	79955	2015	$ 51,017.0
Bakersfield	79957	2015	$ 396,506.4
Bayshore - Mid-Peninsula	80002	2015	$ 152,161.6
Bayshore - South San Francisco	79999	2015	$ 68,567.3
Bear Gulch	79915	2015	$ 122,119.8
Chico	79956	2015	$ 123,848.4
Dixon	79958	2015	$ 51,017.2
Dominguez	79995	2015	$ 51,393.7
East Los Angeles	79961	2015	$ 125,248.8
Hermosa Redondo	79974	2015	$ 72,770.4
Kern River Valley	79962	2015	$ 141,983.6
King City	79966	2015	$ 55,151.7
Livermore	79953	2015	$ 105,713.3
Los Altos Suburban	79954	2015	$ 144,304.6
Marysville	79975	2015	$ 55,589.6
Oroville	79997	2015	$ 55,589.6
Palos Verdes	79993	2015	$ 88,321.3
Redwood Valley	79998	2015	$ 69,297.7
Salinas	80000	2015	$ 168,595.3
Selma	80001	2015	$ 78,151.7
Stockton	79963	2015	$ 196,011.5
Visalia	79994	2015	$ 236,331.4
Westlake	79967	2015	$ 69,151.4
Willows	80003	2015	$ 55,589.6

G. SCADA

ISSUE: Cal Water requested funding for two categories of SCADA-related projects: (1) projects to replace due to age and vendor-support issues, and (2) projects to optimize existing systems and facilities, add functionality and reliability, and promote energy conservation. ORA recommended disallowance of all newly proposed SCADA-related projects until Cal Water can demonstrate cost savings and tangible benefits resulting from the implementation of such programs and reflect the savings of such programs in the expense forecast.

RESOLUTION: Cal Water and ORA agree to 100% of the SCADA replacement projects because of the age and vendor-support issues. The Parties agree to advice letter treatment for Project 64294, which is part of the projects specified as "replacement;" this project is discussed in the General Office plant section of this Agreement. The Parties agree to include only a small number of projects specified as "optimization;" the total cost for these projects is approximately 20% of Cal Water's request. For the list of agreed-upon SCADA projects, see tables below.

District	Project ID	Project Description	Replacements		
			2013	2014	2015
Bayshore	00067073	Data Acquisition Radio Replacement	$ 73,716		
Dixon	00067045	Data Acquisition Radio Replacement	$ 71,267		
Dominguez So. Bay	00066837	Install 15 SCADA RTUs replacing existing King fisher with SCADAPacks	$ 428,029		
	00067349	Integrate 15 RTUs into Rancho Dominguez RTAP: 203, 215, 219, 223, 224, 231, 232, 272, 275, 277, 279, 290, 294, 297, 298	$ 14,412		
	00062418	Upgrade RTU - WB-39			$ 29,129
	00063111	Upgrade RTU - Interconnection IT-1 (Sepulveda and Del Amo)			$ 29,129
	00063113	Upgrade RTU - Interconnection IT-2 (Sepulveda and Ocean)			$ 29,129
	00063133	Upgrade RTU - Interconnection IT-3 (Prospect and Torrance)			$ 29,129
	00063152	Upgrade RTU - Interconnection IT-4 (Prospect and Del Amo)			$ 29,129
	00063155	Upgrade RTU - WB-21			$ 29,129
Hermosa Redondo	00067046	Data Acquisition Radio Replacement	$ 133,741		
Livermore	00067047	Data Acquisition Radio Replacement	$ 116,375		
Los Altos	00067049	Data Acquisition Radio Replacement	$ 201,913		
Oroville	00067051	Data Acquisition Radio Replacement	$ 60,529		
Salinas	00067072	Data Acquisition Radio Replacement	$ 180,508		
Stockton	00067089	Replace obsolete data acquisition radio system: 33 remote radios, two-frequency redundant master, tank modification for antennas.	$ 149,812		
Westlake	00067092	Data Acquisition Radio Replacement			$ 59,633
General Office	00064294	Office - Replace SCADA Hardware and Software			$ 5,104,536
Total			$ 1,430,302	$ -	$ 5,338,942

District	Project ID	Project Description	Optimizations		
			2013	2014	2015
Bakersfield	00067189	50 Pressure Transducers - Sta. 23 (3), 32, 36, 42, 44, 45(5), 47, 54, 68, 73 (2), 77,81 (2), 82, 85, 86, 87 (3), 88, 89, 91 (2), 96, 97 (3), 100 (3), 102, 105, 108, 116 (5), 123-2, 126, 127, 128, 129	$ 180,147.6		
	00067909	25 Flow Meters - Sta. 130, 134, 137, 141, 143, 133, 149, 153, 158, 161, 163, 176, 180, 184, 186-1, 188, 189, 190, 191, 193, 194, 198, 199, 206, 208		144,942.00	
Bear Gulch	00067190	15 Pressure Transducers	$ 55,619		
Hermosa Redondo	00066790	Install 3 SCADA RTUs: 8, 22, 30		$ 88,099	
	00067231	Install 17 pressure transducers for measuring pump suction and discharge pressure: 4(2), 5(3), 8, 9(2), 13, 22, 33(3), 24(2), 29,30		$ 63,034	
Livermore	00064076	4 RTU's - Sta. 12, 17, 26, and 28	$ 105,600		
Los Altos	00066809	8 SCADA RTUs - Sta. 13, 24, 25, 30, 31, 32, 35, 41		$ 293,664	
	00066829	6 SCADA RTUs - Sta. 39, 111, 115, 116, 121, 123		$ 176,198	
Salinas	00066889	25 Well Level Sensors - Sta. 6, 12, 13, 16, 17, 20, 21, 22, 23, 24, 25, 26, 27, 28, 29, 30, 31, 37, 38, 44, 50-1, 50-2, 56, 58, 63			$ 128,874
	00066890	7 Well Level Sensors - Sta. 64, 65, 67, 70, 71, 106, 201			$ 36,084
General Office	00067591	SCADA Network - Microwave Link, G.O. - Mt. Chual, Mt. Chual - Salinas	$ 88,552		
	00067593	SCADA Network - Microwave Link - G.O. - Mt. Allison, Mt. Allison - Bayshore	$ 88,552		
Total			$ 518,470	$ 765,937	$ 164,958

H. TWO-WAY VOICE RADIOS

ISSUE: Cal Water requested funding for an updated two-way digital radio system for use in the districts. Cal Water stated that the system is needed for a reliable and secure way of communicating in times of critical emergencies such as major earthquakes. ORA recommended disallowance of this project until Cal Water completes more testing, a reasonableness review, and a cost-benefit analysis.

RESOLUTION: Cal Water and ORA agree that Cal Water should defer this request to a future GRC.

I. TANK COATING

ISSUE: Cal Water included tank coating (or tank painting) costs as plant additions in its Application. This is consistent with Cal Water's practice for both accounting and ratemaking purposes since 2001 (please refer to D. 01-09-021). ORA recommended that all tank painting projects from 2012 onward be removed from plant addition estimates, and be treated as recoverable regulatory assets to be amortized over fifteen years, accruing interest at the 90-day commercial paper rate.

RESOLUTION: Cal Water and ORA agree to treat tank-coating costs as prepaid expenses to be amortized over ten years with the unamortized portion included in working cash. **The Parties agree to apply this ratemaking change to tank coating expenditures occurring on or after January 1, 2014, which is the beginning of this rate case cycle.** Projects with an in-service date prior to January 1, 2014 will be treated as capital items in accordance with Cal Water's prior accounting treatment. A list of tank painting projects treated as prepaid expenses is below.

Tank Painting Projects

District	Project ID	Station/ Tank	Settlement Expense	
			Year	Dollars
Antelope Valley	00064951	Sta. 1 Tank 2 Lancaster	2015	$ 88,224.0
Bakersfield	00027051	Sta. 147 T4	2015	$ 103,905.7
	00051728	Sta. 153 Tank 1	2014	$ 42,787.2
	00051808	Sta. 45 Tank 2	2015	$ 205,190.8
	00058573	Sta. 176 Tank 1	2014	$ 673,666.8
	00061572	Sta. 194 Tank 1	2014	$ 207,711.5
	00061734	Sta. 155 Tank 1	2015	$ 148,486.5
	00061754	Sta. 196 Tank 1	2014	$ 128,611.2
Bayshore	00026387	Sta. 25 Lincoln	2015	$ 28,521.6
	00031468	Sta. 24 Yorktown Tank 1	2014	$ 50,796.0
	00044049	Sta. 12 Tank 1	2014	$ 94,752.0
	00045009	Sta. 17 T3	2015	$ 36,189.6
	00057228	Sta.119 Tank 1	2015	$ 165,439.2
	00062013	Sta. 120 Tank 1	2014	$ 64,748.4
	00062053	Sta. 112 Beverly Tank 2	2015	$ 159,900.0
	00078954	Sta. 25 Lincoln Tank 3	2015	$ 36,589.1
Bear Gulch	00029009	Sta. 21	2015	$ 162,049.2
Dixon	00025570	Sta. 1 T1	2015	$ 130,448.4
Dominguez So. Bay	00027867	Sta. 275 Tank 1	2014	$ 53,618.4
	00053608	Sta. 277 Tank 1	2014	$ 44,794.2
	00061773	Sta. 203 Tank 1	2015	$ 509,280.5
	00062160	Sta. 297 Tank 1	2015	$ 24,427.2
East Los Angeles	00025569	Sta. 42 Res 11B	2014	$ 678,727.3
	00051670	Sta. 55 T1	2014	$ 108,436.1
	00061833	Sta. 58 T1 (Res. 15)	2015	$ 839,005.9
	00061872	Sta. 10 Tank 2 (Res. 13B)	2015	$ 117,552.0
Kern River Valley	00051988	Bodfish Sta. 11 Tank 1	2015	$ 57,612.2
	00059632	Kernville Sta.1 Tank 1	2014	$ 106,308.7
	00063328	Sta. 14 Tank 1	2015	$ 44,895.6
King City	00061953	Sta. 11 Tank 1	2015	$ 150,732.0
Livermore	00050668	Sta. 22 Tank 1 (Granada)	2014	$ 136,000.9
	00050728	Liv Sta.22 Tank 2	2014	$ 241,379.7
Los Altos	00025649	Sta. 121 T1, T2 & T3	2015	$ 180,873.6
	00073093	Sta. 42 T2	2015	$ 336,187.7
Palos Verdes	00053648	Sta. 23 Tank 2	2014	$ 563,711.6
	00062032	Sta. 50 Tank 1 (Res. 21)	2014	$ 49,749.6
Salinas	00062103	Sta. 53 Tank 1	2014	$ 124,121.9
Stockton	00025514	Sta. 001	2014	$ 497,484.0
	00060773	Sta. 32 T2 and T3	2014	$ 248,007.5
	00062075	Sta. 82 Tank 7	2014	$ 176,920.8
	00062112	Sta. 81 Tank 2	2014	$ 176,920.8
	00061392	Sta. 3 Tank 4	2015	$ 182,628.0
Visalia	00051768	Sta. 59 Tank 3	2014	$ 130,368.6
Westlake	00027089	Sta. 9 Tank 1 Notter	2015	$ 235,886.4

J. METER REPLACEMENT PROGRAM

ISSUE: Cal Water proposed to include in its Specific Advance Capital Budgets $4,046,400 for 2013, $4,110,900 for 2014 and $4,027,100 for 2015 to fund routine meter

replacement projects (shown as Project 0900 in each district). ORA's recommended budgets are based on recorded 2012 meter replacement expenditures.

RESOLUTION: Cal Water and ORA agree on meter replacement budgets that are at the midpoints between Cal Water's and ORA's estimates. The Parties also agree to specify the approximate number of meters associated with the settled-upon budgets to facilitate forecasting and reasonableness review in future GRCs (see table below). Cal Water and ORA agree to use the Dominguez District's routine meter replacement budget to implement a pilot Advanced Metering Reading ("AMR") project in that district. Please see the Dominguez plant chapter in this Agreement for more information regarding the Dominguez District's pilot AMR project. Cal Water and ORA agree to include $1,150,000 in 2015 for this project. An additional $460,000 will be included as plant addition for 2016 in the next GRC. Please see Attachment 8 – Meter Replacement Program for the list of meter replacement budgets and the approximate number of meters agreed upon in this proceeding.

K. CONSTRUCTION OVERHEAD

ISSUE: ORA recommended adjusting Cal Water's estimated Construction Overhead total from $21,298,920 to $17,925,907 for the Test Year 2014. The adjustment is based on ORA's use of lower escalation factors for a number of expense accounts including payroll and benefits. Cal Water in its Rebuttal accepted ORA's adjustments to the escalation factors. These adjustments result in lower net plant addition amounts for all districts.

RESOLUTION: The Parties agree to use $17,925,907 as the estimated Construction Overhead total for the Test Year 2014. The Escalation Year total is similarly reduced.

L. PLANT WEIGHTING FACTOR

ISSUE: ORA recommended adjustments to Cal Water's estimated Plant Weighting Factors for the Test Year 2014 and Escalation Year 2015. Generally, Cal Water used recorded 2011 Plant Weighting Factor, while ORA used five-year recorded average. For most districts, ORA-recommended factors are lower than Cal Water's recommendations. Cal Water in its Rebuttal accepted ORA's adjustments. These adjustments result in lower net plant addition amounts, and therefore lower the weighted

plant-in-service balances used in calculating Test Year and Escalation Year rate base amounts.

RESOLUTION: The Parties agree to use ORA-recommended Plant Weighting Factors, as shown below.

SETTLEMENT – PLANT WEIGHTING FACTORS

DISTRICTS & G.O.	SETTLEMENT PLANT WEIGHTING FACTOR
Antelope Valley	23.0%
Bakersfield	39.2%
Bayshore	28.9%
Bear Gulch	28.9%
Chico	32.3%
Dominguez	37.3%
Dixon	30.4%
East Los Angeles	39.1%
Hermosa-Redondo	33.1%
Kern Valley	16.9%
King City	18.3%
Livermore	34.7%
Los Altos	39.3%
Marysville	31.1%
Oroville	29.2%
Palos Verdes	41.1%
Rancho Dominguez	29.6%
Redwood Valley	27.9%
Salinas	25.8%
Selma	32.0%
Stockton	28.6%
Visalia	32.3%
Willows	24.6%
Westlake	30.6%
General Office	27.1%

M. SUNSETTING ADVICE LETTERS

ISSUE: Cal Water requested authorization for an extension of the deadline (sunset date) to file rate base offset advice letters for advice letter projects approved in the 2009 GRC. Cal Water's requested new deadline to file would be before the effective date of the 2015 GRC, which is scheduled to be January 1, 2017. ORA proposed to continue to keep the deadline as before the effective date of the rates in this proceeding, which is January 1, 2014.

RESOLUTION: Cal Water and ORA discussed the status of each advice letter project and agree to extend the sunset date from January 1, 2014 to January 1, 2017,

unless otherwise noted. Detailed discussion on advice letter projects are in the respective district chapters of this Agreement.

N. ADVICE LETTER LIST AND DISCUSSION

The Parties agree that certain capital projects may be included in rates after (1) they are in service and (2) their costs (up to the specified cap) are submitted for Commission review via Tier 2 advice letter and are found to be reasonable. This settlement recommends adoption of these projects as "Advice Letter" projects but their costs are not included in the revenue requirement proposed for adoption in this proceeding. Please see Attachment 9 – Rate Base Offset Advice Letter Projects for a list of these projects.

O. ADDITIONAL ACTION ITEMS

(i) Cal Water will provide in its next GRC recorded and ongoing non-specific projects with the following information: project ID, brief description, cost, and status.

(ii) Cal Water will consult with ORA on a new comprehensive main replacement program prior to filing the next GRC application.

(iii) ORA and Cal Water agree to collaborate to improve the earnings test in attrition filings.

(iv) In its testimony and during settlement negotiations, ORA expressed concerns regarding Cal Water's capital project justification, cost overruns, and extended delays. In response, Cal Water agrees to initiate a senior level cross-functional team before January 1, 2014, led by its Vice President of Engineering, to examine the company's capital program management and capital project management processes, with the express intention to improve its ability to deliver capital projects, especially large projects, on time and on budget, and to demonstrate that proposed capital facilities meet service requirements at the lowest life cycle cost.

In Cal Water's next GRC, the company will provide details on specific improvements put in place since the company's previous rate case, including those identified in the settlement agreement. The company will also provide status updates on this initiative on a semi-annual basis starting June 2014. The status report will be addressed to ORA Water Branch's Program and Project Manager. Additionally, Cal Water agrees to increase standardization of more detailed support for capital project justifications in rate case filings. If any district has capital expenditures that are 20% or

more over the approved GRC budget, Cal Water will provide specific justification for this difference.

(v) Cal Water will provide status and updated cost estimates for advice letter projects in progress in its next GRC. Cal Water also agrees to explain significant delays, scope changes and cost overruns in its application.

[END OF CHAPTER]

CHAPTER 13. GENERAL OFFICE PLANT

A. OVERVIEW

The bulk of the projects for the General Office ("GO") are classified as improving operations. This includes a significant amount of information technology to keep up with changing technology and shifts in customer, regulatory and business needs and requirements.

There are several information technology projects to implement new systems to improve operations including an enterprise-wide asset management system to better track maintenance, prioritize risks, and monitor service levels to all pipe and physical assets. The major replacement project relates to the SCADA system hardware and software, which is 20 years old and will no longer be supported. Also in this category is the phased replacement of network components including storage, personal computers, printers, and copiers. There are also various pieces of Water Quality testing equipment that must be replaced to allow for continued reliable water quality testing. Routine replacement includes the vehicles that meet the company replacement policy of greater than 120,000 miles.

The tables below provide a summary of the plant settlement for this district. In the sections that follow, specific projects are identified in separate tables, and certain projects are discussed in further narratives. In addition, there may be projects related to "global" issues – issues that impact multiple districts – that are included in these tables, but discussed separately in the "Global Plant" section of this Agreement.

General Office: Non-Specific Advance Capital Budget Summary

Year	July Filing	ORA Report	Settlement
2012	$ 1,177,937	$ 1,000,200.0	$ 1,089,069.0
2013	$ 1,176,100.0	$ 1,011,000.0	$ 1,093,550.0
2014	$ 1,237,600.0	$ 1,031,600.0	$ 1,134,600.0
2015	$ 1,270,100.0	$ 1,053,700.0	$ 1,161,900.0
Total	**$ 4,861,737**	**$ 4,096,500.0**	**$ 4,479,119.0**

The annual Non-Specific Advance Capital Budget is for capital projects that are anticipated to be completed and placed in service during the indicated year to resolve issues that were not known in detail when the advanced capital budget ("ACB") was

adopted for that time period. The Non-Specific projects tend to be for emergency or unforeseen projects that need to be addressed between GRCs.

General Office: Specific Advance Capital Budget Projects Summary

Year	July Filing	ORA Report	Settlement
2012	$ 5,200,191.4	$ 4,687,009.9	$ 369,976.1
2013	$ 20,482,583.6	$ 6,882,299.9	$ 11,876,205.8
2014	$ 10,924,258.0	$ 7,175,937.3	$ 17,642,645.6
2015	$ 13,201,941.8	$ 6,326,857.9	$ 6,669,899.0
Total	**$ 49,808, 974.7**	**$ 25,072,104.9**	**$ 36,558,726.5**

The Advance Capital Budget for Specific projects identifies the projects and forecasted costs (except for Carryover projects) that the Parties agree should be reflected in the adopted revenue requirement.

General Office: Carryover Capital Projects Summary

Year	July Filing	ORA Report	Settlement
2012	$ 13,640,397.4	$ 9,901,595.7	$ 3,316,461.2
2013	$ 1,211,250.0	$ 1,211,250.0	$ 10,499,497.0
2014	$ -	$ -	$ -
2015	$ -	$ -	$ -
Total	**$ 14,851,647.4**	**$ 11,112,845.7**	**$ 13,815,958.2**

Carryover projects are capital projects reflected in the revenue requirement proposed in this Agreement that were (1) not used and useful, or in some cases not initiated, as of January 2012, and (2) not included in the Advance Capital Budgets summarized above. The Parties agree that Cal Water is expected to complete the listed Carryover projects at the identified settlement amounts and in the years indicated, and that their estimated costs should be reflected in the adopted revenue requirement in this rate case.

General Office: Advice Letter Projects Total

	Advice Letter Cap
Total	**$ 5,104,536.0**

The Parties agree that certain capital projects may be included in rates after (1) they are in service, and (2) their costs (up to the specified cap) are submitted for

Commission review via Tier 2 advice letter, and found to be reasonable. This Agreement recommends adoption of these projects as "Advice Letter" projects, but their costs are not reflected in the revenue requirement proposed for adoption in this Agreement.

General Office: Excluded Projects Total

Excluded Projects	$ 7,639,757.4

The Parties agree that some capital projects proposed in the company's July 2012 application should not be included in the 2012-2015 capital budgets, unless otherwise indicated. These "excluded" projects encompass those that the company cancelled, those that are in service and already included in the beginning plant balance per this Agreement, and those that the Parties agree for other reasons will not be included at this time. The exclusion of these projects ("Defer Request projects") does not prevent the company from proposing them in a subsequent application.

B. SPECIFIC ADVANCE CAPITAL BUDGET PROJECTS

The Parties agree to include the following projects in the Advance Capital Budget for the years 2012 through 2015.

General Office: Advance Capital Budget – Specific Projects

("Discussion" identifies projects discussed in detail below.)

Project	Discussion	Description	Year	Budget
00017901	-	Office - Geospatial Data Integration	2013	$ 1,484,000.0
00020434	-	Field - Tools - TMM	2013	$ 7,650.0
00020705	-	Field - EMT Tools	2012	$ 33,660.0
00020725	-	Field - Laser Pump Alignment Tools	2013	$ 24,480.0
00020750	-	Field - 2 Infrared Cameras	2013	$ 24,480.0
00020851	-	Vehicle - New Vehicle, Utility Body, & Mobile Radio - EMT Truck	2013	$ 81,600.0
00020852	-	Vehicle - New Vehicle & Mobile Radio - Engineering Maintenance Manager	2013	$ 38,439.0
00020853	-	Vehicle - New Vehicle - Director of Corporate Communications	2012	$ 38,500.0
00020854	-	Vehicle - New Vehicle & Mobile Radio - Water Quality Manager	2012	$ 32,118.0
00020855	-	Vehicle - New Sedan - CEO	2012	$ 30,900.0
00020857	-	Vehicle - New Sedan - No. Cal. Pool	2012	$ 22,515.0
00020860	-	Vehicle - New Vehicle & Mobile Radio - Director of Operations	2012	$ 32,562.0
00020862	-	Vehicle - New Sedan - VP of Operations	2012	$ 46,500.0

Project	Discussion	Description	Year	Budget
00020942	-	Office - Records Management	2013	$ 1,781,400.0
00020960	-	Vehicle - New Vehicle & Mobile Radio - Safety Manager	2013	$ 33,716.7
00021019	-	Field - 2 3-Phase Power Data Loggers	2013	$ 6,120.0
00021047	-	Office - Network Enhancements	2013	$ 1,000,000.0
00021081	-	Vehicle - New Sedan	2013	$ 34,140.0
00021104	X	Office - Customer Care & Billing Upgrade	2014	$ 3,424,700.0
00021163	-	Office - Color Copier/Printer/Fax/Scanner - S. Engineering	2012	$ 14,583.0
00021215	-	Office - Furniture & Supplies	2013	$ 3,570.0
00021226	-	Office - SCADA Replacement Specification	2013	$ 270,000.0
00021425	-	Office - Cooling Technologies - Data Center	2013	$ 350,000.0
00022269	-	Office - AutoCAD New Seats	2012	$ 11,198.0
00028048	-	Field - Replace Portable Booster Pump - BK2	2012	$ 107,440.1
00058832	-	4 Leak Detection Correlators	2013	$ 87,301.2
00063064	-	Office - Network Hardware Enhancement	2013	$ 510,000.0
00063095	-	Office - Data Storage	2013	$ 194,820.0
00063232	-	Office - Enterprise End User Software	2013	$ 483,000.0
00063254	-	Office - Network Hardware Enhancement	2014	$ 510,000.0
00063297	-	Office - Data Storage	2014	$ 556,920.0
00063312	-	Office - Enterprise End User Software	2014	$ 479,000.0
00063314	-	Office - I.T. Security	2014	$ 317,740.0
00063315	-	Office - Network Hardware Enhancement	2015	$ 510,000.0
00063316	-	Office - Data Storage	2015	$ 194,820.0
00063317	-	Office - Enterprise End User Software	2015	$ 479,000.0
00063411	-	Office - Enterprise Identity Mgmt - Phase I	2014	$ 518,554.0
00063472	-	Office - IT Services Suite - Phase I - Help Desk	2014	$ 361,314.0
00063638	-	Field - 18 Flushing/Valve Maintenance Field Computer	2013	$ 63,892.8
00063654	-	Office - LIMS Upgrade	2014	$ 424,300.0
00063813	-	Office - Enterprise Work and Asset Management	2013	$ 1,305,102.8
00063819	-	Office - Enterprise Work and Asset Management	2014	$ 650,000.0
00063825	-	Office - Enterprise Work and Asset Management	2015	$ 650,000.0
00063831	-	Office - LIMS Upgrade	2015	$ 219,300.0
00063842	-	Office - PC Refresh	2013	$ 281,401.7
00063934	X	Office - Pipeline Decision Support System	2013	$ 696,000.0
00064055	-	Office - I.T. Bill Printer - Data Center	2014	$ 466,517.4
00064057	-	Office - Enterprise Reporting & Analysis	2014	$ 390,000.0
00064072	-	Office - Enterprise Reporting & Analysis	2014	$ 1,206,600.0
00064075	-	Office - Color Copier - I.T. Publishing	2014	$ 60,780.8
00064094	-	Office - Copier - Engineering	2014	$ 20,871.2
00064096	-	Office - Copier - Rates Department	2014	$ 20,871.2
00064097	-	Office - Copier - Accounting Department	2014	$ 20,871.2
00064100	-	Office - Copier - Human Resources	2014	$ 20,871.2
00064101	-	Office - Copier - Customer Service	2014	$ 20,871.2
00064104	-	Office - AutoCad Design Suite Software - Engineering	2013	$ 7,830.4
00064112	-	Office - PC Refresh	2014	$ 277,567.5
00064114	-	Office - 4 Copiers - I.T. Building	2014	$ 54,807.7
00064139	-	Office - PC Refresh	2015	$ 293,164.3
00064157	-	Office - Medical Claims Management	2014	$ 1,248,000.0
00064176	-	Office - PC - New Complements	2014	$ 39,897.9
00064214	X	Portable Booster Pump	2015	$ 151,341.1
00064253	-	Office - AutoCad Design Suite Software - Engineering	2014	$ 8,073.4
00064374	-	Office - Mobile Workforce Management	2013	$ 697,941.4
00064481	-	Office - Mobile Workforce	2014	$ 496,800.0
00064485	-	Office - AutoCAD Design Suite Software - Engineering	2015	$ 8,316.8
00064494	-	Office - Mobile Workforce	2015	$ 496,800.0

Project	Discussion	Description	Year	Budget
00064497	-	Office - Financial Management System Upgrade	2015	$ 1,275,000.0
00064501	-	Office - Enterprise Application Integration 2013	2013	$ 282,400.0
00064504	-	Office - Enterprise Application Integration 2014	2014	$ 282,400.0
00064509	-	Field - TMM Tools	2013	$ 38,760.0
00064511	-	Office - Enterprise Application Integration 2015	2015	$ 434,600.0
00064571	-	Field - TMM Tools	2014	$ 38,760.0
00064611	X	Office - Customer Care and Billing	2014	$ 3,655,704.0
00064948	-	Vehicle - New Vehicle - CS Process Analyst	2015	$ 35,700.0
00064949	-	Vehicle - Hybrid Sedan - No Cal Pool	2015	$ 35,700.0
00064950	-	Vehicle - New EMT Vehicle	2015	$ 91,800.0
00064952	-	Vehicle - New Vehicle - Bus. Dev. Manager	2015	$ 35,700.0
00064953	-	Vehicle - New EMT C&C	2015	$ 91,800.0
00064955	-	Vehicle - C&C - EMT	2015	$ 91,800.0
00065171	-	Vehicle - 1.75 Ton C&C and Service Body - EMT	2014	$ 90,800.0
00065172	-	Vehicle - Sedan - Water Quality Manager	2014	$ 34,900.0
00065189	-	Vehicle - Sedan - VP of Engineering	2014	$ 49,000.0
00065190	-	Vehicle - 0.5 Ton Pick Up - So Cal Pool	2014	$ 33,450.0
00065191	-	Vehicle - Sedan - Director of Water Quality	$ 2,013	$ 34,000.0
00065192	-	Vehicle - Sedan - Water Quality Project Manager	2014	$ 34,900.0
00065209	-	Vehicle - 1.75 Ton C&C and Service Body - EMT	2014	$ 90,800.0
00065210	-	Vehicle - Sedan - Electrical Engineering Manager	2014	$ 34,900.0
00065211	-	Vehicle - Sedan - Safety Coordinator	2014	$ 34,900.0
00065411	-	Vehicle - 0.5 Ton Pick Up & Outfitting - Nor Cal Pool	2013	$ 34,000.0
00065412	-	Vehicle - 1 Ton C&C and Service Body - EMT	2013	$ 88,800.0
00065413	-	Vehicle - Sedan - Tank Maintenance Superintendent	2013	$ 34,000.0
00065414	-	Vehicle - Sedan - Environmental Manager	2013	$ 34,000.0
00065415	-	Vehicle - SUV - Corporate Secretary	2013	$ 48,600.0
00065416	-	Vehicle - 1 Ton C&C and Service Body - EMT	2013	$ 88,800.0
00065417	-	Vehicle - 1 Ton C&C and Service Body - EMT	2014	$ 88,800.0
00065418	-	Vehicle - Sedan - VP of Rates	2013	$ 48,600.0
00065419	-	Vehicle - 1 Ton C&C and Service Body - EMT	2013	$ 88,800.0
00065420	-	Vehicle - SUV - EMT Superintendent	2013	$ 34,000.0
00065423	-	Vehicle - 0.5 Ton Pick Up - VP of IT	2013	$ 48,600.0
00065424	-	Vehicle - SUV - SCADA	2013	$ 34,000.0
00065425	-	Sedan - WQ Project Manager	2013	$ 34,000.0
00065426	-	Vehicle - SUV - VP Corporate Development	2013	$ 48,600.0
00065436	-	Vehicle - Sedan - WQ Project Manager - Additional Compliment	2015	$ 35,700.0
00065489	-	Additional Parking - Southside of Accounting Building	2013	$ 83,433.5
00065491	-	Field - EMT Tools	2013	$ 33,660.0
00065492	-	Field - EMT Tools	2014	$ 34,680.0
00065493	-	Field - EMT Tools	2015	$ 35,700.0
00065495	-	Field - EMT Equipment - Vibration Analyzer (2)	2013	$ 16,320.0
00065496	X	Automatic Gates - All Entrances	2014	$ 154,506.4
00065552	-	Vehicle - Sedan - Application Training Admin	2013	$ 34,000.0
00065553	-	Vehicle - 0.5 Ton Truck and Outfitting - Nor Cal Pool	2013	$ 34,000.0
00065554	-	Vehicle - 1.5 Ton C&C and Service Body - EMT	2013	$ 88,800.0
00065555	-	Vehicle - 0.5 Ton Truck and Outfitting - Commercial Manager	2013	$ 34,000.0
00065557	-	Vehicle - Sedan - Engineering Manager of Distribution	2013	$ 34,000.0
00065560	-	Vehicle - Sedan - Director I.S.	2013	$ 34,000.0
00065561	-	Vehicle - 0.5 Ton Truck and Outfitting - WQ Project Manager	2013	$ 34,000.0
00065672	-	Field - 2 Vibration Analyzer - EMT Equipment	2014	$ 16,320.0
00065673	-	Field - 3 Ultrasonic Flowmeter - EMT Equipment	2013	$ 30,600.0
00065674	-	Field - 3 Ultrasonic Flowmeter - EMT Equipment	2014	$ 30,600.0

Project	Discussion	Description	Year	Budget
00065675	-	Field - 3 Ultrasonic Flowmeter - EMT Equipment	2015	$ 30,600.0
00065676	-	Field - 2 Power Quality Analyzer - EMT Equipment	2013	$ 11,220.0
00065677	-	Field - 2 Power Quality Analyzer - EMT Equipment	2014	$ 11,220.0
00065678	-	Field - 2 Power Quality Analyzer - EMT Equipment	2015	$ 11,220.0
00065679	-	Field - 2 Infrared Cameras	2013	$ 11,220.0
00065680	-	Field - 2 Infrared Cameras	2014	$ 11,220.0
00065681	-	Field - 2 Infrared Cameras	2015	$ 11,220.0
00065682	-	Vehicle - Sedan - CI - Additional Compliment	2013	$ 34,000.0
00065770	-	Office - Gas Chromatograph/Mass Spectrometer System - Water Quality	2013	$ 117,871.2
00066369	-	Office - GRC Management Solution	2014	$ 63,092.5
00066389	-	Upgrade the Corporate Controls Monitoring Solution - Approva	2014	$ 35,000.0
00066390	-	Ehanced Hyperion - Operational Budgeting System	2013	$ 200,000.0
00066410	-	Office - Hyperion Operational Budget Enhancements	2014	$ 200,000.0
00067591	X	SCADA Network - Microwave Link, G.O. - Mt. Chual, Mt. Chual - Salinas	2013	$ 88,551.6
00067593	X	SCADA Network - Microwave Link - G.O. - Mt. Allison, Mt. Allison - Bayshore	2013	$ 88,551.6
00069149	-	Field - Tank Maintenance Equipment & Tools	2013	$ 15,300.0
00069609	-	Office - Spatial Portal Enhancement	2015	$ 741,716.8
00069909	-	Office - GIS Integration with Customer Care and Billing System	2014	$ 150,000.0
00069949	-	Office - Water Quality Database Integration	2013	$ 66,300.0
00069952	-	Office - Station Maps in GIS	2015	$ 708,900.0
00074953	-	Office - Meter Management System Upgrade	2014	$ 689,713.8
00075733	-	The current generator at Rancho Dominguez Office(Torrance CA) is not suitable to meet the demands of the Disaster Recovery facility. It is due for a replacement.	2013	$ 176,100.0
00075994	-	Tools for new EMT positions requested in the rate case.	2013	$ 30,000.0
00075995	-	Tools for new EMTas requested in Rate Case	2014	$ 25,500.0
00076013	-	Tools for new EMTs requested in the 2012 rate case.	2013	$ 25,500.0
00076034	-	Tools for new EMTs requsted in the 2012 rate case.	2014	$ 25,500.0
00076213	-	Purchase new vehicle for EMT superintendent. This is an additional complement.	2014	$ 35,700.0
00076217	-	Purchase new NEW C&C with service body. This is an additional complement for So cal.	2014	$ 94,350.0
00079553	-	Purchase new vehicle for newly created Human resources Business Partner that will be stationed in Stockton.	2013	$ 33,966.0
00079554	-	Purchase new vehicle for Employee Relations Manager	2013	$ 33,966.0
Total				**$ 36,558,726.5**

Projects 21104 and 64611 – Customer Care and Billing Phases 1 and 2

ISSUE: Cal Water proposed a significant upgrade to its billing and customer service system primarily because the existing vendor will no longer be supporting the product. Phase 1 of this project includes the purchase of the software, purchase of the hardware, and the configuration of the hardware. Phase 2 includes the configuration of the software and the implementation of Customer Care and Billing. In its July 2012

filing, Cal Water had proposed that Phases 1 and 2 be included in the 2013 GO plant additions.

ORA acknowledged the need for this new system, but questioned the timing of the implementation of the two phases of the project and recommended allowing this in ratebase upon Cal Water filing a tier III advice letter

RESOLUTION: In Settlement, Cal Water stressed the need to have these projects on-line prior to the end of the support date set by the existing vendor. Parties discussed the timing and implementation plan and agree to shift both phases of this project from 2013 to 2014. In addition, the Parties agree to the respective budgets of $3,424,700 and $3,655,700 for Phase I and Phase II of this project without the need for an advice letter filing.

Project 63934 – Pipeline Decision Support System

ISSUE: Cal Water proposed purchasing a software package to help Cal Water evaluate both pipeline condition and pipeline criticality by analyzing large volumes of pipe data, leak data, and pipeline failure consequences. This software would then help systematically prioritize replacement projects. This project was a direct result of ORA requesting more condition-based assessments of mains in the 2009 GRC. Cal Water conducted a pilot study in 2012 on the Stockton District's inventory. The result of that assessment was favorable and with this software, Cal Water would be able to evaluate all remaining Cal Water districts.

ORA questioned the necessity of this program because Cal Water already has a basic main replacement software program in place.

RESOLUTION: Cal Water and ORA discussed the limitations of Cal Water's existing basic main replacement software program and addressed the need to have pipeline failure consequences as a part of the solution. Parties agree to a budget of $696,000 for Project 63934. Cal Water will use this software (1) to develop for condition-based main replacement programs for all of its districts, and (2) to provide detailed justification for all main replacement requests in its next GRC application filing.

Project 64214 - Portable Booster Pump

ISSUE: Cal Water proposed three replacement portable booster pumps and one additional portable booster pump. The intent of these units is to allow successful bypass of a booster pumping station during power or equipment failure to ensure that customers

have water service through reliable back-up equipment. These units are GO assets because Cal Water utilized them from district to district as needed. Cal Water included the three replacement units because the models they replace will not meet California Air Resources Board (CARB) requirements in 2017.

While ORA did not dispute the need for the additional portable booster pump, it questioned the need to replace the three booster pumps in this GRC since the existing units would not be out of compliance until 2017.

Cal Water explained in settlement that these units have a long delivery lead-time and Cal Water would need to order them significantly in advance of the delivery date.

RESOLUTION: Cal Water and ORA agree to include the additional portable booster at this time at a budget of $151,341. In addition, the Parties agree that Cal Water should defer the replacement of the other three portable boosters until the next GRC, but it is noted that Cal Water may order the booster pumps before the filing date of the next GRC and include the justification for them in the next case.

Project 65496 – Automatic Gates

ISSUE: Cal Water proposed modifying the General Office – 1st Street gates to improve safety and security for employees and visitors. Currently the two entrances gates remain opened during business hours and anyone walking by the campus may enter without a checkpoint.

ORA questioned the need for new gates versus modifying the existing gates. In settlement discussions, Cal Water explained how it envisioned the gates would operate and how security on the site would improve as a result.

RESOLUTION: Based on Cal Water's clarification on how the proposed gates would operate, ORA and Cal Water agree to include this project in 2014 GO plant additions at a budget of $154,506.

Projects 67591 and 67593 - SCADA Network - Microwave Links to Bayshore District and Salinas District

ISSUE: Cal Water proposed an extensive microwave network consisting of 11 individual microwave projects to allow inter-district communication and remote SCADA operations and troubleshooting. Cal Water believes all of these projects are important to the company's long-term strategy for having a reliable communications system throughout its operation.

ORA did not support this program because Cal Water did not demonstrate tangible cost savings to customers pursuant to its implementation.

RESOLUTION: As a result of settlement discussions, Cal Water and ORA agree to include Projects 67591 and 67593 at a budget of $88,552 per project and to exclude the remaining nine SCADA Microwave Network projects.

In order to better demonstrate the benefits of the proposed microwave projects, Cal Water agrees to track the benefits of the two allowed projects and present those benefits in its next GRC filing as part of the justification for any future inter-district microwave communications projects. Cal Water will show how the two allowed projects will benefit the ratepayers by tracking communications outages and correlating those communications outages to loss of service and/or to down time in its operations.

C. CARRYOVER PROJECTS

The Parties agree to include the following Carryover projects in the capital budget for the years 2012 through 2015.

General Office: Projects Not In Service as of January 2012

("Discussion" identifies projects discussed in detail below.)

Project	Discussion	Description	Year	Budget
00010969	-	Additional Software Seats	2013	$ 44,300.0
00011655	-	LAB - VIAL FILLING MACHINE	2012	$ 3,444.0
00016095	-	BARCODE PRINTERS FOR LIMS	2012	$ 9,306.0
00016389	-	CHECK SCANNERS FOR DISTRICTS	2012	$ 55,660.0
00016978	-	GO SECURITY PHASE 1	2013	$ 3,339.1
00017210	-	GO SECURITY MITIGATION PROJECT	2013	$ 150,139.3
00017328	-	Office - Additional Printers & Copiers – Various	2013	$ 132,200.0
00017899	-	GEOSPATIAL DATA INTEGRT 2008	2012	$ 451,288.0
00017903	-	Office - SCADA Enhancements - IS	2013	$ 200,000.0
00018012	-	EMERGENCY NOTIFICATION SYSTEM	2012	$ 169,725.4
00018118	-	Office - PowerPlant System	2012	$ 96,105.0
00018119	-	Office - Operations Data Management	2013	$ 325,000.0
00020433	-	Field - TMM Tools	2012	$ 7,804.0
00020702	-	Field - EMT Tools	2013	$ 34,560.0
00020708	-	Office - Enterprise Asset Management	2013	$ 1,211,250.0
00020748	-	Field - 2 Infrared Cameras	2013	$ 25,920.0
00020749	-	Field - 2 Infrared Cameras	2013	$ 23,760.0
00020962	-	Vehicle - New Spinter Van, Utility Body, & Mobile Radio - EMT Truck	2012	$ 68,116.0
00020984	-	Office - Duplicator for Publishing	2012	$ 10,685.0
00021016	-	Office - Network Test Lab	2013	$ 250,100.0
00021028	-	Office - Network Enhancements	2012	$ 799,149.0

Project	Discussion	Description	Year	Budget
00021033	-	Office - IT Security	2012	$ 181,470.0
00021098	-	Office - Data Integration - WQ, Safety, & Claims	2013	$ 171,193.0
00021107	-	Office - SCADA Enhancements	2013	$ 200,000.0
00021130	-	Office - Emergency Operations Center	2013	$ 595,578.0
00021166	-	Office - 4 Additional Workstations - Southern California Engineering Office	2012	$ 49,219.0
00021209	-	Office - Replacement ICP Mass Spec System	2012	$ 159,764.0
00021213	-	Office - 3 Hole Punch Addition to Copier	2013	$ 1,100.0
00021214	-	Office - Office Equipment & Supplies	2012	$ 6,165.0
00021223	-	Field - Field Maintenance Laptops	2013	$ 143,400.0
00026907	-	Office - New Furniture - Cubicles & Chairs - Additional Compliment	2013	$ 160,600.0
00027847	-	Bill Payment Kiosks (4)	2013	$ 31,856.0
00028087	-	Office - Telephone System Upgrade	2013	$ 1,221,920.0
00029737	-	Vehicle - 1.5 Ton C&C EMT Truck F-350 - WTP - Additional compliment	2012	$ 80,650.0
00029823	-	Vehicle - (2) 1.5 ton CC F-350's - Additional compliment	2012	$ 147,791.0
00030547	-	Break Software	2013	$ 11,880.0
00049350	-	Customer Start/Stop Website	2012	$ 30,000.0
00050409	-	Replace Portable Booster - ELA 1	2012	$ 136,696.0
00053388	-	Check 21 implementation	2013	$ 100,000.0
00056588	-	Install 2 new workstations	2013	$ 19,380.0
00056728	-	Hyperion Phase 3 – Rates	2012	$ 787,103.0
00058953	-	Office - Peoplesoft FIN/HCM Upgrade	2013	$ 2,635,097.0
00059035	-	EMERGENCY NOTIFICATION SYSTEM	2012	$ 23,273.8
00059232	-	Flushing Tools and Equipment	2012	$ 8,632.0
00060832	-	Mobile Workforce Phase III	2013	$ 800,000.0
00066973	-	New Surveying Radios	2012	$ 4,415.0
00068574	-	Mobile MCA	2013	$ 240,700.0
00069129	-	Patent application	2013	$ 8,000.4
00069591	-	FCN Collection Agency Automation	2012	$ 15,000.0
00071633	-	Itron MVRS upgrade	2012	$ 15,000.0
00071634	-	Automate NSF Payments to RMS	2013	$ 20,000.0
00076533	-	PowerPlant Upgrade 10.3.3 V	2013	$ 1,738,224.2
Total				**$ 13,815,958.2**

D. ADVICE LETTER PROJECTS

The Parties agree to include the following Advice Letter projects in the capital budget for the years 2012 through 2015.

General Office: Advice Letter Projects

("Discussion" identifies projects discussed in detail below.)

Project	Discussion	Description	Year	Advice Letter Cap
00064294	X	Office - Replace SCADA Hardware and Software	2015	$ 5,104,536.0
Total				**$ 5,104,536.0**

Project 64294 - Office - Replace SCADA Hardware and Software

ISSUE: Cal Water proposed a number of SCADA related projects in this case. This project relates to the initial phase of the proposed replacement of Cal Water's primary SCADA hardware and software system, with the second phase proposed to occur in years 2016 through 2018. ORA recommended disallowance of the initial phase of this project due to uncertainty as to whether it would be completed and placed into service prior to Cal Water's next rate case filing.

RESOLUTION: As part of the global SCADA settlement, the Parties agree that this project should be completed as an advice letter filing with a cap of $5,104,536.

E. PROJECTS EXCLUDED FROM PLANT ADDITIONS

The Parties agree to exclude the following projects from the capital budget for 2012 through 2015. The reasons for the exclusion are as described below.

Cancelled projects – Cal Water cancelled these projects during the discovery process, in rebuttal or as a result of settlement negotiations.

Defer Request projects – Cal Water agrees to defer the request of these projects to a later rate case during discovery, in rebuttal or as a result of settlement negotiations.

2012 NS projects – These 2012 Non-Specific projects (i.e., projects funded by authorized 2012 Non-Specific Budget) were initiated on or after January 2012. Cal Water included these projects in its requested Carryover capital project budget in this rate case. ORA contends that these projects' costs are already covered under the authorized 2012 Non-Specific Budget, and therefore their costs should not be included again in the Carryover capital project budget. Cal Water agrees to remove dollars associated with these projects from the Carryover budget in this rate case.

General Office: Projects Not Included in Revenue Requirement

("Discussion" identifies projects discussed in detail below.)

Project	Discussion	Description	Reason
00014039	-	CMMS PHASE 2 IMPLEMENTATION	Defer Request

Project	Discussion	Description	Reason
00016975	-	Mailroom Counters - 1 Peninsula & 1 Wall Counter	Cancelled
00016996	-	Additional Storage Space	Defer Request
00017281	-	Vehicle - Truck & Mobile Radio - Instrument Technician - Northern California	Cancelled
00017284	-	Field - Tools - Instrument Technician - Northern CA	Cancelled
00018123	-	Office - Customer Care & Billing Enhancements	Cancelled
00020219	-	Vehicle - CARB Regulation - Retrofit V202034	Cancelled
00020430	-	Field - Tools - TMM	Cancelled
00020751	-	Office - Extensible Business Reporting Language (XBRL) Implementation	Cancelled
00020859	X	Vehicle - New Vehicle - Director of Customer Service	Shareholder funded
00020961	-	Vehicle - New Vehicle - Extended Service Manager	Cancelled
00020991	-	Office - Mobile Workforce Management	Already in Beginning Plant Balance
00021097	-	Office - Emergency Operations Center II	Cancelled
00021133	-	Replace Restroom Fixtures	Defer Request
00021160	-	Office - Pipe-Flo Software - One license w/ Support	Defer Request
00021168	-	Office - Surge Tank Sizing Stand-Alone - 1 License / User Software	Cancelled
00021206	-	Office - GC & Autosampler	Defer Request
00021208	-	Office - LC-Mass Spec System	Defer Request
00021217	-	Vehicle - SUV - SCADA Program Manager	Defer Request
00021221	-	Office - SCADA Support Facility	Cancelled
00021394	-	ADDITIONAL MOBILE RADIOS	Cancelled
00021419	-	Field - IT Energy Optimization	Cancelled
00021426	-	ADDITIONAL ERGO CHAIRS	Defer Request
00022292	-	Office - AutoCAD New Seats	Defer Request
00025571	-	Purchase new furniture	Defer Request
00026327	-	Office - Project Planning & Monitoring Software	Cancelled
00029587	-	Replace E-Billing System	Cancelled
00044448	-	Additional Egronomic Chairs	Defer Request
00052229	-	GO Solar Project	Defer Request
00056570	-	Rep 2 & Inst 2 Wrk Sta @ RDOM Off	Defer Request
00064098	X	Office - Enterprise Recruiting Solutions	Defer Request
00064133	X	Office - Enterprise ePerformance	Defer Request
00064158	-	Office - PCs - New Complements	Defer Request
00064179	-	Office - PC - New Complements	Defer Request
00064810	X	G.O. Landscaping	Defer Request
00064954	X	Vehicle - New Vehicle - Director of I.T.	Shareholder funded
00064957	-	Vehicle - 0.5 Ton Pick Up with Accessories - Cross Connection	Defer Request
00064958	-	Vehicle - Sedan - Government Affairs Manager	Defer Request
00064959	X	Vehicle - Vehicle - Director of Finance Reporting	Shareholder funded
00065212	-	Vehicle - Van & Outfitting - TMM	Defer Request
00065421	-	Vehicle - 1 Ton C&C and Service Body - Flushing	Cancelled
00065434	-	Vehicle - Sedan - WQ Project Manager - Additional Compliment	Cancelled
00065435	-	Vehicle - Sedan - WQ Project Manager - Additional Compliment	Cancelled

Project	Discussion	Description	Reason
00065550	-	Vehicle - 1.5 Ton C&C and Service Body - EMT	Cancelled
00065551	-	Vehicle - Sedan - Director of Accounting	Defer Request
00065559	X	Vehicle - Sedan - Director Dev & Prop	Shareholder funded
00066130	-	Replace UPS batteries	Defer Request
00066372	-	Office - Capital Budget Enhancements - Powerplant	Defer Request
00067595	-	SCADA Network - Microwave Link, G.O. to Livermore: Mt. Allison - Livermore Peak, Livermore Peak - Livermore Tank, Livermore Tank - Office	Defer Request
00067596	-	SCADA Network - Microwave Link, Livermore to Stockton: Livermore Peak - Stockton Tank, Stockton Tank - Office	Defer Request
00067597	-	SCADA Network - Microwave Link, Rancho Dominguez to Westlake: Rancho Dominguez - Carson Tanks, Carson Tanks - Saddle Peak, Saddle Peak - Kanan R, Kanan Reservoir - WLK Office	Defer Request
00067598	-	SCADA Network - Microwave Link, Bakersfield to Visalia: Bakersfield NWTP - Earlimart, Earlimart - Blue Ridge, Blue Ridge - Visalia	Defer Request
00067599	-	SCADA Network - Microwave Link, Livermore Peak - Dixon Tank, Dixon Tank - Office	Defer Request
00067600	-	SCADA Network - Microwave Link, Visalia to Selma: Blue Ridge - Selma Tower, Selma Tower - Office	Defer Request
00067601	-	SCADA Network - Microwave Link, Salinas to Selma: Mt. Soledad - San Benito, San Benito - Selma Tower	Defer Request
00067602	-	SCADA Network - Microwave Link, Rancho Dominguez to East Los Angeles: Carson Tanks - ELA Tank, ELA Tank - ELA Office	Defer Request
00067604	-	SCADA Network - Microwave Link, Bakersfield to Rancho Dominguez: Bakersfield NWTP - Frazier Mountain, Frazier Mountain - Oat Mountain, Oat Mountain - Saddle Peak	Defer Request
00067749	-	Implement Network Management System - SCADA	Defer Request
00067751	-	Implement Network Management System - SCADA	Defer Request
00067752	-	Implement Network Management System - SCADA	Defer Request
00068100	-	Office - GC/MS/MS System - Satellite Lab	Cancelled
00068169	-	Drinking Water Satellite Lab - Water Quality - East Los Angeles	Cancelled
00068171	-	Office - Ion Chromatography System - Satellite Lab WQ	Cancelled
00068517	-	Install 3 Work Stations	Defer Request
00068871	-	Field - 2-Way Voice Radio System	Defer Request
00069930	-	Office - Distribution Map Conversion to GIS	Defer Request
00072593	-	Purchase Ricoh Copier	2012 NS
00073614	-	Micro Lab Autoclave	2012 NS
00075394	-	Addt'l Procure to Pay Development	2012 NS
00075513	-	BI Phase 3	2012 NS
00076214	-	Purchase new EMT C&C with service body. This is an additional complement for Nor Cal	Cancelled
00076215	-	Purchase new NEW C&C with service body. This is an additional complement for SO Cal	Cancelled
00076216	-	Purchase new NEW C&C with service body. This is an additional complement for Nor Cal	Defer Request
00076218	-	Purchase new NEW C&C with service body. This is an additional complement for So Cal	Defer Request
00076343		Coveo Search Enhancements	2012 NS

Project	Discussion	Description	Reason
00076513	-	Rates Copiers	2012 NS
00076573	-	Scada Tech Equipment	2012 NS
00076654	-	New Vehicle for Water Tech Train Mg	2012 NS
00079153		New Vehicle for VP of HR	2012 NS
00079154		New Vehicle for HR Business Partner	2012 NS
00079155		Replace V209091	2012 NS
00079156		New Vehicle for VP of IT	2012 NS
00079173	-	Install Fire Sprinklers at GO	Cancelled
00079474	-	Refabricate Boardroom chairs	2012 NS
00079960	-	J405 Mercury Analyzer & Accessories	2012 NS
Total			**$ 7,639,757.4**

Projects 64098 and 64133, Recruiting Solutions and ePerformance

Cal Water proposed these Human Resource tools to help in the search for highly qualified candidates and to help employees manage their work performance after hiring.

ORA concluded that these two projects were not necessary and recommended that they be disallowed. CWS agreed to forego these two projects during settlement discussions.

Project 64810 - G.O. Landscaping

ORA recommended that this project be removed as it concluded that there was not a genuine need for it nor was there any estimated cost savings resulting from decreased water usage passed onto ratepayers.

Cal Water stated that it will continue to investigate ways to decrease irrigation water usage and maintenance costs on the General Office campus and will likely submit the same or a similar type of project in the 2015 GRC.

Projects 20859, 64954, 64959 and 65559 - Vehicles

ORA recommended disallowances in Cal Water's GO vehicle fleet and objected to the allowance of personal mileage with regard to some of Cal Water vehicles. The Parties discussed personal vehicle use as part of the executive compensation settlement and the Parties ultimately agree to remove 4 vehicles assigned to GO employees due to low business use mileage. Cal Water will purchase these 4 replacement vehicles with shareholder funds.

[END OF CHAPTER]

CHAPTER 14. ANTELOPE VALLEY DISTRICT PLANT

A. OVERVIEW

Two groups intervened on behalf of ratepayers in the Antelope Valley District: the Leona Valley Town Council ("LVTC") and the City of Lancaster. Unless otherwise noted, the term "the Parties" as used in this chapter refers to Cal Water, ORA, LVTC and the City of Lancaster. The Parties request that the Commission approve the settlement plant values described herein under the conditions specified.

The tables below provide a summary of the plant settlement for this district. In the sections that follow, specific projects are identified in separate tables, and certain projects are discussed in further narratives. In addition, there may be projects related to company-wide or "global" issues – issues that impact multiple districts – that are included in these tables, but discussed separately in the "Global Plant" section of this Agreement.

Antelope Valley: Non-Specific Advance Capital Budget Summary

Year	July Filing	ORA Report	Settlement
2012	$ 82,500.0	$ 82,500.0	$ 82,500.0
2013	$ 90,700.0	$ 84,351.0	$ 87,050.0
2014	$ 95,500.0	$ 89,018.0	$ 90,300.0
2015	$ 98,100.0	$ 91,233.0	$ 92,500.0
Total	**$ 366,800.0**	**$ 347,102.0**	**$ 352,350.0**

The annual non-specific budget is for capital projects that are anticipated to be completed during the indicated year to resolve issues that were not known in detail when the advance capital budget ("ACB") was adopted for that time period. The non-specific projects tend to be for emergency or unforeseen projects that need to be completed between GRCs.

Antelope Valley: Specific Advance Capital Budget Projects Summary

Year	July Filing	ORA Report	Settlement
2012	$ 682,909.4	$ 210,213.4	$ 5,400.0
2013	$ 685,997.0	$ 366,084.8	$ 517,418.5
2014	$ 521,285.4	$ 146,013.2	$ 76,514.8
2015	$ 626,612.0	$ 194,370.8	$ 198,343.6
Total	**$ 2,516,803.8**	**$ 916,682.2**	**$ 797,676.9**

The advance capital budget for specific projects identifies the projects and forecasted costs (except for carryover projects) that the Parties have agreed should be reflected in the adopted revenue requirement.

Antelope Valley: Carryover Capital Projects Summary

Year	July Filing	ORA Report	Settlement
2012	$ 3,101,295.2	$ 898,967.8	$ 464,242.6
2013	$ 1,595,204.2	$ -	$ 887,998.5
2014	$ -	$ -	$ 392,805.9
2015	$ -	$ -	$ -
Total	**$ 4,696,499.4**	**$ 898,967.8**	**$ 1,745,047.0**

Carryover projects are capital projects included in the revenue requirement proposed in the Agreement that were not completed (used and useful) as of January 2012, and are not included in the non-specific and specific advanced capital budgets summarized above. The Parties agree that Cal Water will complete the listed carryover projects at the identified settlement amounts and in the years indicated. The Parties agree that these projects' forecasted costs should be included in the adopted revenue requirement.

Antelope Valley: Advice Letter Projects Total

	Advice Letter Cap
Total	**$ 2,099,801.4**

The Parties agree that certain capital projects may be included in rates after (1) they are in service and considered used and useful, and (2) their costs (up to the specified cap) are submitted for Commission review via a Tier 2 advice letter and the costs are found to be reasonable. This settlement recommends adoption of these projects as "Advice Letter" projects, but their costs are not included in the revenue requirement proposed for adoption in this Agreement.

Antelope Valley: Excluded Projects Total

Excluded Projects	$ 2,348,631.8

The Parties agree that some capital projects proposed in the company's July 2012 application should not be included in the capital budgets for 2012 through 2015, unless otherwise indicated. These "excluded" projects encompass those that the company cancelled, those that are in service and already included in the beginning plant balance per this Agreement, and those that the Parties agree for other reasons to exclude at this time. The exclusion of these projects does not prevent the company from proposing them in a subsequent application ("deferred projects").

B. SPECIFIC ADVANCE CAPITAL BUDGET PROJECTS

The Parties agree to include the following projects in the Advance Capital Budget for the years 2012 through 2015.

Antelope Valley: Advance Capital Budget – Specific Projects
("Discussion" identifies projects discussed in detail below.)

Project	Discussion	Description	Year	Budget
00020700		20 1" Services - Lancaster	2013	$ 68,102.0
00020734		Field - Large Power Tools	2012	$ 5,400.0
00021285	X	Replace Electrical Equipment - Sta. 1 - Lancaster	2013	$ 168,000.0
00061954		Replace Interior Safety Climb - Sta. 1 Tank 3 - Lancaster	2015	$ 3,282.0
00061958		Paint Interior & Exterior Complete - Sta. 1 Tank 1 Leona Valley	2013	$ 111,278.4
00061961		Upgrade CP System - Sta. 1 Tank 1 Leona Valley	2013	$ 7,584.0
00063013		Field - New Handhelds for Meter Reading	2013	$ 13,464.0
00063016		Replace 20 faulty service lines	2014	$ 42,988.0
00063492		Field - GPS Unit	2013	$ 7,000.0
00063493		Field - Large Power Tools including Jackhammers, Air Tools, & Metal Pipe Locators	2013	$ 6,120.0
00063494		Field - Large Power Tools including Jackhammers, Air Tools, & Metal Pipe Locators	2014	$ 6,120.0
00063495		Field - Large Power Tools including Jackhammers, Air Tools, & Metal Pipe Locators	2015	$ 6,120.0
00064110	X	Seismic Retrofit - Sta. 5 Tank 1 - Leona Valley System	2015	$ 78,434.4
00064951		Paint Interior Complete - Sta. 1 Tank 2 - Lancaster	2015	$ -
00065545		Vehicle - 1 Ton C&C with Service Body	2013	$ 64,260.0
00065546		Vehicle - 1 Ton C&C with Service Body	2013	$ 64,260.0
00066789		Replace 10 service lines	2014	$ 21,000.0

Project	Discussion	Description	Year	Budget
00074794		Replace Anodes - Leona Valley Sta. 5 Tank 1 Replace One Depleted Anode and Test Box - Leona Valley Sta. 6 Tank 1	2013	$ 6,256.8
00075615	**X**	Replace Pump & motor. Existing equipment leaks and is not VFD compatible.	2015	$ 103,800.0
AVD0900		Meter Replacement Program	2012	$ -
AVD0900		Meter Replacement Program	2013	$ 1,093.3
AVD0900		Meter replacement program	2014	$ 6,406.8
AVD0900		Meter replacement program	2015	$ 6,707.2
Total				**$ 797,676.9**

Projects 13185, 20491, 21285 (72573), 61553 (72994), 63018, 67553 & 75615 – Various Projects (Lancaster Station 1)[5]

Cal Water proposed multiple projects to address pumping concerns at Station 1 in its Lancaster system. The Lancaster system is a single pressure system supplied by two wells, three storage tanks with a total capacity of 600,000 gallons, and two booster pumps. All of the aforementioned plant items reside on Station 1. ORA agreed with the need for some of the proposed projects at this location and challenged either the need or the method of recovery for others. The Parties' positions, as well as the settlement for these issues, are summarized as follows.

Project 13185 – Add Variable Frequency Drive Panels to Stations 1A and 1B (Lancaster)

ISSUE: Project 13185 was a non-specific project proposed by Cal Water to address the deterioration of two hydro-pneumatic tanks. Cal Water determined that continued operation of the hydro-pneumatic tanks could present safety issues. Therefore, Cal Water's solution was to replace these tanks with variable frequency drive ("VFD") pumps to achieve a constant pressure and to reduce pressure surges and pressure fluctuations. The proposed cost for this project in the application ($32,406) was revised by Cal Water in its Rebuttal to reflect the new project scope ($270,000). ORA did not question the need for the project but noted that the project having originated from the non-specific budget should already be accounted for in the company's 2012 non-specific budget. Cal Water responded that work for the project had begun prior to 2012; therefore, the Company contended cost for the project should be

[5] Some of these projects are specific projects from the Advance Capital Budget, while others are from the Carryover Capital Budget.

included specifically in the company's plant additions. (ORA RO Report, page 7-23; CWS Book 4 Rebuttal, page 75.)

RESOLUTION: The Parties agree to include Project 13185 as a plant addition in 2013 for the original budgeted cost of $32,406. The Parties agree that Cal Water will provide, and ORA will evaluate, detailed justifications for costs exceeding the original budget for the project in the next GRC.

Project 21285 (72573) – Replace Electrical Equipment at Station 1 (Lancaster)

ISSUE: Project 21285 was approved in the previous GRC to replace electrical equipment that was old, unreliable, and had experienced breakdowns. This work was also required to accommodate the installation of the VFDs. ORA recommended removal of this project, referencing a data request in which the Company noted the project number was cancelled. In Rebuttal, Cal Water noted Project 21285 was cancelled because it was written incorrectly in the Company's Asset Management System. Cal Water rewrote this project under a new number (72573). Cal Water further noted the design was nearly complete and the project was scheduled to be in service before the end of 2013. (ORA RO Report, page 7-12; CWS Book 4 Rebuttal, pages 77.)

RESOLUTION: The Parties agree to include Project 21285 (72573) as a plant addition in 2013 for $168,000.

Project 20491 – Install Automatic Transfer Switch at Station 1 (Lancaster)

ISSUE: Project 20491 is a carryover project to install an Automatic Transfer Switch. ORA recommended removal of this project from the Company's plant additions due to the delay in the completion of the project (previously estimated to be installed in 2010). In Rebuttal, Cal Water noted this work must be performed after the electrical equipment at this station is replaced (Project 72573). (ORA RO Report, pages 7-8; CWS Book 4 Rebuttal, pages 77 to 78.)

RESOLUTION: This project is expected to be in service before the end of 2013. The Parties agree to include Project 20491 as a plant addition in 2013 for $43,200.

Projects 61553 (72994) & 63018 – Well Pump Replacement (Lancaster)

ISSUE: The well at Station 1 is currently the primary source of production for Lancaster and must always be running to ensure adequate supply. Cal Water utilizes a small constant speed pump for this well and has to replace the pump every few years due to problems associated with sanding issues in the well. Cal Water wrote Project 61553 as a non-specific to replace the pump in 2012. Due to limitations in its Asset Management System, Cal Water had to rewrite the project under a new number (Project 72994). The Company proposed Project 63018 to replace the pump again in 2015, and to perform additional work to the column to mitigate the type of pump damage that necessitated the frequent pump replacements in the past. ORA recommended disallowance of Project 61533 (72994) and a conditional advice letter for Project 63018 at a slightly lower cost than was proposed. In Rebuttal, the company noted that work for Project 61533 (72994) had been completed. The company accepted ORA's recommendation for advice letter regarding Project 63018, but did not agree with the lower cost or the conditions to be placed on the work to be performed. (ORA RO Report, pages 7-17; CWS Book 4 Rebuttal, pages 77 and 71.)

RESOLUTION: The Parties agree (1) to include Project 61533 (72994) as a plant addition in 2012 for $30,547, and (2) that Cal Water will be allowed to recover Project 63018 in rates by advice letter with a total project cost capped at $162,000.

<u>Projects 67553 & 75615 – Booster Pump Replacement</u>

ISSUE: Cal Water proposed Projects 67553 and 75615 to replace booster pumps 1A and 1B, respectively. ORA recommended approval for Project 67553, but recommended disallowance of Project 75615 based on its finding that Pump 1B still has a "fair" efficiency rating and is considered to be a back-up to Pump 1A, whose proposed replacement in Project 67553 ORA did not oppose. In Rebuttal Cal Water noted both pumps need to be available and operate reliably . (ORA RO Report, pages 7-18; CWS Book 4 Rebuttal, pages 71 to 72.) During settlement discussions, Cal Water reiterated the need for both projects, but in the interest of settlement, and based on the operations of the system, agreed to include only Project 75615, and not Project 67553, in the current GRC.

RESOLUTION: The Parties agree to include Project 75615 as a plant addition in 2015 for $103,800; Cal Water agrees to defer proposal of Project 67553 to a subsequent GRC.

Projects 63692, 64110 & 64217 – Seismic Retrofits at Various Stations in Antelope Valley

ISSUE: Cal Water proposed Projects 63692, 64410 and 64217 to retrofit three tanks in Antelope Valley to be more seismically resistant. Since most of the Antelope Valley is directly adjacent to the San Andreas Fault and Cal Water has experienced piping failure at the tank connection point during seismic events in both the Northridge and Loma Prieta earthquakes, Cal Water proposed installing double ball expansion joints at the pipe to tank interface. ORA did not oppose these projects. In settlement discussions, LVTC expressed great concern for the rate increase Cal Water's customers in Antelope Valley will be experiencing and asked the Company to reevaluate the criticality of many of Cal Water's proposed projects. Cal Water identified many projects including these retrofits that the company maintains are needed; however, in the interest of mitigating rate increases in this rate case, Cal Water ultimately agreed to defer the proposal of Project 63692 and 64217 to a subsequent GRC filing.

RESOLUTION: The Parties agree to include Project 64110 as a plant addition in 2015 for $78,434; Cal Water agrees to defer proposal of Projects 63692 and 64217 to a subsequent GRC filing.

C. CARRYOVER PROJECTS

The Parties agree to include the following Carryover projects in the capital budget for the years 2012 through 2015.

Antelope Valley: Projects Not In Service as of January 2012
("Discussion" identifies projects discussed in detail below.)

Project	Discussion	Description	Year	Budget
00010391	X	AVEK System Interconnection - Lancaster	2014	$ 274,000.0
00013183		Replace pump building	2012	$ 34,114.0
00013185	X	Add VFD Panels - Sta. 001A & Sta. 001B	2014	$ 32,405.9
00015599		Interior Safety climb - Sta. 3 Tank 1 - Lake Hughes	2012	$ 1,223.0
00017499	X	1,370' 6" PVC; 25 1" Services; 4 Hydrants - Devere & Ellstree Drive - Lake Hughes	2013	$ 227,800.0
00017501		Replace 20 Faulty Services - Lancaster	2012	$ 61,400.0
00017506		2 Hydrant Replacement - Lancaster	2012	$ 20,567.8
00017507		2 Hydrant Replacement - Leona Valley	2012	$ 19,200.0
00017508		2 Hydrant Replacement - Fremont	2012	$ 19,200.0

Project	Discussion	Description	Year	Budget
00017515		Field - Power & Hand Tools	2012	$ 5,400.0
00020491	X	Automatic GenSet Transfer Switch - Sta. 1 - Lancaster	2014	$ 43,200.0
00020496		20 1" Services - Lancaster	2012	$ 70,200.0
00020501		2 Hydrants - Lancaster	2013	$ 20,200.0
00020563		5 Water Sample Stations - Lake Hughes	2013	$ 16,200.0
00020566		Automatic GenSet Transfer Switch - Sta. 1 - Fremont	2014	$ 43,200.0
00020571		2 Water Sample Stations - Fremont	2012	$ 6,500.0
00020573		2 6" Gate Valves - Fremont	2013	$ 16,000.0
00020574		2 Hydrants - Fremont	2012	$ 20,200.0
00020578		Field - Large Power Tools	2012	$ 5,400.0
00020585		20 - 1" Services - Lancaster	2013	$ 73,800.0
00020589		2 Hydrants - Lancaster	2013	$ 21,200.0
00020642		Drill, Develop, & Equip New Well - Fremont	2013	$ 485,640.0
00020643		2 Hydrants - Leona	2012	$ 21,200.0
00020646		2 Hydrants - Fremont	2013	$ 21,200.0
00020690		Field - Large Power Tools	2012	$ 5,400.0
00042388		Replace pump	2013	$ 5,958.5
00058472		Replace anodes- Fremont Valley Tank	2012	$ 5,362.7
00061113		Replace 2 Booster Pumps at sta. 1	2012	$ 138,398.2
00072994		Replace Pump/Motor LAN Sta 1-01	2012	$ 30,477.0
Total				**$ 1,745,047.0**

Project 10391 – AVEK[6] System Interconnection (Lancaster)

ISSUE: Project 10391 was authorized to be recovered through advice letter with a capped project cost of $810,000 in the previous GRC. Cal Water proposed to include the project as a plant addition in the current GRC. ORA recommended that the project continue to maintain its advice letter status, with authorization expiring the new rates from the current GRC become effective. In Rebuttal, Cal Water noted that AVEK had recently imposed a connection fee onto Cal Water equivalent to what Cal Water would have paid AVEK for connection to its Lancaster system since the inception of the fee. Negotiations over this fee were the primary causes of the delay in establishing the interconnection. AVEK and Cal Water negotiated to a fee of roughly $270,000 (down from $500,000). Cal Water noted that, due to the unexpected fee cost, the revised estimate for the project had increased from $810,000 to $1,195,000. (ORA RO Report, pages 7-6 to 7-7; CWS Book 4 Rebuttal, pages 72 to 73.) During settlement discussions, the City of Lancaster expressed concern regarding the need for the project

[6] Antelope Valley East Kern River Agency

in the short run. The Company contended that, because of the status of the pending groundwater adjudication in this district, additional imported supply would be needed to offset groundwater pumping and that this project could not be cut.

RESOLUTION: The Parties agree that: (1) the connection fee for Project 10391 should be included as a plant addition for $274,000 in 2014; and (2), Cal Water should be allowed to file an advice letter capped at $726,000 to recover the construction costs once the interconnection is complete. This brings the total project cost to $1,000,000. Additionally, the Parties agree that Cal Water will not file an advice letter for recovery of the project cost before 2015, even if the project is placed in service before 2015.

Projects 13185 & 20491 – Various Projects (Lancaster Station 1)

Please refer to discussion of various projects at Lancaster Station 1 above.

Projects 17499, 21110, 21119, 21127 & 66846 – Main Replacement Projects (Lake Hughes)

ISSUE: Cal Water proposed five projects to replace various sections of main running through and adjacent to Elizabeth Lake Road, the backbone transmission line in its Lake Hughes system. Cal Water explained that these projects are designed to improve water quality and fire flow. ORA recommended disallowance of Project 66846, allowance of Projects 17499 and 21127, and advice letter status for Project 21110. In its Report, ORA noted the delay in completing Project 21110 (originally scheduled to be completed in 2010) due to issues in obtaining permits from Los Angeles County. In Rebuttal, Cal Water asserted that the primary reason for the difficulty in obtaining the necessary permits is that the route is the primary thoroughfare that is continuous from I-5 to Route 14. Furthermore, the Company had already secured permits for a number of the proposed projects. (ORA RO Report, pages 7-12 and 7-14 to 7-15; CWS Book 4 Rebuttal, pages 69 to 70 and 78 to 79.) During settlement discussions with ORA, the City of Lancaster, and LVTC, Cal Water stressed the need for all of the projects. However, in the interest of satisfying ORA's concerns regarding when projects would be completed, and the interveners' concerns for controlling costs, Cal Water proposed deferral of Project 21127 in lieu of Project 66846, and recovery of Projects 21110, 21119 and 66846 through a single advice letter filing.

RESOLUTION: The Parties agree that: (1) Project 17499 should be included as a plant addition in 2013 for $227,800 and (2) Cal Water should be allowed to file a single advice letter for recovery of Projects 21110, 21119 and 66846, with capped project costs of $258,300, $218,900 and $285,600, respectively (upon completion of all three projects).

D. ADVICE LETTER PROJECTS

The Parties agree to include the following Advice Letter projects in the capital budget for the years 2012 through 2015.

Antelope Valley: Advice Letter Projects

Project	Discussion	Description	Year	Advice Letter Cap
00010391	X	AVEK System Interconnection - Lancaster	2014	$ 726,000.0
00020701	X	150,000 Gallon Bolted Steel Tank - Sta. 4 - Lake Hughes - 250' 8" PVC	2014	$ 397,984.2
00021110	X	Elizabeth Lake Road - Bay Trail A & B - 1,615' 6" PVC; 23 1" Services; 4 Hydrants	2014	$ 258,300.0

00021119	X	1,500' 6" PVC; 10 1" Services; 4 HyORAnts - Elizabeth Lake Road	2014	$ 218,900.0
00063018	X	Pump Replacement - Sta. 01-01 Lancaster	2015	$ 162,000.0
00066846	X	1500' 6"PVC; 20 Services; 4 Hydrants - Elizabeth Lake Road	2014	$ 285,600.0
00079955		Cal Water RAMCAP Vulnerability Assessments	2015	$ 51,017.2
Total				**$ 2,099,801.4**

("Discussion" identifies projects discussed in detail below.)

Project 10391 – AVEK System Interconnect (Lancaster)

Please refer to discussion of Project 10391 above.

Project 20701 – 150,000 Gallon Tank (Lake Hughes)

ISSUE: Project 20701 was authorized for $397,984 in the previous GRC. ORA recommended advice letter treatment for the project. In Rebuttal, Cal Water supported ORA's recommendation for advice letter treatment; however, as with all advice letter projects, the company requested clarification as to the expiration of the advice letter authorization. (ORA RO Report, pages 7-8 to 7-9; CWS Book 4 Rebuttal, pages 73 to 74.)

RESOLUTION: The Parties agree that Project 20701 should be allowed to continue as an advice letter project with a total project cost capped at $397,984.

Projects 21110, 21119 & 66846 – Main Replacement Projects (Lake Hughes)

Please refer to discussion of Projects 17499, 21110, 21119, 21127 & 66846 above.

Project 63018 – Various Projects (Lancaster Station 1)

Please refer to discussion of various projects at Lancaster Station 1, above.

E. PROJECTS EXCLUDED FROM PLANT ADDITIONS

The Parties agree to exclude the following projects from the capital budget for 2012 through 2015. The reasons for the exclusion are as described below.

Cancelled projects – Cal Water cancelled these projects during discovery, in rebuttal, or as a result of settlement negotiations.

Deferred projects – Cal Water agrees to defer the request of these projects to a later rate case during discovery, in rebuttal, or as a result of settlement negotiations.

2012 Non-Specific projects – These 2012 Non-Specific projects (i.e., projects funded by authorized 2012 Non-Specific Budget) were initiated on or after January 2012. Cal Water included these projects in its requested Carryover capital project budget in this rate case. ORA contends that these projects' costs are already covered under the authorized 2012 Non-Specific Budget, and therefore their costs should not be included again in the Carryover capital project budget. Cal Water agrees to remove dollars associated with these projects from the Carryover budget in this rate case.

Antelope Valley: Projects Not Included in Revenue Requirement
("Discussion" identifies projects discussed in detail below.)

Project	Discussion	Description	Reason
00013187		Replace gate valve L&20th street	Defer Request
00013189		Replace gate valve Leona Valley	Defer Request
00013209		Replace hydrants	Cancelled
00014131	X	LITIGATION CHARGES	Defer Request
00014290	X	LITIGATION CHARGES	Defer Request
00014467		Chloramination conversion	Cancelled
00017503		Replace 20 Faulty Services - Leona Valley	Cancelled
00017509		2 Gate Valve Replacement - Lancaster	Cancelled
00017510		2 Gate Valve Replacement - Leona Valley	Cancelled
00017511		2 Gate Valve Replacement - Fremont	Cancelled
00017664	X	WELL CONSTRUCTION-LEONA-STA 01	Defer Request
00020500		2 6" Gate Valves - Lancaster	Cancelled
00020503	X	Automatic GenSet Transfer Switch - Sta. 1 - Leona	Defer Request
00020509		2 6" Gate Valves - Leona	Cancelled
00020559		2 Hydrants - Leona	Cancelled
00020587		2 - 6" Gate Valves - Lancaster	Cancelled
00020596		10 1" Services - Leona	Cancelled
00020599		2 - 6" Gate Valves - Leona	Cancelled
00020644		2 - 6" Gate Valves - Fremont	Cancelled
00020707		20 1" Services - Leona	Cancelled
00020709		Replace 2 6" Gate Valves - Lancaster	Cancelled

Project	Discussion	Description	Reason
00020711		Replace 2 6" Gate Valves - Leona	Cancelled
00020712		Replace 2 6" Gate Valves - Fremont	Cancelled
00020716		Replace 2 Hydrants - Lancaster	Cancelled
00020723		Replace 2 Hydrants - Leona	Cancelled
00021127	X	1,530' 6" PVC; 10 1" Services; 4 Hydrants - Lakeshore Drive - Albyn & Devere Court	Defer Request
00029288		2 Hydrants - Fremont	Cancelled
00061553	X	Replace Pumping Equipment LAN 1-01	Defer Request
00063033		Replace Two Valves and Two Hydrants	Cancelled
00063034		Hydrants and Valves	Cancelled
00063036		2 Hydrants and Valves	Cancelled
00063692	X	Seismic Retrofit - Sta. 3 Tank 1 Lakes Hughes	Defer Request
00064138		VFD on Booster Pump at Sta 1	Defer Request
00064217	X	Seismic Retrofit - Sta. 6 Tank 1 - Leona Valley	Defer Request
00064333	X	53K Gallon Bolted Steel Tank - Sta. 4 - Leona Valley	Defer Request
00067553	X	Replace Pump and Motor - Sta. 1 A	Defer Request
00068831		Field - Two-Way Voice Radio System	Defer Request
00071953	X	Well Destruction-Leona sta. 1-03	Depreciation
Total			**$ 2,348,631.8**

Projects 14131 & 14290 – Groundwater Adjudication Litigation

ISSUE: Projects 14131 and 14290 are projects associated with Cal Water's involvement in a proceeding regarding the adjudication of water pumping rights in the Antelope Valley Groundwater Basin. ORA recommended disallowance of these projects as they are "non-specifics" and already accounted for in the Company's 2012 non-specific budget. Furthermore, ORA noted these are costs that should be best accounted for in a memorandum account. (ORA RO Report, pages 7-9; CWS Book 4 Rebuttal, page 74, and Attachment - AV - 14131, 14290 1.) Furthermore, although the projects were non-specific, they were initiated well before 2012 and therefore do not run the risk of being double-counted.

RESOLUTION: The Parties agree that Cal Water should defer proposal of recovery of Projects 14131 and 14290 to a subsequent GRC proceeding, when all costs of the projects are known.

Project 17664 – Well Construction (Leona Valley)

ISSUE: Project 17664 involves construction of a well in Leona Valley; a project not previously authorized by the Commission. The well has been operational for a few years, but due to nitrate issues, has not received authorization from the California Department of Public Health to be connected to the water system and can only be used to provide water for fire protection only. ORA recommended disallowance of this project until Cal Water can demonstrate that the water from the well is potable as originally intended. In Rebuttal, Cal Water stated that the Company is looking into treatment methods for the well and that even in its current condition it is still providing a benefit to the current ratepayers. (ORA RO Report, pages 7-7 to 7-8; CWS Book 4 Rebuttal, pages 75 to 76.)

RESOLUTION: The Parties agree that Cal Water should defer proposal of recovery of Project 17664 to a subsequent GRC proceeding.

Project 20503 – Automatic Transfer Switch (Leona Valley)

ISSUE: Project 20503 is a carryover project for the installation of an Automatic Transfer Switch at Station 1 in Leona Valley. ORA recommended disallowance of this project due to the delay in the completion date (originally scheduled to be complete in 2010). In Rebuttal, Cal Water stressed the need for the project at this location, and that the delay was to account for coordination of the design and construction of similar projects in Antelope Valley. (ORA RO Report, pages 7-8; CWS Book 4 Rebuttal, page 77 to 78.) In settlement discussions, LVTC expressed great concern for the rate increase Cal Water's customers in Antelope Valley will be experiencing and asked the Company to reevaluate the criticality of many of Cal Water's proposed projects. Cal Water identified many projects including this one that the company maintains are needed; however, in the interest of mitigating rate increases in this rate case, Cal Water ultimately agreed to defer the proposal of Project 20503 to a subsequent GRC filing.

RESOLUTION: The Parties agree that Cal Water should defer proposal of Project 20503 to a subsequent GRC proceeding.

Project 21127 – Main Replacement Projects (Lake Hughes)

Please refer to discussion of Projects 17499, 21110, 21119, 21127 & 66846 above.

Projects 61553 & 67553 – Various Projects (Lancaster Station 1)

Please refer to discussion of various projects at Lancaster Station 1 above.

Project 71953 – Well Destruction (Leona Valley)

This is a well destruction project. Dollars for projects like this are included in Cal Water's depreciation projections and was inadvertently and incorrectly included in the Carryover budget. Cal Water agrees to correct this error.

F. ADDITIONAL AGREEMENTS FOR THE ANTELOPE VALLEY DISTRICT

ISSUE: As reflected in ORA's Report on the Antelope Valley District, ORA recommended that Cal Water be fined for alleged non-compliance with D.10-12-017, Ordering Paragraph 33, which required a comprehensive affirmative showing regarding the reasonableness of projects opposed by LVTC.

RESOLUTION: As a result of settlement negotiations, the Parties agree to the following:

Cal Water and LVTC agree to meet in Leona Valley twice each year, at a mutually agreeable time in or around March and September of each year. The purposes of the meetings are to improve communication and interaction between the parties, which can include a focus on Leona Valley's operations and capital projects, as well as the mix of conservation programs. Two weeks prior to each meeting, Cal Water will provide LVTC with a list of current, proposed, and long-term projects/programs, including conservation, as well as brief status descriptions. One week before the meeting, Cal Water and LVTC will exchange proposed agendas describing topics and questions for discussion at the meeting, and will develop a mutually agreed-upon agenda. Based on that agenda, Cal Water and LVTC will each gather responsive information and arrange for appropriate/knowledgeable staff to participate in the meeting. Cal Water and LVTC will work to identify potential coordination opportunities, long-term solutions to joint problems, and solutions to improve overall utility value to Leona Valley customers.

In its next GRC application, Cal Water will provide capital project justifications for all capital projects over $50,000. Cal Water generally provides detailed cost

justifications only for capital projects over $100,000.[7] Cal Water agrees to a lower trigger for project justifications in the Antelope Valley District, however, because even moderately-sized projects can have a disproportionate impact on individual customers in this district, which has a very small customer base.

The Parties also agree that the non-specific expense amounts in the Antelope Valley District will be reduced by $1,500 per year in this GRC period.

[END OF CHAPTER]

[7] The Rate Case Plan requires detailed cost justifications for "significant" capital projects. Page A-26 of Attachment 1 to D.07-05-062. In the absence of another definition of "significant," Cal Water refers to ORA's May 3, 2005 "GRC Master Data Request for Class A Water Utilities." On page MDR-5, Item 10 of the Plant section requires detailed information for "major projects in excess of $100,000."

CHAPTER 15. BAKERSFIELD DISTRICT PLANT

A. OVERVIEW

The Bakersfield District is Cal Water's largest district. About half of its water supply comes from groundwater wells and the rest comes from purchased water and treated surface water. The major projects in this agreement include continuation of flat-to-meter conversions, main replacements, modifications to the Northwest Bakersfield Treatment Plant (shared with the City of Bakersfield), and installation of 16-inch pipelines to improve pressure in the southwest portion of the distribution system.

The tables below provide a summary of the plant settlement for this district. In the sections that follow, specific projects are identified in separate tables, and certain projects are discussed in further narratives. In addition, there may be projects related to "global" issues – issues that impact multiple districts – that are included in these tables, but discussed separately in the "Global Plant" section of this Agreement.

Bakersfield: Non-Specific Advance Capital Budget Summary

Year	July Filing	ORA Report	Settlement
2012	$ 2,101,700.0	$ 2,101,700.0	$ 2,101,700.0
2013	$ 3,288,000.0	$ 2,124,400.0	$ 2,712,500.0
2014	$ 3,460,400.0	$ 2,167,800.0	$ 2,813,650.0
2015	$ 3,550,700.0	$ 2,268,300.0	$ 2,876,350.0
Total	**$ 12,400,800.0**	**$ 8,662,200.0**	**$ 10,504,200.0**

The annual Non-Specific Advance Capital Budget is for capital projects that are anticipated to be completed and placed in service during the indicated year to resolve issues that were not known in detail when the advanced capital budget ("ACB") was adopted for that time. The non-specific projects tend to be for emergency or unforeseen projects that need to be addressed between GRCs.

Bakersfield: Specific Advance Capital Budget Projects Summary

Year	July Filing	ORA Report	Settlement
2012	$ 9,901,318.0	$ 5,113,303.7	$ 5,346,762.7
2013	$ 14,574,022.0	$ 4,080,014.1	$ 8,701,766.2
2014	$ 13,870,908.9	$ 5,916,548.4	$ 8,012,933.5
2015	$ 8,563,725.1	$ 2,013,044.4	$ 2,820,256.1
Total	**$ 46,909,974.0**	**$ 17,122,910.6**	**$ 24,881,718.5**

The Advance Capital Budget for specific projects identifies the projects and forecasted costs (except for carryover projects) that the Parties have agreed should be included in the adopted revenue requirement.

Bakersfield: Carryover Capital Projects Summary

Year	July Filing	ORA Report	Settlement
2012	$ 6,576,481.6	$ 1,881,104.0	$ 4,079,190.0
2013	$ -	$ 23,233.0	$ 1,329,163.9
2014	$ -	$ -	$ 43,500.0
2015	$ -	$ -	$ -
Total	**$ 6,576,481.6**	**$ 1,904,337.0**	**$ 5,451,853.9**

Carryover projects are capital projects included in the revenue requirement proposed in this Agreement that are (1) not used and useful, or in some cases not initiated, as of January 2012, and (2) not included in the advanced capital budgets summarized above. The Parties agree that Cal Water will complete the listed carryover projects at the identified settlement amounts and in the years indicated. These projects should be included in the adopted revenue requirement in this GRC.

Bakersfield: Advice Letter Projects Total

			Advice Letter Cap
Total			**$ 11,650,800.9**

The Parties agree that certain capital projects may be included in rates after (1) they are in service; and (2) their costs (up to the specified cap) are submitted for Commission review via Tier 2 advice letter, and are found to be reasonable. This settlement recommends adoption of these projects as “Advice Letter” projects, but their costs are not included in the revenue requirement proposed for adoption in this Agreement.

Bakersfield: Excluded Projects Total

Excluded Projects	$ 5,904,580.0

The Parties agree that some capital projects proposed in the company's July 2012 application should not be included in the 2012 through 2015 capital budgets, unless otherwise indicated. These "excluded" projects encompass those that the company cancelled, those that are in service and already included in the beginning plant balance per this Agreement, and those that the Parties agree for other reasons will not be included at this time. The exclusion of these projects does not prevent the company from proposing them in a subsequent application ("deferred projects").

B. SPECIFIC ADVANCE CAPITAL BUDGET PROJECTS

The Parties agree to include the following projects in the Advance Capital Budget for the years 2013 through 2015.

Bakersfield: Advance Capital Budget – Specific Projects
("Discussion" identifies projects discussed in detail below.)

Project	Discussion	Description	Year	Budget
00017362		Upgrade Pump & Motor to Waterlube - Sta. 158-01	2012	$ 72,718.7
00017363		Replace Booster Pump & Add Energy Efficient Monitoring - Sta. 116-G	2012	$ 60,000.0
00017530	X	Oakdale Drive - Palm to Stockdale Hwy. - 2,575' 6" PVC; Reconnect 71 1" Services; Reconnect 2 Hydrants	2014	$ 410,600.0
00017532	X	Western Drive - Palm to Stockdale Hwy. - 2,575' 6" PVC; Reconnect 110 1" Services; Reconnect 2 Hydrants	2014	$ 439,300.0
00017535	X	Wetherley Drive - Palm to 135 Wetherley - 1,550' 6" PVC; 56 1" Services; 1 Hydrant	2014	$ 396,500.0
00017999		Replace CP System, Cupola Vent, & Paint Interior Shell & Floor - Sta. 148 Tank 1	2012	$ 125,900.0
00018278	X	Union Ave. - Belle Terrace to Casa Loma - 2,660' 8" PVC	2014	$ 411,000.0
00019485		Replace 10 Flow meters - Various Locations 2 @ BK96, 2 @ BK100, 2 @ BK174, 2 @ BK196, 2 @ 201.	2013	$ 107,584.7
00019739		Replace CP System, 4 Cupola Vents, & Paint Interior Complete - Sta. 176 Panorama Tank 2	2013	$ 613,500.0
00019957	X	Palo Verde & Loma Vista Court - 1,255' 6" PVC; 29 1" Services; 1 Hydrant	2014	$ 207,200.0
00020095		2,405' 6" PVC; Reconnect 35 1" Services; Reconnect 3 Hydrants - Tailsman Drive - Harty & Radiance Drive	2012	$ 310,827.0
00020096	X	3,150' 8" PVC; Reconnect 68 1" Services; 1 Reconnect 1 2" Services; Reconnect 7 Hydrants on Belle Terrace - Castro Lane to Caylor St.	2015	$ 540,100.0
00020164	X	Beech Street - 3,740' 8" PVC; 125' 8" CL&C; 16" Casing; Reconnect 78 1" Services; and 5 Hydrants	2013	$ 628,300.0
00020169	X	Jones Street - Stockdale Hwy. to Quarter - 1,320' 6" PVC; 40 1" Services; 2 Hydrants	2014	$ 230,600.0
00020171	X	1,470' 8" PVC; Reconnect 2 Hydrants - South K Street - Wilson to Sidney Drive	2015	$ 227,400.0
00020173		Landscape 3/4" Rock - Sta. 39, 40, 41, 42, & 43	2012	$ 18,293.3
00020178		Driveway, Automatic Irrigation, & Chain Link Fence - Sta. 91	2012	$ 8,569.1

Project	Discussion	Description	Year	Budget
00020185	X	P Street & Dorian Drive - South Chester & Wilson Road - 560' 6" PVC; Reconnect 13 1" Services; 1 Hydrant	2015	$ 106,500.0
00020188	X	850' 6" PVC; Reconnect 20 1" Services; Reconnect 1 Hydrant - Houchin Road - Belle Terrace to Lester St.	2015	$ 148,600.0
00020191	X	988' 6" PVC & Reconnect 23 1" Services; 2 Hydrants - Wood Lane - Real Road East to end	2015	$ 163,600.0
00020192		Oleander Street - Lester to Belle Terrace - 660' 6" PVC; 16 1" Services; 1 Hydrant	2012	$ 115,933.0
00020199		Pumphouse & Site Improvements - BK 112. Existing metal pump house will need to be replaced with a new concrete block building.	2012	$ 197,600.0
00020202		Center Street - Barlow to Webster St. - 1,325' 6" PVC; 41 1" Services; 1 Hydrant	2013	$ 326,053.0
00020203		Chain Link Fence & 3/4" Rock - Sta. 37	2012	$ 10,806.7
00020205		Floor Epoxy Coating - Sta. 162	2013	$ 6,480.0
00020206		Griffiths Street - Stockdale Hwy to Quarter St. - 1,315' 6" PVC; 42 1" Services; 2 Hydrants	2013	$ 244,841.6
00020207		Chain Link Fence & 3/4" Rock - Sta. 127	2012	$ 14,373.9
00020209		River Blvd. - Baker St. N. to Acacia St. - 841' 6" PVC; Reconnect 11 1" Services	2013	$ 160,005.6
00020210		P Street - Terrace Way to Belle Terrace - 1,285' 8" PVC; 1 4" Service; 3 Hydrants	2013	$ 254,640.5
00020211		Frazier Street - McDonald & Curran St. - 770' 6" PVC; 14 1" Services; 1 Hydrant	2012	$ 156,445.6
00020212	X	Drake Street - 24th St. to Spruce St. - 2,348' 8" PVC; Reconnect 36 1" Services & 1 2" Service; Reconnect 5 Hydrants	2015	$ 397,300.0
00020247		Replace 144 Filter Cartridges - NE BKTP	2013	$ 433,936.6
00020248		Replace 144 Filter Cartridges - NE BKTP	2012	$ 540,498.4
00020300		Landscape & Irrigation - Sta. 126	2012	$ 2,970.0
00020301		Chain Link Fence, Irrigation, & 3/4" Rock - Sta. 155	2012	$ 14,211.9
00020302		Landscape & Irrigation - Sta. 36	2012	$ 5,034.0
00020303		Chain Link Fence - Sta. 5	2012	$ 15,783.0
00020307		Office - 3 Desks & Furniture - Field Office	2013	$ 5,094.0
00020329		Replace Split Case Horizontal Pump & Motor - Sta. 73-E	2013	$ 92,797.6
00020342		Replace Horizontal Split Case Pump & Motor - Sta. 73-D	2013	$ 49,297.6
00020344		Replace 2 Horizontal Split Case Pump & Motor - Sta. 100-E & 100-D	2013	$ 95,222.2
00020345		Replace Horizontal Split Case Pump & Motor - Sta. 97-C	2014	$ 97,333.3
00020351		Replace Submersible Pump & Motor - Sta. 29-02	2012	$ 146,827.9
00020387		Replace Panelboard - Sta. 186-A	2012	$ 95,400.0
00020393		Replace Panelboard - Sta. 188-01	2012	$ 95,400.0
00020399		Replace Panelboard - Sta. 23/71	2012	$ 127,900.0
00020480		Replacement and purchase of field equipment for the 2012 budget year.	2013	$ 27,843.1
00020629		Interior Safety Climb - Sta. 96 Monte Vista Tank 4	2012	$ 2,300.0
00020769		Arrow St. & Calaway Canal - PRV	2012	$ 206,032.4
00020781	X	2,600 Conversion of Flat Rate Services to Metered Services	2012	$ 1,535,844.5
00020785		Field - Tools & Laboratory Equipment - Operators	2013	$ 4,690.4
00020808		20 Electronic Sounding Equipment - Sta. 101, 102, 105, 107, 108, 112, 118, 120, 121, 123-01, 123-02, 125, 126, 127, 128, 129, 130, 132, 133, & 134	2012	$ 28,117.4
00020812		5 SCADA Cathodic Monitoring - Sta. 155, 161, 164, 174, & Panorama	2012	$ 40,000.0
00020814		Vehicle - 0.5 Ton Pickup, Truck Upfitting, & Mobile Radio - Pump Operator	2014	$ 41,555.6
00020816		Vehicle - 0.5 Ton Pickup, Truck Upfitting, & Mobile Radio - General Foreman	2014	$ 37,494.5

Project	Discussion	Description	Year	Budget
00020817		Vehicle - 0.5 Ton Pickup, Truck Upfitting, & Mobile Radio – Inspector	2014	$ 41,555.6
00020818		Vehicle - 0.75 Ton Pickup, Truck Upfitting, & Mobile Radio – Serviceman	2014	$ 47,033.3
00020864		Vehicle - 0.75 C&C, Utility Body & Mobile Radio - Leak Truck	2014	$ 72,911.1
00020882		Vehicle - 0.5 Ton Pickup XCab, Truck Upfitting, & Mobile Radio – Inspector	2013	$ 40,894.5
00021056		8 SCADA Remotes	2012	$ 14,500.0
00021059		6 SCADA Remote RTUs - Sta. 49, 157, 183, 192, 150, & 159	2012	$ 153,185.2
00021060		5 SCADA Remotes RTUs - Sta. 39, 40, 60, 151, & 177	2012	$ 131,300.0
00021192		20 SCADA RTUs	2012	$ 203,800.0
00021374		Alta Vista Drive - Knotts Ave. & Alley North of Goodman St. - 1500' 6" PVC; 30 1" Services; 2 Hydrants	2012	$ 463,521.3
00025529		Upgrade C.P. System to Auto-Potential (Using existing anodes) - Sta. 87	2013	$ 19,659.6
00026008		Replace Berm - Sta. 73 - Five Primavera Tanks	2013	$ 23,545.2
00026087		Paint Interior Complete and Upgrade CP System (Incl. New Anodes) - Sta. 73 T3 Primavera	2013	$ 129,266.4
00026129		Paint Interior Complete and Upgrade C.P. System (Incl. New Anodes) - Sta. 73-T1	2013	$ 102,918.0
00027051		Paint Interior Complete and Upgrade CP System - Sta. 147 T4	2015	$ 20,151.5
00027067		Paint Interior Complete and Upgrade C.P. System - Sta. 100 Hillcrest Tank 4	2013	$ 279,489.6
00027108		Paint Interior Complete and Upgrade C.P. System - Sta. 100 Tank 1	2013	$ 197,610.0
00033170		Replace Interior Safety Climb - Sta. 45 Tank 1 Mt. Vernon	2014	$ 3,020.4
00051708		Interior Safety Climb - Sta. 148 Tank 2	2015	$ 3,418.8
00051728		Paint Interior Complete - Sta. 153 Tank 1	2014	$ -
00051808		Paint Interior Complete, Upgrade CP System, & Replace Cupola Vent - Sta. 45 Tank 2	2015	$ 20,385.2
00053268		Paint Interior Complete and Upgrade CP System for BK, Sta.100 Tank 2	2013	$ 122,523.6
00054188		Upgrade CP System - Sta. 96 Monte Vista Tanks T2, T3, T4, T5	2013	$ 35,388.0
00054208		Replace Interior Safety Climb - Sta. 116 Tank 4 (University)	2015	$ 4,532.4
00058573		Paint Interior Complete - Sta. 176 Tank 1	2014	$ -
00059612		Paint Interior Complete - Sta. 73 Tank 4	2013	$ 121,282.8
00060153		Retrofit 13 Single Eyewash Stations to OSHA Approved Eyewash/Shower Combo - Sta. 36, Sta. 42, Sta. 43, Sta. 77, Sta. 86, Sta. 88, Sta. 107, Sta. 123, Sta. 125, Sta. 140, Sta. 141, Sta. 149, Sta. 153	2013	$ 78,000.0
00060172		Retrofit 13 Single Eyewash Stations to OSHA Approved Eyewash/Shower Combo - Sta. 157, Sta. 158, Sta. 161, Sta. 163, Sta. 164, Sta. 174, Sta. 175, Sta. 177, Sta. 178, Sta. 180, Sta. 182, Sta. 183, Sta. 184	2014	$ 82,543.2
00060192		Retrofit 13 Single Eyewash Stations to OSHA Approved Eyewash/Shower Combo units - Sta. 189, Sta. 190, Sta. 191, Sta. 195, Sta. 196, Sta. 197, Sta. 214, Sta. 217, Sta. 219, Sta. 154, Sta. 156, Sta. 185, Sta. 188	2015	$ 87,086.4
00060212		Replace 10 LMI chemical pumps	2013	$ 10,266.0
00060232		Replace 10 LMI Chemical Pumps	2014	$ 10,779.6
00060252		Replace 10 LMI Chemical Pumps	2015	$ 11,173.2
00060652		Hach Nitrate Analyzer - Sta. 153	2013	$ 30,600.0
00060849		Paint interior floor & 17' lower shell, exterior roof and replace cupola vent at BK Sta.85 Tank 5	2013	$ 192,853.2

Project	Discussion	Description	Year	Budget
00060857		Office - Copy Machine - Field Office	2013	$ 10,200.0
00061117		Replace 3 Flow Meters - Sta. 162	2013	$ 103,043.6
00061213		SCADA Cathodic Monitoring - Sta.147, 148, 155, & 164	2014	$ 32,910.0
00061215		Replace Flow Meter - K-9 @ 40th Chester	2013	$ 79,441.2
00061254		Replace Flow Meter - K11 @ Union & Jeffrey	2014	$ 54,222.0
00061292		Replace Flow Meter - K12 @ King & Jeffery	2014	$ 67,441.2
00061295		Replace Flow Meter - Sta. 186	2014	$ 92,869.7
00061297		Inst.125' of 6"CL&C W/16" Casing & 46' of 6" DI pipe in Myrtle St. @ 24th. St. and Abandon 130' of 4" steel main in Mytle St. @ 24th. St.	2013	$ 126,408.9
00061315		Field - Field Equipment	2013	$ 47,430.0
00061316		Purchase field equipment	2014	$ 34,374.0
00061317		Purchase field equipment	2015	$ 29,070.0
00061352		Hoseless Sludge Vac - NE WTP - Sta. 216	2013	$ 228,345.6
00061434		Field - Tools for Pump Operators	2013	$ 24,888.0
00061453		Upgrade CP System - Sta. 73 Primavera Tank 4	2013	$ 9,416.4
00061473		Upgrade CP System - Sta. 87 Skyline Tank 5	2013	$ 10,485.6
00061512	X	Inst.680' 6" PVC-C-900 reconnect 1-6" F/S & 1- 6"F/H & 18- 1"ser. & 1- 2" ser. Abandon 680' of 6" steel main in alley west side of "F" st.bet. 24th & 26th street	2013	$ 135,500.0
00061533		72 New Filter Modules - NE WTP	2013	$ 309,330.0
00061552		Replace 25 Bulk CL2 Tanks - Sta. 3, 60, 82, 126, 141, 150, 192, 49, 77, 81, 89, 125, 134, 142, 143, 158, 83, 107, 140, 101, 102, 86, 54, 49, & 81	2013	$ 24,750.0
00061572		Paint Interior Complete; Replace & Install New Hatch and one 48" DIA. Cupola Vent; and Install Interior Safety Climb - Sta. 194 Tank 1	2014	$ 18,175.3
00061592		72 New Filter Modules - NE WTP	2014	$ 309,330.0
00061595		Field - Tools for Pump Operators	2014	$ 24,888.0
00061600		Field - Tools for Pump Operators	2015	$ 24,888.0
00061601		72 New Filter Modules - NE WTP	2015	$ 309,330.0
00061675	X	1950'-8"PVC-C-900 - Security Ave.,Canal street,& Webster street reconnect 1-F/S, 1-F/H & 77 -1" - sevices, inst.2 new F/H. Abandon 835'-6"steel, 120' -4" steel & 150'-4" CI main	2013	$ 360,500.0
00061712		Upgrade CP System - Sta. 155 Tank 1	2015	$ 9,163.2
00061734		Paint Interior Complete; Replace & Install One 48" DIA. Cupola Vent - Sta. 155 Tank 1	2015	$ 10,435.5
00061752		Upgrade CP System - Sta. 176 Panorama Tank 1	2014	$ 21,369.6
00061754		Paint Interior Complete - Sta. 196 Tank 1	2014	$ -
00061914		Vehicle - Utility Vehicle - NE WTP	2014	$ 15,300.0
00062117		Replace CP Anodes - Sta. 100 Tank 5	2013	$ 4,986.0
00062238	X	Lay 1770' - 6" PVC-C-900 in Water st.,Kern st. Jeffrey st.Reconnet F/H , and services. Abandon 635'-4"CI,350'-4"steel & 105'- 2" Galv.mains	2013	$ 292,400.0
00062339		Office - 50 Chairs and 5 Tables - Field Conference Room	2013	$ 3,213.0
00062352		Office - 50 Chairs and 5 Tables - Field Conference Room	2014	$ 3,213.0
00062353		Office - 50 Chairs and 5 Tables - Field Conference Room	2015	$ 3,213.0
00062892		AC Unit - NE WTP - Sta. 216	2014	$ 11,160.0
00062945		530' 6" PVC; Reconnect 16 1" Services - Stephens Dr. from Terrace Way South to 535 Stephens Dr. Abandon 530' of 4" Steel main.	2013	$ 79,999.1
00063015	X	Lay 1250'-6"PVC-C-900 in the 1300 & 1400 Block of Chester Place & in the alley on the east side of Chester Ave.between 4th.street & 3rd.street,Reconnect services & install 1-F/H. Abandon 515'-+/- 0f 4"Stl & 695' +/- of 2" Galv.pipe	2013	$ 208,600.0

Project	Discussion	Description	Year	Budget
00063272		AC Unit - NW WTP - Sta. 218	2014	$ 8,492.4
00063401		Replace Panelboard - Sta. 100	2014	$ 303,206.8
00063595		Replace Pump Equipment - Sta. 189-01	2014	$ 87,785.6
00063612		Replace Pump Equipment - Sta. 184-01	2014	$ 87,785.6
00063614		Replace Pump Equipment - Sta. 143-01	2015	$ 87,785.6
00063633		Replace Pump Equipment - Sta. 151-01	2013	$ 87,785.6
00063634		Lay 260' - 6" PVC-C-900 & 240' -4" PVC- C- 900, install 1 - 6" F/H & reconnect 16 - 1" sevices. Abandon 380' +/- 3" Galv.main 380' +/- 2" Galv. main & 70' +/- 1" Galv. Main	2013	$ 80,213.3
00063693		Replace Booster Pumps - Sta. 162 C & D	2013	$ 47,206.9
00063814		Replace Booster Pump Equipment - Sta. 23-F	2013	$ 32,806.9
00063815		Replace Split-Case Booster Pumps - Sta. 96 A & B	2014	$ 43,858.6
00064433		Install a GAC treatment system for Sta. 146, Well 4 TCE removal to be in compliance with the MCL requirement set forth in the Title 22 Code of Regulations.	2014	$ 2,067,147.6
00064483		REPLACE V204042 MEETS 120K MILEAGE CRITERIA. PURCHASE 1.0 TON C&C WITH UTILITY BODY	2015	$ 70,788.0
00064488		Vehicle - 0.5 Ton Pick Up F-150 with Tool Box and Light Bar - Meter Reader	2015	$ 42,000.0
00064490		Vehicle - 0.5 Ton Pick Up – CSM	2015	$ 35,700.0
00064491		Vehicle - 0.5 Ton Pick Up With Accessories - General Foreman	2015	$ 42,000.0
00064493		Vehicle - 0.5 Ton Pick Up With Accessories - Superintendent	2015	$ 42,000.0
00064496		Vehicle - Maintenance Superintendent	2015	$ 41,600.0
00064498		Vehicle - 0.5 Ton Pick Up With Tool Box and Light bar – Serviceperson	2015	$ 42,000.0
00064969		Vehicle - 1.5 Ton C&C - Electrical Maintenance Foreman	2014	$ 85,500.0
00064970		Vehicle - 1.5 C&C with Utility Body - Treatment Plant	2014	$ 90,000.0
00064989		Vehicle - 0.5 Ton Pickup & Outfitting - Meter Reader	2014	$ 41,650.0
00064991		Vehicle - New Vehicle – ADM	2014	$ 41,800.0
00065010		Vehicle - 0.75 Ton Pickup & Outfitting – Pumper	2014	$ 44,400.0
00065029		Vehicle - 0.5 Ton Pick Up & Outfitting - Maintenance Superintendent	2014	$ 39,800.0
00065030		Vehicle - New Vehicle - District Manager	2014	$ 41,800.0
00065031		Vehicle - 0.5 Ton Pick Up & Outfitting – Serviceman	2014	$ 41,650.0
00065370		Field - 13 ITRON Handhelds for Meter Reading	2013	$ 71,924.3
00065374		Field - 7 New ITRON Handhelds for Meter Reading	2014	$ 38,741.6
00065391		Vehicle - 0.5 Ton Pickup & Outfitting - Meter Repair	2013	$ 40,700.0
00065392		Vehicle - 0.5 Ton Pickup & Outfitting – Pumper	2013	$ 40,700.0
00065531		Vehicle - 0.5 Ton Pickup & Outfitting - Meter Reader	2013	$ 40,700.0
00065533		Vehicle - 0.5 Ton Pickup & Outfitting – Serviceman	2013	$ 40,700.0
00065535		Replace V206005 meets 120k miles replacement criteria.	2013	$ 40,700.0
00065536		Replace V206036 meets 120k miles replacement criteria.	2013	$ 40,700.0
00067189		50 Pressure Transducers - Sta. 23 (3), 32, 36, 42, 44, 45(5), 47, 54, 68, 73 (2), 77,81 (2), 82, 85, 86, 87 (3), 88, 89, 91 (2), 96, 97 (3), 100 (3), 102, 105, 108, 116 (5), 123-2, 126, 127, 128, 129	2013	$ 180,147.6
00067556		Pumphouse Improvement - Sta. 89	2013	$ 48,000.0
00067571		Pumphouse Improvement - Sta. 129-01	2014	$ 48,000.0
00067574		Pumphouse Imporvement - Sta. 88-01	2015	$ 48,000.0
00067769		Office - Customer Center Upgrades	2013	$ 181,500.0
00067909		25 Flow Meters - Sta. 130, 134, 137, 141, 143, 133, 149, 153, 158, 161, 163, 176, 180, 184, 186-1, 188, 189, 190, 191, 193, 194, 198, 199, 206, 208	2014	$ 144,942.0
00068609		Replace existing pressure vessels at Station 212 with unsatisfactory characteristics per new pressure vessel program.	2013	$ 107,719.2

Project	Discussion	Description	Year	Budget
00076073	X	1,200' of 16" DI transmission main in Akers Rd. from Bk Sta. 146 to De Ette Ave and 200' of 16" CL&C in 36" steel casing for canal crossing.	2013	$ 852,000.0
00076093	X	2,660' of 16" DI transmission main in Wible Rd. from Panama Lane to Berkshire Rd and 340' of 16" CL&C in 36" steel casing for crossing Panama Lane.	2014	$ 1,296,000.0
BKD0900		Meter Replacement Program	2012	$ 432,669.6
BK0900		Meter replacement program	2013	$ 274,741.2
BK0900		Meter replacement program	2014	$ 245,693.8
BK0900		Meter replacement program	2015	$ 252,035.3
Total				**$ 24,881,718.5**

Project 20781 –Conversion of Flat Rate Services to Metered Services (2012)

ISSUE: AB 2572 requires Cal Water to convert all of its flat rate customers to metered services by January 1, 2025. The Commission authorized Cal Water to convert 2,600 annually in the 2009 GRC. However, Cal Water has not completed the project at the level authorized in the 2009 GRC.

RESOLUTION: Cal Water and ORA agree to include in rate base the actual cost booked to utility plant in service in 2012.

Projects 17530, 17532, 17535, 18278, 19957, 20096, 20164, 20169, 20171, 20185, 20188, 20191, 20212, 61512, 61675, 62238 and 63015 – 8-inch and Smaller Size Main Replacements

ISSUE: Cal Water's Main Replacement Program prioritizes main projects targeting older, smaller mains prone to corrosion, leak, and decreased flow capacity due to tuberculation in order to improve water quality and flow. These projects will fund main replacements with appurtenances (i.e. services and hydrants) for existing facilities that meet the Main Replacement Program criteria.

ORA did not express concern with the need for the projects. ORA found inconsistent unit cost for pipelines and appurtenances among the projects and requested revised detailed costs estimates in accordance with Cal Water's master contract with its general contractor for this district.

RESOLUTION: After a series of discussions, the Parties agree to keep these projects in this rate case with revised cost estimates in accordance with confirmed City of Bakersfield standard trench and pavement detail requirements. The original total cost estimate requested in the formal application was $5,755,108 and the revised cost estimates resulted in a reduced total projects cost of $4,943,500.

The Parties further agree that Cal Water would review its master contract procurement policy and make logical and cost saving changes in the next bidding of the master contract. In addition, the Parties agree 8-inch and smaller mains projects exceeding ½-mile in linear footage length would be competitively bid to Cal Water prequalified contractors. Therefore, Cal Water will competitively bid three projects (Project 20164 in 2013, Project 18278 in 2014 and Project 20096 in 2015) outside of the master contract.

Projects 76073 and 76093 – New 16-inch Transmission Main Installation Projects

ISSUE: Cal Water conducted an analysis on collected pressure data from the Bakersfield system's Low Zone and determined that dips in pressure during peak hour demand are more pronounced in the southern part of the zone and most significant in the southwest area west of US Highway 99. Project 76073 in Akers Road from BK Sta. 146 to De Ette Avenue and Project 76093 in Wible Road from Panama Lane to Berkshire Road, will fund the installation of a 16-inch ductile iron transmission main in the southern part of the Bakersfield system. These piping improvements were tested using a hydraulic model with the results showing the alleviation of high head loss and the improvement of pressure in the southwest segment of the distribution system.

ORA's primary concern with proposed Projects 76073 and 76093 was that GO-103-A allows for pressure in a water system to dip to 30 psi during peak hour demand (PHD) periods. Hydraulic modeling results provided by Cal Water showed adequate pressure of 30 psi during periods of PHD. Subsequently, Cal Water provided ORA a distribution system map showing a significant concentration of customer low-pressure complaints in the southern region of the Bakersfield system, corresponding to the Cal Water pressure data analysis and in proximity to the proposed 16-inch transmission main locations.

RESOLUTION: After ORA' s review of the customer pressure complaint map and further discussion of Cal Water's Rebuttal testimony, the Parties agree to include Projects 76073 and 76093 in rate base in 2013 and 2014, for $852,000 and $1,296,000 respectively.

C. CARRYOVER PROJECTS

Bakersfield: Projects Not In Service as of January 2012

Project	Discussion	Description	Year	Budget
00017873		Security Mitigation Improvements - Bakersfield Facilities, Customer Service & Operations Center	2013	$ 395,901.6
00019484		Replace 10 Flow Meters	2012	$ 97,905.6
00020094		402' 6" PVC; Reconnect 1 1" Services & 3 2" Services - Kingsley Lane - Castro to 2907 Kingsley	2012	$ 56,825.0
00020115		2,700' 8" PVC; Reconnect 56 1" Services; Reconnect 6 2" Services; Reconnect 4 4" Services; Reconnect 3 Hydrants - Real Road - Palm St. to Stockdale Hwy.	2012	$ 602,828.8
00020158		Replace SCADA Upgrades - NE BKTP	2013	$ 250,000.0
00020243		Steel Storage Building - NE WTP	2012	$ 59,400.0
00020245		2 Sewer Lift Pumps - NE BKTP	2012	$ 17,622.2
00020246		Chemical Transport Tubing Replacement - NE WTP	2012	$ 23,233.3
00020306		Office - Replace 3 Field Office Furniture	2012	$ 27,634.2
00020310		Office - Replace 3 Office Cubicles - Field Clerks	2012	$ 28,409.6
00020391		Replace Panelboard - Sta. 196 Revised to Sta. 188 4/20/2011	2013	$ 235,470.0
00020499		Replace/Update Field Equipment- Jackhammers, Rockdrills, Tampers, and various other tools.	2012	$ 37,703.5
00020780	X	2,600 Conversion of Flat Rate Services to Metered Services	2012	$ 1,255,901.0
00020786		20 Electronic Sounding Equipment - Sta. 2, 3, 5, 7, 10, 29, 32, 33, 35, 36, 39, 40, 41, 42, 43. 44, 47, 49, 54, & 60	2013	$ 42,000.0
00020807		20 Electronic Sounding Equipment - Stations 62, 64, 66, 71, 75, 77, 79, 81, 81-02, 83, 85, 86, 88, 89, 92, 93, 94, 95, 98, & 99	2014	$ 43,500.0
00020809		5 SCADA Cathodic Monitoring System - Owens, Mt. Vernon, Primavera, Westchester, & Skyline	2012	$ 34,000.0
00020811		SCADA Cathodic Monitoring - Monte Vista, Hillcrest, University - Sta. 147 & 148	2012	$ 37,000.0
00020975		Sample Storage Room Upgrade	2012	$ 50,000.0
00021191		20 SCADA RTUs	2012	$ 275,000.0
00022728		Paint Exterior Complete - Sta. 196 Tank 1	2012	$ 32,500.0
00042288		MICROWAVE / TWO-WAY RADIO SYSTEM	2012	$ 286,842.0
00052088		Install Saf-T Climb- BK Sta.87 T3	2013	$ 1,229.1
00053670		Repl. F/H'S in BK Syst. in 2011	2012	$ 149,236.8
00053728		Replace Valve Casing & Covers	2013	$ 113,915.9
00054508		Install PVC C.P. test tube	2013	$ 30,756.0
00054528		4110 Wible Rd. - 8" Tee & Valve	2012	$ 30,183.8
00055350		Replace Valve 100 blk Brundage	2012	$ 66,949.1
00057668		BK-Commercial Office Remodel	2013	$ 166,905.0
00058252		Replace Online Turbidimeter NEBKTP	2012	$ 5,736.2
00058272		Northwest BK WTP Investigation	2013	$ 90,150.0
00065749		Rep.8"G.V.So."H" & Planz Rd.	2013	$ 2,836.3
00066689		Lay 83'-8"PVC-2904-2908 BERGER	2012	$ 28,748.0
00067093		901 Plantation Ave.Replace Valve	2012	$ 4,883.7
00067369		New Pump and Motor Station 178	2012	$ 47,399.0
00067594		Alley E.side "Q"st. bet.21st.& 22nd	2012	$ 4,309.8
00068030		pH Meters (21) Upgrade	2012	$ 1,578.4
00068149		City Hills Dr. & Cordonata Way	2012	$ 3,647.5
00068633		New 0.5 PU Pump Operator	2012	$ 36,129.5
00068870		Inst. Air Release 1209 West Point	2012	$ 14,509.5
00069190		Rep.&Inst 2-4"G.V.1900 Truxtun	2012	$ 23,741.9
00069350		1919 "G" Street	2012	$ 9,819.2
00069469		4828 BARRY STREET	2012	$ 4,009.0
00069829		PAINT INT. UR & KNUCKLE -STA.216 T1	2012	$ 499,594.5

Project	Discussion	Description	Year	Budget
00070150		rpl fire hyd and bury So H Fairview	2012	$ 11,338.9
00070169		repl fire hydrant 3001 Buck Owens	2012	$ 1,929.0
00070472		5 inverters@49 156 157 150 116H	2012	$ 1,207.2
00070509		N.E.Corner Virginia Av.& Easter st.	2012	$ 14,775.5
00070589		replace 5 BK panel flow monitors	2012	$ 7,140.8
00070834		NEBWTP Expansion - Phase 1-modeling	2012	$ 33,991.0
00070854		3535 Bernard St.	2012	$ 6,643.4
00070855		S.W.COR.HOOPER & WESTPARK	2012	$ 6,435.2
00071076		Colunbus St. & Berger St.	2012	$ 26,479.0
00071453		2701 Ming Ave.	2012	$ 4,939.0
00071494		3122 Nelson st.& 3116 Bucknell st.	2012	$ 40,475.0
00072213		2900 &3122 Nelson St.	2012	$ 13,691.1
00072275		2900 Nelson Street	2012	$ 18,089.0
00072513		Cross Connection Addt'l Compliment	2012	$ 38,775.1
Total				**$ 5,451,853.9**

D. ADVICE LETTER PROJECTS

Bakersfield: Advice Letter Projects

("Discussion" identifies projects discussed in detail below.)

Project	Discussion	Description	Year	Advice Letter Cap
00065469	X	2600 Conversion of Flat Rate Services to Metered Services	2014	$ 2,698,485.5
00065509	X	2600 Conversion of Flat Rate Services to Metered Services	2015	$ 2,779,440.1
00065547	X	2600 Conversion of Flat Rate Services to Metered Services	2016	$ 2,862,823.3
00076395	X	Plate Settlers for NWBKWTP	2014	$ 2,852,112.0
00079957		Cal Water RAMCAP Vulnerability Assessment		$ 396,506.4
00036947	X	Install variable frequency drive and power meter at Sta. 176.	2014	$ 61,433.6
Total				**$ 11,650,800.9**

Projects 65469, 65509 & 65547 - Conversion of Flat Rate Services to Metered Services

ISSUE: AB 2572 requires Cal Water to convert all of its flat rate customers to metered services by January 1, 2025. Cal Water requests in this proceeding to convert 2,600 flat rate customers to metered services annually. ORA agrees with the need for these projects; however, because Cal Water historically has not completed the projects at levels authorized in the prior GRCs, ORA recommends a lower level of forecasted annual conversions.

RESOLUTION: Cal Water and ORA agree to a lower level of 2,202 from 2,600 conversions per year for 2013 through 2015. Cal Water will recover the cost of these projects via Advice Letters at the caps specified in the list above.

Projects 76395 and 63432 – Plate Settlers for NWBKWTP

ISSUE: Projects 76395 and 63432 involve implementing modifications to the Northwest Bakersfield Water Treatment Plant (NWBKWTP), to achieve the original design flow rate of 8 million gallons per day (MGD) average and 10.4 MGD peak flow. Project 76395 was originally budgeted for $3,245,312 for a plate settler installation as a pretreatment process to reduce and stabilize the amount of solids in the source water entering the direct filtration membranes. With the plate settler pretreatment, Cal Water anticipated the plant would be able to meet its original design and peak capacity. A qualified consultant confirmed this design plan by performing pilot testing. Project 63432 was budgeted for $311,462 for flash mixing installation at the head of the raw water feed line into the NWBWTP to maximize the effectiveness of the coagulation process. Subsequently, Cal Water received the final bid proposals for the modifications to the Northwest Treatment Plant, which resulted in the final bid costs being significantly higher, showing a 55% increase over the original estimate provided to Cal Water by the consultant in April 2012. As a result, Cal Water requested Project 76395 be adjusted to $5,704,224 and authorized as an advice letter project. Cal Water also requested the cancellation and removal of Project 63432 for the flash mixer installation from the 2012 GRC. A flash mixer is part of the final design and bid price requested amount for Project 76395.

In addition, Cal Water has a pending lawsuit against the NWBKWTP's membrane supplier because the plant is not meeting its original design capacity under normal operating conditions. Cal Water proposed to offset the project costs with any net capital proceeds received from the pending lawsuit against the membrane supplier. Trial is scheduled in the lawsuit for October 2013.

In its Testimony, ORA agreed with the need for both projects, but disagreed with the budgeted amount. For Project 76395, ORA proposed to reduce the amount of escalation to 1%. For Project 63432, ORA proposed to reduce the amount of escalation to 1.1%. ORA also proposed to remove the 6% capital interest on both projects. ORA proposed allowable budgets of $3,004,544 and $283,276, respectively for Projects 76395 and 63432. ORA was not informed of Cal Water's impending lawsuit against the membrane supplier prior to issuing its Testimony on March 1, 2013. ORA believes that Cal Water should seek the cost to upgrade the plant to its original design capacity of 8 MGD from the membrane supplier prior to requesting fund from ratepayers because the construction cost of the 8 MGD plant is already included in ratebase. Ratepayers should

not be held responsible for the additional cost because Cal Water has enough evidence to bring a case against the membrane supplier to recover the construction cost to obtain the design capacity. Cal Water's proposal calls for ratepayers to pick up any excess cost that Cal Water is unable to obtain from the membrane supplier may motivate the utility to settle for an amount that is less than necessary to construct the upgrade. ORA also discovered that although 50% of the construction cost is included in ratebase, ratepayers have been receiving less than 50% of the water produced from the plant.

Cal Water estimates the modified plant production to be 9,000 AF per year. However, the modified plant production will vary based on the quality of the river raw source water. Production from the plant will be split 50/50 between the City of Bakersfield and Cal Water. In addition, capital and operating costs will be split 50/50 so only half of the plant and operating costs will be included in Cal Water's rate base and customer rates. Upon completion of the plant modifications and Cal Water's showing of due diligence in its claim against the membrane supplier, Cal Water will file a rate base offset Advice Letter to include no more than 50% of the plant capital cost in rate base.

RESOLUTION: Parties agree Project 76395 should be an Advice Letter project capped at $2.85M (total cost estimate is $5.7M - 50% will be in rate base and 50% will be paid by the City of Bakersfield); proceeds and costs related to the litigation will be split 50-50 as well. In addition, Cal Water ratepayers shall receive no less than 50% of the annual production from the NWBKWTP.

Project 36947 – Variable Frequency Drive and Power Meter at Sta. 176

Please see discussion under Operational Energy Efficiency Program Memo Account ("OEEPMA") in Chapter 7, Section D, Item 10.

E. PROJECTS EXCLUDED FROM PLANT ADDITIONS

The Parties agree to exclude the following projects from the capital budget for 2012 through 2015. The reasons for the exclusion are as described below.

Cancelled projects – Cal Water cancelled these projects during the discovery process, in rebuttal or as a result of settlement negotiations.

Defer Request projects – Cal Water agrees to defer the request of these projects to a later rate case during discovery, in rebuttal or as a result of settlement negotiations.

2012 NS projects – These 2012 Non-Specific projects (i.e., projects funded by authorized 2012 Non-Specific Budget) were initiated on or after January 2012. Cal

Water included these projects in its requested Carryover capital project budget in this rate case. ORA contends that these projects' costs are already covered under the authorized 2012 Non-Specific Budget, and therefore their costs should not be included again in the Carryover capital project budget. Cal Water agrees to remove dollars associated with these projects from the Carryover budget in this rate case.

Bakersfield: Excluded Projects

("Discussion" identifies projects discussed in detail below.)

Project	Discussion	Description	Reason
00017384		Chain Link Fence & Driveway - Sta. 93-01	Cancelled
00017414		Interior & Exterior Tank Ladder with Access Hatch & Anti-Climb - Sta. 153-01 - Backwash Tank	Cancelled
00017416		Interior & Exterior Tank Ladder with Access Hatch & Anti-Climb - Sta. 192-01 - Backwash Tank	Cancelled
00020185		P Street & Dorian Drive - South Chester & Wilson Road - 560' 6" PVC; Reconnect 13 1" Services; 1 Hydrant	Defer
00020191		988' 6" PVC & Reconnect 23 1" Services; 2 Hydrants - Wood Lane - Real Road East to end	Defer
00020193		Rose Marie Drive - Castro Lane East to end - 1,210' 6" PVC; Reconnect 19 1" Services; 1 4" Service; Reconnect 2 Hydrants	Cancelled
00020236		Replace 144 Filter Cartridges - NE BKTP	Duplicate
00020541		Bulk Oxygen System - Sta. 214	Cancelled
00020770		Flow Control Valve with Remote Telemetry Provisions to Utilize Additional KCWA Available Capacity - Meany Ave. and Patton Way	Defer
00020783		Field - Tools & Laboratory Equipment - Pump Operators	Cancelled
00020849		Flow Control Valve with Remote Telemetry Provisions to Utilize Additional KCWA Available Capacity - Meany Ave. and Alken Street	Defer
00021393		Field - 3 SCADA Radios and Packs	Cancelled
00021467		Office - Office Equipment & Furniture - Customer Center	Cancelled
00021477		Field - Pipe Locators (4)	Cancelled
00025447		Office - Security Equipment - Customer Center & Field Office	Cancelled
00025472		Field - Replace 11 2-Way Radios in Various Vehicles	Cancelled
00026827		Vehicle - (2) 0.5 Ton 4x4 & Mobile Radio - Certified Pump Operators	Cancelled
00043728	X	Create Sub-zone within 1200 zone	2012 NS
00058092		New Air Compressor & Shelter	Cancelled
00060372		Concrete Driveway and Sidewalk with .75 Rock - Sta. 101	Defer
00060392		Replace Fence - Sta. 5	Defer
00060394		Replace Fence - Sta. 177	Defer
00060494		Big Screen TV - Field Conference Room	Defer
00060872		Landscape 3/4" Rock - Sta. 7, 23, 32, 33, & 34	Defer
00060873		Install Fence and Landscape 3/4" Rock - Sta. 198-01	Defer
00060874		Chainlink Fence - Sta. 60-02	Defer
00060875		Landscape 3/4" Rock - Sta. 35, 36, 37, 39, & 40	Defer
00060876		Replace 100' of Chainlink Fence and 3/4" crushed rock on dirt area - Sta. 66-02	Defer
00060877		Replace Chainlink Fence - Sta. 128-01	Defer
00060878		Replace Chainlink Fence and Rock - Sta. 99-01	Defer
00060879		Replace Chainlink Fence and Rock dirt area - Sta. 114-01	Defer

Project	Discussion	Description	Reason
00060880		Replace 85' of Chainlink Fence and Rock dirt area - Sta. 88-01	Defer
00060881		Landscape Rock - Sta. 41, 42, 43, 44, & 47	Defer
00063432	X	Flash Mix at NW WTP Intake - Sta. 194	Cancelled
00066854		22 Well Level Sensors - Sta. 137, 138, 140, 141, 142, 143, 144, 145, 146-01, 146-02, 146-03, 146-04, 146-05, 149, 150, 151, 153, 154, 156, 157, 158, 161	Defer
00066857		18 Well Level Sensors - Sta. 163, 164, 174, 175, 177, 178, 180, 182, 183, 184, 185, 188, 189, 190, 191, 192, 193, 195	Defer
00066859		12 Well Level Sensors - Sta. 197, 198, 199, 201, 202, 214, 217, 218, 219, 220, 902, 903	Defer
00067109		236 Hand-Off-Auto Sensors by SCADA	Defer
00067391		16 Power Meters - Sta. 2, 3, 5, 7, 10, 23, 29, 32, 36, 40, 42, 44, 45, 47, 49, 54	Defer
00067395		23 Power Meters - Sta. 129, 130, 132, 133, 134, 135, 137, 138, 140, 141, 142, 143, 144, 145, 146 (5), 147, 148, 149, 150	Defer
00067397		19 Power Meters - Sta. 183, 184, 185, 186, 188, 189, 190, 191, 192, 193, 195, 197, 198, 199, 201, 202, 206, 208, 209	Defer
00067910		5 Flow Meters - Sta. 211, 212, 215, 902, 903	Defer
00067989		45 Pressure Transducers - Sta. 130, 132, 134, 135, 137, 138, 141, 143, 144, 149, 153, 158, 161(3), 163, 164(2), 174(2), 175, 176(5), 180 184, 186, 188(5), 190, 191, 193, 195, 198, 199, 206, 208, 209, 211, 212	Defer
00067990		14 Pressure Transducers - Sta. 215(3), 216(4), 218(3), 221(2), 902, 903	Defer
00072733	X	New 12" CV & Disc Line	2012 NS
00072853	X	Repl.F/H's in Bk Syst.in 2012	2012 NS
00072953	X	Replace Valve Casings & Covers	2012 NS
00073553	X	Cedar Falls Dr.& Willow Grove Ln.	2012 NS
00073615	X	NWBWTP - pre-design plate settlers	2012 NS
00073634	X	New Energy Efficient Well Motor 195	2012 NS
00073654	X	New Section Disc Line Stat 134	2012 NS
00073853	X	New Bladder Tank Station 174	2012 NS
00074333	X	1150 Belle Terrace	2012 NS
00074654	X	1030 E.18th.st.	2012 NS
00075093	X	replace 25 CL2 tanks	2012 NS
00075333	X	replace 5 BK panel flow monitors	2012 NS
00076173	X	640 & 900 Belle Terrace	2012 NS
00076353	X	3031 Alta Vista Dr	2012 NS
00076493	X	BK 116-D: REPLACE BOOSTER PUMP	2012 NS
00076555	X	1930 - R st.(NE. Corner 20th & R)	2012 NS
BKD0600	X	SERVICES -- ALL SIZES	2012 NS
Total			**$ 5,904,580.0**

Project 63432 – Flash Mix at NW WTP Intake - Station 194

The Parties agree to cancel this project. Refer to discussion on Project 76395 above.

[END OF CHAPTER]

CHAPTER 16. BAYSHORE DISTRICT PLANT

A. OVERVIEW

About 98% of the Bayshore District's supply is purchased water from the San Francisco Public Utilities Commission ("SFPUC"), with the remaining 2% from groundwater well production. Major projects requested by Cal Water in this rate case, such as well and tank projects, relate to its desire to increase system reliability and supply diversity. Another significant project proposed by Cal Water is the replacement of its existing Operation/Customer Center.

The tables below provide a summary of the plant settlement for this district. In the sections that follow, specific projects are identified in separate tables, and certain projects are discussed in further narratives. In addition, there may be projects related to "global" issues – issues that impact multiple districts – that are included in these tables, but discussed separately in the "Global Plant" section of this Agreement.

Bayshore: Non-Specific Advance Capital Budget Summary

Year	July Filing	ORA Report	Settlement
2012	$ 1,652,500.0	$ 1,652,500.0	$ 1,652,500.0
2013	$ 2,245,200.0	$ 1,670,429.0	$ 1,957,800.0
2014	$ 2,362,600.0	$ 1,704,380.0	$ 2,033,550.0
2015	$ 2,424,700.0	$ 1,740,935.0	$ 2,082,850.0
Total	**$ 8,685,000.0**	**$ 6,768,244.0**	**$ 7,726,700.0**

The annual Non-Specific Advance Capital Budget is for capital projects that are anticipated to be completed and placed in service during the indicated year to resolve issues that were not known in detail when the advanced capital budget ("ACB") was adopted for that time period. The Non-Specific projects tend to be for emergency or unforeseen projects that need to be addressed between GRCs.

Bayshore: Specific Advance Capital Budget Projects Summary

Year	July Filing	ORA Report	Settlement
2012	$ 5,785,243.1	$ 5,490,843.1	$ 1,985,256.3
2013	$ 11,706,717.5	$ 1,979,994.3	$ 10,249,236.4
2014	$ 21,152,509.4	$ 2,570,455.6	$ 6,779,625.6
2015	$ 20,161,838.6	$ 2,376,555.0	$ 6,981,971.5
Total	**$ 58,806,308.5**	**$ 12,417,847.9**	**$ 25,996,089.8**

The Advance Capital Budget for Specific projects identifies the projects and forecasted costs (except for Carryover projects) that the Parties agree should be reflected in the adopted revenue requirement.

Bayshore: Carryover Capital Projects Summary

Year	July Filing	ORA Report	Settlement
2012	$ 11,814,081.0	$ 2,225,111.0	$ 1,768,951.4
2013	$ -	$ 2,220,500.0	$ 4,145,667.8
2014	$ -	$ -	$ -
2015	$ -	$ 15,200.0	$ -
Total	**$ 11,814,081.0**	**$ 4,460,811.0**	**$ 5,914,619.2**

Carryover projects are capital projects reflected in the revenue requirement proposed in this Agreement that were (1) not used and useful, or in some cases not initiated, as of January 2012, and (2) not included in the Advance Capital Budgets summarized above. The Parties agree that Cal Water is expected to complete the listed Carryover projects at the identified settlement amounts and in the years indicated, and that their estimated costs should be reflected in the adopted revenue requirement in this rate case.

Bayshore: Advice Letter Projects Total

	Advice Letter Cap
Total	**$ 21,776,809.3**

The Parties agree that certain capital projects may be included in rates after (1) they are in service, and (2) their costs (up to the specified cap) are submitted for Commission review via Tier 2 advice letter, and found to be reasonable. This Agreement recommends adoption of these projects as “Advice Letter” projects, but their costs are not reflected in the revenue requirement proposed for adoption in this Agreement.

Bayshore: Excluded Projects Total

Excluded Projects	$ 13,742,157.1

The Parties agree that some capital projects proposed in the company's July 2012 application should not be reflected in the 2012 through 2015 capital budgets, unless noted otherwise. These "excluded" projects encompass those that the company cancelled, those that are in service and already included in the beginning plant balance per this Agreement, and those that the Parties agree for other reasons will not be included at this time. The exclusion of these projects ("Defer Request projects") does not prevent the company from proposing them in a subsequent application.

B. SPECIFIC ADVANCE CAPITAL BUDGET PROJECTS

The Parties agree to include the following projects in the Advance Capital Budget for the years 2012 through 2015.

Bayshore: Advance Capital Budget – Specific Projects
("Discussion" identifies projects discussed in detail below.)

Project	Discussion	Description	Year	Budget
00015999	X	Bolted Steel Tank - Sta. 122 - San Carlos	2013	$ 619,298.8
00020081	-	Replace 17 Various Valves - San Mateo & San Carlos	2013	$ 141,900.0
00020110	-	Tank Turnover Equipment - Sta. 123 Tank 1 & 2 - San Carlos	2013	$ 104,300.0
00020284	-	Generator - Sta. 116	2014	$ 105,717.0
00020537	-	Carmelita - San Mateo - 175' 6" PVC; 4 1" Services	2013	$ 66,111.1
00020562	-	Arbor Lane - San Mateo - 900' 6" PVC; 31 1" Services; 3 Hydrants	2013	$ 357,333.4
00020581	-	Replace 2 Horizontal Pumps, Foundations, Upgrade Motors- Sta. 23-A & B	2013	$ 77,070.4
00020582	-	Briar Lane - San Mateo - 900' 6" PVC; 32 1" Services; 3 Hydrants	2013	$ 360,666.7
00020595	-	Replace Pressure Vessel - Sta. 23	2013	$ 121,000.0
00020603	-	Arrowwood - San Mateo - 380' 6" PVC; 14 1" Services; 1 Hydrant	2012	$ 125,469.0
00020608	-	Hickory Lane - San Mateo - 370' 6" PVC; 14 1" Services; 1 Hydrant	2012	$ 123,928.0
00020610	-	Chestnut Lane - San Mateo - 430' 6" PVC; 16 1" Services; 1 Hydrant	2012	$ 129,153.0
00020613	-	Replace Splitcase Pump, Upgrade Motor, & Add Energy Efficient Monitoring - Sta. 101-A	2013	$ 40,000.0
00020616	-	Replace 2 Wharfhead - Portable Booster Connections - Sta. 17	2013	$ 22,300.0

Project	Discussion	Description	Year	Budget
00020621	-	Replace Can Booster Pump, Upgrade Motor, & Add Energy Efficient Monitoring - Sta. 5-C	2012	$ 25,000.0
00020625	-	Kalmia Street - San Mateo - 900' 6" PVC; 31 1" Services; 2 Hydrants	2012	$ 313,800.0
00020630	-	Locust Street - San Mateo - 900' 6" PVC; 31 1" Services; 2 Hydrants	2012	$ 274,420.0
00020631	-	Nadina Street - San Mateo - 860' 6" PVC; 30 1" Services; 2 Hydrants	2012	$ 294,490.0
00020633	-	Oak Street - San Mateo - 860' 6" PVC; 30 1" Services; 2 Hydrants	2013	$ 335,444.5
00020651	-	30 Hydrant Replacement/Upgrade Program - San Carlos & San Mateo	2012	$ 103,119.0
00020688	-	Land - Driveway - Sta. 11	2013	$ 41,100.0
00020738	-	Sullivan Ave. - 500' 8" PVC; 5 1" Services; 1 Hydrant	2013	$ 198,000.0
00020847	-	Vehicle - Leak Truck - C&C, Utility Body, & Mobile Radio	2013	$ 84,433.3
00020967	-	A Street & 1st Street - 80' 6" PVC; Replace Normally Closed Valve & Check Valve.	2013	$ 132,084.4
00021064	-	MTBE/PCE Treatment - Conceptual Design - Sta. 1	2013	$ 73,574.4
00021295	-	Tank Retrofit - Sta. 115 - Melendy Tank 1 - San Carlos	2012	$ 105,200.0
00021296	-	Tank Retrofit - Sta. 109 - Club Dr. Tank 2 - San Carlos	2012	$ 103,400.0
00026387	-	Paint Exterior Roof Top (Surface Preparation-SSPC-SP6) - Sta. 25	2015	$ -
00030050	-	Upgrade C.P System to Auto Potential - Sta. 31 Tank 1	2013	$ 19,659.6
00030168	-	Paint Interior Underside of Roof and 19' of Upper Shell; Upgrade C.P. System to Autopotential - Sta. 123 T4	2013	$ 136,471.2
00030209	-	Paint Interior Complete and Upgrade C.P. System - Sta. 17 Tank 1	2013	$ 207,529.2
00031468	-	Paint Exterior Roof - Sta. 24 Yorktown Tank 1	2014	$ -
00031529	-	Replace Tank Berms - Sta. 24 Yorktown Tanks 1 & 2	2014	$ 13,486.8
00036828	-	Paint Interior Complete & Upgrade Impressed Current CP System to Auto-Potential - Sta. 112	2013	$ 269,079.6
00044049	-	Paint Interior Roof & 6' Upper Shell - Sta. 12 Tank 1	2014	$ -
00045009	-	Paint Exterior Roof and lower 6" Shell - Sta. 17 T3	2015	$ -
00049429	-	Annie Street - 500' 6" PVC; 7 1" Services; 1 4" Service; 1 Hydrant	2013	$ 141,111.1
00057228	-	Paint Interior Complete - Sta.119 Tank 1	2015	$ -
00060612	-	Replace Inoperable Blow-Off's	2013	$ 60,000.0
00060673	-	Tank Turnover Equipment - Sta. 119 Tank 1 - San Carlos	2013	$ 52,625.8
00060793	-	Tank Turnover Equipment - Sta. 120 Tank 1 - San Carlos	2014	$ 54,116.2
00060795	-	Tank Turnover Equipment - Sta. 29 Tank 1 - San Mateo	2015	$ 79,816.6
00060796	-	Sta. 103 Rebuild - Conceptual Design - San Carlos	2014	$ 34,618.8
00060797	-	Tank Turnover Equipment - Sta. 15 - Tank 1 (Reservoir 12)	2013	$ 75,541.0
00060812	-	Tank Turnover Equipment - Sta. 14 - Tank 1 (Reservoir 11)	2014	$ 77,680.6
00060861	X	Design and Construct Storage Tank - San Carlos	2015	$ 944,418.0
00061014	-	Erosion Control - Sta. 15	2013	$ 99,544.3
00061318	-	Drill, Develop, and Equip Well - Sta. 1-24	2014	$ 1,189,242.8

Project	Discussion	Description	Year	Budget
00061452	-	Upgrade C.P. System - Sta. 17 Tank 3	2013	$ 9,018.0
00061596	-	Fe/Mn Facility Expansion - Sta. 1	2014	$ 479,317.3
00061654	-	Chloramination Expansion - Sta. 1	2014	$ 98,194.8
00062013	-	Paint Complete Exterior - Sta. 120 Tank 1	2014	$ -
00062053	-	Paint Interior Complete - Sta. 112 Beverly Tank 2	2015	$ -
00062056	-	Upgrade CP System - Sta. 112 Beverly Tank 2	2015	$ 9,585.6
00062073	-	Upgrade CP System - Sta. 119 Tank 1	2015	$ 10,089.6
00062074	-	Replace 12 Valves - Various Locations	2013	$ 120,000.0
00062078	-	Replace 30 Blow-off's - Various Locations	2014	$ 60,000.0
00062096	-	Replace 15 Hydrants - Various Locations	2014	$ 120,000.0
00062097	-	Replace Valves - Various Locations	2014	$ 120,000.0
00062332	-	Hydrant Replacement - Various Locations	2014	$ 120,000.0
00062797	-	Panelboard Replacement - Sta. 24	2015	$ 142,107.0
00062832	-	2,350' 8" PVC; 18 1" Services; 1 4" Service; 8 Hydrants - 31st Ave. - San Mateo	2015	$ 769,222.2
00062852	-	15 Hydrant Replacement/Upgrade Program - Various Locations	2013	$ 120,000.0
00062872	-	Seville, Avila, & Maple - 3,050' 8" PVC; 78 1" Services; 6 Hydrants	2013	$ 1,006,500.0
00062939	-	Replace Pump and Motor - Sta. 28-A	2013	$ 40,368.0
00062955	-	Replace Pump & Motor - Sta. 28-B	2013	$ 40,368.0
00062972	-	Panelboard Replacement - Sta. 112 - San Carlos	2015	$ 142,107.0
00062996	-	Replace Horz. Splitcase Pump and Motor - Sta. 107-B	2014	$ 57,120.0
00063019	-	Replace Pump & Motor - Sta. 112-B	2014	$ 52,638.0
00063020	-	Replace Pump & Motor - Sta. 2-A	2015	$ 53,688.0
00063040	-	North Delaware & State - 1200' 6" PVC; 18 1" Services; 2 Hydrants	2013	$ 436,800.0
00063044	-	Chukker Court - 300' 6" PVC; 10 1" Services	2013	$ 100,800.0
00063045	-	39th, Edison-Colegrove - 1,000' 8" PVC; 200' 6" PVC; 26 1" Services; 4 Hydrants	2013	$ 403,200.0
00063047	-	Cowgill Alley - San Mateo - 1,340' 6" PVC; 32 1" Services; 1 2" Service; 4 4" Fire Services; 1 6" Fire Service; 2 Hydrants	2015	$ 480,000.0
00063063	-	Panelboard Replacement - Sta. 115	2015	$ 142,107.0
00063066	-	40th Ave. & Fairbanks - 900' 6" PVC; 28 1" Services; 2 Hydrants	2013	$ 540,000.0
00063134	-	Panelboard Replacement & Genset - Sta. 106	2015	$ 212,749.2
00063192	-	Hillcrest Road & Valley - 1,900' 6" PVC; 33 1" Services; 4 Hydrants	2014	$ 684,000.0
00063213	-	Mobile Generator - San Mateo	2014	$ 178,212.0
00063258	-	2,000' 6" PVC; 27 1" Services; 4 Hydrants - 42nd Ave.	2014	$ 696,000.0
00063556	-	80K Tank Replacement - Sta. 124 - San Carlos	2014	$ 427,095.1
00063652	-	Del Monte between Del Paso and El Campo - 1,300' 12" PVC Replace Various Piping - Buri Buri Connection	2013	$ 708,000.0
00063732	-	Washington Street between Sullivan and Heather - 1,500' 8" PVC; 16 1" Services; 1 4" Service; 1 6" Fire Service; 3 Hydrants	2013	$ 511,200.0
00063753	-	Tank Replacement - Design - Sta. 6 Tank - Crystal Springs Reservoir - San Mateo	2014	$ 681,315.8
00063838	-	Eaton Rd., Parrott Dr. & W. 3rd Ave. - 400' 8" PVC; 1,200' 6" PVC; 1 8" check valve; 22 1" Services; 3 Hydrants	2013	$ 600,000.0
00063859	-	Field - Itron Meter Reading Handhelds	2013	$ 51,000.0
00063875	-	Pump Replacement - Sta. 103 Pump C - San Carlos	2013	$ 52,854.6

Project	Discussion	Description	Year	Budget
00063997	-	Replace Panelboard - Sta. 1	2014	$ 66,951.6
00063998	-	Panelboard Replacement - Sta. 2	2015	$ 193,647.8
00064005	-	Portable Generator	2014	$ 77,217.8
00064033	-	Replace Treatment Plant PLC and Controls - Sta. 1	2015	$ 97,200.0
00064153	-	Control Valve with Vault and SCADA Connection - Sta. 6 - San Mateo	2013	$ 130,045.4
00064173	-	Repair Pump House Roofs - Sta. 117 and 119 - San Carlos	2013	$ 44,281.2
00064273	-	Automatic Gate - Sta. 116 - San Carlos	2013	$ 24,691.2
00064486	-	Field - Metrotech Digital Leak Detector	2013	$ 24,684.0
00064594	-	Field - 6 Telog Hydrant Pressure Recorders	2014	$ 10,200.0
00064672	-	1,500' 8" PVC; 51 1" Services; 3 Hydrants - Washington Street between Heather and Sweetwood - Phase 2	2014	$ 511,200.0
00064733	-	Washington Street between Heather and Sweetwood - 1,500' 8" PVC; 51 1" Services; 3 Hydrants	2015	$ 523,200.0
00064769	X	Install 4 PRV Bypasses in San Carlos	2013	$ 198,863.1
00064789	X	Install 4 PRV Bypasses in San Mateo	2013	$ 198,863.1
00064829	-	Field - Skip Loader	2013	$ 43,776.8
00064909	-	Field - Light Tower	2013	$ 20,000.0
00064943	-	Vehicle - 0.5 Ton Pick UP and Outfitting	2015	$ 42,000.0
00064945	-	Vehicle - 0.5 Ton Pick UP and Outfitting - Meter Reader	2015	$ 42,000.0
00064947	-	Vehicle - 0.5 Ton Pick UP with Accessories - Service Person	2015	$ 42,000.0
00065129	-	Vehicle - 0.5 Ton Pickup and Outfitting	2013	$ 40,700.0
00065130	-	Vehicle - 0.5 Ton Pick UP and Outfitting	2014	$ 41,650.0
00065131	-	Vehicle - 0.5 Ton Pick UP and Outfitting	2014	$ 41,650.0
00065149	-	Vehicle - 0.5 Ton Pick UP and Outfitting	2014	$ 41,650.0
00065150	-	Vehicle - New Vehicle	2014	$ 39,800.0
00065169	-	Vehicle - 0.5 Ton Pick UP and Outfitting	2014	$ 41,800.0
00065369	-	1,300' 8" PVC; 1,900' 6" PVC - N. Humboldt, College, N. Idaho	2015	$ 1,190,400.0
00065437	-	Vehicle - 0.5 Ton Pickup and Outfitting	2013	$ 40,700.0
00065438	-	Vehicle - 0.5 Ton Pickup and Outfitting - Meter Reader	2013	$ 40,700.0
00065449	-	Vehicle - 0.5 Ton Pickup and Outfitting - Pump Operator	2013	$ 40,700.0
00066249	-	Field - Light Tower	2015	$ 20,000.0
00066269	-	Field - Skip Loader	2013	$ 50,000.0
00066310	-	Field - Arrow Board	2014	$ 10,000.0
00066330	-	Field - Arrow Board	2015	$ 10,000.0
00066332	-	Field - Telog Hydrant Pressure Recorders	2014	$ 10,000.0
00066333	-	Field - Locator Equipment	2013	$ 5,000.0
00066334	-	Field - Locating Equipment	2014	$ 5,000.0
00067073	-	Data Acquisition Radio Replacement	2013	$ 73,716.0
00069589	-	Tank Turnover Equipment - Sta. 11 Tanks 1 & 2	2015	$ 95,150.2
00069590	-	Tank Turnover Equipment - Sta. 101 Tank 1	2015	$ 55,605.4
00069729	-	San Mateo Station Security	2013	$ 36,000.0
00069749	-	Replace Hydrants	2015	$ 60,000.0
00069789	-	Site Security - So. San Francisco	2013	$ 72,000.0
00069951	-	Replace Broken Valves	2014	$ 60,000.0
00075053	-	Fay/Willow Glen - 800' 6" PVC; 12 1" Services; 2 Hydrants	2015	$ 291,600.0
00075073	-	Parrott Drive, Wildwood, Treetop Lane and Oakley Rd. - 2,300' 6" DI; 44 1" Services; 6 Hydrants	2015	$ 835,200.0

Project	Discussion	Description	Year	Budget
00078954	-	Paint exterior roof of Mid-Peninsula Sta. 25 Lincoln Tank 3	2015	$ -
00079493	-	Replace the electrical panel at SSF station 4.	2013	$ 72,276.3
00079576	-	Purchase new vehicle including outfitting for additional certified pump operator.	2014	$ 44,880.0
00079577	-	Purchase new vehicle including outfitting for additional Inspector position.	2014	$ 44,880.0
SMD&SSF	-	Meter Replacement Program	2012	$ 387,277.3
SMD&SSF	-	Meter Replacement Program	2013	$ 515,952.0
SMD&SSF	-	Meter Replacement Program	2014	$ 483,991.0
SMD&SSF	-	Meter Replacement Program	2015	$ 498,078.0
Total				**$ 25,996,089.8**

Project 15999 - Bolted Steel Tank - Station 122 - San Carlos

ISSUE: Cal Water requested Project 15999 at a cost of $619,298 to build a 20,000gallon bolted steel tank to replace a redwood tank at Station 122. Cal Water stated that this tank replacement project will restore the configuration of this station per the Water Supply and Facilities Master Plan's ("WS&FMP") recommendation. Cal Water also stated the new tank would increase the water storage needs for the area.

ORA disagreed with the recommendation of the WS&FMP because neither Title 22 nor GO 103-A contains specific requirement for emergency storage capacity. ORA recommended not building the tank because it recommended the replacement of the tank at Station 124, which serves the same area.

RESOLUTION: The Parties agree that the reconfiguration of Station 122 help meet the storage requirements for the area. The Parties agree to include $619,298 in the capital budget for Project 15999.

Project 60861- Design and Construct Storage Tank - San Carlos

ISSUE: Cal Water requested $944,418 for the design and construction of a storage tank in the San Carlos system to mitigate the storage deficit in Zone 550 and Zone 715. Cal Water cited its WS&FMP as support for this project.

ORA agreed that there is a storage deficit in Zone 550 and Zone 715. However, ORA recommended disallowance of this project because the WS&FMP also stated the storage deficit could be mitigated by a storage surplus in Zone 600 via the pressure-reducing valve at Brittan & Drake.

In its Rebuttal, Cal Water acknowledged that the storage deficit could be mitigated by the storage surplus in Zone 600. However, Cal Water contended that the

proposed tank would also provide emergency storage for lower elevation customers in zones that do not have emergency storage.

RESOLUTION: Cal Water and ORA agree to include $944,418 in the capital budget for Project 60861.

Projects 64769 and 64789 – Install PRV (Pressure Reducing Valve) Bypasses in San Mateo and San Carlos

ISSUE: Cal Water requested Project 64769 and Project 64789 each at a cost of $409,310. Cal Water cited a Camp, Dresser, and McKee (CDM) Reliability Evaluation that conceptually analyzed the ability of the existing systems to handle potential outages of SFPUC turnouts and to convey water from various emergency connection locations. Each of the projects includes installations of PRV bypasses at four locations as identified by the CDM Reliability Evaluation. Cal Water stated the installations of these PRV bypasses are important because they would enhance supply reliability and, during supply outages and emergencies, allow water to be conveyed to areas from turnouts that do not normally serve those areas.

ORA recommended disallowance of the projects because it did not agree with the assumptions made by the evaluation. ORA also cited the WS&FMP, which stated that both the San Carlos and San Mateo systems have adequate PRV capacity for both existing and buildout peak hour demands.

In its Rebuttal, Cal Water maintained its position stating that the PRV Evaluation in the WS&FMP is based on PRV capacities and zone demand during normal operating conditions, not the conditions based on the CDM Reliability Evaluation that evaluated alternate pathways of water to supply zones during supply outages and emergencies.

RESOLUTION: The Parties agree to include in the capital budget Projects 64769 and 64789 each at a cost of $198,863. The revised cost estimate reflects installation of 2 PRVs instead of 4 for each project.

C. CARRYOVER PROJECTS

The Parties agree to include the following Carryover projects in the capital budget for the years 2012 through 2015.

Bayshore: Projects Not In Service as of January 2012

Project	Discussion	Description	Year	Budget
00012582	-	JUNIPERO SERRA BEAUTIFICATION	2013	$ 8,108.2
00016883	-	STA. 6 RESERVOIR - STUDY	2013	$ 15,200.0
00016920	-	WATER SAMPLE SITES-SAN MATEO	2013	$ 13,000.0
00017364	-	Replace Tank Berm - Sta. 4 Tank 3 & 4	2013	$ 9,500.0
00017867	-	Security Mitigation Improvements - Facilities	2013	$ 42,200.0
00017885	-	Security Mitigation Improvements - Various Facilities	2012	$ 79,511.7
00017926	-	Security Mitigation Improvement & SCADA - Customer Service & Operations Center - San Mateo	2013	$ 151,545.8
00020080	-	Replace 16 Various Valves - San Mateo & San Carlos	2012	$ 127,175.7
00020093	-	Planning Study to Evaluate Emergency Storage & Supply - San Mateo & San Carlos	2012	$ 17,000.0
00020272	-	Replace Panelboard - Sta. 23	2013	$ 155,400.0
00020274	-	Replace Panelboard - Sta. 25	2013	$ 155,400.0
00020275	-	Generator & Replace Panelboard - Sta. 17	2013	$ 248,000.0
00020277	-	Replace Panelboard - Sta. 114	2013	$ 141,000.0
00020369	-	Replace 30 Various Blow-Off's - San Mateo	2012	$ 83,089.0
00020567	-	Replace Splitcase Pump & Upgrade Motor - Sta. 116-A	2012	$ 33,610.0
00020569	-	Replace Splitcase Pump & Upgrade Motor - Sta. 25-A	2012	$ 40,371.0
00020572	-	Site Improvements, Replace Split Case Pump with Top Drive Can Booster, Upgrade Motor & Electrical - Doghouse - Station 114-A	2013	$ 104,000.0
00020604	-	Replace Splitcase Pump, Upgrade Motor, & Add Energy Efficient Monitoring - Sta. 5-A	2012	$ 24,345.0
00020611	-	Replace Splitcase Pump, Upgrade Motor, & Add Energy Efficient Monitoring - Station 101-B	2013	$ 22,000.0
00020659	-	Replace Pressure Vessel - Sta. 12	2012	$ 70,000.0
00020666	-	S. Railroad & 9th Ave. - San Mateo - 1,200' 6" PVC; 6 1" Services; 2 Hydrants	2013	$ 253,900.0
00020850	-	NEW 0.5 PICKUP REPLACE V206065	2012	$ 35,711.0
00020940	-	Replace 7 Valves	2012	$ 59,300.0
00021198	-	5 SCADA RTUs	2012	$ 51,000.0
00037127	-	Extend Drain Pipe Sta. 109	2013	$ 34,897.5
00043307	-	REPLACE AMMONIA TANK AT FP	2012	$ 12,154.5
00044249	-	SCADA Microwave Radio	2013	$ 53,391.0
00044329	-	San Carlos Bayshore Radio Link	2013	$ 53,391.0
00053568	-	CRESTVIEW VAULT-LID REPLC	2012	$ 20,731.0
00054990	-	Install PVC C.P. test tube	2013	$ 5,126.0
00055090	-	Install PVC C.P. test tube	2013	$ 11,533.5
00057548	-	City SM Flint Pump Sta. Rel. 12" AC	2012	$ 68,438.9
00058292	-	INSTALL SERVICES AND RETIRE 2" CI	2012	$ 23,300.0
00058932	-	Replace butterfly valve 22-C	2012	$ 39,739.0
00059192	-	Wooster 6" DI main	2012	$ 205,040.0
00059393	-	SC Sta 120 - Tank 2	2013	$ 1,029,414.0
00059413	-	SC Sta 119 - Tank 2	2013	$ 1,191,086.0
00059692	-	Replace control panels station 115	2013	$ 31,944.3
00059752	-	Relocate 8" main San Pedro Rd	2013	$ 52,207.0
00060472	-	SSF- Replace or Upgrade Blow Offs	2012	$ 44,291.0

Project	Discussion	Description	Year	Budget
00060792	-	Replace Pump and Motor: MPS 22B	2012	$ 55,920.0
00061354	-	Install 8" PVC, Randolph Ave, SSF	2012	$ 169,463.0
00069289	-	8" PVC main Hillside Blvd.	2012	$ 165,264.0
00069530	-	Replace fire hydrant run & head	2012	$ 16,861.7
00071993	-	1379 San Mateo Ave. 6" F/S	2012	$ 42,000.0
00077553	-	Oak Street 6" PVC	2012	$ 284,635.0
00077913	-	Paint exterior - MPS Sta.27 tanks	2013	$ 296,379.4
00078893	-	Station 1 Filter Media Replacement	2013	$ 64,035.6
00079195	-	HACH 890	2013	$ 3,008.5
Total				**$ 5,914,619.2**

D. ADVICE LETTER PROJECTS

The Parties agree to include the following Advice Letter projects in the capital budget for the years 2012 through 2015.

Bayshore: Advice Letter Projects

("Discussion" identifies projects discussed in detail below.)

Project	Discussion	Description	Year	Advice Letter Cap
00020141	X	Design & Equip Storage Tank (4MG) - Sta. 27, Beresford - San Mateo	2015	$ 2,403,200.0
00020315	X	Energy Monitoring Program - 15 Various Stations	2014	$ 458,200.0
00061336	X	Drill, Develop, and Equip - SM Well - San Mateo	2014	$ 1,348,941.4
00061972	X	Land - SM Well	2015	$ 921,000.0
00063397	X	Operations/Customer Service Center	2014	$ 10,200,000.0
00063402	X	Office - Furniture - Operations Center	2014	$ 204,000.0
00063772	X	Tank Replacement - Sta. 6 - San Mateo	2015	$ 6,020,739.0
00079999	-	Cal Water RAMCAP Vulnerability Assessments-SSF	2015	$ 68,567.3
00080002	-	Cal Water RAMCAP Vulnerability Assessments-MPS	2015	$ 152,161.6
Total				**$ 21,776,809.3**

Project 20315 - Energy Monitoring Program - 15 Various Stations

ISSUE: Project 20315 is a Carryover Advice Letter project from the 2009 GRC. Cal Water proposed comprehensive energy monitoring equipment at specific pump stations to optimize power usage and to protect equipment. The existing voltage monitors are very limited in their ability to protect against motor failure caused by voltage faults only. Installing and upgrading the monitors increase system reliability by providing equipment protection, SCADA interface and energy monitoring. Cal Water has not completed this project and requests to continue to treat it as an Advice Letter project.

RESOLUTION: The Parties agree that Project 20315 should continue as an Advice Letter project with a cap of $458,200.

Project 20141 - Design and Equip Storage Tank (4MG) - Station 27, Beresford - San Mateo

ISSUE: This project was originally proposed in the 2009 GRC and approved for $2,403,200 to build a 2.5 million gallon (MG) tank. This original estimate was based on rough unit cost (cost per gallon) estimates that did not consider the physical constraints of the site. Cal Water again included this approved but incomplete project in its requested capital budget in this general rate case. Late in the settlement negotiation process in this rate case (mid-October 2013), Cal Water informed ORA that costs to mitigate site constraints are much more than expected and the best way to maximize the investment on this site and to address the Bayshore District's storage capacity deficiency is to build a larger tank than originally contemplated. Consequently, Cal Water proposed to modify the project to reflect an increased tank capacity of 4.0 million gallon with a much larger estimated total cost, and asked for ORA's support of this new approach.

Because Cal Water's new findings on the project, as described above, was not part of its July 2012 application, and because this new 4MG tank option was presented to ORA late in the settlement negotiation process, ORA has not had a chance to review the modified project for reasonableness or cost-effectiveness. Therefore, ORA cannot expressly support the expanded scope and costs of the project and would only agree to include the project at the original cost estimate.

RESOLUTION: Cal Water and ORA agree to include Project 20141 as an Advice Letter project with a cost cap of $2,203,200 (original cost estimate). This agreement is with the understanding that (1) Cal Water will have to fully justify the expanded scope and budget for this tank project in the next general rate case, and (2) ORA reserves the right to recommend disallowances if its analysis shows that the project as built is not the most cost effective option. Cal Water agrees to provide analysis of all options and related costs that it considered when it decides to proceed with the modified project.

Project 61972- Land for San Mateo Well and Project 61336 - Drill, Develop, and Equip San Mateo Well

ISSUE: Cal Water proposed Project 61972 and Project 61336 to initiate the development of a groundwater supply in the San Mateo system. Cal Water requested $921,000 for Project 61972 and $1,348,941 for Project 61336. Cal Water stated the purpose of these projects is to improve system reliability, to increase the local groundwater supply, and to provide some relief during SFPUC shutdowns and emergencies.

ORA questioned the need for the two projects for several reasons: unreasonable land costs, no identified property for the proposed well, low anticipated well yield, and cost/benefit analysis showing water from the proposed well is more expensive than purchased water from SFPUC. In Rebuttal, Cal Water argued that the District was nearing its supply assurance levels from the SFPUC. Cal Water also reiterated that a local groundwater supply would help meet system demands in the event of an SFPUC shutdown. During settlement discussions, the Parties agreed that a new well in the San Mateo system would improve system reliability and provide an alternative source of water in the event of an emergency.

RESOLUTION: The Parties agree that Project 61972 and Project 61336 should be treated as Advice Letter rate base offset projects with caps of $921,000 and $1,348,941, respectively.

<u>Project 63397 - Operations/Customer Service Center and Project 63402- Office - Furniture - Operations Center</u>

ISSUE: Cal Water proposed Project 63397 at an estimated cost of $10,200,000 and Project 63402 at an estimated cost of $204,000. Cal Water explained that there is a clear need to replace the Operations/Customer Service Center because it is in poor condition despite continual maintenance. The current facility is very old and seismically unstable, has an inadequate electrical system, contains hazardous materials, and experiences major drainage issues. In its application, Cal Water provided studies confirming its statements that the existing condition of the Operations/Customer Center is in disrepair.

ORA agreed with the need for the project, but recommended that Cal Water be required to file a separate application so that the cost and scope of the project can be evaluated more comprehensively and in greater detail.

In Rebuttal, Cal Water reemphasized the need to move forward with the project because of the progress made since the application was filed. Cal Water stated the City

of San Mateo's Planning Commission recently approved this project with a 5-0 vote. Cal Water and ORA discussed the review process and timing of a separate application and determined that treating these projects as Advice Letter projects would be the appropriate course of action.

RESOLUTION: Cal Water and ORA agree that Project 63397 should be treated as an Advice Letter project with a cap of $10,200,000 and Project 63402 should be treated as an Advice Letter project with a cap of $204,000. Cal Water agrees to submit detailed justification of the project's final scope and costs in its next GRC application. The Parties agree that the project's entire cost is subject to refund. If the project is not completed by the filing date of the next GRC, Cal Water will provide a detailed status report of the project's progress and costs in its GRC application.

Project 63772- Tank Replacement - Station 6 - San Mateo

ISSUE: Cal Water proposed Project 63772 at an estimated cost of $7,587,345. The scope of the project is to construct a replacement buried concrete tank at Station 6 to restore the storage capacity of the Crystal Springs reservoir. Cal Water stated the reservoir was taken out of service due to excessive leakage. This project would serve to provide an additional source of reliable supply for Zones 145, 270, 275 and 345.

ORA reviewed the preliminary design report for this project and recommended allowing the design, but deferring the construction to the next GRC, when the construction costs would be better known. ORA's concern was that the design of the reservoir was preliminary and unexpected issues could arise between the full design and construction of the reservoir and significantly alter the estimated costs.

During settlement discussions, Cal Water expressed its concern that deferring the project's authorization would delay its construction and increase overall costs. The Parties discussed the timing and the applicability of Advice Letter treatment for this project and how this project would be subject to a comprehensive review of costs in the next GRC filing.

RESOLUTION: Cal Water and ORA agree that Project 63772 should be treated as an Advice Letter rate base offset project with a cap of $6,020,739. The cap reflects a revised cost estimate by adjusting design and construction contingencies, as shown below. Cal Water will provide detailed justification of the final project costs in its next GRC application. If the project is not completed by the filing date of the next GRC, Cal Water will provide a detailed status report of the project's progress and costs in its filing.

ITEM	QTY	UNIT	UNIT COST	TOTAL
Site Work	1	LS	$ 550,500	$ 550,500
Major Equipment	1	LS	$ 96,700	$ 96,700
Major Piping and Valves	1	LS	$ 229,300	$ 229,300
Major Structural (Tank)	1	LS	$ 2,469,900	$ 2,469,900
Major Electrical	1	LS	$ 100,000	$ 100,000
Design Contingency (20%)	0	LS	-	$ -
Contractor Profit (10%)	1	LS	-	$ 344,640
Bonds, Insurance, Taxes (10%)	1	LS	-	$ 344,640
Construction Contingency (5%)	0	LS	-	$ -
Construction Admin. Costs (5%)	1	LS	-	$ 206,784
			subtotal	$ 4,342,464
		3% per year	Escalation to 2014	$ 390,822
		6%	Capitalized Interest	$ 283,997
		20%	Overhead	$ 1,003,457
			Total	$ 6,020,739

E. PROJECTS EXCLUDED FROM PLANT ADDITIONS

The Parties agree to exclude the following projects from the capital budget for 2012 through 2015. The reasons for the exclusion are as described below.

Cancelled projects – Cal Water cancelled these projects during discovery, in rebuttal or as a result of settlement negotiations.

Defer Request projects – Cal Water agrees to defer the request of these projects to a later rate case during discovery, in rebuttal or as a result of settlement negotiations.

2012 NS projects – These 2012 Non-Specific projects (i.e., projects funded by authorized 2012 Non-Specific Budget) were initiated on or after January 2012. Cal Water included these projects in its requested Carryover capital project budget in this rate case. ORA contends that these projects' costs are already covered under the authorized 2012 Non-Specific Budget, and therefore their costs should not be included again in the Carryover capital project budget. Cal Water agrees to remove dollars associated with these projects from the Carryover budget in this rate case.

Bayshore: Excluded Projects
("Discussion" identifies projects discussed in detail below.)

Project	Discussion	Description	Reason
00009670	-	New Well - Bayshore	Cancelled
00011519	X	BAY Customer/Oper Center Ph1	Cancelled
00014090	-	MPS-PALOMAR TANK RETROFIT	Defer Request
00015530	-	REPLACE TANK - DESIGN	Defer Request
00015532	-	NEW TANKS - DESIGN	Defer Request
00015978	-	New Well Site - Parcel C	Cancelled
00016132	-	Wooster Ave. - Newlands - 620' 6" D.I.; 550' 6" Flexible; 9 1" Services	Cancelled
00017219	-	SAN MATEO WELL LOT #2	Defer Request
00017243	-	DRILL SAN MATEO WELL # 3	Defer Request
00020294	-	3.0 MG Concrete Reservoir - Design - Sta. 6 - Crystal Springs Reservoir - San Mateo	Already in Beginning Plant Balance
00020368	-	Replace 30 Various Blow-Off's - San Mateo	Cancelled
00020432	-	1,300' 6" PVC; 38 1" Services; 2 Hydrants - Louise Lane - San Mateo	Cancelled
00020533	X	3.5 MG Storage Tank - Zone 200 - San Carlos	Cancelled
00020535	-	Chestnut - San Mateo - 575' 6" PVC; 7 1" Services; 1 Hydrant	Cancelled
00020538	-	Fay & Willow Glen - San Mateo - 900' 6" PVC; 12 1" Services; 1 Hydrant	Cancelled
00020614	X	Jasmine Street - San Mateo - 900' 6" PVC; 23 1" Services; 2 Hydrants	Cancelled
00020736	-	Annie Street - 500' 6" PVC; 7 1" Services; 1 4" Service; 1 Hydrant	Cancelled
00020931	-	Replace 7 Valves	Cancelled
00021331	-	CP Anodes, Paint Exterior Roof, Underside of Roof, & 8' Upper Shell - Sta. 27 Tank 1 -	Cancelled

Project	Discussion	Description	Reason
		Beresford	
00061132	X	Design and Construct 500,000 Gal Tank at SSF Station 12 or 14	Defer Request
00062133	-	Storage Upgrade - Sta. 9 Tank 1 (Res. 3)	Defer Request
00062953	X	Design and Construct 500K Gal Tank	Defer Request
00063041	-	Replace Pump & Motor - Sta. 2-C	Cancelled
00065376	X	Briarwood, Sherwood, and Ravenwood - 2,600' 6" PVC	Defer Request
00066089	X	Desalination Investigation - Phase 1	Defer Request
00066090	X	Desalination Investigation - Phase 1	Defer Request
00066115	X	Desalination Investigation - Phase 2	Defer Request
00066116	X	Desalination Investigation - Phase 2	Defer Request
00066831	-	5 SCADA RTUs - Sta. 12, 121, 122, 124, 125	Defer Request
00066832	-	3 SCADA RTUs - Sta. 10, 13, 14	Defer Request
00066892	-	9 Well Level Sensors - Sta. 1-1, 1-2, 1-3, 1-4, 1-5, 1-6, 1-7, 1-8, 1-9	Defer Request
00066969	-	Replace Radio link to SSF-11, Res 7	Cancelled
00067042	-	8 Flow Meters - Sta. 1, 2, 4, 5, 6, 7, 13, 101	Defer Request
00067132	-	56 Hand-Off-Auto Sensors - SCADA	Defer Request
00067294	-	25 Pressure Transducers - Sta. 1(11), 2(2), 4(1), 6(5), 13, 101	Defer Request
00067452	-	8 Power Meters - Sta. 1, 2, 4, 5, 6, 7, 13, 101	Defer Request
00068850	-	Field - 2-Way Voice Radio System	Defer Request
00071853	-	South Grant St. 10" PVC	2012 NS
00072854	-	Replace Pump, Motor: SSF 1-20	2012 NS
00073373	-	Replace San Mateo Blow-off's	2012 NS
00073376	-	Replace hydrants	2012 NS
00073378	-	Replace blow-off's	2012 NS
00073854	-	Replace Pump and Motor: MPS 26-C	2012 NS
00074854	-	161 Starlite 4" service/3" meter	2012 NS
00075674	-	Airport Turnout Valve Control	2012 NS
00077014	-	2 New Valve & Replc Tee	2012 NS
00077514	-	install pump control valve sta.27	2012 NS
00077693	-	SSF-VALVE PROJECT	2012 NS
00077753	-	Replace 24" Valves Delaware	2012 NS
00077893	-	Paint ext & int-MPS Sta.109 T2	2012 NS
00078194	-	Randolph & Madrone 4" DI relocate	2012 NS
00078833	-	Roof Retrofit: SSF STA 5	2012 NS
00079573	-	Purchase new vehicle for additional Distribution Supervisor position.	Defer Request
00079578	-	New vehicle including outfitting for additional certified pump operator position.	Defer Request
Total			**$ 13,742,157.1**

Project 11519 - Bayshore Customer/Operation Center, Phase 1

ISSUE: Project 11519 is a carryover project from a previous GRC which includes costs for improving the Customer/Operations Center for the Bayshore District. During settlement discussions, the Parties discussed removal of this project from the carryover project list.

RESOLUTION: The Parties agree that Project 11519 should be removed from the capital budget. The costs from this project will be part of Project 63397, previously discussed in this Agreement.

Project 61132 - Design and Construction of 500k-Gallon Storage Tank at South San Francisco Station 12 and Project 62953 - Design and Construction of 500k-Gallon Storage Tank at South San Francisco Station 14

ISSUE: Cal Water proposed Project 61132 and Project 62953 each at a cost of $944,418. Cal Water stated these projects are intended to address a shortfall of emergency storage identified in the WS&FMP. ORA recommended disallowing these projects because it did not agree with the assumptions made in the WS&FMP. ORA and Cal Water were not able to come to a consensus on the appropriate level of emergency storage for these systems given that there is no specific regulatory requirement for emergency storage.

RESOLUTION: The Parties agree to defer these projects to a later GRC when the criteria are more clearly defined and Cal Water can refine the scope and budget for these projects.

Projects 20614 and 65376 - Main Replacements

ISSUE: Cal Water proposed these main projects to help achieve a main replacement rate based on its 250-year replacement policy. Most of the projects included in the mains were undersized mains and unlined steel mains. ORA recommended allowing Project 20614. ORA recommended disallowing Project 65376 because Cal Water failed to provide a leak history for that section of main.

RESOLUTION: In settlement, Cal Water placed more emphasis on other main replacement projects and agrees to defer these two main replacement projects to a later time.

Projects 66089, 66090, 66115 and 66116 -- Brackish Groundwater Investigations

ISSUE: Cal Water requested Projects 66089, 66090, 66115 and 66116 for a total estimated cost of $3,583,702. Cal Water stated the primary need for the groundwater investigation was to ensure long-term water supply for the Bayshore and Bear Gulch Districts.

In its application, Cal Water proposed a 2-phase groundwater study. Phase 1 would identify the best test well and permanent well locations. Phase 2 would include the construction of additional test and monitoring wells as groundwater modeling, groundwater quality characterization, and assessment of brine disposal locations, evaluating the interest of other agencies. Phase 2 is highly dependent on the results of Phase 1.

ORA questioned the need for these projects because of Cal Water's questionable claim regarding cutbacks from SFPUC, Cal Water's claim that this is in response to SB X 7-7, unknown well capacity, and issues with the clarity of the first phase of the plan.

RESOLUTION: The parties agree that Cal Water should not pursue these projects at this time in light of the Parties' agreement for Cal Water to pursue a new well in this GRC.

[END OF CHAPTER]

CHAPTER 17. BEAR GULCH DISTRICT PLANT

A. OVERVIEW

The Bear Gulch District purchases approximately 95% of its water from the San Francisco Public Utilities Commission ("SFPUC"). Approximately 5% of the total supply is from surface runoff, which is collected in the Bear Gulch Watershed and stored in the Bear Gulch Reservoir and treated at the Bear Gulch Water Treatment Plant. Purchased water from the SFPUC and water from the treatment plant is pumped directly into the distribution system and storage. Major projects in this Agreement include main replacements, combining Station 3 and Station 8, new reservoir, in-line hydroturbine, fish passage facilities and dam modification design.

Bear Gulch: Non-Specific Advance Capital Budget Summary

Year	July Filing	ORA Report	Settlement
2012	$ 1,336,300.0	$ 1,336,300.0	$ 1,336,300.0
2013	$ 2,450,600.0	$ 1,350,771.0	$ 1,900,650.0
2014	$ 2,579,100.0	$ 1,378,271.0	$ 1,978,700.0
2015	$ 2,646,700.0	$ 1,408,044.0	$ 2,027,250.0
Total	**$ 9,012,700.0**	**$ 5,473,386.0**	**$ 7,242,900.0**

The annual Non-Specific Advance Capital Budget is for capital projects that are anticipated to be completed and placed in service during the indicated year to resolve issues that were not known in detail when the advanced capital budget("ACB") was adopted for that time period. The Non-Specific projects tend to be for emergency or unforeseen projects that need to be addressed between GRCs.

Bear Gulch: Specific Advance Capital Budget Projects Summary

Year	July Filing	ORA Report	Settlement
2012	$ 395,431.7	$ 324,476.9	$ 168,678.5
2013	$ 7,387,434.2	$ 545,402.3	$ 4,770,296.6
2014	$ 9,679,893.3	$ 2,986,511.3	$ 809,312.1
2015	$ 6,062,283.6	$ 2,148,282.6	$ 5,587,794.3
Total	**$ 23,525,042.8**	**$ 6,004,673.1**	**$ 11,336,081.5**

The Advance Capital Budget for Specific projects identifies the projects and forecasted costs (except for Carryover projects) that the Parties agree should be reflected in the adopted revenue requirement.

Bear Gulch: Carryover Capital Projects Summary

Year	July Filing	ORA Report	Settlement
2012	$ 14,274,816.3	$ 6,111,164.2	$ 3,709,678.1
2013	$ 13,342.6	$ 2,855,185.2	$ 7,057,719.4
2014	$ -	$ 755,100.0	$ 755,100.0
2015	$ -	$ -	$ -
Total	**$ 14,288,158.9**	**$ 9,721,449.4**	**$ 11,522,497.6**

Carryover projects are capital projects reflected in the revenue requirement proposed in this Agreement that were (1) not used and useful, or in some cases not initiated, as of January 2012, and (2) not included in the Advance Capital Budgets summarized above. The Parties agree that Cal Water is expected to complete the listed Carryover projects at the identified settlement amounts and in the years indicated, and that their estimated costs should be reflected in the adopted revenue requirement in this rate case.

Bear Gulch: Advice Letter Projects Total

	Advice Letter Cap
Total	**$ 7,520,719.9**

The Parties agree that certain capital projects may be included in rates after (1) they are in service, and (2) their costs (up to the specified cap) are submitted for Commission review via Tier 2 advice letter, and found to be reasonable. This Agreement recommends adoption of these projects as “Advice Letter” projects, but their costs are not reflected in the revenue requirement proposed for adoption in this Agreement.

Bear Gulch: Excluded Projects Total

Excluded Projects	**$6,318,891.7**

The Parties agree that some capital projects proposed in the company’s July 2012 application should not be reflected in the 2012 through 2015 capital budgets,

unless noted otherwise. These "excluded" projects encompass those that the company cancelled, those that are in service and already included in the beginning plant balance per this Agreement, and those that the Parties agree for other reasons will not be included at this time. The exclusion of these projects ("Defer Request projects") does not prevent the company from proposing them in a subsequent application.

B. SPECIFIC ADVANCE CAPITAL BUDGET PROJECTS

The Parties agree to include the following projects in the Advance Capital Budget for the years 2012 through 2015.

Bear Gulch: Advance Capital Budget – Specific Projects
("Discussion" identifies projects discussed in detail below.)

Project	Discussion	Description	Year	Budget
00018134	-	Paint Exterior - Sta. 5 Intermediate Tank 8 & 9	2013	$ 181,778.4
00018138	-	Berm, Paint Interior Underside of Roof, & 7' Upper Shell - Sta. 5 Intermediate Tank 8	2013	$ 70,954.8
00020129	-	Shine Road - 300' 12" D.I.	2012	$ 94,314.8
00020130	-	Quail Meadow - Woodside & Quail Meadow Pipeline - 200' 12" D.I.	2012	$ 64,574.1
00020756	-	Field - 8 Tools - Field Yard	2013	$ 28,000.0
00026009	-	Los Trancos R&R - 2,500 ft. of 2" PVC; 21 1" Services	2015	$ 278,788.0
00027107	-	Replace anodes Station 30	2013	$ 9,082.0
00029009	-	Paint Both sides of roof and replace anodes	2015	$ 8,905.0
00061115	-	Hillside - 428 Hillside to Glenwood - 1200' 6" DI; 12 2" Services; 2 Hydrants. Abandon 1" and 1.5" stl main, and 2" yelowmine main.	2015	$ 484,644.7
00061116	X	Tuscaloosa Ave. - Selby to El Camino Real - 4220' 8" PVC; 54 2" Services; 8 Hydrants. Abandon 2" CI, 6" CI, 2" Srew steel, 6 hydrants, 54 services.	2013	$ 1,746,000.0
00061375	-	Paint interior complete at Bear Gulch Sta.21 Arrowhead Tank 1	2013	$ 237,400.8
00061598	-	Sand Hill Rd - from Sand Hill Ct. to Portola - 2360' 12" D.I.; 5 Services; 2 Hydrants. Abandon 8" AC in easement from Mountain Home to Sand Hill, 2 hydrants, and 5 services.	2015	$ 1,116,328.8
00061695	X	Almandral - Selby to El Camino Real - 4270' 8" PVC; 59 2" Services; 9 Hydrants. Abandon 6" C.I.; 7 Hydrants; and 59 3/4" Services.	2013	$ 1,812,000.0
00061733	-	Cresta Vista Ln - from Cresta Vista Dr. to end of cul-de-sac - 670' of 6" PVC. Abandon 2" CI main, and 8 (¾") services.	2013	$ 188,222.7

Project	Discussion	Description	Year	Budget
00061774	-	Replace Pump and Motor - Sta. 11-B	2014	$ 24,276.0
00061892	X	Olive Hill and Canada Rd. - 8" and 12" DI in (1) Olive Hill from Albion to Canada and (2) Canada from Lanning to Sta 23.	2015	$ 2,179,045.1
00062102	-	Replace Pump and Motor - Sta. 20-A	2015	$ 57,828.0
00062104	-	Replace Horizontal Splitcase Pump and Motor - Sta. 27-A	2014	$ 37,842.0
00062114	-	Replace Vertical (can) Booster Pump and Motor - Sta. 33-B	2013	$ 46,632.0
00062938	-	South Castanya - from easement to end of cul-de-sac - 150' 6" PVC; 4 2" Services. Abandon 2" CI main and 4 services.	2015	$ 54,676.0
00063435	-	Clayton - Alameda to end of cul-de-sac - 730' 8" PVC; 22 2" Services; 3 Hydrants. Abandon 4" CI; 6" AC; 2" CI; 22 services; 1 hydrant.	2015	$ 428,793.8
00063933	-	Standby Generator - Sta. 40	2014	$ 225,427.0
00064507	-	Vehicle - 0.5 Ton Pick Up with Tool Box and Light Bar	2015	$ 42,000.0
00064689	-	Vehicle - 0.75 Ton Pick Up with Utility Body - Flushing	2015	$ 68,850.0
00064690	-	Vehicle - 0.5 Ton Pick Up with Tool Box and Light Bar	2015	$ 42,000.0
00065032	-	Vehicle - 0.5 Ton Pickup and Outfitting - Serviceman	2014	$ 41,650.0
00065049	-	Vehicle - 0.5 Ton Pickup and Outfitting - Meter Reader	2014	$ 41,650.0
00065371	-	Ormondale Tank 3 Retrofit - Sta. 29 Tank 3	2015	$ 185,998.2
00065389	-	Tank Retrofit - Sta. 33 Los Trancos	2015	$ 185,998.2
00065390	-	Skyline-Woodside Mut Connect Design	2015	$ 132,711.4
00065394	-	Vehicle - 0.5 Ton Pickup and Outfitting - Assistant District Manager	2013	$ 40,800.0
00065537	-	Vehicle - 0.5 Ton Truck and Outfitting	2013	$ 40,700.0
00065910	-	Bear Gulch Lake Aeration Project	2014	$ 171,348.1
00066049	-	Replace Dedicated Sample Stations	2013	$ 30,206.0
00066229	-	Replace Dedicated Sample Stations	2014	$ 31,060.0
00066230	-	Replace Dedicated Sample Stations	2015	$ 31,915.0
00067190	-	15 Pressure Transducers	2013	$ 55,618.8
00070330	-	Laboratory Remodel	2013	$ 73,542.0
00076194	-	Preliminary Design (including hydrogeologic assessment) for replacement well at Sta. 44.	2015	$ 25,966.5
00076196	-	Design Phase of new Operations Center	2015	$ 66,477.6
00079555	-	Purchase new vehicle including outfitting for additional Inspector position.	2014	$ 44,880.0
BGD0900	-	Meter Replacement Program	2012	$ 9,789.6
BGD0900	-	Meter Replacement Program	2013	$ 209,359.0
BGD0900	-	Meter Replacement Program	2014	$ 191,179.0
BGD0900	-	Meter Replacement Program	2015	$ 196,868.0
Total				**$ 11,336,081.5**

Project 61116 - Tuscaloosa Ave & Project 61695 - Almandral 8" main replacement

ISSUE: Cal Water stated that it proposed these mains for replacement because they both have severe tuberculation and they are not operating at their design

capacities. Cal Water identified these mains for replacement in its Water Supply and Facilities Master Plan. Cal Water explained that these mains are important because they are located in a poorly gridded area of the distribution system and these main replacement projects are being coordinated with the Town of Atherton's re-pavement of these streets. ORA recommended disallowance of these projects because the leak history for these sections and fire flow requirement do not support replacement.

RESOLUTION: Cal Water and ORA agree that it is reasonable to replace these mains at this time and that completing this work in conjunction with the Town of Atherton's re-pavement projects will result in a lower replacement cost. The Parties agree to a budget of $1,746,000 for Project 61116 and $1,812,000 for Project 61695. The lower than proposed cost estimates reflect expected re-pavement cost savings resulting from coordinating construction activities with the Town of Atherton.

Project 61892 - Olive Hill and Canada Rd.

ISSUE: Cal Water proposed this project for $2,242,512 to remove flow bottlenecks in the grid and increase reliability to customers in a large area of the system. The replacement of this 4,400' section of main eliminates the need for pump station 15. Cal Water cited the Water Supply and Facilities Master Plan as support for this project. ORA recommended only 2,000' of main replacement for a total cost of $1,117,783. This recommendation was based on ORA's review of the Master Plan's recommendations, which differ from Cal Water's justifications. During settlement discussions, Cal Water clarified the scope and its justifications of the project.

RESOLUTION: The Parties agree that Cal Water should be authorized to replace the 4,400' section of main as proposed, but at a reduced cost of $2,179,000 to reflect a lower capitalized interest estimate.

C. CARRYOVER PROJECTS

The Parties agree to include the following Carryover projects in the capital budget for the years 2012 through 2015.

1 **Bear Gulch: Projects Not In Service as of January 2012**

Project	Discussion	Description	Year	Budget
00011106	-	DESIGN OF NEW WOODSIDE RES	2013	$ 120,000.0
00011107	-	NEW RESERVOIR AT WOODSIDE	2013	$ 1,770,000.0
00016110	-	SCADA Security Camera	2013	$ 48,100.0
00016134	-	Woodside Hills - 5,240' 8" PVC; 40 1" Services; 8 Hydrants	2013	$ 2,634,208.0
00017356	-	Magmeter - Sta. 23	2013	$ 13,343.0
00017357	-	Magmeter - Sta. 16	2013	$ 13,343.0
00017430	-	Perry Lane - Leland to Vine - 470' 8" PVC; 12 1" Services; 3 Hydrants	2012	$ 216,421.0
00017518	-	SECURITY @ INTERMEDIATE TKS.	2012	$ 49,136.0
00017523	-	SECURITY @ PORTOLA TANK	2013	$ 28,300.0
00017602	-	Security Mitigation Improvements - Intermediate Tanks	2013	$ 8,555.6
00017812	-	INSTALL GUTTERS	2012	$ 5,590.0
00019409	-	Replace Tank Berms - Sta. 2 Tank 1 & 2 - Lake	2013	$ 29,143.0
00019633	-	250K Gal. Tank - Wunderlick - Skyline Acquisition	2014	$ 606,400.0
00019715	-	Selby Lane - Atherton to W. Selby Lane - 3,900' 12" D.I.; 21 1" Services; 33 2" Services; 9 Hydrants	2012	$ 1,288,030.0
00020049	-	Moore Road - Sta. 5 to Easement - 2,200' 24" D.I.; 15 2" Services; 5 Hydrants	2012	$ 1,196,452.0
00020083	-	Bay Road SFPUC Connection - PRV	2013	$ 94,800.0
00020144	-	Field - Rapid Response Emergency Command Center	2012	$ 93,686.0
00020597	-	Replace Pump - Sta. 4	2013	$ 42,757.3
00020606	-	Noel - Sta. 24 - 600' 6" HDPE; 2 Hydrants	2012	$ 119,000.0
00020704	-	Field - 1" & 6" Angus Hose	2012	$ 110,448.0
00020752	-	Replace Panelboard - Sta. 36-A	2013	$ 155,833.3
00020755	-	Field - 8 Portable Storage Containers - Field Yard	2012	$ 44,301.0
00020867	-	Filterplant Valve Replacement - Sta. 2	2013	$ 129,000.0
00020886	-	NEW VEHILCE FOR CONST SUP	2013	$ 35,700.0
00020896	-	Replace Panelboard - Sta. 6	2014	$ 148,700.0
00021023	-	Office - Laptop Computers for Operators and Supervisors	2012	$ 22,297.0
00030028	-	Radio communication	2013	$ 89,744.6
00053048	-	Altitude Valve Installation	2012	$ 63,143.0
00053748	-	New Customer Center Improvements	2012	$ 67,000.0
00053848	-	Monitoring Equip.for Filter Plant	2013	$ 29,707.5
00054869	-	R&R Fire Hydrant Heads for 2011	2012	$ 42,704.0
00055048	-	Install PVC C.P. test tube	2013	$ 10,252.0
00058512	-	BG Commercial Office Remodel	2013	$ 100,000.0
00062633	-	Himmel- Alexander & Nimitz	2012	$ 95,990.0
00062854	-	R/R G.V. Stockbridge/Austin	2013	$ 8,057.0
00062858	-	R/R G.V. Stockbridge / Serrano	2012	$ 14,096.5
00063576	-	Austin @ Tuscaloosa	2012	$ 19,552.0
00063632	-	Station 7 WDSE CC TREATMENT	2012	$ 6,407.5

Project	Discussion	Description	Year	Budget
00064478	-	Austin & Robleda R/R G.V.	2012	$ 13,077.1
00065566	-	Install inline hydroturbine	2013	$ 1,050,713.5
00067070	-	Portola Tank	2012	$ 172,158.0
00068269	-	Station 2 Chlorine tank	2012	$ 20,828.0
00069169	-	Filter pond pipe ext.	2013	$ 4,500.0
00070729	-	BG 8-E: REPLACE PUMP EQUIPMENT	2012	$ 43,000.0
00071353	-	Manzanita / SandHill 8"&12" Main	2013	$ 641,661.6
00071913	-	R/R G.V. Eleanor Dr.@easement	2012	$ 6,361.0
Total				**$ 11,522,497.6**

D. ADVICE LETTER PROJECTS

The Parties agree to include the following Advice Letter projects in the capital budget for the years 2012 through 2015.

Bear Gulch: Advice Letter Projects
("Discussion" identifies projects discussed in detail below.)

Project	Discussion	Description	Year	Advice Letter Cap
00012922	X	Diversion Dam Fish Passage IMP	2014	$ 400,000.0
00018979	X	STA3 BYPASS FLOW MONITORING	2014	$ 666,600.0
00020196	X	Fish Passage Facility - Upper Division Dam	2014	$ 1,315,000.0
00064059	X	16" and 20" pipe - Portola Rd.	2014	$ 3,167,000.0
00064060	X	Combine Stations 8 and 13 pumping facilities at Station 13 site.	2014	$ 1,310,000.0
00065249	X	Design of Dam Modifications	2015	$ 540,000.0
00079915	-	Cal Water RAMCAP Vulnerability Assessment	2015	$ 122,119.8
Total				**$ 7,520,719.9**

<u>Project 12922- Diversion Dam Fish Passage & Project 20196- Fish Passage Facility - Upper Division Dam</u>

ISSUE: Projects 12922 & 20196 were authorized in previous GRCs as Advice Letter projects with a combined cap of $1,715,000. Cal Water in its July 2012 application included these projects at the same cost estimates. ORA in its Report recommended disallowance of this project due to lack of progress and recommended that Cal Water re-submit and re-justify the need and cost of the project in the next rate case.

Cal Water explained that these projects are required for regulatory compliance to ensure protection for threatened steelhead trout. Cal Water has spent two years in

negotiation with a property owner to obtain an easement required for the original scope of the project but was not successful. As a result, the location of the project has changed and a retaining wall against landslides is now required. In its Rebuttal (Book 4, pages 162-163), Cal Water showed new cost estimates of $1,096,000 for Project 12922 and $3,650,000 for Project 20196, for a combined total of $4,746,000.

RESOLUTION: The Parties agree that Cal Water should be authorized to complete the projects as Advice Letter projects but only at the previously adopted caps of $400,000 for Project 12922 and $1,315,000 for Project 20196 (plus capitalized interest).

Project 18979 - STATION 3 BYPASS FLOW MONITORING

ISSUE: This project is part of a comprehensive compliance plan to comply with the Endangered Species Act by the US federal government to protect steelhead salmon. Cal Water made an agreement with the National Marine Fisheries Service in September 2007 to provide fish bypass flow so that the steelhead salmon can migrate up and down stream. There are 4 steps involved with this agreement and require multiple projects:

1. Improve screening at intakes at stations 3 and 16 to protect juvenile steelhead.
2. Improve low level bypass flow past both facilities to allow life cycle habitat year round.
3. Improve high level bypass flow past 16 and recover at 3 to allow adult fish migration during high flow storm events in creek.
4. Remove migratory barriers.

Project 18979 is specifically for steps 2 and 3 at station 3. The justification may have been submitted in the 2007 GRC and should have been included as a carryover project in the 2009 GRC. These complex projects are stretched over many GRCs.

RESOLUTION: Cal Water and ORA agreed that it should be completed as an Advice Letter project with a cap of $666,600.

Project 64059- 16" and 20" pipe on Portola Rd. & Project 64060- Combine Stations 8 and 13 pumping facilities at Station 13 site

ISSUE: Cal Water proposed Project 64059 and Project 64060 to provide supply reliability to the southwestern portion of the Bear Gulch system. Cal Water explained that Station 8 is critical because it is the only major booster pumping facility feeding a large portion of Portola Valley and is the only direct supply feed to Zone 660.

Additionally, Cal Water stated the electrical system is at least 50 years old and is being over-utilized, and overloaded, thus making it unreliable and unsafe. Because of site limitations at Station 8, the Company proposed to relocate and upgrade this station to Station 13, where access is much better. Cal Water also proposed an additional transmission line to accomplish this goal without causing lower pressure to existing customers.

ORA questioned the need to combine Stations 8 and 13 and recommended replacement of the pumps at Station 8, which also eliminated the need for the associated main project. ORA also questioned the number of new pumps Cal Water proposed to install at station 13. During settlement discussions, ORA and Cal Water agreed that the proposed project is needed for improved reliability of the system, but not all proposed pumps are needed at this time.

RESOLUTION: The Parties agree that Cal Water should be authorized to complete the proposed projects with modifications as Advice Letter projects with caps of $3,167,000 for Project 64059 and $1,310,000 for Project 64060. The lower cost estimate for Project 64060 reflects only 4 instead of the proposed 6 pumps at Station 13.

Project 65249- Design of Dam Modifications

ISSUE: Cal Water in its July 2012 application requested $540,000 in 2015 for the design of dam modifications to the Bear Gulch Dam. The proposed project is based on analysis performed by a geotechnical engineering firm Cotton Shires and Associates ("CSA"). The analysis addresses stability issues during seismic events and results in recommendations to modify the dam. Cal Water projected that the design will cost approximately 5% of total $10 million estimated cost to modify the dam (rough estimate provided by CSA). ORA agreed with the need for this design project, but recommended Advice Letter treatment because of the uncertainty of Cal Water's design cost estimate.

RESOLUTION: The Parties agree that Cal Water should be authorized to complete this project as an Advice Letter with a cap of $540,000.

E. PROJECTS EXCLUDED FROM PLANT ADDITIONS

The Parties agree to exclude the following projects from the capital budget for 2012 through 2015. The reasons for the exclusion are as described below.

Cancelled projects – Cal Water cancelled these projects during discovery, in rebuttal or as a result of settlement negotiations.

Defer Request projects – Cal Water agrees to defer the request of these projects to a later rate case during discovery, in rebuttal or as a result of settlement negotiations.

2012 NS projects – These 2012 Non-Specific projects (i.e., projects funded by authorized 2012 Non-Specific Budget) were initiated on or after January 2012. Cal Water included these projects in its requested Carryover capital project budget in this rate case. ORA contends that these projects' costs are already covered under the authorized 2012 Non-Specific Budget, and therefore their costs should not be included again in the Carryover capital project budget. Cal Water agrees to remove dollars associated with these projects from the Carryover budget in this rate case.

Bear Gulch: Excluded Projects

("Discussion" identifies projects discussed in detail below.)

Project	Discussion	Description	Reason
00011097	-	Westridge Drive - Degas & Ladera Tank - 800' 8" PVC; 4 2" Services; 2 Hydrants	Cancelled
00011133	-	Ladera Easement - Westridge & Sta. 28 - 600' 8" PVC	Cancelled
00011136	-	Portola Road - Tadin Lane & Sta. 8 - 2,300' 16" D.I.; 10 2" Services; 4 Hydrants	Cancelled
00012920	-	Diversion Dam Fish Passage IMP	Cancelled
00017360	-	Magmeter, Pump/motor Replacement- Sta. 21	Cancelled
00017428	-	Olive Hill - Albion to Canada Rd. - 2,100' 8" PVC; 8 2" Services; 2 Hydrants	Cancelled
00020138	-	Oak Knoll - Oak to White Oak - 750' 8" PVC; 10 1" Services; 2 Hydrants	Cancelled
00026649	-	WIRELESS I/O TO STATION 7	Cancelled
00061358	-	Upgrade CP System - Sta. 21 Arrowhead Tank 1	Defer Request
00061873	-	Replace Pump and Motor - Sta. 19-B	Defer Request
00061912	X	New Well in Low Zone, Equip and Treatment for Fe & Mn.	Defer Request
00063574	X	Land - for Well in Low Zone	Defer Request
00063857	-	Panelboard Replacement - Sta. 6	Cancelled
00065395	-	Vehicle - 1.75 Ton C&C with Service Body	Cancelled
00065538	-	Vehicle - 0.75 Ton Truck and Service Body	Cancelled
00066069	X	Desalination Investigation - Phase 1	Defer Request
00066109	X	Desalination Investigation - Phase 2	Defer Request
00066729	-	4 SCADA RTUs - Sta. 11, 15, 18, 28	Defer Request
00067032	-	11 Flow Meters - Sta. 2, 7, 12, 14, 16, 17, 20, 21, 22, 23, 27	Defer Request
00068854	-	Field - 2-Way Voice Radio System	Defer Request
00072613	-	Alt Valve Sta. # 14	2012 NS
00073013	-	Replace Pressure Tank at BG22	2012 NS
00076693	-	Easement Surveying	2012 NS
00078756	-	Michaels Wy Main 6"PVC R/R	2012 NS
Total			**$ 6,318,891.7**

Project 61912- New Well and Treatment for Fe and Mn in Low Zone & Project 63574 – Land for New Well in Low Zone

ISSUE: Cal Water proposed to add a well in the low zone of Bear Gulch to help meet demand during emergencies and to remain below the Individual Supply Guarantee of purchased water provided by SFPUC. Cal Water contended that it needed the project to provide the ratepayers access to another cost effective local supply, maintain some limited local supply for use during droughts, and allow the district to expand its water portfolio to address future demands. Cal Water also stated that its water purchases from SFPUC have been at or above the guaranteed amount of 35.68 MGD.

Based on the cost-benefit analysis provided by Cal Water per ORA's request, ORA concluded that this new well project would not save ratepayers money and the quantity of groundwater achieved from this project would be insignificant in addressing Cal Water's stated needs. ORA also stated that this was not the appropriate time to pursue this project, because in recent years system demands have been lower and Cal Water's purchases from SFPUC have been below its Individual Supply Guarantee.

RESOLUTION: The Parties agree that Cal Water will remove its request for these two projects from the Advance Capital Budget for this rate case.

Project 66069 & Project 66109- Desalination Investigation Phase 1 & Phase 2

Please see section in the Bayshore settlement agreement for discussion of these projects.

[END OF CHAPTER]

CHAPTER 18. CHICO DISTRICT PLANT

A. OVERVIEW

The major projects in Chico are mostly mains, tanks, wells and water treatment. The major projects to improve operations in Chico include: 1) the rezoning of the upper end of the low zone into a subzone, 2) the installation of a 1.5 million gallon tank and booster station in the low zone, and 3) modification to the well-blow-off-piping at Station 63.

The tables below provide a summary of the plant settlement for this district. In the sections that follow, specific projects are identified in separate tables, and certain projects are discussed in further narratives. In addition, there may be projects related to "global" issues – issues that impact multiple districts – that are included in these tables, but discussed separately in the "Global Plant" section of this Agreement.

Chico: Non-Specific Advance Capital Budget Summary

Year	July Filing	ORA Report	Settlement
2012	$ 913,500.0	$ 913,500.0	$ 913,500.0
2013	$ 1,242,600.0	$ 923,366.0	$ 1,082,983.0
2014	$ 1,307,600.0	$ 936,293.0	$ 1,121,947.0
2015	$ 1,341,900.0	$ 951,461.0	$ 1,146,681.0
Total	**$ 4,805,600.0**	**$ 3,724,620.0**	**$ 4,265,111.0**

The annual Non-Specific Advance Capital Budget is for capital projects that are anticipated to be completed and placed in service during the indicated year to resolve issues that were not known in detail when the advanced capital budget ("ACB") was adopted for that time period. The Non-Specific projects tend to be for emergency or unforeseen projects that need to be addressed between GRCs.

Chico: Specific Advance Capital Budget Projects Summary

Year	July Filing	ORA Report	Settlement
2012	$ 1,896,438.8	$ 1,896,438.8	$ 1,743,673.9
2013	$ 2,246,448.2	$ 1,279,769.5	$ 1,611,377.0
2014	$ 4,302,200.3	$ 874,318.1	$ 1,593,139.4
2015	$ 3,209,223.9	$ 1,016,885.4	$ 2,109,221.8
Total	**$ 11,654,311.2**	**$ 5,067,411.7**	**$ 7,057,412.1**

The Advance Capital Budget for Specific projects identifies the projects and forecasted costs (except for Carryover projects) that the Parties agree should be reflected in the adopted revenue requirement.

Chico: Carryover Capital Projects Summary

Year	July Filing	ORA Report	Settlement
2012	$ 7,260,393.9	$ 2,626,012.0	$ 981,846.8
2013	$ -	$ 2,685,400.0	$ 4,732,483.9
2014	$ -	$ -	$ -
2015	$ -	$ -	$ -
Total	**$ 7,260,393.9**	**$ 5,311,412.0**	**$ 5,714,330.7**

Carryover projects are capital projects reflected in the revenue requirement proposed in this Agreement that were (1) not used and useful, or in some cases not initiated, as of January 2012, and (2) not included in the Advance Capital Budgets summarized above. The Parties agree that Cal Water is expected to complete the listed Carryover projects at the identified settlement amounts and in the years indicated, and that their estimated costs should be reflected in the adopted revenue requirement in this rate case.

Chico: Advice Letter Projects Total

	Settlement
Total	**$ 3,906,296.8**

The Parties agree that certain capital projects may be included in rates after (1) they are in service, and (2) their costs (up to the specified cap) are submitted for Commission review via Tier 2 advice letter, and found to be reasonable. This Agreement recommends adoption of these projects as "Advice Letter" projects, but their costs are not reflected in the revenue requirement proposed for adoption in this Agreement.

Chico: Excluded Projects Total

Excluded Projects	**$1,109,054.0**

The Parties agree that some capital projects proposed in the company's July 2012 application should not be reflected in the 2012 through 2015 capital budgets, unless noted otherwise. These "excluded" projects encompass those that the company

cancelled, those that are in service and already included in the beginning plant balance per this Agreement, and those that the Parties agree for other reasons will not be included at this time. The exclusion of these projects ("Defer Request projects") does not prevent the company from proposing them in a subsequent application.

B. SPECIFIC ADVANCE CAPITAL BUDGET PROJECTS

The Parties agree to include the following projects in the Advance Capital budget for the years 2012 through 2015.

Chico: Advance Capital Budget – Specific Projects
("Discussion" identifies projects discussed in detail below.)

Project	Discussion	Description	Year	Budget
00015867	-	Blowoff / Air Gap - Sta. 63-01	2015	$ 161,737.6
00016855	-	Oak Drive - 1,600' 6" PVC; 40 1" Services; 2 Hydrants	2012	$ 318,907.9
00019713	-	Office - 16 Chairs - Conference Room	2012	$ 3,710.0
00019994	-	5 Alldos CL2 Pumps - Various Stations	2012	$ 8,800.0
00020025	-	Field - 550 Gal Vac Trailer w/ Compressor	2015	$ 82,496.8
00020032	-	Field - Cut-Off Saw	2012	$ 1,050.2
00020033	-	Field - Locating Equipment	2012	$ 6,448.8
00020034	-	Field - Flushing & NPDES Equipment	2012	$ 5,400.0
00020078	-	2 Hydrants - 2012 Agreement - Additional	2012	$ 25,100.0
00020079	-	1 Hydrant - 2012 Hamilton City Agreement - Additional	2012	$ 11,588.8
00020291	-	Vallombrosa Avenue - 1,500' 8" PVC; 18 1" Services; 4 Hydrants	2012	$ 432,100.0
00020946	-	Well Modification - Sta. 68-01	2012	$ 184,085.1
00021052	-	45 Conversion of Flat Rate Services to Metered Services - Hamilton City	2012	$ -
00021084	-	GAC Treatment Plant - Sta. 52-01	2012	$ 640,648.1
00021099	-	Altitude Valve By-Pass - Sta. 66 Tank 1 (Tank 5)	2012	$ 20,400.0
00021103	-	Nitrate Analyzer - Sta. 21-01	2012	$ 33,400.0
00060833	-	Install 400 feet of 6" Pvc and 3-1" services on 9th St. between Walnut St. and Oak ST.	2013	$ 120,996.9
00060836	-	500' 8"PVC; 20 1" Services; 1 Hydrant - Ivy St between Hazel St. and 11th St.	2013	$ 159,361.8
00060838	-	300' 6" PVC; 6 1" Services; 1 Hydrant - 19th St between Elm St. and Laurel St.	2013	$ 87,482.8
00060841	-	330' 6" PVC; 2-1" Services; 1 Hydrant - 6th St. / Walnut & Oak	2014	$ 108,350.5
00060845	-	540' 6" PVC; 9 1" Services - in the alley on 16th St. between Oakdale St. and Broadway St.	2014	$ 146,635.6
00060848	-	Mechoopda St. between W. 1st Ave. and Rancheria Dr. - 290' 8" PVC; 5 1" Services	2014	$ 79,307.8
00060852	-	Ivy St. between 9th St. and 10th St. - 300' 8" PVC; 9 1" Services	2015	$ 88,291.7
00060853	-	19th St. between Park Ave and Normal Ave. - 1450' 6" PVC; 19 1" Services; 2 Hydrants	2015	$ 395,490.2
00061332	-	Structural Improvement - Hamilton City Sta 1	2013	$ 397,764.8
00061335	-	Aldos CL2 Pumps	2013	$ 10,154.2

Project	Discussion	Description	Year	Budget
00061337	-	Aldos CL2 pumps	2014	$ 10,441.6
00061338	-	Aldos CL2 Pumps	2015	$ 10,729.0
00062173	-	Replace Pump, Motor, and Column - Sta. 20-01	2015	$ 83,056.5
00062214	-	Pump, motor, and column are being replaced. Sta. 21-01.	2013	$ 73,651.3
00062222	-	Pump and column are being replaced at station 24-01. The motor will be inspected, cleaned, dipped, baked, and bearings will be replaced under a maintenance project.	2013	$ 62,164.4
00062240	-	Replace Pump, Motor, and Column - Sta. 25-01	2014	$ 87,694.9
00063533	-	New Emergency Generator - Sta. 42	2014	$ 141,735.9
00063552	-	1400 Flat Rate Services to Metered Conversions	2013	$ 427,387.7
00063578	-	New Generator - Sta. 55	2015	$ 145,636.9
00063672	-	New Generator - Sta. 71	2015	$ 218,606.9
00063826	-	Replace Panelboard - Sta. 021	2014	$ 158,433.2
00063830	-	Replace Panelboard - Sta. 20	2015	$ 163,000.0
00063844	-	Replace Panelboard - Sta. 25	2015	$ 161,305.6
00064691	-	1400 Flat Rate Services to Metered Conversion	2014	$ 439,835.9
00064710	-	1400 Flat Rate Services to Metered	2015	$ 452,284.1
00064812	-	Intermediate Zone Improvements	2014	$ 196,811.9
00065050	-	Vehicle - 0.5 Ton Pick Up & Outfitting	2014	$ 41,650.0
00065170	-	Vehicle - 0.5 Ton Pick Up & Outfitting - Superintendent	2014	$ 39,800.0
00065290	-	Field - 4 Itron Meter Reading Handhelds	2013	$ 29,878.8
00065309	-	Office - Copier - Operations Center	2013	$ 15,358.8
00065396	-	Vehicle - 0.5 Ton Pick Up and Outfitting	2013	$ 40,700.0
00065427	-	2 Fire Hydrants - per the franchise agreement with the City of Chico	2013	$ 19,281.0
00065429	-	2 Hydrants - City of Chico Franchise Agreement	2014	$ 19,826.7
00065430	-	2 Hydrants - City of Chico Franchise Agreement	2015	$ 20,372.4
00065431	-	1 Hydrant - per agreement with city	2013	$ 11,123.6
00065432	-	Hydrant - City per Agreement - Hamilton City	2014	$ 11,165.6
00065433	-	1 Hydrant - per agreement with the city	2015	$ 11,753.3
00065539	-	Vehicle - 0.75 Ton Truck and Service Body - Foreman	2013	$ 60,200.0
CHD0900	-	Meter Replacement Program	2012	$ 52,034.9
CHD0900	-	Meter Replacement Program	2013	$ 95,871.0
CHD0900	-	Meter Replacement Program	2014	$ 111,450.0
CHD0900	-	Meter Replacement Program	2015	$ 114,461.0
Total				**$ 7,057,412.1**

Project 61332- Structural Improvements-Hamilton City Station 1

ISSUE: Cal Water proposed to replace the pump building structure, piping, and generator at Hamilton City Station 1. ORA did not oppose the project, but recommended a lower cost due to discrepancies in vendor costs used to estimate the project cost and due to lower capitalized interest cost estimate.

RESOLUTION: The Parties agree to a budget of $397,764.80 for Project 61332.

Project 63552, 64691, and 64710- Flat to Meter Conversions, 2013-2015

ISSUE: Cal Water proposed to convert 1,400 meters annually from 2013 to 2015. ORA did not oppose the need for the projects, but recommended a lower budget based on a lower recorded unit cost.

RESOLUTION: The Parties agree to ORA's cost estimates of $427,388, $439,836, and $452,284 for meter conversions in 2013, 2014, and 2015, respectively.

Project 64812- Create Intermediate Zone

ISSUE: Cal Water requested $202,544 to create two sub-pressure zones in order to provide sufficient pressure in the 350-pressure zone to meet the morning peak demand. ORA did not oppose the project, but recommended a lower cost due to discrepancies in vendor costs used to estimate the project cost and due to lower estimate for capitalized interest.

RESOLUTION: The Parties agree to a budget of $196,811for Project 64812.

C. CARRYOVER PROJECTS

The Parties agree to include the following Carryover projects in the capital budget for the years 2012 through 2015.

Chico: Projects Not In Service as of January 2012
("Discussion" identifies projects discussed in detail below.)

Project	Discussion	Description	Year	Budget
00010960	-	Zone Specific Testing Sta 55	2013	$ 134,200.0
00016936	-	1.5 MG Tank 1 - Field Office	2013	$ 1,876,600.0
00017761	-	SECURITY @ CHICO	2012	$ 179,111.9
00017826	-	Security Mitigation Improvements & SCADA - Various Stations, Operations & Customer Service Center	2013	$ 359,300.0
00020375	-	Replace pump	2012	$ 41,985.0
00020458	-	4 Power Inverters - Sta. 5, 34, 39, & 52	2013	$ 10,500.0
00020519	-	Drill, Develop, & Equip New Well	2013	$ 2,071,400.0
00020820	-	New pickup replace V099059	2013	$ 34,626.9
00020821	-	New pickup replace V204009	2013	$ 34,857.0
00020889	-	Flat-to-meter conversion-Chico (2012)	2012	$ 418,218.0
00020894	-	Vehicle - Vehicle & Mobile Radio - Construction Superintendant	2013	$ 35,700.0
00020905	-	Zone Repair - Sta. 55-01	2013	$ 175,300.0
00021052	-	Flat-to-meter conversion-Hamilton City (2012)	2012	$ 26,279.0
00057708	-	Repl. Dedicated Sample Sites 18&26	2012	$ 6,206.9
00058112	-	Install generator Station 39	2012	$ 116,977.0
00059112	-	Install Eye Wash Equipment	2012	$ 1,048.5
00059152	-	Install Eye Wash Equipment	2012	$ 17,378.0
00059832	-	Repl. Dedicated Sample Site 102	2012	$ 3,298.0
00068509	-	Humboldt Rd. off sets and install	2012	$ 110,400.0

Project	Discussion	Description	Year	Budget
00071914	-	Chico State Butte Hall Offset	2012	$ 20,400.0
00072294	-	replace gate valve sta.14-01	2012	$ 5,296.5
00072514	-	Cross Connection addt'l Compliment VEHICLE	2012	$ 35,248.0
Total				**$ 5,714,330.7**

Projects 10960, 16936, 17826, 20458, 20519, 20820, 20821, 20894, and 20905

ISSUE: Cal Water informed ORA during discovery that the expected completion date of the aforementioned projects has been delayed and will not be completed until 2013.

RESOLUTION: The Parties agree to change the carryover budgets for 2012 and 2013 to reflect the updated expected completion date for these projects.

D. ADVICE LETTER PROJECTS

The Parties agree to include the following Advice Letter projects in the capital budget for the years 2012 through 2015.

Chico: Advice Letter Projects
("Discussion" identifies projects discussed in detail below.)

Project	Discussion	Description	Year	Advice Letter Cap
00016041	X	CH Central Plume Remediation 1	2014	see #16952
00016860	X	CH Central Plume Remediation 2	2014	see #16952
00016952	X	Central Plume Remediation 3 - Phase II	2014	$ 1,020,662.0
00020515	X	1.5 MG Tank - Sta. 79	2014	$ 2,618,225.0
00079956	-	Cal Water RAMCAP Vulnerability Assessments	2015	$ 123,848.4
00010950	X	Install variable frequency drive and replace pump Sta. 64-01	2014	$ 143,561.4
Total				**$ 3,906,296.8**

Project 16952 - Central Plume Remediation 3 - Phase II

ISSUE: Cal Water requested this project in the 2009 GRC for the remediation of the Chico Central Plume as required by the Settlement Agreement and Consent Decree with the Department of Toxic Substances Control. The plume contained perchloroethylene ("PCE") from several known dry cleaning sources. Contaminants have spread partially due to continued pumping of the water from this contaminated zone. Cal Water proposed a solution to pump, manage, drill and operate new and

existing monitoring wells that will use granular activated carbon ("GAC") filtration to remove the PCE.

RESOLUTION: Cal Water and ORA agree to a budget of $1,020,662. The Perchloroethylene Litigation Memorandum Account ("PCELMA") allows Cal Water to record the expenditures, expenses or use of proceeds related to PCE. The PCELMA is applicable to any district that pumps water potentially contaminated with PCE.

Project 20515- 1.5 Million Gallon ("MG") Tank - Station 79

ISSUE: Cal Water proposed a new tank and booster station to help alleviate a portion of the identified 5.7 MG of storage deficiency in Pressure Zone 350. Cal Water also contended that this facility would help meet Peak Hour Demand. ORA contended that this additional storage capacity was not required according to the California Department of Public Health requirements.

RESOLUTION: Cal Water has obtained the Conditional Use Permit and is moving forward to complete this project. Based on this and further discussions during settlement, Cal Water and ORA agree that the tank is needed and should be allowed as an Advice Letter project with a cap of $2,618,225.

Project 10950 – Variable Frequency Drive and Pump at Sta. 64-01

Please see discussion under Operational Energy Efficiency Program Memo Account ("OEEPMA") in Chapter 7, Section D, Item 10.

E. EXCLUDED PROJECTS

The Parties agree to exclude the following projects from the capital budget for 2012 through 2015. The reasons for the exclusion are as described below.

Cancelled projects – Cal Water cancelled these projects during discovery, in rebuttal or as a result of settlement negotiations.

Defer Request projects – Cal Water agrees to defer the request of these projects to a later rate case during discovery, in rebuttal or as a result of settlement negotiations.

2012 NS projects – These 2012 Non-Specific projects (i.e., projects funded by authorized 2012 Non-Specific Budget) were initiated on or after January 2012. Cal Water included these projects in its requested Carryover capital project budget in this rate case. ORA contends that these projects' costs are already covered under the

authorized 2012 Non-Specific Budget, and therefore their costs should not be included again in the Carryover capital project budget. Cal Water agrees to remove dollars associated with these projects from the Carryover budget in this rate case.

Chico: Excluded Projects

Project	Discussion	Description	Reason
00017011	-	Field - Electronic Message / Job Board - Operations Center	Cancelled
00017065	-	Replace Pump - Sta. 39-01	Cancelled
00017066	-	Replace Pump - Sta. 32-01	Cancelled
00019939	-	Cyclone Fence & Gate - Sta. 32-01	Cancelled
00019940	-	Additional Cyclone Fence and Gate - Sta. 65-01	Cancelled
00020006	-	Shelving - Pumper Room - Operations Center	Cancelled
00020058	-	1,210' 6" PVC; 38 1" Services; 1 Hydrant - Hazel/Chestnut Alley - Little Chico Creek to 12th Street - Hazel to Alley	Cancelled
00020697	-	Relocate 5 CL2 Facilities	Cancelled
00020699	-	Relocate CL2 Facilities	Defer Request
00020863	-	Zone Test - Sta. 68-01	Cancelled
00021193	-	SCADA RTUs @ Manual Valve Sites	Cancelled
00021225	-	SCADA System Operations Center	Cancelled
00058355	-	Relocate Facilities - Enloe Campus	Cancelled
00060854	-	El Paso Wy between White Ave and East Ave. - 700' 6"Pvc; 14 1" Services; 1 Hydrant	Defer Request
00063261	-	City of Chico couplet	2012 NS
00063324	-	Land - Well Site	Defer Request
00063594	-	Convert 45 Flat Rate Services to Metered - Hamilton City	Cancelled
00064715	-	45 Flat Rate Services to Metered Conversions - Hamilton City	Cancelled
00064716	-	45 Flat Rate Services to Metered Conversions - Hamilton City	Cancelled
00064756	-	Model Water Conservation Garden	Defer Request
00068859	-	Field - 2-Way Voice Radio System	Defer Request
00073276	-	Replace Pump and Column: CH 12-01	2012 NS
00074575	-	Replace rotting roofs @ 3 sites	2012 NS
00077754	-	Install Offset 334 Normal	2012 NS
00078233	-	Replace head shaft, change to MS	2012 NS
00078554	-	Install PVC C.P. test tube	2012 NS
00078975	-	Station 24 CL2 Analyzer	2012 NS
Total			**$ 1,109,054.0**

[END OF CHAPTER]

CHAPTER 19. DIXON DISTRICT PLANT

A. OVERVIEW

The Dixon District's sole source of water supply comes from its well production and one of its biggest challenges is nitrate contamination in the groundwater due to local agricultural practices. The district added its newest well at Station 9. This well, which is deeper than existing Dixon wells, has higher production capacity and produces water with lower nitrate levels. Cal Water has also completed a new tank and booster station at Station 10 and a large diameter transmission grid. These improvements help distribute water across the district more reliably.

The tables below provide a summary of the plant settlement for this district. In the sections that follow, specific projects are identified in separate tables, and certain projects are discussed in further narratives. In addition, there may be projects related to "global" issues – issues that impact multiple districts – that are included in these tables, but discussed separately in the "Global Plant" section of this Agreement.

Dixon: Non-Specific Advance Capital Budget Summary

Year	July Filing	ORA Report	Settlement
2012	$ 55,300.0	$ 55,300.0	$ 55,300.0
2013	$ 76,400.0	$ 55,898.0	$ 66,150.0
2014	$ 80,400.0	$ 56,975.0	$ 68,700.0
2015	$ 82,700.0	$ 58,191.0	$ 70,450.0
Total	**$ 294,800.0**	**$ 226,364.0**	**$ 260,600.0**

The annual Non-Specific Advance Capital Budget is for capital projects that are anticipated to be completed and placed in service during the indicated year to resolve issues that were not known in detail when the advanced capital budget ("ACB") was adopted for that time period. The Non-Specific projects tend to be for emergency or unforeseen projects that need to be addressed between GRCs.

Dixon: Specific Advance Capital Budget Projects Summary

Year	July Filing	ORA Report	Settlement
2012	$ 431,301.8	$ 431,301.8	$ 24,465.4
2013	$ 335,661.6	$ 215,598.2	$ 294,542.7
2014	$ 311,468.4	$ 199,798.4	$ 139,425.0
2015	$ 2,758,337.0	$ 81,243.5	$ 175,569.0
Total	**$ 3,836,768.8**	**$ 927,942.0**	**$ 634,002.0**

The Advance Capital Budget for Specific projects identifies the projects and forecasted costs (except for Carryover projects) that the Parties agree should be reflected in the adopted revenue requirement.

Dixon: Carryover Capital Projects Summary

Year	July Filing	ORA Report	Settlement
2012	$ 2,456,521.8	$ 1,468,208.5	$ 2,129,947.0
2013	$ -	$ -	$ 131,500.0
2014	$ -	$ -	$ 36,769.0
2015	$ -	$ -	$ -
Total	**$ 2,456,521.8**	**$ 1,468,208.5**	**$ 2,298,216.0**

Carryover projects are capital projects reflected in the revenue requirement proposed in this Agreement that were (1) not used and useful, or in some cases not initiated, as of January 2012, and (2) not included in the Advance Capital Budgets summarized above. The Parties agree that Cal Water is expected to complete the listed Carryover projects at the identified settlement amounts and in the years indicated, and that their estimated costs should be reflected in the adopted revenue requirement in this rate case.

Dixon: Advice Letter Projects Total

	Advice Letter Cap
Total	**$ 2,799,743.5**

The Parties agree that certain capital projects may be included in rates after (1) they are in service, and (2) their costs (up to the specified cap) are submitted for Commission review via Tier 2 advice letter, and found to be reasonable. This Agreement recommends adoption of these projects as “Advice Letter” projects, but their costs are not reflected in the revenue requirement proposed for adoption in this Agreement.

Dixon: Excluded Projects Total

Excluded Projects	$ 405,130.1

The Parties agree that some capital projects proposed in the company's July 2012 application should not be reflected in the 2012 through 2015 capital budgets, unless noted otherwise. These "excluded" projects encompass those that the company cancelled, those that are in service and already included in the beginning plant balance per this Agreement, and those that the Parties agree for other reasons will not be included at this time. The exclusion of these projects ("Defer Request projects") does not prevent the company from proposing them in a subsequent application.

B. SPECIFIC ADVANCE CAPITAL BUDGET PROJECTS

The Parties agree to include the following projects in the Advance Capital Budget for the years 2012 through 2015.

Dixon: Advance Capital Budget – Specific Projects

Project	Discussion	Description	Year	Budget
00017684	-	Security Mitigation Improvements - Various Stations, Customer Service, & Operations Center	2015	$ 94,345.0
00025570	-	Paint Complete Exterior - Sta. 1 T1	2015	$ -
00061612	-	Replace Pump and Column - Sta. 1-03	2013	$ 50,400.0
00061632	-	Replace Pump & Column - Sta. 8-01	2014	$ 70,020.0
00063972	-	Field - New Handhelds for Meter Reading	2015	$ 11,094.0
00064375	-	24" Rosdale Bag System - Sta. 8	2013	$ 20,268.0
00064731	-	5,000 Gal. Surge Tank - Sta. 7	2013	$ 119,188.9
00065051	-	Vehicle - 0.5 Ton Pick Up & Outfitting	2014	$ 41,650.0
00065069	-	Vehicle - 0.5 Ton Pick Up & Outfitting	2015	$ 41,650.0
00067045	-	Data Acquisition Radio Replacement	2013	$ 71,266.8
DIX0900	-	Meter Replacement Program	2012	$ 24,465.4
DIX0900	-	Meter Replacement Program	2013	$ 33,419.0
DIX0900	-	Meter Replacement Program	2014	$ 27,755.0
DIX0900	-	Meter Replacement Program	2015	$ 28,480.0
Total				**$ 634,002.0**

There are no controversial Specific Advance Capital Budget projects for the Dixon District. Significant Carryover and Advice Letter projects are discussed in detail below.

C. CARRYOVER PROJECTS

The Parties agree to include the following Carryover projects in the capital budget for the years 2012 through 2015.

Dixon: Projects Not In Service as of January 2012
("Discussion" identifies projects discussed in detail below.)

Project	Discussion	Description	Year	Budget
00015148	-	REPLACE PANEL STATION 1	2013	$ 77,500.0
00017348	-	Flowmeter Replacement Program (3)	2014	$ 36,769.0
00019802	-	SCADA Addition - RTUs - Sta. 4-01	2013	$ 18,000.0
00019803	-	SCADA Addition - RTUs - Sta. 6-01	2013	$ 18,000.0
00019805	-	SCADA Addition - RTUs - Sta. 8-01	2013	$ 18,000.0
00019809	-	New Generator - Sta. 9	2012	$ 144,000.0
00019811	X	NEW STORAGE TANK AND GENSET	2012	$ 1,900,000.0
00020742	-	Replace Pump & Add Energy Efficiency Monitoring - Sta. 7-01	2012	$ 55,940.0
00024189	-	Install Chemical Feed Pump	2012	$ 1,134.0
00042410	-	Sand Separator	2012	$ 28,873.0
Total				**$ 2,298,216.0**

<u>Project 19811 - NEW STORAGE TANK AND GENSET</u>

ISSUE: Project 19811 is a carryover project from the 2009 GRC. At the time of the 2012 GRC filing, Cal Water had not yet placed this project into service due to final permitting issues. Cal Water originally planned for the project to include two tanks, but in the 2009 GRC settlement, Cal Water and ORA agreed to change the scope of this project to include only a single tank at a cost of $1,100,000. Since the 2009 GRC settlement agreement, the cost to complete the project has increased to $2,285,000. Cal Water did not change the description of the project in its Power Plant project management software and this led to a misunderstanding that Cal Water was pursuing two tanks at this site in this rate case. As a result, ORA recommended authorizing only the originally settled amount of $1,100,000. Cal Water constructed only one 500,000-gallon tank at Station 10, which was placed into service in December of 2012.

RESOLUTION: The Parties agree to include only $1,900,000 for Project 19811. Since the final cost will be greater than the settled budget, Cal Water will seek to recover

the difference in the next GRC and will provide detailed information on the cost of the project.

D. ADVICE LETTER PROJECTS

The Parties agree to include the following Advice Letter projects in the capital budget for the years 2012 through 2015.

Dixon: Advice Letter Projects
("Discussion" identifies projects discussed in detail below.)

Project	Discussion	Description	Year	Advice Letter Cap
00019807	X	New Generator - Sta. 4	2014	$ 146,666.7
00061955	X	New Well - Sta. 4	2015	$ 2,602,059.6
00079958	-	Cal Water RAMCAP Vulnerability Assessments	2015	$ 51,017.2
Total				**$ 2,799,743.5**

Project 19807 - New Generator - Station 4

ISSUE: Cal Water requested Project 19807, new generator for Station 4, at a cost of $146,667. The proposed generator at Station 4 is meant to serve as back-up power source. ORA recommended allowing authorization of this project in its report.

RESOLUTION: The Parties agree that Project 19807 should be treated as an Advice Letter project with a cap of $146,667. Cal Water will coordinate this project with the new well project at Station 4.

Project 61955- New Well - Station 4

ISSUE: Cal Water requested Project 61955 at a cost of $2,602,060 for a new well at Station 4. Cal Water stated that the water pumped from this new deep-aquifer well is expected to have lower nitrate concentrations than existing wells and this well project is an important part of its plan to achieve a long-term, good quality water supply for the district.

ORA questioned the need for more wells in this district, especially considering that all wells in the district cumulatively produce more water than is required to meet average day, max day, and peak-hour demands. During the discovery and settlement phases, Cal Water reiterated that high levels of nitrates in the groundwater due to local agricultural practices continue to make it difficult to simultaneously operate other wells

safely below the Maximum Contaminant Level of 45 mg/L for nitrate and meet the demands of the district.

RESOLUTION: The Parties agree that this new well at Station 4 is a logical way to meet the District's water quality needs. Parties agree that Project 61955 should be an Advice Letter project with a cap of $2,602,060.

E. PROJECTS EXCLUDED FROM PLANT ADDITIONS

The Parties agree to exclude the following projects from the capital budget for 2012 through 2015. The reasons for the exclusion are as described below.

Cancelled projects – Cal Water cancelled these projects during discovery, in rebuttal or as a result of settlement negotiations.

Defer Request projects – Cal Water agrees to defer the request of these projects to a later rate case during discovery, in rebuttal or as a result of settlement negotiations.

2012 NS projects – These 2012 Non-Specific projects (i.e., projects funded by authorized 2012 Non-Specific Budget) were initiated on or after January 2012. Cal Water included these projects in its requested Carryover capital project budget in this rate case. ORA contends that these projects' costs are already covered under the authorized 2012 Non-Specific Budget, and therefore their costs should not be included again in the Carryover capital project budget. Cal Water agrees to remove dollars associated with these projects from the Carryover budget in this rate case.

Dixon: Excluded Projects

("Discussion" identifies projects discussed in detail below.)

Project	Discussion	Description	Reason
00015283	-	RETIRE 2"CI MAIN	Cancelled
00015284	-	INSTALL 6" C900	Cancelled
00017345	-	Nitrate Analyzer - Sta. 5	Cancelled
00017431	-	Replace Pump - Sta. 5	Cancelled
00017472	-	Add Pressure Regulating Check Valve - Sta. 7-01	Cancelled
00017475	-	2 Hydrants - Additional - Per agreement with City of Dixon Fire Department	Cancelled
00017481	-	New Well - Replace Well 3-01	Already in Beginning Plant Balance
00017484	X	East Chestnut & Walnut Street - S. First to S. Second Street - 300' 6" D.I.	Defer Request
00019814	X	Walnut Park 265'; East Mayes 195'; East Broadway 290'; West E 175'; West Walnut 75' - 1,000' 8" PVC	Defer Request
00019917	-	NEW 12" D.I PIPELINE	Already in Beginning Plant Balance

Project	Discussion	Description	Reason
00020741	-	Replace Pump/motor & Add Energy Efficiency Monitoring - Sta. 6-01	Cancelled
00068860	-	Field - 2-Way Voice Radio System	Defer Request
Total			**$ 405,130.1**

Projects 17484 and 19814 – Main Replacements

ISSUE: Cal Water requested main replacement Projects 17484 and 19814 to reduce leaks and to achieve a long-term main replacement program. Cal Water canceled Project 17484 after filing and ORA recommended approval of Project 19814.

RESOLUTION: Parties agree to remove Project 17484 and Project 19814 from this rate case in recognition of the already significant rate increases due to large projects included in the capital budgets recommended in this Agreement.

[END OF CHAPTER]

CHAPTER 20. DOMINGUEZ DISTRICT PLANT

A. OVERVIEW

The Dominguez District's water supply is about 40% well water and 60% purchased water. Major projects included in this Agreement are related to construction of new well and treatment facilities to address supply and water quality issues in the districts. Also included are an Advanced Meter Reading pilot and additional recycled water capacity.

The tables below provide a summary of the plant settlement for this district. In the sections that follow, specific projects are identified in separate tables, and certain projects are discussed in further narratives. In addition, there may be projects related to "global" issues – issues that impact multiple districts – that are included in these tables, but discussed separately in the "Global Plant" section of this Agreement.

Dominguez: Non-Specific Advance Capital Budget Summary

Year	July Filing	ORA Report	Settlement
2012	$ 740,800.0	$ 740,800.0	$ 740,800.0
2013	$ 1,240,400.0	$ 748,800.0	$ 994,600.0
2014	$ 1,305,300.0	$ 764,100.0	$ 1,034,700.0
2015	$ 1,339,700.0	$ 780,500.0	$ 1,060,100.0
Total	**$ 4,626,200.0**	**$ 3,034,200.0**	**$ 3,830,200.0**

The annual non-specific budget is for capital projects that are anticipated to be initiated and completed during the indicated year to resolve issues that were not known in detail when the advanced capital budget ("ACB") was adopted for that period. The non-specific projects tend to be for emergency or unforeseen projects that need to be addressed between GRCs.

Dominguez: Specific Advance Capital Budget Projects Summary

Year	July Filing	ORA Report	Settlement
2012	$ 1,808,300.0	$ 845,946.0	$ 383,717.9
2013	$ 8,422,474.5	$ 5,556,713.6	$ 7,911,028.9
2014	$ 21,501,163.0	$ 4,155,226.4	$ 4,049,449.0
2015	$ 19,668,694.8	$ 3,916,276.8	$ 5,411,347.2
Total	**$ 51,400,632.3**	**$ 14,474,162.8**	**$ 17,755,542.9**

The advanced capital budget for specific projects identifies the projects and forecasted costs (except for carryover projects) that the Parties have agreed should be included in the adopted revenue requirement.

Dominguez: Carryover Capital Projects Summary

Year	July Filing	ORA Report	Settlement
2012	$ 16,768,729.5	$ 2,546,854.8	$ 3,227,544.2
2013	$ 2,100,000.0	$ -	$ 1,618,800.7
2014	$ -	$ -	$ -
2015	$ -	$ -	$ -
Total	**$ 18,868,729.5**	**$ 2,546,854.8**	**$ 4,846,344.9**

Carryover projects are capital projects included in the revenue requirement proposed in the Agreement that were not used and useful as of January 2012, and are not included in the advanced capital budgets summarized above. The Parties agree that Cal Water will complete the listed carryover projects at the identified settlement amounts, and in the years indicated. These projects should be included in the adopted revenue requirement.

Dominguez: Advice Letter Projects Total

	Advice Letter Cap
Total	**$ 27,467,393.7**

The Parties agree that certain capital projects may be included in rates after (1) they are in service; and (2) their costs (up to the specified cap) are submitted for Commission review via Tier 2 advice letter, and they are found to be reasonable. This settlement recommends adoption of these projects as "Advice Letter" projects, but their costs are not included in the revenue requirement proposed for adoption in this Agreement.

Dominguez: Excluded Projects Total

Excluded Projects	**$ 23,237,776.2**

The Parties agree that some capital projects proposed in the company's July 2012 application should not be included in the 2012 through 2015 capital budgets, unless noted otherwise. These "excluded" projects encompass those that the company cancelled, those that are in service and already included in the beginning plant balance

per this Agreement, and those that the Parties agree for other reasons will not be included at this time. The exclusion of these projects does not prevent the company from proposing them in a subsequent application ("deferred projects").

B. SPECIFIC ADVANCE CAPITAL BUDGET PROJECTS

The Parties agree to include the following projects in the Advance Capital Budget for the years 2012 through 2015.

Dominguez: Advance Capital Budget – Specific Projects

("Discussion" identifies projects discussed in detail below.)

Project	Discussion	Description	Year	Budget
00019868		Replace Hydrants with Valves - Various Locations	2013	$ 117,799.0
00019887		By-Pass - 3", 4", 6", & 8" Services	2013	$ 71,251.5
00019964		5 Acoustical Pump Shelters - Sta. 297 & 298	2012	$ 59,400.0
00019982		4 Building Doors - Sta. 203, 232, 272, & 275	2012	$ 22,700.0
00019983		5 Out Door Lighting - Sta. 203, 232, 215, 272, & 298	2013	$ 82,100.0
00019984		Roofs - Sta. 232, 215, 272, 275, 279, & 297	2013	$ 65,900.0
00020010		Linda Drive - Torrance - 1,200' 6" PVC; 14 1" Services; 1 Hydrant The Ci Main was installed in 1955.	2013	$ 408,744.0
00020013		21502-21718 Vicky Avenue - Torrance - 1,200' 6" PVC; 12 1" Services; 1 Hydrant The old CI Main was installed in 1955.	2013	$ 406,978.8
00020015		20403-20465 Hawthorne & Spencer Street - Torrance - 1,100' 6" PVC; 1 1" Service; 1 2" Service	2013	$ 161,300.0
00020061		20602-20635 Mariposa Ave. - 350' 6" PVC; 5 1" Services; 1 Hydrant	2012	$ 62,923.7
00020489		Pump - Sta. 275-01	2013	$ 280,700.0
00020554		Replace Pump - Sta. 215-01	2013	$ 267,700.0
00020983		Carson Street West & Grace Ave. - 640' 6" PVC	2012	$ 82,814.5
00027867		Paint Interior Underside of the Roof and 16' Upper Shell - Sta. 275 Tank 1	2014	$ -
00053608		Paint Interior Complete and Install 24" dia. Vent - Sta. 277 Tank 1	2014	$ 6,519.0
00061153		Structure Improvements - Sta. 215	2013	$ 38,478.0
00061154		Replace Vault Sidewall, Roof, Ceiling, Sump Pump, Ladder & Electrical for MET - West Basin 9	2014	$ 18,283.2
00061155		3 Sample Sites - Various Locations	2013	$ 83,316.0
00061156		Data Loggers - Sta. 215	2013	$ 16,790.4
00061157		Portable Booster Pump - Sta. 203 & 232; Wells 298, 277, 297 & 279	2013	$ 64,872.0
00061158		Wall Fans - Well Sites 215, 219, 232, 277, 279, 290 & 297	2013	$ 110,400.0
00061160		Booster Motor/Pump and Chemical Injection - West Basin Facilities at Del Amo Blvd and Wilmington Ave.	2014	$ 103,032.0
00061162		Structure Improvements - Sta. 219	2014	$ 38,478.0
00061172		3 Sample Sites - Various Locations	2014	$ 91,329.6
00061193		Remove asphalt slope and install french drains from	2014	$ 308,726.2

Project	Discussion	Description	Year	Budget
		the asphalt surrounding tanks 1, 2, 3, and 4 for station 203.		
00061214		3 Sample Sites - Various Locations	2015	$ 98,580.0
00061272		Retrofit Booster Station - St. Sepulveda and Ellinwood - Torrance	2015	$ 78,864.0
00061293		Pump and Motor - 190th Street & Beryl and E. Del Amo Cir. & Sepulveda Blvd	2015	$ 199,704.0
00061773		Paint Interior under roof & Exterior Complete; 4 New Cupola Vents; Replace Interior Safety Climb - Sta. 203 Tank 1	2015	$ 33,732.8
00062134		Structure Improvements - Sta. 272	2014	$ 38,478.0
00062153		Structure Improvements - Sta. 290	2014	$ 38,478.0
00062158		Structure Improvements - Sta. 297	2014	$ 38,478.0
00062160		Paint Exterior Complete - Sta. 297 Tank 1	2015	$ -
00062220		Structure Improvements - Sta. 277	2013	$ 38,478.0
00062234		Structure Improvements - Sta. 279	2013	$ 38,478.0
00062412		Slurry Seal - Sta. 203	2014	$ 32,436.0
00062413		Slurry Seal - Sta. 232	2014	$ 32,436.0
00062418		Upgrade RTU - WB-39	2015	$ 29,128.8
00062712		Replace 200 HP Well Pumping Equipment - Sta. 298-01	2014	$ 200,212.8
00063111		Upgrade RTU - Interconnection IT-1 (Sepulveda and Del Amo)	2015	$ 29,128.8
00063113		Upgrade RTU - Interconnection IT-2 (Sepulveda and Ocean)	2015	$ 29,128.8
00063133		Upgrade RTU - Interconnection IT-3 (Prospect and Torrance)	2015	$ 29,128.8
00063152		Upgrade RTU - Interconnection IT-4 (Prospect and Del Amo)	2015	$ 29,128.8
00063155		Upgrade RTU - WB-21	2015	$ 29,128.8
00063615		Replace Hydrants with Valves - Various Locations	2013	$ 68,688.0
00063637		Replace Hydrants with Valves - Various Locations	2014	$ 68,688.0
00063656		Replace Hydrants with Valves - Various Locations	2015	$ 68,688.0
00063812		Replace 10 Blowoffs - Various Locations	2013	$ 51,840.0
00063816		Replace 10 Blowoffs - Various Locations	2014	$ 54,950.4
00063822		Replace 10 Blowoffs - Various Locations	2015	$ 54,950.4
00064572		Replace Valve Casing - Various Locations	2013	$ 38,160.0
00064592		Replace Valve Casings - Various Locations	2014	$ 38,160.0
00064609		Bypasses and Valves	2013	$ 90,000.0
00064631		Replace Valve Casing - Various Locations	2015	$ 38,160.0
00064670		Bypasses and Valves - Various Locations	2014	$ 90,000.0
00064714		Bypasses and Valves - Various Locations	2015	$ 90,000.0
00064749		Field - Meter Reading Equipment	2013	$ 25,500.0
00064751		Field - Meter Reading Equipment	2014	$ 25,500.0
00064752		Field - Meter Reading Equipment	2015	$ 25,500.0
00064960		Santa Fe Ave. - from Sta. 294 going North in the City of Carson - 465' 12" D.I.	2013	$ 172,992.0
00065829		685'-6" PVC Main, 1-6" Fire Hydrant and 30-1" Services with 5/8 Meters - 1100 Block of E. Joel Street ; Retire 685'-6" CI Main, 1-6" Fire Hydrant and 30-3/4" Services	2014	$ 262,611.6
00065909		420'-8" PVC Main and 120'-6" PVC Main with no Fire hydrants and No Services on 500 Block of E. 231ST	2014	$ 166,682.4

Project	Discussion	Description	Year	Budget
		Street from Existing 8" AC to Existing 8" AC and on Bayport Street from existing 8" AC to Existing 12" C.L. & C on Avalon Blvd. The 6" Main is from Exi		
00066209		Booster Motor / Pump & Chemical Injection - City of Carson	2013	$ 108,183.6
00066210		Drain - Sta. 215 Tank 1	2014	$ 68,783.4
00066837		Install 15 SCADA RTUs replacing existing King fisher with SCADAPacks	2013	$ 428,029.2
00067349		Integrate 15 RTUs into Rancho Dominguez RTAP: 203, 215, 219, 223, 224, 231, 232, 272, 275, 277, 279, 290, 294, 297, 298	2013	$ 14,412.0
00074436		Replace Vault Sidewall, Roof, Ceiling, Sump Pump, Ladder & Electrical for MET - West Basin 10	2014	$ 18,283.2
00074453		Replace Vault Sidewall, Roof, Ceiling, Sump Pump, Ladder & Electrical for MET - West Basin 14	2013	$ 18,283.2
00074454		Replace Vault Sidewall, Roof, Ceiling, Sump Pump, Ladder & Electrical for MET - West Basin 19	2013	$ 18,283.2
00074474		Replace Vault Sidewall, Roof, Ceiling, Sump Pump, Ladder & Electrical for MET - West Basin 21	2013	$ 18,283.2
00074475		Replace Vault Sidewall, Roof, Ceiling, Sump Pump, Ladder & Electrical for MET - West Basin 35	2013	$ 18,283.2
00074477		Replace Vault Sidewall, Roof, Ceiling, Sump Pump, Ladder & Electrical for MET - West Basin 36	2014	17) $ 18,283.2
00074494		Data Logger - Sta. 219	2013	$ 16,790.4
00074513		Data Loggers - Sta. 277	2013	$ 16,790.4
00074514		Data Logger - Sta. 272	2013	$ 16,790.4
00074515		Data Logger - Sta. 297	2013	$ 16,790.4
00074593		Data Loggers - Sta. 203	2013	$ 16,790.4
00074633		Data Logger - Sta. 232	2013	$ 16,790.4
00074657		Data Logger - Sta. 294	2013	$ 16,790.4
00074673		Data Logger - Sta. 294	2013	$ 16,790.4
00076316		Remove Vault, suction, discharge piping, hydro-pneumatic tank. Install at-least 3 new horizontal split case pumps with VFD's, associated electrical upgrades, new pump station building, and new hydro-pneumatic tank	2013	$ 2,221,934.4
00077653		Install Flow Meter on discharge side of booster pump at Station 297 in the Dominguez District.	2013	$ 38,064.0
00077654		Install Flow Meter on discharge side of booster pump at Station 279 in the Dominguez District.	2013	$ 38,064.0
00077655		Install Flow Meter on discharge side of booster pump at Station 298 in the Dominguez District.	2013	$ 38,064.0
00077656		Install Flow Meter on discharge side of booster pump at Station 277 in the Dominguez District.	2013	$ 38,064.0
00079435		Install 310'-6" PVC Main, 1-6" Fire Hydrant and 4-1" Services. Retire 310'-4" CI Main 1-4" Fire Hydrant and 4-3/4' Services On Foley Ave From e 220TH Street North to end of Street. In the City of Carson	2013	$ 105,979.2
00079457		Install 1318'-6" PVC Main, 2-6" Fire Hydrant and 48-1" Services. Retire 1318'-4" CI Main, 1-4" Fire Hydrant and 48-3/4" Services. On W 210TH Street from Royal Blvd go East to end of street and West to the end of	2013	$ 484,087.2

Project	Discussion	Description	Year	Budget
		street.		
00079580		Install 3,927'-6" PVC Main, 3-6" Fire Hydrants and 96-1" Services. Retire 3927'-4" AC Main and 96-3/4" Services On the East side of Anza Ave from Towers St. to the West side of Anza Ave to existing 10" AC Main, West side of Anza Ave From Towers St sou	2013	$ 1,353,330.0
00079656		Install 532'-6" PVC Main and 20-1" Services. Retire 532'-4" AC Main and 20-3/4" Services. On Meyler St and Budlong Ave From 213 Th St South to end of Streets	2014	$ 193,662.0
00079661	X	Advanced Metering pilot	2015	$ 1,150,000.0
00079664		Install 2688'-6" PVC Main, 2-6" Fire Hydrants and 91-1" Services. Retire 2688'-4" AC Main and 91-3/4" Services. On Doble Ave from W 228 TH St. to Belson St, On Broadwell Ave fro W 228 TH St. to S. Vermont Ave and On Petroleum Ave from W 228 TH St. to Be	2014	$ 968,310.0
00079665		Install 3174'-6" PVC Main, 3-6" Fire Hydrant and 97-1" Services. Retire 3174'-4" AC Main, 2-1" Services and 95-3/4" Services. On Fiat St From Meyler St East to end of Street, On Jay St from Meyler St East to end of Street, On Jay St From Meyler St to Ja	2014	$ 1,128,648.0
00079667		Install 683'-6" PVC Main, 1-6" Fire hydrant and 29-1" Services. Retire 683'-4" AC Main and 29-3/4" Services. On Orchard Ave from 235 th Street North to end of Street.	2015	$ 258,138.0
00079670		Install 2539'-6" PVC Main, 3-6" Fire Hydrant and 75-1" Services. Retire 2539'-4" AC Main, 2-4" Fire Hydrant, 3-1" Services and 72-3/4" Services. On the East side of Anza Ave from Halison St. South to existing 12" AC Main, On Pruitt Dr from Carmelynn St.	2015	$ 792,339.6
00079672		Install 6450'-6" PVC Main, 7-6" Fire Hydrants and 231-1" Services. Retire 6450'-4" AC Main, 2-4" Fire Hydrants and 231-3/4" Services. On E 185 Th St. from Towne Ave to Billings Ave, On E 185 TH St. From Billings Ave West to end of Street, On E 186 TH St	2015	$ 2,347,917.6
00079674		Install Grating at Station 203 for pump pit	2013	$ 67,447.8
00079733		Install Eyewash and Shower combinations to meet OSHA regulations at Stations 203, 232, 290, 297, 272, 198, 215, 277, 279, 275 and 294	2013	$ 67,447.8
DOM0900	X	Meter Replacement Program	2012	$ 155,879.6
Total				**17,755,542.9**

Project 79661 - Advanced Metering Pilot

ISSUE: Cal Water anticipated a large number of meter replacements for this district in this rate case cycle due to the age of the existing meters. The company requested $6.2 million in 2014 to implement an AMI (Advanced Meter Infrastructure) pilot project, which includes replacement of 20,000 of its existing 33,000 meters with AMI meters and investment in additional infrastructure to support these meters. It also

requested $7.2 million for a similar project in the Palos Verdes District. Cal Water considered these two requests parts of a pilot AMI program.

ORA opposed Cal Water's proposal for several reasons: (1) the project scope is too large to be considered a pilot, (2) Cal Water's submittal of the request in this GRC is inconsistent with the last GRC's Settlement Agreement in which the Parties recommended addressing AMI requests via a Commission Order Instituting Investigation, (3) Cal Water's proposed pilot lacks the necessary details that will allow the Commission to evaluate the pilot and to determine whether full-scale implementation is warranted, and finally (4) AMI is not expected to provide cost savings to ratepayers.

RESOLUTION: In settlement discussions, Cal Water and ORA considered the relatively high volume of meters that are due for replacement in this district, implementation of Advanced Meter Reading meters ("AMR") by other Class A utilities, and expected costs and cost savings. As a result, the Parties agree to a modified pilot project that will allow Cal Water to install AMRs, which will require less capital investment than AMI and can produce savings (on meter reading costs, for example). Parties agree to include an AMR budget of $1.61 million. This amount is equivalent to the cost that Cal Water would have incurred in its routine (e.g., non-AMR) meter replacement program in the 2013-2016 timeframe. This breaks down to the following budgets: $230,000 in 2013, $460,000 in 2014, and $460,000 in 2015, and $460,000 in 2016. The estimated number of AMRs associated with the agreed-upon budgets are as follows: 842 in 2013, and 1,685 in subsequent years. For the purpose of revenue requirement calculation, ORA and Cal Water agree to include $1,150,000 as plant addition in 2015. The Parties also agree to include $460,000 as 2016 plant addition in the next GRC.

The Parties agree that this AMR project is only a pilot program for the Dominguez District. ORA's support of its implementation in this GRC cycle does not extend to full-scale implementation or to other districts' meter replacement/installation programs. Additionally, Cal Water agrees to include in its next GRC application a detailed presentation of this AMR pilot that will include reporting and analysis on costs, cost savings, and implementation/operational issues. This information is required so that the Commission can determine the feasibility and cost effectiveness of a full-scale AMR implementation in the Dominguez District.

C. CARRYOVER PROJECTS

The Parties agree to include the following Carryover projects in the capital budget for the years 2012 through 2015.

Dominguez: Projects Not In Service as of January 2012
("Discussion" identifies projects discussed in detail below.)

Project	Discussion	Description	Year	Budget
00010059		INSTALL CHLORINATION EQUIP.	2013	$ 75,398.9
00013540	X	DRILL & DEVELOP WELL	2012	
00013541	X	PUMPHOUSE SITE & IMPROVEMENTS	2012	
00013542	X	EQUIP NEW WELL	2012	
00013543	X	LAND	2012	$ 324,000.0
00017314		Motor & Control - Sta. 277-01	2013	$ 26,200.0
00017324		Chemical Room - Sta. 298	2012	$ 240,000.0
00017593		Earthquake Retrofit - Sta. 232 Tank 1	2012	$ 249,289.0
00017927		Security Mitigation Improvements - Various Stations	2013	$ 67,800.0
00019543		INST CHLORINATION EQUIP 298-01	2013	$ 45,169.5
00019857		Replace 10 Blowoffs - Various Locations in the dominguez District.	2012	$ 58,046.8
00019858		Replace 10 Blowoffs - Various Locations	2013	$ 36,076.0
00019862		Replace Hydrants with Valves - Various Locations	2012	$ 49,168.9
00019863		Replace Hydrants with Valves - Various Locations	2012	$ 100,274.5
00019882		Add By-Pass - 3", 4", 6", & 8" Services - Various Locations	2012	$ 65,113.9
00019884		By-Pass - 3", 4", 6", & 8" Services	2012	$ 103,442.3
00019961		8 Acoustical Pump Shelters - Sta. 203 & 232	2013	$ 87,500.0
00019962		5 Acoustical Pump Shelters - Stations 272, 275, & 277	2013	$ 57,800.0
00019965		Replace Auxiliary Back Up Pump - Sta. 232-F	2013	$ 81,600.0
00019971		Chemical Building w/ Air Conditioner - Sta. 203	2013	$ 81,600.0
00019972		6 Air Conditioners for Chemical Rooms - Sta. 232, 215, 272, 275, 277, & 297 Air conditioner is needed for climate control.	2013	$ 30,091.0
00019973		6 Air Conditioners for Electrical Rooms - Sta. 203, 215, 272, 275, 277, & 297	2013	$ 33,500.0
00019974		6 In Door Lighting - Sta. 203, 232, 215, 272, 277, & 297	2013	$ 46,500.0
00019975		4 New Asphalt - Sta. 203, 232, 215, & 277	2013	$ 65,900.0
00019976		Replace 4 Chemical Pumps - Stations 203, 232, 275, & 277	2013	$ 33,763.0
00019977		2 Chemical Rooms - Sta. 215 & 297	2013	$ 64,756.0
00019978		2 Panelboard Covers - Sta. 203 & 298	2013	$ 55,100.0
00019980		Replace Panelboard - Sta. 272	2013	$ 176,900.0
00020000		450' 6" PVC; 8 1" Services - 5501-5531 Laurette Street - Torrance.	2012	$ 71,600.0
00020002		600' 6" PVC; 7 1" Services - Barbara Street & Glenn Place - Torrance	2012	$ 79,400.0
00020008		21502-21814 Scannel Ave. - Torrance - 1,000' 6" PVC; 14 1" Services	2012	$ 140,700.0
00020014		22700 Kinard Ave. & 220-250 W. 226th Pl. - Carson - 780' 6" PVC; 27 1" Services; 2	2012	$ 167,200.0

Project	Discussion	Description	Year	Budget
		Hydrants		
00020023		Replace Panelboard - Sta. 298	2012	$ 173,600.0
00020745		Sample Site	2013	$ 9,000.0
00020762		Retrofit Tank - Sta. 203 Tank 4	2012	$ 163,200.0
00020973	X	Drill, Develop, & Equip New Well - Central Basin Area To develop new well	2012	$ 457,401.7
00020978	X	Drill, Develop, & Equip New Well - West Basin Area	2012	$ 468,200.0
00021220		SCADA Replacement	2013	$ 17,500.0
00021235	X	WELL 275-01 GAC TESTING	2013	$ 29,423.8
00021521	X	TREAMENT WELL 219-02	2013	$ 151,200.0
00038367		REPL. 16" FLOW METER	2013	$ 2,310.4
00040667		REPL 4" HYDRANT VALVE	2013	$ 6,490.0
00042867		INTERCONNECTION W/TORRANCE	2013	$ 233,000.0
00044788		BOOSTER CONNECTIONS	2012	$ 32,452.7
00050869		REPLACE DAMAGED ELECTRICAL CABINET	2012	$ 17,125.4
00050888		CHEMICAL PUMP	2012	$ 1,208.0
00051749		DOM 297-STAGE 2 D/DBP EVALUATION	2013	$ 25,630.0
00052708		Relocate Sample Sta. # 4 in Dom	2012	$ 5,920.6
00052709		Relocate Sample Sta. # 28 in Dom	2013	$ 9,553.0
00052710		Relocate Sample Sta #15 in Dom	2012	$ 6,427.2
00055568		Replace booster Pump, sta 277 A	2012	$ 15,468.2
00057769		Replace 2 F.H. on E. Gladwick St.	2012	$ 4,613.8
00059292		INST. TRANSDUCER & ELEC. LINE	2012	$ 35,886.3
00059737		INST. SCADA TORRANCE INTER-CONN.	2012	$ 19,510.4
00059738		REPLACE RTU WB-35	2012	$ 9,289.5
00060093		REPL 18" VALVE @ STA 232	2012	$ 15,486.9
00060253		REPL. 8" VAL & VAULT GLADWICK	2012	$ 20,166.9
00062915		Repl 1-6" Valve & 1-6" F.H. Valve	2012	$ 10,187.8
00065109		Repl 16" Valve@ 22351 223rd St	2012	$ 22,172.6
00065558		Repl 4 Valves@1610 E Sepluveda	2013	$ 26,016.8
00066409		Inst. Flow Meter Sta. 277	2013	$ 2,883.2
00067029		Repl. 4" Service Val Billings Ave	2012	$ 1,163.3
00067309		Repl. Retrofit Sta. 298 Tank	2012	$ 19,147.2
00067850		Purchase H2S Analyzer	2012	$ 11,589.4
00067970		Repl. Soft-Starter Well 298	2012	$ 8,067.4
00068093		Install Catchbasin @ Well 277	2013	$ 9,421.8
00068610		Repl. 4" Valve W 222ND ST	2013	$ 5,998.9
00069130		Inst. Turbidity Meter Sta. 275	2012	$ 10,081.9
00070129		Replace 12" Valve E 223 RD ST	2012	$ 16,505.1
00070210		Repl. 12" Check Valve Sta. 298	2012	$ 7,575.1
00071033		Repl. 4" Valve E. Desford St.	2013	$ 5,095.0
00072873		Repl 6" Gate Val 20401 Victor St	2012	$ 3,997.7
00076434		Replace 6" F.H. @ 18933 S Reyes Ave	2012	$ 10,886.5
00076793		Replace 6" Fire Hydrant @ Normandie	2012	$ 11,977.3
DOM0600		SERVICES -- ALL SIZES	2013	$ 19,623.5
Total				**$ 4,846,344.9**

Projects 13540, 13451 and 13542 – Drill, develop and equip new well

ISSUE: Cal Water designed and constructed new Well 203 under Advice Letter projects 13540, 13541 and 13542. This well ultimately did not meet the required production capacity and Cal Water decided to destroy the well.

During the project planning phases, Cal Water utilized well industry specialists to validate, through the development of a study, the likely production and water quality for the proposed Well 203-01. In accordance with the study, a new well at DOM Station 203 would have an expected yield of 1,100 gallons per minute (gpm) with above average water quality. After post-construction initial pump testing, the production dropped to 100gpm for unknown reasons and the well proved to be nonproductive. Cal Water made the decision to destroy the well in May 2012, after an unsuccessful robust and comprehensive production improvement plan

ORA questioned Cal Water's project planning, design, and management practices, which resulted in a cost of $1.25 million and a well that produced less than 10% of the expected yield. Cal Water is unable to identify the cause of the well's loss of production. In addition, ORA contended that Cal Water should not be allowed to earn a rate of return on plant that is not in service under the Commission's "used and useful" principle. ORA determined that because the well is not in service and is not providing any benefits to ratepayers, it should not be included in rate base.

RESOLUTION: Upon further discussions in settlement and consideration of the steps taken by Cal Water in this project, the Parties agree that Cal Water should be allowed to recover the actual Well 203-01 design and construction costs of $1,253,300 through a six-year amortization with the annual carrying cost on the unamortized portion of the well earning Cal Water's weighted cost of debt.

<u>Projects 13543, 20973, and 20978 – Purchase of Alameda Property and Well Construction</u>

ISSUE: Cal Water acquired a property formerly owned by the Dominguez Water Corporation, located at 21718 S. Alameda Street, Carson, CA (Alameda Property). This property was classified as non-operating property after Cal Water and Dominguez merged in 2000, and in 2002 was exchanged with the property located at 2632 W. 237th Street, Torrance, CA, the current location of the Rancho Dominguez combined operations of the Palos Verdes, Hermosa-Redondo, and Dominguez Districts. In 2012, Cal Water used the funds authorized for land-purchase Projects 13543, 20973 and

20978 to buy a portion of this property from its affiliate CWS Utility Services which had acquired the property in 2011.

Because of the sequence of ownership transfers and the involvement of Cal Water's affiliate, ORA was concerned that Cal Water was "churning" this property. ORA recommended disallowance from rate base the $1,247,500 that Cal Water recorded to purchase the Alameda Property.

Cal Water explained that the water supply situation in the Los Angeles area evolved over the 13 years after the Dominguez merger. During this time, import water supply costs have increased and the California Department of Public Health placed more stringent groundwater regulations. For these reasons, the company began to reconsider adding more groundwater well and treatment projects. According to Cal Water, after several property searches, it discovered that the Alameda Property was for sale and its affiliate CWS Utility Services acquired the land for $4.2 million dollars. The property consists of approximately 241,710 square feet including approximately 34,535 square feet for easements. Cal Water acquired an area that it determined to be necessary for its well construction project and paid its affiliate $1,247,500, an amount approximately proportionate to the acreage acquired.

RESOLUTION: Cal Water and ORA engaged in numerous and lengthy discussions on the merits of this project, as well as other water supply projects in this district. Ultimately, ORA agrees to withdraw its recommended disallowance, and Cal Water agrees that in the future the company will advise ORA and the Commission when any property that it requests to be entered into rate base has been previously owned by Cal Water or its parent company/affiliates within the past 20 years.

<u>Project 21235 – DOM Well 275-01 Granular Activated Carbon (GAC) Testing</u>

ISSUE: The proposed scope of work for this project was for conducting a study to test the effectiveness of treatment to remove organics and reduce TTHM (trihalomethane) formation at DOM Well 275-01. This project is complete and Cal Water's consultant used the results in developing the final DOM Well 275-01 treatment recommendation (Project 20768) to mitigate the constituents of concern.

RESOLUTION: The Parties agree to include the cost of the study for $29,423.80 in rate base in 2013.

<u>Project 21521 – Treatment Well 219-02</u>

ISSSUE: The scope of work for this project is to conduct a water quality audit to determine treatment requirements for Well 219-02. A permanent storm drain connection is required to allow Cal Water to collect samples and complete the project. Cal Water is working with the pertinent City to complete the storm drain connection.

RESOLUTION: The Parties agree to include the cost of this study for $151,200 in rate base in 2013. Cal Water will provide detailed justification for the incremental cost incurred, if any, in the next GRC.

D. ADVICE LETTER PROJECTS

The Parties agree to include the following Advice Letter projects in the capital budget for the years 2012 through 2015.

Dominguez: Advice Letter Projects

("Discussion" identifies projects discussed in detail below.)

Project	Discussion	Description	Year	Advice Letter Cap
00020768	X	Treatment - Sta. 275-01	2014	$ 4,793,000.0
00020772	X	Treatment - Sta. 294-01	2014	$ 4,964,000.0
00020775	X	Drill, Develop, & Equip New Well - Central Basin	2015	$ 6,617,000.0
00020838	X	Construct and Equip Well	2015	$ 6,617,000.0
00030287	X	Enhance Central Basin Water Rights	2014	$ 225,000.0
00063837	X	Nitrification Control	2014	$ 200,000.0
00076394	X	Cal Water 1997 Agreement with BP Carson Refinery relating to additional recycled water utilization	2015	$ 4,000,000.0
00079995		Cal Water RAMCAP Vulnerability Assessment	2015	$ 51,393.7
Total				**$ 27,467,393.7**

<u>Project 20768 –Treatment at Station 275-01 and Project 20772 –Treatment at Station 294-01</u>

ISSUE: Water produced from the wells in the Dominguez District is impacted with contaminants at levels above the secondary MCLs (Maximum Contaminant Levels). In the 2009 GRC, Cal Water proposed to install a GAC system at these well sites at a significantly lower cost. In this GRC, Cal Water proposed an alternate treatment technology and provided new cost estimates for Projects 20768 and 20772 of $4,793,000 and $4,964,000, respectively. The revised estimates incorporate actual costs to-date, contractor bids, and Cal Water labor and overhead.

ORA noted that Cal Water did not pursue a waiver as a mean to comply with water quality standards for the constituents detected in groundwater in lieu of installing

costly treatment facilities. ORA contended that Cal Water underestimated the construction costs, skewing the economic analyses to support investment in water treatment facilities. ORA expressed its concern that Cal Water did not take into consideration Title 17 and Title 22 of the California Code of Regulations, which allow a water utility to apply for a waiver from complying with secondary MCLs for certain constituents. Moreover, ORA does not agree with Cal Water's claim of savings for ratepayers.

RESOLUTION: After many discussions and in consideration of the overall supply needs of the district, the Parties agree to include Projects 20768 and 20772 as advice letter projects with cost caps of $4,793,000 and $4,964,000, respectively. ORA agrees with the proposal to install treatment facilities at the subject wells because the water from these wells needs to meet water quality standards.

<u>Projects 20768, 20772, 20775, 20838, 63837, 76615, 76673, 76813, 76833, 79593, 79614, and 79615 – Groundwater Well and Treatment Projects</u>

ISSUE: Cal Water proposed a number of treatment and well-property purchase projects in its Dominguez District to increase well production capacity over time and achieve full utilization of groundwater pumping rights in the West Coast and Central Groundwater Basins. Cal Water, in response to ORA's recommendations, provided analyses comparing the long-term cost of installing wells and treatment to the cost of purchasing more import water from the West Basin Municipal Water District to show that it is in the best interest of Cal Water's customers to use more well water rather than purchased water. Cal Water stated that it refined treatment requirements and costs for wells in Dominguez while working on several treatment projects approved in prior GRCs, which provided a more realistic indication of the cost of treatment. The revised estimates for Projects 20838 and 20775 went from $1.9 million to $6.6 million per project. To offset this increase, Cal Water proposed deferral of projects 76615, 76813 and 76833 to the next GRC.

Although ORA supports efforts to utilize local water supply, it pointed out that groundwater extracted from the underlying aquifer in the Dominguez area are impacted with many constituents that require extensive and costly treatments. Some of these constituents do not have an impact on human health but present an aesthetic concern to consumers. ORA stated that consumers should decide whether to accept water that contain aesthetic effects as allowed under Title 22 of the California Code of Regulations.

This may be accomplished with a customer survey to allow consumers a voice in the decision making process prior to investing over $24 million to treat water from existing water wells. ORA noted that Cal Water's current water supply plan will require an additional $24 million in treatment costs for new wells in the district. In addition, ORA contended that a comprehensive water supply and treatment plan for the Dominguez district is needed to address the water supply and quality in the district and it is only prudent for Cal Water to consider the feasibility of combining treatment facilities and/or blending facilities to reduce costs to ratepayers.

RESOLUTION: Cal Water and ORA engaged in lengthy discussions on the district's water quality and supply needs and the various water supply projects and options. Ultimately, the Parties agree to advice letter status for the following treatment projects –

Project 20768: Ion Exchange at Station 275	$4,793,000
Project 20772: Ion Exchange at Station 294	$4,964,000

The Parties further agree that Cal Water should undertake a comprehensive study on source of supply optimization options including the possible use of blending, alternative treatment technologies, and centralized treatment plant options with dedicated supply pipelines. Cal Water will also conduct a well-siting analysis to help identify optimal well locations. This information will facilitate property purchase planning efforts as well as capital project review in the next GRC. The comprehensive study shall also include the results of a customer survey to gauge customers' acceptance of water with aesthetic effects in the Dominguez District. The Parties agree that Cal Water's comprehensive study should also address the issue of nitrification in the distribution system. The Parties agree to designate Project 63837 to complete the study as an advice letter project capped at $200,000. Cal Water will submit detailed justification to support any incremental cost overruns for Commission review in the next GRC. The Parties agree to meet and confer on the Request for Proposal (RFP) for the proposed study before issuing the RFP.

The Parties agree to advice letter treatment for the construction of wells at existing properties under Project 20838 at the Alameda Property (Station 298/215) for $1.974 million and under Project 20775 at Station 290 for $1.912 million. The Parties further agree that Cal Water can start construction of these wells while the comprehensive supply study is underway. If the comprehensive study shows that these wells need individual treatment, Cal Water may include in its advice letter filing additional

$4.6 million at each site for treatment provided that Cal Water can demonstrated that it is the least cost option.

Furthermore, the Parties agree Cal Water should defer its requests to purchase properties for three well sites (Projects 79593, 79614 and 79615) and related treatment projects to the next GRC.

Project 30287 – Enhance Central Basin Water Rights

ISSUE: Cal Water proposed capitalizing its litigation costs concerning a Central Basin water rights issue. The Central Basin overlies about 227 square miles of the southeastern part of the Los Angeles Coastal Plain in Los Angeles County, which includes Cal Water's East Los Angeles and parts of its Dominguez systems. This is an adjudicated groundwater basin with limited groundwater extractions under continuing jurisdiction of the Superior Court of Los Angeles. The basin has excess capacity to store additional groundwater. Since early 2000, groundwater users of the basin have proposed and sought Court action to utilize the storage space.

Cal Water has participated in the litigation to protect its adjudicated water rights and secure water storage rights on behalf of ratepayers' interests. Water and water storage rights are real property rights and in perpetuity. Costs associated with litigation to create and secure a real property right are non-depreciable capital costs (i.e. land rights). Cal Water anticipates conclusion of the litigation in 2014.

ORA has concern on the uncertainty of both the litigation costs and the time it will take to resolve it.

RESOLUTION: The Parties agree that due to the uncertainty of the timing and cost, it is appropriate to treat this as an advice letter project capped at $225,000. Cal Water may file for a rate base offset at the conclusion of the litigation.

Projects 63837– Nitrification Control Study (and related Projects 63861 and 63895 – Nitrification Control Implementation)

ISSUE: Cal Water proposed Project 63837 at $115,752 for a nitrification study to identify and understand the potential issues of chloramines in the distributions system. Cal Water also requests Projects 63861 and 63895, at $286,200 each, to implement the resulting nitrification control recommendations from the study. ORA agreed with the need for this study; however, ORA contended that it is premature to include Projects 63861 and 63895 to implement the results of the study.

RESOLUTION: In agreeing that there is a need for a study to assess the district's overall supply and treatment needs, Cal Water and ORA agree to modify the scope of Project 63837 and treat it as an advice letter project capped at $200,000. The modifications are described in the discussion on groundwater well and treatment projects (Projects 20768 etc.). The Parties agree to exclude Projects 63861 and 63895 from this rate case cycle.

Project 76394 – Additional Investment in Recycled Water Facilities

ISSUE: Cal Water proposed a $4.8 million project for the expansion of the recycled water project by the West Basin Municipal Water District ("West Basin"). The purpose of this investment is to allow West Basin to produce an additional 2,162 acre-feet year (AFY) of recycled water to be delivered to the Tesoro oil refinery, a current Cal Water customer. Parties to this proposed recycled water project are West Basin, Cal Water and the current refinery owner. Cal Water contended that this project will lower revenue requirement by reducing the need for potable water and will help meet the water conservation requirements of SBX 7-7. ORA stated that Cal Water's request is premature because the project is still in a conceptual stage and there exist many unknowns such as the recycled water facility design and costs, and the pipeline facilities to be transferred from West Basin to Cal Water in exchange for the company's investment in the project.

RESOLUTION: After extended review and discussion of the provisions of the Memorandum of Understanding ("MOU") signed by Cal Water and additional information on the aforementioned pipeline facilities, the Parties agree to an advice letter treatment for this project capped at $4.0 million (Cal Water's original request of $4.8 million less the 20% construction overhead). The Parties further agree that Cal Water would not proceed with the recycled water project if the required investment exceeds $4.0 million, and ORA's support for the project is contingent upon the project not exceeding that budgeted amount.

E. PROJECTS EXCLUDED FROM PLANT ADDITIONS

The Parties agree to exclude the following projects from the capital budget for 2012 through 2015. The reasons for the exclusion are as described below.

Dominguez: Projects Not Included in Revenue Requirement

("Discussion" identifies projects discussed in detail below.)

Project	Discussion	Description	Reason
00019859		Replace blowoffs in various locations	Cancelled
00019979		Replace Panelboard - Sta. 275.	Cancelled
00019981		Replace Panelboard - Sta. 215	Defer
00020447		Replace Pump - Sta. 290-01	Cancelled
00020765		Retrofit Tank - Sta. 297 Tank 1	Cancelled
00040587		Rep 4"Val@Victoria st & Mettler Ave	Cancelled
00061159		Landscape - Sta. 219	Defer
00061252		500 Gallon Diesel Tanks - Sta. 203 & 232	Defer
00061312		Replace Diesel Generator - Sta. 203	Defer
00062115		Landscape - Sta. 277	Defer
00062174		Structure Improvements - Sta. 275	Cancelled
00063861	X	Nitrification Control	Defer
00063895	X	Nitrification Control	Defer
00065349		Panelboard replacement at Station 277 due to age and condition of Panel	Defer
00065565		Panelboard replacement due to condition at Station 290	Defer
00067118		2,000' 6" PVC; 40 1" Services; 4 6" Hydrants - E. Sepulveda Blvd - East St to Bonita St, Banning Blvd From E Sepulveda Blvd to E. Pacific St and on E Lincoln St From Banning Blvd Eat to existing 4" AC Main. in the City of Carson. Retire 1,140-4" CI Main,	Defer
00070669		Inst. Water Traps Various Stations	2012 NS
00071933		Inst. 120'-20" Casing (B.S.B.)	Cancelled
00073333		Repl 16" Valve Sta. 232	2012 NS
00074658		Data Logger - Sta. 275	Cancelled
00074753		Replace 18" and 20" Valves Sta 232	2012 NS
00076615	X	Ion exchange treatment system at DOM Sta 215 for Well 01	Defer
00076673	X	Ion exchange treatment system at DOM 297 for Well 01.	Defer
00076813	X	Ion exchange treatment system at DOM Sta 279 for Well 01	Defer
00076833	X	Ion exchange treatment system at DOM Sta 277 for Well 01.	Defer
00079336		The portable electric motor/pump is needed in emergency for the Dominguez-RDOM district. Last year (9-21-11) there was a main leak on the effluent water main for Dominguez Station 203 at Wilmington Avenue and Glenn Curtis Street, this occurred on a Friday	Cancelled
00079513		Install 2427'-6" PVC Main 1-6" Fire hydrant and 89-1" Services. Retire 2427'-4" CI Main, 1-4" Fire Hydrant and 89-3/4" Services. On Pruitt Dr from Towers St. to Cadison St, On Cadison St from Pruitt Dr. to Towers St and On Towers St. from Inglewood Av	Defer
00079593	X	Purchase property for a new well in the Central Basin area.	Defer
00079614	X	Purchase property for a new well in the West Basin area.	Defer
00079615	X	Purchase property for a new well in the West Basin area.	Defer
00079658		Install 2605'-6" PVC Main, 2-6" Fire Hydrants and 94-1" Services. Retire 2605'-4" AC Main and 94-3/4" Services. On Cadison St and Tailsman St from Firmona Ave to Hawthorne Blvd and On Bulova St from Darien St to Hawthorne Blvd	Defer
DOM0900	X	Meter Replacement Program	Defer
DOM0900	X	Meter Replacement Program	Defer
DOM0900	X	Meter Replacement Program	Defer
Total			**$23,237,776.2**

Projects 63861 and 63895 – Nitrification Control

See explanation on the deferral of these projects in the Advice Letter Projects section above.

Projects 76615, 76673, 76813, 76833, 79593, 79614 and 79615 – Various Groundwater Well and Treatment Projects

See explanation on the deferral of these projects in the Advice Letter Projects section above.

Project DOM0900 – Meter Replacement Program

See discussion on Project 79661 (AMR pilot) and the Global Plant section of this Agreement.

[END OF CHAPTER]

CHAPTER 21. EAST LOS ANGELES DISTRICT PLANT

A. OVERVIEW

The East Los Angeles District's water supply comes from its groundwater wells (about 70%) and purchased water (about 30%). Major projects in this Agreement include main replacements, new wells, well treatment facilities and storage tanks. Two of the new wells are at the Tubeway Property, which is the site of several projects. The new 1.5-million gallon tank at Station 55 is intended to enhance reliability and peak hour pressure and flow.

The tables below provide a summary of the plant settlement for this district. In the sections that follow, specific projects are identified in separate tables, and certain projects are discussed in further narratives. In addition, there may be projects related to "global" issues – issues that affect multiple districts – that are included in these tables, but discussed separately in the "Global Plant" section of this Agreement.

East Los Angeles: Non-Specific Advance Capital Budget Summary

Year	July Filing	ORA Report	Settlement
2012	$ 937,900.0	$ 937,900.0	$ 937,900.0
2013	$ 1,562,200.0	$ 948,000.0	$ 1,255,500.0
2014	$ 1,644,100.0	$ 967,300.0	$ 1,305,700.0
2015	$ 1,687,100.0	$ 988,000.0	$ 1,337,550.0
Total	**$ 5,831,300.0**	**$ 3,841,200.0**	**$ 4,836,650.0**

The annual non-specific budget is for capital projects that are anticipated to be initiated and completed during the indicated year to resolve issues that were not known in detail when the advanced capital budget ("ACB") was adopted for that period. The non-specific projects tend to be for emergency or unforeseen projects that need to be addressed between GRCs.

East Los Angeles: Specific Advance Capital Budget Projects Summary

Year	July Filing	ORA Report	Settlement
2012	$ 873,966.8	$ 1,025,423.8	$ 1,030,648.3
2013	$ 7,081,099.1	$ 3,549,976.3	$ 3,862,377.1
2014	$ 7,827,738.4	$ 4,570,417.0	$ 5,950,129.8
2015	$ 6,207,894.2	$ 3,611,965.8	$ 3,691,209.7
Total	**$ 21,990,698.5**	**$ 12,757,782.9**	**$ 14,534,364.9**

The advanced capital budget for specific projects identifies the projects and forecasted costs (except for carryover projects) that the Parties agree to include in the adopted revenue requirement.

East Los Angeles: Carryover Capital Projects Summary

Year	July Filing	ORA Report	Settlement
2012	$ 12,260,026.2	$ 3,751,000.0	$ 799,239.5
2013	$ 6,388,007.1	$ 699,784.0	$ 920,983.9
2014	$ 1,886,700.0	$ -	$ 5,074,589.0
2015	$ -	$ -	$ -
Total	**$ 20,534,733.3**	**$ 4,450,784.0**	**$ 6,794,812.5**

Carryover projects are capital projects included in the revenue requirement proposed in the Agreement that were not used and useful as of January 2012, and are not included in the advanced capital budgets summarized above. The Parties agree that Cal Water will complete the listed carryover projects at the identified settlement amounts, and in the years indicated. These projects should be included in the adopted revenue requirement.

East Los Angeles: Advice Letter Projects Total

	Advice Letter Cap
Total	**$ 16,903,600.5**

The Parties agree that certain capital projects may be included in rates after (1) they are in service; and (2) their costs (up to the specified cap) are submitted for Commission review via Tier 2 advice letter, and they are found to be reasonable. This settlement recommends adoption of these projects as “Advice Letter” projects, but their costs are not included in the revenue requirement proposed for adoption in this Agreement.

East Los Angeles: Excluded Projects Total

Excluded Projects	$ 5,096,637.2

The Parties agree that some capital projects proposed in the company's July 2012 application should not be included in the capital budgets for 2012 through 2015, unless otherwise indicated. These "excluded" projects encompass those that the company cancelled, those that are in service and already included in the beginning plant balance per this Agreement, and those that the Parties agree for other reasons not to include at this time. The exclusion of these projects does not prevent the company from proposing them in a subsequent application ("deferred projects").

B. SPECIFIC ADVANCE CAPITAL BUDGET PROJECTS

East Los Angeles: Advance Capital Budget – Specific Projects
("Discussion" identifies projects discussed in detail below.)

Project	Discussion	Description	Year	Budget
00020190		Power Generator - Sta. 58 Res. 15	2012	$ 217,000.0
00020488		1.5 MG Reservoir - Sta. 55	2014	$ 1,561,713.3
00020592		Chain Link Fence, Build New Road, & Seismic Retrofit - Sta. 61 Tank 2 Res. 9A & 9B	2012	$ 419,466.9
00020823		Vehicle - 0.5 Ton Pick Up, Truck Upfitting, & Mobile Radio - Collector	2012	$ 29,346.0
00020824		Vehicle - 0.5 Ton Pick Up, Truck Upfitting, & Mobile Radio - Prod. Supt.	2012	$ 36,288.0
00021184		3 Chemical Pumps & Injectors - Various Stations	2012	$ 11,800.0
00025551		Paint Interior Complete and Upgrade C.P. System to Auto-Potential - Sta. 40 Res 10 C	2013	$ 294,991.2
00025569		Paint Interior Complete, Exterior Roof (SSPC-SP6) and Upgrade C.P. System to Auto-Potential - Sta. 42 Res 11B	2014	$ 20,151.5
00051670		Paint Interior Complete & Upgrade CP System - Sta. 55 T1	2014	$ 9,069.1
00053669		Replace Interior Safety Climb - Sta. 23 Tank 1 (Res.3C)	2015	$ 4,045.2
00057812		Allston Ave. - Concourse Ave. to 22nd St. - 800' 6" PVC; Re-new 22 1" Services; 2 Hydrants	2014	$ 151,674.4
00057889		Ferguson Dr. - Westside to Garfield Ave. - 2,900' 12" DI; New 53 1" Services; 2 Hydrants and 530' of 16" Transmission Main; Retire 2400' 6" CI; Retire 53 3/4" Services; Retire 2 Hydrants	2013	$ 1,128,692.4
00057890		Ferguson Drive - Garfield to Concourse Ave. - 1020' 8" PVC; Renew 25 1" Services; 1 6" Hydrant Retire 1020' 6" C.I.; 20' 6" PVC; 1 Hydrant; Retire 25 3/4" Services	2013	$ 181,514.5
00057908		Ferguson Drive - Concourse Ave to Pickering Way - 1830' 8" PVC; Renew - 36 1" Services; 2 Hydrants	2013	$ 312,370.5

Project	Discussion	Description	Year	Budget
		Retire 1830' 6" CI; 36 3/4" Services; 2 Hydrants		
00057928		Install +/-800ft - 6" PVC Main on Colegrove Ave - Ferguson Dr to Pickering Way	2014	$ 145,349.7
00057929		Install 1,600 ft - 16" DI Pickering Way - Olympic Blvd to Vail Ave	2014	$ 555,073.7
00057948		Install 350' - 12" DI Main on Garfield Ave (Allston St to Whittier Blvd); Install 300' - 12" DI Main on Whittier Blvd (Garfield Ave to Via Vista); Install 220' - 12" DI Main on Via Vista (Whittier Blvd to Repetto Ave)	2015	$ 410,196.0
00058008		Garfield Ave. - Repetto to Madison Ave. - 860' 8" PVC; New 3 2" Services; 3 Hydrants	2013	$ 143,297.2
00058009		Easton St. - Garfield Ave to Northside Dr. - 1740' 6" PVC; Renew 41 1" Services; 1 Hydrant	2014	$ 281,429.0
00058010		Install +/-1960ft - 6"PVC Main on Northside Dr- (Garfield Ave to Kensington Way)	2015	$ 341,186.9
00058014		Install +/- 900ft -6" PVC Main on Hereford Dr- (Garfield Ave to Concourse Ave)	2014	$ 182,825.4
00058015		Southside Dr. - Garfield Ave to Concourse Ave - 900' 6" PVC; New 25 1" Services; 1 Hydrant	2013	$ 150,119.8
00058016		Install +/- 900ft - 6" PVC Main on Fairfield Ave (Garfield Ave to Concourse Ave)	2015	$ 162,164.6
00058592	X	This project will install Iron and Manganese treatment to mitigate exceeding the Manganese SMCL and reduce interruption of system supply from Well 39-02.	2014	$ 1,169,000.0
00059493		+/-1050ft - 6"PVC Main Hicks Ave (Winter St to 962 N. Hicks Ave); +/-340ft - 6" PVC Main-Blanchard St. (N. Hicks Ave to N. Alma Ave)	2013	$ 224,945.4
00059512		Install +/-450ft-6" PVC Main-Alma Ave (Dundas St to 962 N. Alma Ave); Install +/-480ft-6"PVC Main - Dundas St. (Alma Ave to Hicks Ave); Install +/-190ft-6" PVC Main -Alma Ave (Blanchard St. to Dundas St.)	2015	$ 199,957.6
00059572		Field - Excavator Loader	2015	$ 61,200.0
00059592		Field - Tools & Equipment	2013	$ 15,012.6
00059672		4 A/C Units - Various Pump Stations	2013	$ 4,875.8
00059732		4 A/C Units - Various Pump Stations Retire 4 A/C Units - Various Pump Stations	2014	$ 5,209.3
00059733		4 Units - Various Pump Stations Retire 4 Units - Various Pump Stations	2015	$ 5,542.7
00059992		1,380 ft - 16" DI Main in Olympic Blvd from Garfield Ave to Pickering Way.	2015	$ 1,056,078.0
00060032		Sand Separator - Sta. 43	2013	$ 61,182.3
00060052		Paving - Sta. 23	2015	$ 55,610.7
00060932		Replace-1 set double doors at station 54 Replace-1 set double doors at station 10-03	2013	$ 11,298.1
00061032		PRV's - Sta. 54, 43, & 10-03	2013	$ 10,180.7
00061433		Field - 2 Power Saws	2013	$ 7,650.0
00061833		Paint Interior, Upgrade CP system, Replace Interior Safety Climb, Roof Vents, 30" dia. Manway, & Hatch - Sta. 58 T1 (Res. 15)	2015	$ 40,414.1
00061854		Upgrade CP System - Sta. 58 Tank 1 (Res. 15)	2015	$ 29,510.4
00061872		Paint Interior Complete - Sta. 10 Tank 2 (Res. 13B)	2015	$ -

Project	Discussion	Description	Year	Budget
00061875		Replace Interior Safety Notch Carrier Rail - Sta. 42 Tank 1 (Res. 11A)	2015	$ 2,070.0
00062792		Sta. 42 Panelboard replacement including Motor Starters, RTU, Circuit Breakers and new Conduit	2014	$ 264,721.0
00062933		Panelboard Replacement - Sta. 32	2015	$ 280,171.7
00062952		Panelboard Replacement including RTU, SCADA, Control Panel - Sta. 23	2015	$ 188,497.9
00063954		Field - 3 New Handhelds for Meter Reading	2013	$ 16,847.3
00064063		Seismic retrofit for 6.5-M tank with 24-inch common inlet / outlet and installation of new 24-inch fittings and miscellaneous piping - Sta. 58 Tank 1.	2014	$ 222,801.6
00064373		New 1,600' 16" D.I. Main in Olympic Blvd from Server Ave to Garfield Ave Abandon 900' 8" C.I. main; Abandon 600' 8" Steel main	2015	$ 552,229.4
00064732		Field - Meter Reading Equipment	2013	$ 51,000.0
00064734		Field - Meter Reading Equipment	2014	$ 51,000.0
00064735		Field - Meter Reading Equipment	2015	$ 51,000.0
00064754		Saybrook Ave. - 1,225ft.-8" PVC; 13 1" Services; 2 6" Hydrants. Retire 1,135' 6" C.I.; Retire 90' 6" D.I.; Retire 13 3/4" Services	2014	$ 221,384.2
00064929		Vehicle - New Vehicle & Accessories - Production Superintendent	2015	$ 41,600.0
00065070		Vehicle - 0.5 Ton Pick Up & Outfitting - District Manager	2014	$ 41,800.0
00065350		Railroad Prop - North of Astor & Hepworth - 1,370' 16" PVC. +/-1,200' - 36" Steel casing (Bore hole locations)	2013	$ 1,034,328.7
00065398		Vehicle - 0.5 Ton Pick Up & Outfitting - Field Utility	2013	$ 40,700.0
00069329		Install 1,370' - 16" DI Pipe - Tubeway Ave (Corvette to Ferguson Dr.); Install 350' - 16" CL&C Pipe - Tubeway Ave @ Ferguson Dr (under RR crossing) Install 350' - 36" Steel Casing Tubeway @ Ferguson Dr (under RR crossing)	2014	$ 801,656.4
00074433		Field - Emergency Lighting	2014	$ 10,200.0
00074473		Field - Replace Tools and Equipment	2014	$ 15,300.0
00074476		Field - Tools and Equipment - Field Yard	2015	$ 15,300.0
00074493		Field - Electric Operated Forklift - Inside Warehouse Use	2014	$ 51,000.0
ELA0900		Meter Replacement Program	2012	$ 316,747.5
ELA0900		Meter Replacement Program	2013	$ 173,370.6
ELA0900		Meter Replacement Program	2014	$ 188,771.2
ELA0900		Meter Replacement Program	2015	$ 194,434.4
Total				**$ 14,534,364.9**

Project 58592 – Iron/Manganese Treatment at ELA Station 39, Well 2

ISSUE: Cal Water proposes adding greensand treatment to existing Well 39-02 for removal of manganese. Well 39-02 exceeds the secondary maximum contaminant level (SMCL) for manganese and the rate of increase does not indicate any apparent reversal of trend.

ORA recommended disallowance of this project because Cal Waterin its project justification failed to consider other less costly treatment alternatives such as waivers, blending and sequestration.

In Rebuttal, Cal Water provided the previously completed evaluation of viable treatment alternatives. The results of the evaluation identify greensand treatment as an acceptable treatment option for the contaminant and one that California Department of Public Health (CDPH) will support. Cal Water stated that it has the CDPH support of its efforts to utilize local water sources. Cal Water also provided information on customer complaints regarding the impacted water.

RESOLUTION: After multiple discussions on groundwater issues and treatment, the Parties agree to include $1,169,000 for 2013 for Project 58592.

C. CARRYOVER PROJECTS

East Los Angeles: Projects Not In Service as of January 2012
("Discussion" identifies projects discussed in detail below.)

Project	Discussion	Description	Year	Budget
00017129	X	2.5 Million Gallon Reservoir - Sta. 40 (Reservoir 10 Site)	2014	$ 2,000,000.0
00018197	X	Drill & Develop New Well	2014	$ 1,814,900.0
00020466		Site Improvements & Replace Pump - Sta. 40 Pumps A & B	2013	$ 699,783.9
00020495		Auxiliary Power Equipment - Sta. 55	2013	$ 221,200.0
00020648		5 Sampling Stations - Various Locations	2012	$ 32,400.0
00020654		Generator for Sta. 10-03 & Sta. 10A	2012	$ 257,354.0
00020722		Pump Building & Restroom, Replace Pump & Motor - Station 4-D	2014	$ 1,252,000.0
00021150		Via Vista - Repetto & Madison - 1,312' 6" PVC; 13 2" Services; 1 Hydrant	2012	$ 196,681.0
00053610		Install PVC C.P. test tube	2014	$ 7,689.0
00053788		Replace Berm at ELA Sta.23 T1	2012	$ 4,769.5
00053808		Install/Retire +/-10 Valve Casings	2012	$ 16,892.5
00057410		Truck Body Up grade & Equipment	2012	$ 32,103.5
00057688		Retire Pump B Station 42	2012	$ 41,940.0
00059873		Replace 1-6" Gate Valve-Lotta Dr	2012	$ 11,578.9
00065589		Relocate Main,Hyd.& Services-Coates	2012	$ 86,743.2
00069389		Install 1-6" Gate valve- Marianna	2012	$ 9,379.0
00069610		Install 2-6" Gate Valve-Michigan	2012	$ 12,091.1
00070030		Purchase ice machine-Ops. Center	2012	$ 2,614.5
00070189		Replace Pumping Equipment-sta. 42D	2012	$ 52,185.6
00071793		Replace broken 6" Gate Valve	2012	$ 12,119.0
00076933		Broken Gate Valves- 2nd Quarter	2012	$ 30,387.8
Total				**$ 6,794,812.5**

Project 17129 – 2.5 Million Gallon Reservoir – Station 40 (Reservoir 10 Site)

ISSUE: This project was authorized in the last GRC for $1.5 million. Cal Water received tank construction bids in May 2012 and revised its estimate to $2,000,000 for inclusion in the July 2012 application. In settlement discussions, Cal Water gave ORA an update on the project status and again increased its cost estimate to $2.45 million. Cal Water explained that the cost increase is largely due to permitting and other requirements needed to address construction safety issues that were not anticipated in the earlier estimate.

RESOLUTION: Parties agree to include Project 17129 for $2,000,000 in 2014. Cal Water will submit the final cost and comprehensive information regarding the cost overruns in its next GRC application for Commission review.

D. ADVICE LETTER PROJECTS

East Los Angeles: Advice Letter Projects
("Discussion" identifies projects discussed in detail below.)

Project	Discussion	Description		Advice Letter Cap
00016074	X	Construction of Well 53-02 and Treatment	2014	$ 8,240,000.0
00020583	X	Drill, Develop, & Equip New Well	2014	$ 1,943,781.5
00020670	X	Construct Tank	2014	$ 3,777,023.2
00020763	X	Construct well and treatment plant	2014	$ 2,400,000.0
00030309	X	Enhance Central Basin Water Rights	2014	$ 90,659.8
00057409	X	Purchase Property-916 Carob Way	2014	$ 452,136.0
00058775	X	12" Main - New Well	2014	$ 1,570,592.6
00079961		Cal Water RAMCAP Vulnerability Assessments	2015	$ 125,248.8
Total				**$ 18,599,441.9**

Project 16074 – Construction of Well 53-02 and Treatment

ISSUE: This is a carryover project authorized in the 2007 GRC for $3.6 million to construct a well and a chloramination facility with site improvements, on Cal Water's existing property at Station 53. Cal Water requested an extension of the filing deadline for this Advice Letter project, to January 1, 2017. Additionally, during settlement discussions, Cal Water provided a higher project cost estimate – from $3.6 million to $8.24 million – and explained that the higher estimate includes a more complex

treatment based on water quality analysis performed by a specialized engineering consultant.

RESOLUTION: **In consideration of new water quality information, Cal Water and ORA agree that Project 16074 should continue as an Advice Letter but with a new cap of $8.24 million. Cal Water in its next GRC application will provide for Commission review detailed cost justification for the total project cost.**

Projects 20763, 57409 and 58755– Carob Way Well, Property Purchase and Pipeline Projects

ISSUE: Cal Water proposed to include these three projects, which in combination and at a total cost of $4.42 million, will add a new well outside of its East Los Angeles District's service area and connect it to its distribution system via a new transmission main. The well is expected to be a high production well and to produce good quality water that only requires chloramination. Cal Water expects to complete well construction in May 2013 and to bring the well on-line in the first quarter of 2014.

Because Project 20763 (well) was authorized as an Advice Letter project and the project has not been completed, ORA recommended maintaining advice letter status. Additionally, ORA removed Project 58775 (transmission main) from the plant estimates because Cal Water did not provide any explanation or justification for this $1.6 million project. In addition, the company failed to present in its application a comprehensive showing for this combined well, property purchase and transmission main project at the Carob Way site.

RESOLUTION: **After extensive discussions on these projects as well as the groundwater water quality situation in the district, Cal Water and ORA agree to advice letter treatment for all three projects with a combined cap of $4.42 million. Cal Water will file one Advice Letter to recover this cost once the combined project is completed and begins delivering potable water to the district's service area**.

Projects 18197, 20583, 50350, 57791, and 58352 – Tubeway Property Purchase, Well, Treatment and Building Improvement Projects

ISSUE: In the 2009 GRC, the Commission authorized Cal Water several advice letter projects to purchase property and construct groundwater wells in its East Los Angeles District. Cal Water purchased property at 2000 Tubeway Avenue (Tubeway

Property) for $6,822,667 and recorded this amount as a Non-Specific Project 50350 in December 2011. Cal Water explained that it partially funded the Tubeway Property purchase by pooling dollars from the land cost component of the authorized well projects. Although the total cost of the property purchase exceeded the total land cost amount authorized for the two wells, Cal Water believed it was acting in the best interest of the customers because the property is big enough to accommodate at least two groundwater wells and a centralized treatment facility. Cal Water explained that as an added benefit, an existing building on the property can house the district's customer service and field operations. Cal Water completed some improvements to the building under a Phase 1 Project 57791 at a total cost of $1.235 million and moved the district's customer service operations to the Tubeway Property from a facility for which Cal Water was paying about $50,000 per year in rent. The construction of the first of two groundwater wells (Project 18197) at the Tubeway site is currently in progress. The construction of the second well (Project 20583) will commence after Cal Water completes construction of the first well.

In its Application, Cal Water included the following land- and building-related costs at Tubeway: recorded $6.823 million in 2011 for the property purchase, $1,235,313 million in 2012 for the completed Phase 1 building improvements, and $1,622,700 in 2013 for the proposed Phase 2 building improvements (Project 58352). Cal Water stated that Phase 2 will be for the relocation of its field operations from another company-owned site to Tubeway.

ORA disagreed with Cal Water's decision to acquire the Tubeway Property for the two new wells, as well as its decision to relocate the customer service and operations centers to this site. ORA believed that the expanded scope and cost of the projects are not reasonable, with total cost exceeding the authorized budget by $7.5 million (difference between total request of $13.4 million in this GRC and the approved budget for Projects 18197 and 20583 from prior GRC). ORA contended that Cal Water should have constructed the wells at smaller well site(s), and that the relocation of its customer service and field operations is unnecessary. ORA's analysis also indicated that the additional wells (Advice Letter Projects 18197 and 20583) are no longer necessary because the combination of capital expenditures, O&M expenses, and potential treatment costs would be more expensive than the cost of purchased water.

In its Rebuttal, Cal Water submitted a detailed cost-benefit analysis supporting the Tubeway purchase. Cal Water and ORA worked together to refine the analysis that

compares the long-term cumulative revenue requirement for all of the utility plant (Tubeway property purchase, well construction and possible treatment option) required to pump groundwater to the long-term cumulative cost to purchase water to determine the well projects' cost effectiveness. ORA relied on net-present-value cost-benefit analysis and considered the cost effectiveness of the these well projects using various land cost estimates including the cost of the most recent well site purchase in the district.

RESOLUTION: The Parties considered the costs and feasible alternatives for all of the projects at the Tubeway Property and reached a comprehensive agreement containing a number of interrelated components. The Parties agree to the following:

1. Cal Water can include in plant only 50% of the $6,822,667 million in recorded cost for Project 50350 - Tubeway Property purchase. This 50% portion or $3,411,313 is the total land cost for the two wells at this site, as discussed below. Cal Water will reduce its recorded 2012 beginning of year plant balance by $3,411,313 (excluded portion of Tubeway Property purchase). See Item 4 for additional discussion on this excluded amount.
2. Cal Water will defer its cost recovery request for the completed Phase 1 Project 57791 and the proposed Phase 2 Project 58352 to a later GRC. The costs of the these two building improvement projects and the excluded portion of the Tubeway Property purchase are attributable to the relocation of the customer service and field operations and will need to be fully justified if Cal Water decides to seek cost recovery in future GRC(s).
3. Cal Water can include in its Test Year 2014 expense estimate a rental expense of $50,000 per year which approximates the cost that Cal Water would incur if it has not moved its customer operations to Tubeway.
4. **Cal Water should be allowed to establish and track in a memorandum account the carrying costs (including return on investment, ad valorem taxes, and depreciation) for the Phase 1 building improvement and the excluded portion of the Tubeway Property purchase ($3,411,313 in Project 50350 and $1,235,313 in Project 57791), starting from the effective date of the memorandum account. Cal Water will offset the carrying costs with the imputed rental amount already built in to rates in this GRC as discussed in Item 3 above.** ORA's agreement regarding the establishment of this memorandum account does not constitute its support for cost recovery of the tracked investment.

5. Cal Water can include in its estimated 2014 plant addition $1,814,900 for Project 18197 – Well 62-01 (first well to be constructed).
6. **Cal Water can proceed with the second well Project 20583 - Well 62-02 but only as an Advice Letter project capped at $1,943,831 (second well to be constructed after completion of the first well).**
7. Treatment (other than disinfection) facilities are not included in the above agreement for Well 62-01 and Well 62-02. Cal Water will need to fully justify its centralized treatment option, if needed, and associated costs in the next GRC.

Project 20670 – Replace ELA Station 12 Reservoir 4A and Boosters Pumps

ISSUE: This project at Station 12 involves replacing the existing 1.0 MG Reservoir 4A with a 3 MG reservoir to reduce the district's distribution system storage and upgrading the booster pumps to improve the station pumping efficiency to industry standards. Reservoir 4A is a critical storage facility that provides operational, fire and emergency storage capacities. ORA recommended continuing advice letter treatment at the 2009 GRC authorized cap and sunset date of January 1, 2014.

Cal Water explained that before Reservoir 4A can be taken out of the service and replaced, the district must implement a plan to provide pumping capacity to compensate for the temporary loss of this existing critical storage facility. Given the progress made to date and the importance of this project, Cal Water believed that it is reasonable to extend the sunset to allow for AL submission and rate recovery after January 1, 2014, at the previously authorized cap ($3,524,000 plus capitalized interest).

RESOLUTION: **Parties agree that Cal Water may file for a rate base offset advice letter before the effective date of the next GRC (January 1, 2017) and at the 2009 GRC authorized cap of $3,524,000 plus capitalized interest.**

Project 30309 – Enhance Central Basin Water Rights

ISSUE: Cal Water proposed capitalizing its litigation costs concerning a Central Basin water rights issue. Central Basin (Basin) overlies about 227 square miles of the southeastern part of the Los Angeles Coastal Plain in Los Angeles County, which includes Cal Water's East Los Angeles and parts of its Dominguez systems. This is an adjudicated groundwater basin, with limited groundwater extractions, and under continuing jurisdiction of the Superior Court of Los Angeles. The Basin has excess

capacity (space) to store additional groundwater. Since early 2000, groundwater users of the Basin have proposed and sought Court action to utilize the storage space.

Cal Water has limited its participation in the litigation to protection of its adjudicated water rights and securing water storage rights in ratepayers' interests. Water and water storage rights are real property rights and in perpetuity. Costs associated with litigation to create and secure a real property right are non-depreciable capital costs, ala land.

ORA questioned capitalizing litigation costs, which Cal Water anticipates will be completed in 2014.

RESOLUTION: The Parties agree that these costs are property capitalized. **When litigation is completed and the Court determines a storage rights program, the Parties agree that Cal Water will file an advice letter capped at $90,660 for a rate base offset.**

E. PROJECTS EXCLUDED FROM PLANT ADDITIONS

East Los Angeles: Excluded Projects
("Discussion" identifies projects discussed in detail below.)

Project	Discussion	Description	Reason
00020759	X	Land Outside the ELA Service Area For Future New Well.	Defer
00057791	X	Improvements at Tubeway Phase 1	Defer
00058352	X	Tubeway Improvements - Phase 2	Defer
00063396		Install/Retire fire hyd's	2012 NS
00068869		Field - 2-Way Voice Radio System	Defer
00072515		Purchase 1/2 Ton Truck	2012 NS
00072813		Install 4" main on Via Corona	2012 NS
00073475		valve casings complete 1st.qtr.2012	2012 NS
00073616		Replace 6" CLA-VAL	2012 NS
00073633		Broken Gate Valves-1st Quarter	2012 NS
00075133		Purchase 2-two way radios	2012 NS
00077993	X	Land Outside the ELA Service Area For Future New Well.	Defer
ELA0900		METER REPLACEMENT PROGRAM	Duplicate
Total			**$ 5,096,637.2**

<u>Projects 77993 and 20759 – Land purchase for new wells</u>

ISSUE: Cal Water proposed Projects 77993 and 20759 to purchase well sites at estimated costs of $1,061,000 and $1,221,300, respectively. The property purchases will be future sites of two additional wells (one at each property) to maximize the use of

groundwater, and therefore, lessen the amount of water purchased from the Central Basin Municipal Water District (CBMWD), the local wholesale water supplier.

ORA opposed both of these projects because, it contended, Cal Water relied solely on the recommendation of the district's Water Supply and Facilities Master Plan which was completed in 2007 and assumed now-outdated demand scenarios. ORA also questioned the cost effectiveness of adding new wells and pointed out that Cal Water has not provided a comprehensive cost analysis that considered all incremental operational expenses and required capital investment (for land, well, treatment and transmission main connecting the well to the service area).

RESOLUTION: After multiple discussions, Cal Water agrees to defer the request for Projects 77993 and 20759 to the next GRC.

Projects 57791 and 58352 – Phases 1 and 2 Building Improvements at the Tubeway Property

See discussion on the Tubeway Property in the Advice Letter Projects section above.

F. ADJUSTMENT TO RECORDED PLANT BALANCE

Project 50350 – Tubeway Property Purchase

In its July 2012 Application, Cal Water included in its 2012 beginning of year plant balance $6,822,666.64 for the Tubeway Property purchase. That amount was shown in Cal Water's Report on the Result of Operation for the East Los Angeles District, Attachment B – Recorded Plant Additions, page 11. The Parties agree that the recorded 2012 beginning of year plant balance should be reduced by $3,411,333.32. See detailed discussion on the Tubeway Property-related projects in the Advice Letter Projects section above.

[END OF CHAPTER]

CHAPTER 22. HERMOSA-REDONDO DISTRICT PLANT

A. OVERVIEW

Most of the Hermosa-Redondo District's water supply comes from purchased water; only about 17% comes from groundwater wells. Major projects in this Agreement include treatment facilities to address Total Dissolved Solids, recoating of five tanks, and main replacements.

The tables below provide a summary of the plant settlement for this district. In the sections that follow, specific projects are identified in separate tables, and certain projects are discussed in further narratives. In addition, there may be projects related to "global" issues – issues that affect multiple districts – that are included in these tables, but discussed separately in the "Global Plant" section of this Agreement.

Hermosa Redondo: Non-Specific Advance Capital Budget Summary

Year	July Filing	ORA Report	Settlement
2012	$ 1,107,600.0	$ 1,107,600.0	$ 1,107,600.0
2013	$ 1,371,700.0	$ 1,119,600.0	$ 1,245,650.0
2014	$ 1,443,600.0	$ 1,166,800.0	$ 1,293,000.0
2015	$ 1,481,400.0	$ 1,142,400.0	$ 1,324,100.0
Total	**$ 5,404,300.0**	**$ 4,536,400.0**	**$ 4,970,350.0**

The annual non-specific budget is for capital projects that are anticipated to be initiated and completed during the indicated year to resolve issues that were not known in detail when the advanced capital budget ("ACB") was adopted for that period. The non-specific projects tend to be for emergency or unforeseen projects that need to be addressed between GRCs.

Hermosa Redondo: Specific Advance Capital Budget Projects Summary

Year	July Filing	ORA Report	Settlement
2012	$ 824,100.0	$ 454,085.0	$ 250,312.4
2013	$ 8,263,249.7	$ 2,184,290.5	$ 4,573,228.6
2014	$ 2,755,195.3	$ 1,559,137.1	$ 2,016,369.3
2015	$ 2,628,206.2	$ 1,557,091.0	$ 2,162,627.1
Total	**$ 14,470,751.3**	**$ 5,754,603.7**	**$ 9,002,537.4**

The advanced capital budget for specific projects identifies the projects and forecasted costs (except for carryover projects) that the Parties have agreed should be included in the adopted revenue requirement.

Hermosa Redondo: Carryover Capital Projects Summary

Year	July Filing	ORA Report	Settlement
2012	$ 1,876,617.1	$ 240,405.0	$ 541,395.1
2013	$ -	$ -	$ 897,685.1
2014	$ -	$ -	$ -
2015	$ -	$ -	$ -
Total	**$ 1,876,617.1**	**$ 240,405.0**	**$ 1,439,080.1**

Carryover projects are capital projects included in the revenue requirement proposed in the Agreement that were not used and useful as of January 2012, and are not included in the advanced capital budgets summarized above. The Parties agree that Cal Water will complete the listed carryover projects at the identified settlement amounts and in the years indicated. These projects should be included in the adopted revenue requirement.

Hermosa Redondo: Advice Letter Projects Total

	Advice Letter Cap
Total	**$ 4,242,770.4**

The Parties agree that certain capital projects may be included in rates after (1) they are in service; and (2) their costs (up to the specified cap) are submitted for Commission review via Tier 2 advice letter, and they are found to be reasonable. This settlement recommends adoption of these projects as "Advice Letter" projects, but their costs are not included in the revenue requirement proposed for adoption in this Agreement.

Hermosa Redondo: Excluded Projects Total

Excluded Projects	**$ 3,490,644.9**

The Parties agree that some capital projects proposed in the company's July 2012 application should not be included in the capital budgets for 2012 through 2015, unless otherwise indicated. These "excluded" projects encompass those that the company cancelled, those that are in service and already included in the beginning plant

balance per this Agreement, and those that the Parties agree for other reasons will not be included at this time. The exclusion of these projects does not prevent the company from proposing them in a subsequent application ("deferred projects").

B. SPECIFIC ADVANCE CAPITAL BUDGET PROJECTS

The Parties agree to include the following projects in the Advance Capital Budget for the years 2012 through 2015.

Hermosa Redondo: Advance Capital Budget – Specific Projects
("Discussion" identifies projects discussed in detail below.)

Project	Discussion	Description	Year	Budget
00019951		Panelboard - Sta. 29	2013	$ 156,300.0
00020139		Speyer Lane - Flagler to Harkness Lane - 700' 6" PVC; 12 1" Services; 4 2" Services	2013	$ 170,377.8
00020180		Vault Covers - Sta. 23 Res. 5B & C	2013	$ 13,396.1
00020249		Mackay Lane - Huntington to Harriman Lane - 350' 6" PVC; 1 1" Service	2012	$ 66,277.3
00020377		Replace Hit and Run Hydrants; to replace complete units for non salvageable fire hydrants.	2013	$ 55,000.0
00025628		Replace Interior Girder and Ladder - Sta. 8 T2	2013	$ 3,704.7
00027192		Paint Exterior Roof, Interior Complete and Upgrade C.P. System - Sta. 26 Res.C	2013	$ 442,758.0
00028627		Paint Interior Complete, Replace interior Safety Climb, & Upgrade C.P. System - Sta. 9 Res. 9C	2013	$ 274,693.2
00030507		Paint interior Complete, Install 30" Manhole, Replace Rafter Ends at Cupola Vent, & Upgrade CP System - Sta. 9 Res. 9 B	2013	$ 284,098.8
00051648		Paint Interior Shell and Floor, Replace Berm, & Upgrade CP System - Sta. 26 Res. 1 D	2013	$ 272,769.6
00053329		Paint Interior Underside of Roof; 8' Upper Shell; & Replace Interior Safety Climb - Sta. 5 T1 (Res. 10A)	2013	$ 222,296.4
00060532		Replace Paving and Cement - Approach from Sta. 9 up to and around Res. 9	2013	$ 147,229.2
00060992		New Cement Driveway - Sta. 28 - City of Redondo Beach	2013	$ 67,800.0
00062012		Replace System Valves - Sta. 24 Res 8	2013	$ 33,830.6
00062079		Replace Inlet & Outlet Valves - Sta. 4 - City of Redondo Beach	2015	$ 45,069.4
00062333		Repair Asphalt - Sta. 29 Res. 3	2014	$ 39,128.2
00062338		Repair Asphalt - Reservoir 8-D at Sta. 24.	2014	$ 8,010.1

Project	Discussion	Description	Year	Budget
00062392		Replace 4 Valves - Sta. 26 Res. 1	2013	$ 26,076.0
00062395		Replace Asphalt - Sta. 13	2013	$ 16,205.3
00062733		Replace 25 HP Horizontal Pumping Equipment - Sta. 23-D	2015	$ 49,480.8
00062753		Replace 30 HP Horizontal Pumping Equipment - Sta. 24-C	2014	$ 51,134.4
00062756		Replace 30 HP Horizontal Pumping Equipment - Sta. 24-D	2014	$ 51,134.4
00062936		Replace Flow Meter - Sta. 23	2013	$ 7,619.3
00062942		Replace 2 Flow Meters - Sta. 4	2014	$ 12,363.8
00062947		Replace 2 Flow Meters - Sta. 26	2014	$ 12,351.1
00064850		Replace +/- 20 Valve Casing (Complete Units) - Various Locations	2013	$ 38,160.0
00064869		Replace +/- 20 Valve Casings (Complete Units) - Various Locations	2014	$ 38,160.0
00064895		Replace +/- 20 Valve Casings (Complete Units) - Various Locactions	2015	$ 38,160.0
00066470		Inglewood Ave. - 1560' 8" PVC; 4 2" Services; 5 1" Services; 3 Hydrants. Retire 54' 6" AC; 151' 2" CI; 190' 2" PVC	2013	$ 693,176.4
00066549		Inst. 1,627' - 8" PVC Inglewood	2014	$ 667,902.0
00066790		Install 3 SCADA RTUs: 8, 22, 30	2014	$ 88,099.2
00066931		Install 700'-6" PVC C-900 Main and 12-1" Services. Retire 700'-4" CI Main, 10-3/4" Services and 2-1" Services on Hill Ln From Meyer Ln to High Ln	2015	$ 261,109.8
00067046		Data Acquisition Radio Replacement	2015	$ 133,741.2
00067231		Install 17 pressure transducers for measuring pump suction and discharge pressure: 4(2), 5(3), 8, 9(2), 13, 22, 33(3), 24(2), 29,30	2014	$ 63,033.6
00072156		New Wall and Iron Fencing - Sta. 24 Res. 8 - City of Torrance	2013	$ 51,989.7
00077973		Inst. 1,334' PVC Main	2013	$ 461,249.5
00078114		Inst. 2,082' - 6" PVC Main Via La Circula	2013	$ 692,333.3
00078273		Inst. 632' - 6" PVC Miramar Dr	2013	$ 216,367.2
00078274		Inst. 546' - 6" PVC Sierra Vista Dr	2014	$ 182,509.0
00078281		Inst. 1,388' - 6" PVC Main 9th Street	2014	$ 467,861.0
00078283		Inst. 375' - 6" PVC 33rd St	2014	$ 131,123.0
00078285		Inst. 1,812' - 6" PVC Main 18th Street	2015	$ 600,958.0
00078287		Inst. ,888' - 6" PVC Johnston Ave.	2015	$ 645,228.0
00078288		Inst. 538' - 6" PVC Main Thomas Ave.	2015	$ 179,497.0
HRD0900		Meter Replacement Program	2012	$ 184,035.1
HRD0900		Meter Replacement Program	2013	$ 225,797.6
HRD0900		Meter Replacement Program	2014	$ 203,559.4

Project	Discussion	Description	Year	Budget
HRD0900		Meter Replacement Program	2015	$ 209,382.9
Total				**$ 9,002,537.4**

Main Replacement Projects

ISSUE: Cal Water proposed on average $1.9 million per year in main replacement projects for 2013 through 2015. In its testimony, ORA presented several reasons that led to its recommendation that main replacement budgets on average should be no more than the recorded 2007-2011 average main replacement expenditure, or approximately $1.3 million in 2012 dollars.

RESOLUTION: As a result of settlement discussions on the merits of the proposed projects and appropriate budget levels, Cal Water and ORA agree to include main replacement budgets that total to about $300,000 less per year than Cal Water's original requests. The main projects included in the table above represent projects selected by Cal Water that meet its main replacement priorities and fall within the agreed-upon reduced total budgets.

C. CARRYOVER PROJECTS

The Parties agree to include the following Carryover projects in the capital budget for the years 2012 through 2015.

Hermosa Redondo: Projects Not In Service as of January 2012
("Discussion" identifies projects discussed in detail below.)

Project	Discussion	Description	Year	Budget
00012938		Curtis Lane - Perkins Lane West - 275' 6" PVC; 4 1" Services; 4 2" Services	2012	$ 6,600.0
00012955		Graham Ave. - Vail Ave. West - 325' 6" PVC; 6 1" Services Graham Ave.	2012	$ 3,800.0
00012959		Green Lane - Ruhland to Gates Ave. - 862' 6" PVC; 3 1" Services	2013	$ 128,019.2
00017676		Replace Pressure Tanks - Sta. 24 PT	2013	$ 81,700.0
00017883		Security Mitigation Improvements - Various Stations	2013	$ 33,500.0
00018188		SCADA RTUs	2012	$ 31,568.1
00019900		Replace Diesel Motor & GenSet - Sta. 29	2013	$ 130,000.0
00019945		Field - Portable Generator - Productions Field Operations	2012	$ 140,000.0
00020119		Huntington Lane - Slauson West to 6" AC - 300' 6" PVC; 9 1" Services	2012	$ 64,800.0

Project	Discussion	Description	Year	Budget
00020132		Morgan Lane - Flagler to Harkness Lane - 700' 6" PVC; 4 1" Services	2013	$ 125,803.7
00020194		Rindge Lane - Ruhland to Nelson Ave. - 550' 6" PVC; 2 1" Services	2013	$ 57,361.0
00020376		Replace Hit and Run Hydrants	2013	$ 31,831.1
00020680		Sample Site	2012	$ 9,314.2
00025207		REPLACE 4" GATE VALVE HERMOSA AVE	2013	$ 6,990.5
00040948		INST. 660'-PVC MAIN 15 TH ST.	2013	$ 172,246.5
00040967		INST. 580'-6" PVC MAIN 24 TH ST.	2012	$ 92,222.1
00043047		REPLACE 2-6" GATE VALVES	2013	$ 14,578.3
00043387		REPLACE 2-6" VALVES	2013	$ 12,543.0
00043409		REPLACE 6" VAL ERNEST AVE	2013	$ 6,105.0
00043668		RELOCATE 14 FIRE HYDRANTS	2012	$ 124,308.7
00047609		RELOCATE 6" SERVICE	2013	$ 27,641.8
00054930		Install PVC C.P. test tube	2013	$ 2,640.0
00061753		Repl Pump & Motor Res 3	2013	$ 3,580.8
00062034		Replace Hyd Valve	2013	$ 10,019.0
00066190		Replace Motors-HR sta. 9 C&D	2012	$ 7,878.2
00068576		Repl 4" outlet Valve@ 916 Esplanade	2012	$ 6,293.9
00069391		INST. 89'-PVC MAIN GRAVELEY CT.	2013	$ 41,405.3
00071113		Repl. 2-10" Valves Res. 5-B	2012	$ 22,544.6
00071894		Repl. Hypochlorinator Pump	2012	$ 1,614.2
00072174		Repl 2-6 Valves@ Paseo De Gracia	2013	$ 11,719.9
00072193		Repl 3" Mtr & Valves @2551 Santa fe	2012	$ 16,366.7
00072434		Replace Pump-Sta. 5B	2012	$ 14,084.5
Total				**$ 1,439,080.1**

D. ADVICE LETTER PROJECTS

The Parties agree to include the following Advice Letter projects in the capital budget for the years 2012 through 2015.

Hermosa Redondo: Advice Letter Projects
("Discussion" identifies projects discussed in detail below.)

Project	Discussion	Description	Year	Budget
00059132	X	ENHANCE WEST BASIN WATER RIGHTS	2014	$ 90,000.0
00064502	X	Facilities to Address Total Dissolved Solids and Specific Conductivity Exceedances	2014	$ 4,080,000.0
00079974		Cal Water RAMCAP Vulnerability Assessments	2015	$ 72,770.4
Total				**$ 4,242,770.4**

<u>Project 59132 – Enhance West Basin Rights</u>

ISSUE: Cal Water proposed capitalizing its litigation costs concerning a West Basin water rights issue. West Basin (Basin) underlies 160 square miles in the southwestern part of the Los Angeles Coastal Plain in Los Angeles County. The Basin extends southwesterly along the coast from the Newport-Inglewood Uplift to the Santa Monica Bay, which includes Cal Water's Hermosa-Redondo District and part of its Dominguez District. This is an adjudicated groundwater basin, with limited annual groundwater extractions per water rights holder within West Basin in order to prevent sea water intrusion and an unhealthy groundwater level. The Basin has excess capacity (space) to store additional groundwater. Since early 2000, groundwater users of the Basin have proposed and sought Court action to utilize the storage space.

Cal Water has limited its participation in the litigation to protect its adjudicated water rights and secure water storage rights on behalf of ratepayers' interests. Water and water storage rights are real property rights and in perpetuity. Costs associated with litigation to create and secure a real property right are non-depreciable capital costs (i.e. land rights).

ORA has concern on the uncertainty of both the litigation costs and the time it will take to resolve it.

RESOLUTION: The Parties agree that these costs are property capitalized. When litigation is completed and the Court determines a storage rights program, The Parties agree that Cal Water will file an advice letter capped at $90,000 for a rate base offset.

<u>Projects 64502– Facilities to Address Total Dissolved Solids and Specific Conductivity Exceedances</u>

ISSUE: Cal Water proposed two nanofiltration treatment facilities to mitigate secondary maximum contaminant level exceedances of Total Dissolved Solids (TDS) and Specific Conductivity (EC) at a cost of $1.6 million each for Wells 8-02 (Project 64502) and 22-01 (Project 64530). Cal Water stated that addressing the secondary contaminants is necessary to continue use of these groundwater sources, which at $1.6 million per treatment site is a lower, cost alternative to purchased water.

Cal Water developed refined treatment requirements and costs for wells in Hermosa-Redondo while working on several treatment projects approved in prior GRCs which has provided a more realistic indication of the cost of treatment. In rebuttal, Cal Water provided a revised cost estimate of nanofiltration treatment which is $5 million per

site (a change from $1.6 million proposed in the original application) supported by a more detailed cost-benefit analysis.

ORA was concerned that aside from not providing a treatment alternative study to substantiate its claim that nanofiltration is an economically feasible treatment technology for TDS, Cal Water increased its budget request significantly in Rebuttal Testimony. This prompted ORA to look at other viable treatment alternatives that were considered in the study but were not presented in the application. During settlement negotiations, Cal Water at ORA's suggestion explored blending as a solution and agreed that, if approved by the California Department of Public Health (CDPH), it may be a more cost effective approach in addressing the TDS and SC levels in the Hermosa distribution system. Under this approach, Cal Water will construct a pipeline to transport water from both wells to one of its existing facility for blending with purchased water prior to distribution. This solution would mitigate contaminants of concern for both Wells 8-02 and 22-01 at a cost of $4,080,000.

RESOLUTION: ORA and Cal Water agree to modify and include Project 64502 as an Advice Letter with a cap of $4,080,000 to construct a blending facility to address TDS and SC issues in both wells. Cal Water will cancel Project 63540. If Cal Water does not receive approval from the CDPH and can demonstrate that it has made reasonable efforts to develop a blending plan for the CDPH's consideration, Cal Water may then utilize the agreed-upon budget for Project 64502 to construct a nanofiltration treatment for a single well, only after meeting and conferring with ORA. That Advice Letter project, with nanofiltration, will also be capped at $4,080,000.

E. PROJECTS EXCLUDED FROM PLANT ADDITIONS

The Parties agree to exclude the following projects from the capital budget for 2012 through 2015. The reasons for the exclusion are as described below.

Cancelled projects – Cal Water cancelled these projects during discovery, in rebuttal or as a result of settlement negotiations.

Defer Request projects – Cal Water agrees to defer the request of these projects to a later rate case during discovery, in rebuttal or as a result of settlement negotiations.

2012 NS projects – These 2012 Non-Specific projects (i.e., projects funded by authorized 2012 Non-Specific Budget) were initiated on or after January 2012. Cal Water included these projects in its requested Carryover capital project budget in this rate case. ORA contends that these projects' costs are already covered under the

authorized 2012 Non-Specific Budget, and therefore their costs should not be included again in the Carryover capital project budget. Cal Water agrees to remove dollars associated with these projects from the Carryover budget in this rate case.

Hermosa Redondo: Excluded Projects
("Discussion" identifies projects discussed in detail below.)

Project	Discussion	Description	Reason
00051149		Replace pump-HR sta. 9-D	Defer
00043410		INSTALL 2- 6" GATE VALVES	Defer
00073153	**X**	Replace Hyd @ Valley Dr	2012 NS
00074153	**X**	Repl 2-4" Valves	2012 NS
00074995	**X**	Repl 8" Val @ Catalina and Beryl	2012 NS
00075955	**X**	Relocate 6'-6"Main@ Hermosa & 22st.	2012 NS
00021524		TASTE & ODOR TREAMENT 30-01	Cancelled
00020085		Retrofit - Sta. 23 Res. 5B & 5C	Cancelled
00020088		Panelboard Shelter - Sta. 29	Cancelled
00020396		15th Street - PCH to Ocean Drive - 660' 6" PVC; 21 1" Services; 2 2" Services; 2 4" Services; 1 Hydrant	Cancelled
00064530	**X**	Nanofiltration Treatment Facility - Sta. 22 Well 1	Cancelled
00078199		Inst. 1,022' - 8" PVC Main Guadalupe	Defer
00066874		3 Well Level Sensors - Sta. 8, 22, 30	Defer
00067113		14 Hand-Off-Auto Sensors by SCADA	Defer
00067413		Install 14 power meters: 4, 5, 8, 9, 13, 14, 22, 23, 24, 26, 27, 28, 29, 30	Defer
00078275		Inst. 743' - 6" PVC Main S. Juanita	Defer
00062343		Replace Building - Sta. 27	Defer
00078289		Inst. 851' - 6" PVC Burritt Ave	Defer
Total			**$ 3,490,644.9**

Project 64530 – Nanofiltration Treatment Facility - Station 22 Well 1

Please see Advice Letter Projects section above.

[END OF CHAPTER]

CHAPTER 23. KERN RIVER VALLEY DISTRICT PLANT

A. OVERVIEW

Two groups intervened on behalf of ratepayers in the Kern River Valley District: the County of Kern, and R.A.W. (Residents Against Water Rates). Unless otherwise noted, the term "the Parties" as used in this chapter refers to Cal Water, DRA, Kern County and R.A.W. The Parties request that the Commission approve the settlement plant values described herein under the conditions specified.

The District consists of a number of small, un-interconnected water systems, some of which rely entirely on groundwater wells. Major projects included in this Agreement include emergency supply power projects, main replacements, tank replacement and new well in the Lakeland system, and new tank in the South Lake system,

The tables below provide a summary of the plant settlement for this district. In the sections that follow, specific projects are identified in separate tables, and certain projects are discussed in further narratives. In addition, there may be projects related to "global" issues – issues that impact multiple districts – that are included in these tables, but discussed separately in the "Global Plant" section of this Agreement.

Kern River Valley: Non-Specific Advance Capital Budget Summary

Year	July Filing	ORA Report	Settlement
2012	$ 189,700.0	$ 189,700.0	$ 189,700.0
2013	$ 143,000.0	$ 143,000.0	$ 143,000.0
2014	$ 150,400.0	$ 150,400.0	$ 150,400.0
2015	$ 154,400.0	$ 154,400.0	$ 154,400.0
Total	**$ 637,500.0**	**$ 637,500.0**	**$ 637,500.0**

The annual non-specific budget is for capital projects that are anticipated to be initiated and completed during the indicated year to resolve issues that were not known in detail when the advanced capital budget ("ACB") was adopted for that time period. The non-specific projects tend to be for emergency or unforeseen projects that need to be addressed between GRCs.

Kern River Valley: Specific Advance Capital Budget Projects Summary

Year	July Filing	ORA Report	Settlement
2012	$ 190,900.0	$ 190,900.0	$ 50,991.4
2013	$ 1,517,797.7	$ 1,384,508.3	$ 1,063,725.1
2014	$ 2,233,455.9	$ 1,130,736.5	$ 805,182.5
2015	$ 942,249.8	$ 503,486.9	$ 1,045,510.1
Total	**$ 4,884,403.5**	**$ 3,209,631.7**	**$ 2,965,409.1**

The advanced capital budget for specific projects identifies the projects and forecasted costs (except for carryover projects) that the Parties have agreed should be included in the adopted revenue requirement.

Kern River Valley: Carryover Capital Projects Summary

Year	July Filing	ORA Report	Settlement
2012	$ 1,255,996.3	$ 770,000.0	$ 973,097.4
2013	$ -	$ -	$ 18,738.3
2014	$ -	$ -	$ 161,347.6
2015	$ -	$ -	$ -
Total	**$ 1,255,996.3**	**$ 770,000.0**	**$ 1,153,183.3**

Carryover projects are capital projects included in the revenue requirement proposed in the Agreement that were not used and useful as of January 2012, and are not included in the non-specific and specific advanced capital budgets summarized above. The Parties agree that Cal Water will complete the listed carryover projects at the identified settlement amounts, and in the years indicated. The Parties agree that these projects' forecasted costs should be included in the adopted revenue requirement.

Kern River Valley: Advice Letter Projects Total

			Advice Letter Cap
Total			**$ 808,185.4**

The Parties agree that certain capital projects may be included in rates after (1) they are in service and considered used and useful, and (2) their costs (up to the specified cap) are submitted for Commission review via Tier 2 advice letter, and the costs are found to be reasonable. This settlement recommends adoption of these

projects as "Advice Letter" projects, but their costs are not included in the revenue requirement proposed for adoption in this Agreement.

Kern River Valley: Excluded Projects Total

Excluded Projects	**$ 916,105.8**

The Parties agree that some capital projects proposed in the company's July 2012 application should not be included in the capital budgets for 2012 through 2015, unless otherwise indicated. These "excluded" projects encompass those that the company cancelled, those that are in service and already included in the beginning plant balance per this Agreement, and those that the Parties agree for other reasons to exclude at this time. The exclusion of these projects does not prevent the company from proposing them in a subsequent application ("deferred projects").

B. SPECIFIC ADVANCE CAPITAL BUDGET PROJECTS

The Parties agree to include the following projects in the Advance Capital Budget for the years 2012 through 2015.

Kern River Valley: Advance Capital Budget – Specific Projects
("Discussion" identifies projects discussed in detail below.)

Project	Discussion	Description	Year	Budget
00020842		Vehicle - Cab & Chassis, Utility Body, & Mobile Radio	2013	$ 65,665.6
00021309		Back-Up Booster - Bodfish	2013	$ 8,138.7
00021310		Pump & Motor - Back-Up Booster - Bodfish	2013	$ 16,800.0
00021311		Back-Up Portable Booster Pump - Bodfish	2012	$ 43,200.0
00021312		Field - Tools	2012	$ 7,791.4
00021313		Field - Air Compressor	2013	$ 19,160.5
00021326		Site Improvements - Field Office & Warehouse	2014	$ 36,000.0
00051988		Paint Interior Complete and Replace CP Anodes - Bodfish Sta. 11 Tank 1	2015	$ 6,238.6
00059632		Paint Interior Shell & Floor from 8' below Roof & Interior Ladder - Kernville Sta.1 Tank 1 (Treatment Plant Bay Tank)	2014	$ 7,301.3
00061355		Field - New Handhelds for Meter Reading	2013	$ 19,380.0
00061357		King Lane - 1500 ft. 6" PVC; Reconnect 25 1" Services	2013	$ 163,818.0
00061362		Quail Lane - 1500' 6" PVC; Reconnect 25 1" Services	2014	$ 163,818.0
00061373		Mtn View - 1,500' 6" PVC; Reconnect 25 1" Services	2015	$ 165,794.0

Project	Discussion	Description	Year	Budget
00063328		Paint Exterior Complete - Sta. 14 Tank 1	2015	$ -
00064477		100K Tank - Sta. 143 - 02 South Lake	2015	$ 385,070.4
00064669	X	22K Gal. Bolted Steel Tank - Sta. 8 Lakeland	2014	$ 150,971.2
00064729		Pretreatment for Kernville Plant	2013	$ 167,926.8
00065409		Vehicle - 1 Ton C&C with Service Body - Pump Operator	2013	$ 71,500.0
00065548		Vehicle - 1 Ton C&C with Service Body	2013	$ 64,260.0
00065549		Vehicle - 0.75 Ton Truck with Service Body	2013	$ 64,300.0
00066171		Pretreatment - Upper Bodfish Plant	2013	$ 192,458.3
00066177		Pretreatment - Lower Bodfish Plant	2015	$ 192,458.3
00070333	X	Dismantle and re-assemble the nuts, bolts and gaskets on the ground level bolted steel tanks - Sta. 7 Tank 1 - Gautche Tank	2014	$ 80,340.0
00070650		Replace CP System - Sta. 1 Tank 1 - Kernville	2014	$ 11,553.6
00071193		Point to Point Radio Controls - Lakeland, KV to Arden pumps, and Rim Rd.	2013	$ 20,267.5
00071194		Point to Point Radio Controls - Juniper Highlands, Pala, and Nellie Dent	2014	$ 20,267.5
00071197		Point to Point Radio Controls - Squirrel Mt., Lake Properties, and Southlake	2015	$ 20,268.0
00075833	X	Purchase portable generator that will operate at any station in the district.	2014	$ 64,800.0
00075834	X	Portable Generator for Kern River Valley District.	2014	$ 67,200.0
00075835	X	Portable Generator sized to operate at any of the stations in the district.	2015	$ 68,400.0
00075853	X	Install standby generator and ATS.	2013	$ 146,262.5
00075854	X	Install standby generator and automatic transfer switch at Kernville Station 6.	2014	$ 150,383.3
00075913	X	Install standby generator and automatic transfer switch at station 1.	2015	$ 154,452.5
00076333	X	Install transfer switch and receptacle to allow for a quick connection for a portable generator in case of power failure. Also, install alarm dialer to notify operations of power outage.	2013	$ 21,600.0
00076335	X	Install transfer switch, generator receptacle, and alarm dialer for Ponderosa Pines booster station.	2013	$ 21,600.0
00076338	X	Install transfer switch, generator receptacle, and alarm dialer at Southlake booster station.	2014	$ 21,600.0
00076341	X	Install transfer switch, generator receptacle, and alarm dialer at Arden booster station.	2014	$ 21,600.0
00076345	X	Install manual transfer switch, generator receptacle, and alarm dialer for the Upper Bodfish treatment plant.	2015	$ 21,600.0
00076346	X	Install manual transfer switch, generator receptacle, and alarm dialer for the Lower Bodfish treatment plant.	2015	$ 21,600.0
KRV0900		Meter replacement program	2012	$ -
KRV0900		Meter replacement program	2013	$ 587.1
KRV0900		Meter replacement program	2014	$ 9,347.6
KRV0900		Meter replacement program	2015	$ 9,628.0
Total				**$ 2,965,409.1**

Projects 64669 & 71153[8] – 22,000-Gallon Tanks (Lakeland)

ISSUE: Cal Water proposed Projects 64669 and 71153 to replace the existing 40,000-gallon tank at the Lakeland Water Treatment Plant. The existing tank was leaking and in poor condition and needed to be removed from service. In the interim, Cal Water installed two 6,000-gallon temporary poly tanks to maintain operations. Cal Water stated that the proposed tanks are each 22,000 gallons to fit on the small site footprint and will facilitate better operations by allowing the tanks to be individually taken out of service for inspection and maintenance.

RAW and ORA did not agree with the need for the two 22,000-gallon tanks at this time since Cal Water has been operating with two 6,000-gallon tanks. Therefore, RAW and ORA contended that the company should be able to maintain operations with only one 22,000-gallon tank. The Lakeland Water System also has a 300,000-gallon tank, which provides adequate storage for the system.

After considering the operations of the station, the additional site visit by RAW and the deferral of other projects, the Parties agree that both 22,000-gallon tanks are needed at this station to ensure adequate water supply for the Lakeland customers. Cal Water plans to construct the new tanks on the recently purchased parcel next to the existing water treatment plant. The new well discussed below will also be located on this parcel.

RESOLUTION: The Parties agree to include Project 64669 as a plant addition in 2014 for $150,971 and to include Project 71153 as a plant addition in 2014 for $161,348.

Projects 70333, 70310 & 70349 – Dismantle & Reassemble Steel Bolt Tanks (Various Locations)

ISSUE: In the Kern River Valley District, Cal Water has a large number of bolted steel tanks. Unlike welded steel tanks, these tanks utilize pre-rolled steel plates and gaskets that are connected with nuts and bolts. In three specifically identified sites, the tanks are leaking because of deterioration of the gasket material, while the steel plates, nuts, and bolts remain in good condition. Instead of replacing the entire tank, to save costs, Cal Water proposed dismantling these tanks, replacing the gasket material, and

[8] A Carryover project.

reassembling. Cal Water estimates that this requires approximately ¼ of the cost of a new tank.

RAW indicated that this appeared to be a high cost activity that results in the same infrastructure that is currently existing, and therefore recommended deferring these three projects to a future GRC.

The Parties ultimately agreed to the long-term need for these projects. However, to limit the rate increase in this rate case, the Parties agree that only one of these three projects be implemented in this rate case period and the rest be deferred to future rate cases. This compromise will serve to help achieve a more unified and consistent program for these tanks.

RESOLUTION: The Parties agree to include Project 70333 as a plant addition in 2014 for $80,340 and Cal Water agrees to defer proposal of Projects 70310 and 70349 to a subsequent GRC.

<u>Projects 75833, 75834, 75835, 75853, 75854, 75913, 76333, 76335, 76336, 76338, 76341, 76344, 76345, 76346 & 76347 – Emergency Power Supply Projects (Various Locations)</u>

ISSUE: The Kern River Valley District is located in rugged terrain and susceptible to wild land fires. In order to help achieve reliable operations during emergencies, Cal Water proposed to increase the availability of emergency power supply equipment. Cal Water proposed installing three fixed standby generators at locations identified as critical, purchasing three portable generators, and equipping nine stations with manual transfer switches to enable the portable generators to connect to these stations as needed.

ORA and RAW recognized the importance and prudency of the proposed emergency power equipment. However, both questioned the need to implement all proposed projects in this GRC cycle.

RESOLUTION: The Parties agree that additional emergency power equipment investment is needed in this district. However, in order to limit the rate increase in this rate case, the Parties agree that Cal Water should defer three of the projects. The Parties agree to include the following projects as plant additions in the year indicated:

Project	Year	Budget
00075833	2014	$ 64,800.0
00075834	2014	$ 67,200.0
00075835	2015	$ 68,400.0
00075853	2013	$ 146,262.5
00075854	2014	$ 150,383.3
00075913	2015	$ 154,452.5
00076333	2013	$ 21,600.0
00076335	2013	$ 21,600.0
00076338	2014	$ 21,600.0
00076341	2014	$ 21,600.0
00076345	2015	$ 21,600.0
00076346	2015	$ 21,600.0

C. CARRYOVER PROJECTS

The Parties agree to include the following Carryover projects in the capital budget for the years 2012 through 2015.

Kern River Valley: Projects Not In Service as of January 2012
("Discussion" identifies projects discussed in detail below.)

Project	Discussion	Description	Year	Budget
00013565		REPLACE STA.2 - SENJAYHO TK.1	2012	$ 177,057.3
00020285		Kernville Road - 4,250' 6" PVC; 42 1" Services	2012	$ 494,500.0
00020408		Paint Exterior Complete - Sta. 8 Tank 1	2012	$ 23,900.0
00020415		Paint Exterior Complete & Exterior Safetyclimb - Sta. 11 Tank 1	2012	$ 59,300.0
00020667		Countrywood System Tie In to Arden System - 1,200' 6" PVC	2012	$ 192,300.0
00052028		AUTO DIALER AND SWITCHGEAR	2012	$ 5,871.6
00052029		Replace CP anodes-Sta.7 Tank 1	2012	$ 8,802.7
00052048		Replace CP anodes at Sta.13 Tank 1	2012	$ 8,802.7
00055089		Install PVC C.P. test tube	2012	$ 2,563.0
00068270		Radios	2013	$ 18,738.3
00071153	**X**	Contruct 22K-Gal Bolted Steel Tank	2014	$ 161,347.6
Total				**$ 1,153,183.3**

<u>Project 71153 – 22,000 Gallon Tank (Lakeland)</u>

Please refer to discussion of Projects 64669 and 71153 above.

D. ADVICE LETTER PROJECTS

The Parties agree to include the following Advice Letter projects in the capital budget for the years 2012 through 2015.

Kern River Valley: Advice Letter Projects
("Discussion" identifies projects discussed in detail below.)

Project	Discussion	Description	Year	Advice Letter Cap
00066170	**X**	New Well - Lakeland	2015	$ 666,201.8
00079962		Cal Water RAMCAP Vulnerability Assessments	2015	$ 141,983.6
Total				**$ 808,185.4**

Project 66170 – New Well (Lakeland)

ISSUE: The Lakeland system relies on several older wells for its water supply. These wells have become less reliable because of the fractured rock nature of the hydrogeology in Lakeland. Cal Water purchased an additional property near its Lakeland Treatment plant for additional supply project. This well project is intended by Cal Water to improve the quantity and quality of the overall water supply for Lakeland.

ORA recommended disallowance of this project because it found that Cal Water did not provide the necessary analyses and data in order for ORA to evaluate the need for this well and RAW opposed the well because of the cost.

In Rebuttal Testimony, Cal Water provided additional information to show customer demand and the efficiency of the reverse osmosis system. After various discussions, site visits, and as part of the overall settlement, the Parties recognized the need for this supply project considering the diminishing capacity of the three existing wells.

RESOLUTION: The Parties agree that Cal Water should be authorized to construct this well as an Advice Letter project with a cap of $666,202, and Cal Water agrees not to file such Advice Letter (upon project completion) before 2015 in order to delay the resulting rate increase impact.

E. PROJECTS EXCLUDED FROM PLANT ADDITIONS

The Parties agree to exclude the following projects from the capital budget for 2012 through 2015. The reasons for the exclusion are as described below.

Cancelled projects – Cal Water cancelled these projects during discovery, in rebuttal or because of settlement negotiations.

Defer Request projects – Cal Water agrees to defer the request of these projects to a later rate case during discovery, in rebuttal or because of settlement negotiations.

2012 NS projects – These 2012 Non-Specific projects (i.e., projects funded by authorized 2012 Non-Specific Budget) were initiated on or after January 2012. Cal Water included these projects in its requested Carryover capital project budget in this rate case. ORA contends that these projects' costs are already covered under the authorized 2012 Non-Specific Budget, and therefore their costs should not be included again in the Carryover capital project budget. Cal Water agrees to remove dollars associated with these projects from the Carryover budget in this rate case.

Kern River Valley: Projects Not Included in Revenue Requirement
("Discussion" identifies projects discussed in detail below.)

Project	Discussion	Description	Reason
00020517		Back Up Booster	Cancelled
00061356		Field - Vacuum Trailer System	Defer Request
00061361	X	15 Dedicated Sample Stations	Defer Request
00061372	X	15 Dedicated Sample Stations	Defer Request
00061374	X	15 Dedicated Sample Stations	Defer Request
00063103		Redundant Pumping Unit - Lower Bodfish System	Defer Request
00063108		Redundant Pumping Unit - Upper Bodfish System	Defer Request
00063896	X	Seismic Retrofit - Sta. 143-001-T1 (South Lake lower tank)	Defer Request
00064293		Field - Trimble GPS Unit H6000	Defer Request
00065562	X	Seismic Retrofit - Sta. 137-001 T1	Defer Request
00065590	X	Seismic Retrofit - Sta. 137-006 T1	Defer Request
00067589	X	Seismic Retrofit - Sta. 137-005 T1 (Grover Park tank)	Defer Request
00070310	X	Dismantle and Re-Assemble the Nuts, Bolts and Gaskets on the Ground Level Bolted Steel Tanks - Sta. 5 Tank 1 (Leggio tank) Squirrel Mountain	Defer Request
00070349	X	Dismantle and re-assemble the nuts, bolts and gaskets on the ground level bolted steel tanks - Sta. 13 Tank 1 - Kissack tank	Defer Request

Project	Discussion	Description	Reason
00074653	X	Replace Pump-Onyx 4-02	2012 NS
00075613	X	Video Conferencing Equipment	2012 NS
00075693	X	Replace Backflow Device	2012 NS
00076336	X	Install manual transfer switch, generator receptacle, and alarm dialer at Squirrel Mtn. booster station.	Defer Request
00076344	X	Install transfer switch, generator receptacle, and alarm dialer at Onyx booster station.	Defer Request
00076347	X	Install manual transfer switch, generator receptacle, and alarm dialer at the Lakeland treatment plant.	Defer Request
00077113		Replace Broken Valves	2012 NS
Total			**$ 916,105.8**

Projects 61361, 61372 & 61374 – Dedicated Sample Stations (Various Locations)

ISSUE: Cal Water does not currently have dedicated sample sites at all of its water quality sample points in the Kern River Valley district. Cal Water stated that the use of dedicated sample sites could reduce the risk of sample contamination, thereby reducing the number of repeat samples in a system. Cal Water also stated that currently samples are taken from the customers' hose bibs and therefore not convenient to customers. ORA did not see a need to install sampling stations in this district as there is no history of total coliform detection in its water or false positive coliform detection to indicate a sample collection issue exists. RAW opposed these projects for cost reasons.

RESOLUTION: The Parties agree that Cal Water should defer proposal of Projects 61361, 61372 and 61374 to a subsequent GRC proceeding.

Projects 63896, 64293, 65562 & 67589 – Seismic Retrofits (Various Locations)

ISSUE: The Kern River Valley District traverses several active and inactive earthquake faults. Cal Water has found that retrofitting tanks with flexible connections to the underground piping can prevent shearing of the inlet/outlet piping during seismic events. ORA noted that Cal Water incorrectly cited the requirement of Title 22, Article 6, as the justification for these projects and pointed out that this is a requirement for new tanks and not existing tanks. ORA recommended against these projects as these retrofits are not required for existing tanks and ORA did not see the benefit to ratepayers considering the lack of seismic activities in Kern River Valley. RAW also pointed out lack of seismic activities in its opposition to these projects.

RESOLUTION: The Parties agree that Cal Water should defer proposal of Projects 63896, 664293, 65562 and 67589 to a subsequent GRC proceeding.

Projects 70310 & 70349 – Main Replacement (Various Locations)

Please refer to discussion of Projects 70333, 70310 and 70349 above.

Projects 76336, 76344 & 76347 – Install Manual Transfer Switches (Various Locations)

Please refer to discussion of the Emergency Power Supply Projects above.

[END OF CHAPTER]

CHAPTER 24. KING CITY DISTRICT PLANT

A. OVERVIEW

King City District customers are currently experiencing the low range of acceptable General Order 103-A water pressures. Cal Water proposed three main replacement projects to improve average pressure by approximately 11 PSI (pounds per square inch). Cal Water stated that this proposal would result in optimum pressure to a large portion of the district, without causing high-pressure damage to customer plumbing. This settlement includes two of these projects and defers the third. Other major projects in this Agreement include Customer Center Remodel and warehouse refurbishment.

Cal Water moved its Customer Center to a new location and included in its capital budget a project to furnish and equip the new space, because according to Cal Water the former one is inadequate and inefficient. The proposed improvements include ergonomic workstations, and additional space for water quality sampling and equipment calibration.

The tables below provide a summary of the plant settlement for this district. In the sections that follow, specific projects are identified in separate tables, and certain projects are discussed in further narratives. In addition, there may be projects related to "global" issues – issues that impact multiple districts – that are included in these tables, but discussed separately in the "Global Plant" section of this Agreement.

King City: Non-Specific Advance Capital Budget Summary

Year	July Filing	ORA Report	Settlement
2012	$ 91,300.0	$ 91,300.0	$ 91,300.0
2013	$ 126,800.0	$ 92,100.0	$ 109,550.0
2014	$ 133,500.0	$ 94,000.0	$ 113,550.0
2015	$ 137,000.0	$ 96,100.0	$ 116,050.0
Total	**$ 488,600.0**	**$ 373,500.0**	**$ 430,450.0**

The annual Non-Specific Advance Capital Budget is for capital projects that are anticipated to be completed and placed in service during the indicated year to resolve issues that were not known in detail when the advanced capital budget ("ACB") was

adopted for that time period. The Non-Specific projects tend to be for emergency or unforeseen projects that need to be addressed between GRCs.

King City: Specific Advance Capital Budget Projects Summary

Year	July Filing	ORA Report	Settlement
2012	$ 28,800.0	$ 1,500.0	$ -
2013	$ 1,420,417.5	$ 895,584.2	$ 631,704.3
2014	$ 628,697.2	$ 395,738.0	$ 665,177.2
2015	$ 1,016,157.1	$ 542,582.0	$ 597,927.4
Total	**$ 3,094,071.8**	**$ 1,835,404.2**	**$ 1,894,808.9**

The Advance Capital Budget for Specific projects identifies the projects and forecasted costs (except for Carryover projects) that the Parties agree should be reflected in the adopted revenue requirement.

King City: Carryover Capital Projects Summary

Year	July Filing	ORA Report	Settlement
2012	$ 1,166,896.3	$ 1,024,773.1	$ 718,451.0
2013	$ -	$ -	$ 260,963.0
2014	$ -	$ -	$ -
2015	$ -	$ -	$ -
Total	**$ 1,166,896.3**	**$ 1,024,773.1**	**$ 979,414.0**

Carryover projects are capital projects reflected in the revenue requirement proposed in this Agreement that were (1) not used and useful, or in some cases not initiated, as of January 2012, and (2) not included in the Advance Capital Budgets summarized above. The Parties agree that Cal Water is expected to complete the listed Carryover projects at the identified settlement amounts and in the years indicated, and that their estimated costs should be reflected in the adopted revenue requirement in this rate case.

King City: Advice Letter Projects Total

	Advice Letter Cap
Total	**$ 55,151.7**

The Parties agree that certain capital projects may be included in rates after (1) they are in service, and (2) their costs (up to the specified cap) are submitted for

Commission review via Tier 2 advice letter, and found to be reasonable. This Agreement recommends adoption of these projects as "Advice Letter" projects, but their costs are not reflected in the revenue requirement proposed for adoption in this Agreement.

King City: Excluded Projects Total

Excluded Projects	$ 847,505.4

The Parties agree that some capital projects proposed in the company's July 2012 application should not be reflected in the 2012 through 2015 capital budgets, unless noted otherwise. These "excluded" projects encompass those that the company cancelled, those that are in service and already included in the beginning plant balance per this Agreement, and those that the Parties agree for other reasons will not be included at this time. The exclusion of these projects ("Defer Request projects") does not prevent the company from proposing them in a subsequent application.

B. SPECIFIC ADVANCE CAPITAL BUDGET PROJECTS

The Parties agree to include the following projects in the Advance Capital Budget for the years 2012 through 2015.

King City: Advance Capital Budget – Specific Projects
("Discussion" identifies projects discussed in detail below.)

Project	Discussion	Description	Year	Budget
00021303	X	Willow and Mildred - 875' 16" D.I.; 3 Hydrants Phase 3 of 6 Phases	2015	$ 529,200.0
00050528	X	Willow Street between Sta. 12-01 and Windsor St. - Phase 2 - 1,000' 16" DI; 10 Services; 3 Hydrants	2014	$ 583,200.0
00061953	-	Paint Exterior Complete - Sta. 11 Tank 1	2015	$ -
00063395	-	Office - Imaging System	2013	$ 17,191.1
00063403	-	Hydrant Replacement Program	2013	$ 78,750.0
00063713	-	4" Service, Meter and Vault - Del Rey School	2013	$ 22,248.0
00063774	-	Replace 4" Meter - 440 Jayne St.	2014	$ 26,275.2
00063798	-	Field - 3 Itron FC300 Hand Held Computer, Charging Bases, and Cables	2015	$ 22,073.8
00063855	-	Replace 4" Meter and Vault - 450 Jayne St.	2015	$ 27,099.6
00063939	-	Field - Valve Operator	2014	$ 36,822.0
00063973	-	Secure Cl2 Storage - Stations 6, 7, 8	2013	$ 41,209.2
00064334	X	Customer Center Remodel	2013	$ 160,920.0
00064484	-	Refurbish Warehouse - Sta. 1	2013	$ 144,360.0
00065540	-	Vehicle - 0.5 Ton Truck and Outfitting - Local Manager	2013	$ 40,800.0

Project	Discussion	Description	Year	Budget
00073493	X	Low Zone Conversion to Zone 455	2013	$ 108,000.0
KCD0900	-	Meter Replacement Program	2012	$ -
KCD0900	-	Meter Replacement Program	2013	$ 18,226.0
KCD0900	-	Meter Replacement Program	2014	$ 18,880.0
KCD0900	-	Meter Replacement Program	2015	$ 19,554.0
Total				**1,894,808.9**

Project 64334 - Customer Center Remodel

ISSUE: Cal Water moved its Customer Center to a newer and larger rental location, and in this project proposed to furnish/equip it to accommodate water quality sampling, equipment calibration, and to provide standardized ergonomic workstations for customer service employees.

ORA recommended against this project because of a lack of standardization across the Company and lack of detailed studies and analysis in regard to space utilization.

RESOLUTION: As a result of further discussions, Cal Water and ORA agree to include this project in this settlement at a budget of $160,900.

Project 73493 - Low Zone Conversion to Zone 455

ISSUE: Cal Water proposed changes to the low zone to eliminate low-pressure complaints by changing the low zone to a pressure zone. The company in its application proposed to accomplish this by installing an altitude valve at the elevated storage tank T1 at Station KC11 and adding a booster pump at the tank site.

Although ORA agreed with the need of the project, ORA noted that Cal Water has altered the scope of work from what was proposed in the application. Cal Water reduced the scope of work to add variable frequency drives, instead of adding altitude valve and booster capacity at Station KC11, at an estimated cost of $108,000. ORA recommended that the adopted budget reflect the new scope of work and reduced estimated cost.

RESOLUTION: Cal Water and ORA agree to include in this settlement Project 73493 with a budget of $108,000 for the low zone conversion to reflect the new revised scope of the project as presented above.

Projects 50528, 21303, and 51168– Main Replacement

ISSUE: Cal Water proposed to construct three 16-inch ductile iron mains to transfer water to the east side of the system to eliminate hydraulic deficiencies as recommended by its Water Supply and Facility Master Plan ("WSFMP"). ORA noted that the analyses included in the WSFMP were based on anticipated massive growth and development in the District. However, none of that anticipated growth has materialized due to an economic downturn and there is no indication of impending increases in customer demand.

In settlement discussions, Cal Water provided records of customer complaints of hydraulic deficiencies (low pressures) in the area to justify a need to improve pressure for current customers.

RESOLUTION: The Parties agree to include Projects 50528 and 21303 in this rate case. However, to levelize the associated rate increase impacts, the Parties agree that Cal Water should shift the implementation dates of the proposed projects as shown in the Specific Capital Budget. This also results in the shifting Project 51168 to a future GRC.

C. CARRYOVER PROJECTS

The Parties agree to include the following Carryover projects in the capital budget for the years 2012 through 2015.

King City: Projects Not In Service as of January 2012

Project	Discussion	Description	Year	Budget
00017649	-	Security Mitigation Improvements - Operations & Customer Service Center	2013	$ 2,200.0
00017650	-	Security Mitigation Improvements - Sta. 4, 6, 7, & 8	2013	$ 29,000.0
00017651	-	Security Mitigation Improvements - Sta. 10, 11, & 12	2013	$ 18,500.0
00018053	-	150' 12" CL&C - Bitterwater Road & N. First Street - Under Railroad Tracks	2013	$ 57,500.0
00018672	-	SCADA SYSTEM UPGRADE	2013	$ 151,200.0
00020733	-	Replace Pump & Add Energy Efficient Monitoring - Station 7-01	2012	$ 64,248.6
00021268	-	16" DI - San Antonio Dr.	2012	$ 350,752.0
00021332	-	San Antonio Road - Willow & N. Mildred - 2,000' 12" D.I.	2012	$ 293,703.7
00024490	-	REP 4" GV BRDWY X S MILDRED	2012	$ 8,674.0
00055128	-	Install PVC C.P. test tube	2013	$ 2,563.0
00070109	-	New pH meters	2012	$ 1,072.7
Total				**$ 979,414.0**

D. ADVICE LETTER PROJECTS

The Parties agree to include the following Advice Letter projects in the capital budget for the years 2012 through 2015.

King City: Advice Letter Projects

Project	Discussion	Description	Year	Advice Letter Cap
00079966	-	Cal Water RAMCAP Vulnerability Assessments	2015	$ 55,151.7
Total				**$ 55,151.7**

E. PROJECTS EXCLUDED FROM PLANT ADDITIONS

The Parties agree to exclude the following projects from the capital budget for 2012 through 2015. The reasons for the exclusion are as described below.

Cancelled projects – Cal Water cancelled these projects during discovery, in rebuttal or as a result of settlement negotiations.

Defer Request projects – Cal Water agrees to defer the request of these projects to a later rate case during discovery, in rebuttal or as a result of settlement negotiations.

2012 NS projects – These 2012 Non-Specific projects (i.e., projects funded by authorized 2012 Non-Specific Budget) were initiated on or after January 2012. Cal Water included these projects in its requested Carryover capital project budget in this rate case. ORA contends that these projects' costs are already covered under the authorized 2012 Non-Specific Budget, and therefore their costs should not be included again in the Carryover capital project budget. Cal Water agrees to remove dollars associated with these projects from the Carryover budget in this rate case.

King City: Excluded Projects
("Discussion" identifies projects discussed in detail below.)

Project	Discussion	Description	Reason
00015153	-	Field Office Building	Defer Request
00018082	-	East Pearl Street @ South First Street - Under Southern Pacific Railroad - 125' 8" CL&C	Defer Request
00020729	-	Replace Motor - Sta. 6-01	Cancelled

00051168	X	Ellis Street between Mildred St and Russ St. - Phase 4 - 1,100' 16" D.I.; 4 Hydrants	Defer Request
00068891	-	Field - 2-Way Voice Radio System	Defer Request
00074034	-	New Surge Tank Bladder	Defer Request
00076334	-	4" Water Service MEE	2012 NS
00078593	-	STA 7 Pressure Tank Replacement	2012 NS
Total			**$ 847,505.4**

Project 51168 - Ellis Street between Mildred St and Russ St. - Phase 4

Parties agreed that Cal Water should defer this project to a future GRC as discussed above.

[END OF CHAPTER]

CHAPTER 25. LIVERMORE DISTRICT PLANT

A. OVERVIEW

The supply for Livermore District is provided by company-owned and leased wells and water purchased from Zone 7 Water Agency. Over 70% of the supply comes from purchased water. Major projects recommended in this Agreement include main replacements, booster station upgrade, chloramination treatment, and land for a new well.

The tables below provide a summary of the plant settlement for this district. In the sections that follow, specific projects are identified in separate tables, and certain projects are discussed in further narratives. In addition, there may be projects related to "global" issues – issues that impact multiple districts – that are included in these tables, but discussed separately in the "Global Plant" section of this Agreement.

Livermore: Non-Specific Advance Capital Budget Summary

Year	July Filing	ORA Report	Settlement
2012	$ 638,600.0	$ 638,600.0	$ 638,600.0
2013	$ 1,049,600.0	$ 645,504.0	$ 847,550.0
2014	$ 1,104,800.0	$ 658,461.0	$ 881,750.0
2015	$ 1,133,700.0	$ 672,284.0	$ 903,250.0
Total	**$ 3,926,700.0**	**$ 2,614,849.0**	**$ 3,271,150.0**

The annual Non-Specific Advance Capital Budget is for capital projects that are anticipated to be completed and placed in service during the indicated year to resolve issues that were not known in detail when the advanced capital budget ("ACB") was adopted for that time period. The Non-Specific projects tend to be for emergency or unforeseen projects that need to be addressed between GRCs.

Livermore: Specific Advance Capital Budget Projects Summary

Year	July Filing	ORA Report	Settlement
2012	$ 263,765.8	$ 263,765.8	$ 88,096.7
2013	$ 4,818,734.8	$ 1,546,270.3	$ 4,155,706.9
2014	$ 3,792,597.4	$ 1,021,223.4	$ 2,428,591.2
2015	$ 2,675,940.3	$ 372,456.9	$ 1,028,963.7
Total	**$ 11,551,038.2**	**$ 3,203,716.3**	**$ 7,701,358.5**

The Advance Capital Budget for Specific projects identifies the projects and forecasted costs (except for Carryover projects) that the Parties agree should be reflected in the adopted revenue requirement.

Livermore: Carryover Capital Projects Summary

Year	July Filing	ORA Report	Settlement
2012	$ 4,647,139.2	$ 1,908,070.2	$ 810,897.6
2013	$ -	$ 1,836,000.0	$ 1,128,821.1
2014	$ -	$ -	$ -
2015	$ -	$ -	$ -
Total	**$ 4,647,139.2**	**$ 3,744,070.2**	**$ 1,939,718.7**

Carryover projects are capital projects reflected in the revenue requirement proposed in this Agreement that were (1) not used and useful, or in some cases not initiated, as of January 2012, and (2) not included in the Advance Capital Budgets summarized above. The Parties agree that Cal Water is expected to complete the listed Carryover projects at the identified settlement amounts and in the years indicated, and that their estimated costs should be reflected in the adopted revenue requirement in this rate case.

Livermore: Advice Letter Projects Total

	Advice Letter Cap
Total	**$ 105,713.3**

The Parties agree that certain capital projects may be included in rates after (1) they are in service, and (2) their costs (up to the specified cap) are submitted for Commission review via Tier 2 advice letter, and found to be reasonable. This Agreement recommends adoption of these projects as “Advice Letter” projects, but their costs are not reflected in the revenue requirement proposed for adoption in this Agreement.

Livermore: Excluded Projects Total

Excluded Projects	**$ 3,145,204.2**

The Parties agree that some capital projects proposed in the company’s July 2012 application should not be reflected in the 2012 through 2015 capital budgets,

unless noted otherwise. These "excluded" projects encompass those that the company cancelled, those that are in service and already included in the beginning plant balance per this Agreement, and those that the Parties agree for other reasons will not be included at this time. The exclusion of these projects ("Defer Request projects") does not prevent the company from proposing them in a subsequent application.

B. SPECIFIC ADVANCE CAPITAL BUDGET PROJECTS

The Parties agree to include the following projects in the Advance Capital Budget for the years 2012 through 2015.

Livermore: Advance Capital Budget – Specific Projects
("Discussion" identifies projects discussed in detail below.)

Project	Discussion	Description	Year	Budget
00020527	-	Flowmeter Magmeter with Vault - Sta. 10	2013	$ 13,567.5
00020826	-	Vehicle - 0.5 Ton 4x4 Pick Up - Truck Upfitting & Mobile Radio	2013	$ 39,200.0
00021256	-	Lomitas - 266' 8" PVC; 1 Hydrant	2013	$ 89,719.1
00041127	-	Paint Interior Complete - Sta. 18 Tank 1	2013	$ 155,100.0
00050629	-	Paint Interior Lower Shell/Floor and Upgrade CP System - Sta. 9 Tank 4	2013	$ 83,042.4
00050668	-	Paint Complete Interior, Upgrade CP System, Overflow Air Gap & 30" Dia. Man way - Sta. 22 Tank 1 (Granada)	2014	$ 14,560.0
00050728	-	Paint interior complete, upgrade CP System, Install new 30" dia. Man way at Liv Sta.22 Tank 2	2014	$ 17,001.0
00054968	-	Upgrade CP System - Sta. 18 Tank 1	2013	$ 16,561.2
00056528	-	Chloramination System - Sta. 18	2014	$ 358,148.1
00056531	-	Replace 100K Gallon Redwood Tank with a Bolted Steel Tank - Sta. 11 Tank 2	2014	$ 295,553.5
00056571	-	Tank Mixing System - Sta. 22	2014	$ 173,179.9
00056572	X	Install 12" PRV at the corner of Siena Road and Bresso Drive, and install approximately 600 LF of new 8" PVC main to loop two existing 8" dead ends along Wetmore Road between Lagiss Drive and Talinga Drive.	2015	$ 251,508.6
00056573	-	Tank Mixing System - Sta. 30	2015	$ 124,657.6
00056574	-	Replace existing 50,000 Gallon Redwood Tank with a bolted steel tank of same capacity - Sta. 10 Tank 1	2015	$ 256,563.5
00056968	-	Replace two sample stations	2013	$ 12,813.6
00056988	-	Replace two sample stations	2014	$ 13,178.4
00056989	-	Replace two sample stations	2015	$ 13,540.8

Project	Discussion	Description	Year	Budget
00060794	-	Install 350 feet of 6" Pipe C-900 in Aaron St. between Holmes St. and S. "S" St. Install 8- 1" Services; Retire 350 feet of 4" Pipe Steel O.D.; Retire 8 - 3/4" Services	2013	$ 171,664.5
00060839	-	School Street between Maderia Way & Patricia Lane - 1100' 6" PVC; 4 1" Services; Reconnect 2-6" fire service and 1-6" fire hydrant; Retire 1100 ft - 6" Pipe Steel O.D.; Retire 4- 3/4" Services	2014	$ 470,170.2
00060846	-	North "I" St. between Walnut and Park St. - 450 ft. 6" Pipe C-900; 18 1" Services; Retire 450 ft. 4" Pipe O.D. Steel; Retire 18 - 3/4" Services	2014	$ 203,147.6
00060952	-	North O Street - Pine St. to Linden St. - 1,100' 6" PVC; 21 1" Services; 3 Hydrants	2013	$ 455,594.7
00060973	-	Park St. btwn N. "L" St. and N. Livermore Ave. - 1,100' 6" PVC; 18 1" Services; 1 Hydrant; Retire 1,100' 4" Pipe OD Steel; Retire 18 - 3/4" Services	2014	$ 426,400.9
00061012	-	Linden Street - from No. P to No. L St. - 1,600' 6" PVC; 30 1" Services; 1 Hydrant	2013	$ 650,906.1
00063352	-	Replace Pumping Equipment - Sta. 31-01	2014	$ 101,585.6
00063357	-	Replace Booster Pack - Sta. 32.	2015	$ 42,634.4
00063824	X	Land - New Well in Zone 610	2013	$ 813,247.0
00063856	-	Replace Pump Equipment - Sta. 9 B & C	2013	$ 41,261.0
00063860	-	Field - 3 Itron Meter Reading Units	2015	$ 21,240.7
00063953	-	Replace Booster Station - Sta. 23	2013	$ 1,221,608.9
00064076	-	4 RTU's - Sta. 12, 17, 26, and 28	2013	$ 105,600.0
00064099	-	Replace Booster Pumps - Sta. 22 A, B, & C	2014	$ 50,488.5
00064275	-	Replace Panelboard, Meter upgrade and Instrumentation - Sta. 16	2015	$ 154,529.2
00064313	-	Emergency Generator - Sta. 18	2014	$ 144,250.5
00065071	-	Vehicle - 0.5 Ton Pick Up and Outfitting	2014	$ 41,650.0
00065073	-	Vehicle - 0.5 Ton Pick Up and Outfitting	2015	$ 41,650.0
00065399	-	Vehicle - 0.5 Ton Pick Up & Outfitting - District Manager	2013	$ 40,800.0
00067047	-	Data Acquisition Radio Replacement	2013	$ 116,374.8
LIV0900	-	Meter Replacement Program	2012	$ 88,096.7
LIV0900	-	Meter Replacement Program	2013	$ 128,646.0
LIV0900	-	Meter Replacement Program	2014	$ 119,277.0
LIV0900	-	Meter Replacement Program	2015	$ 122,639.0
Total				**$ 7,701,358.5**

Project 56572 – Install 12" Pressure Reducing Valve ("PRV") - Siena & Bresso and Associated Rezoning Piping.

ISSUE: Cal Water proposed Project 56572 at an estimated cost of $258,834. The scope of the project includes the installation of a PRV and associated piping to improve the circulation of a dead-end area of the distribution system. This improvement would allow higher-pressure water to flow into this remote area and force circulation.

ORA initially recommended disallowing this main because there is limited leak information and Cal Water's revised cost is higher than requested.

RESOLUTION: In settlement discussions, the Parties discussed the project in more detail and considered various alternatives to improve the circulation. Parties agree to include Project 56572 for an estimated cost of $251,509. The lower estimated cost reflects an adjustment to lower capitalized interest.

Project 63824 - Land - New Well in Zone 610

ISSUE: Cal Water requested Project 63824 at an estimated cost of $836,934. In its application, Cal Water proposed this property purchase for a new well which is proposed in a separate project (Project 56749) and discussed in Section E below. A recent attempt at creating a new well in Zone 610 was not successful because water quality testing revealed high levels of arsenic and conductivity (Project 21344, discussed in Section E below). Cal Water contended that additional wells in this district are needed to provide reliability and emergency supply.

ORA recommended disallowing this project because the district had been able to meet its groundwater quotas set by the Zone 7 Water Agency, ORA did not agree with the district's definition of firm pumping capacity, and there were many unknowns with the associated well request (Project 56749), such as size and location.

In its rebuttal, Cal Water reiterated the need for a new well to achieve a reliable local water source. In settlement discussions, the Parties discussed the merits of the well and the potential issues and uncertainties associated with a new well, such as unknown water quality and unknown well site. ORA expressed concern that the new well would yield poor water quality similar to the previously approved Project 21344 and that Cal Water would have to abandon another unsuccessful well project.

RESOLUTION: As a part of the settlement to move forward with this project, Cal Water agrees to perform a groundwater quality study to determine and confirm the feasibility of a property prior to purchasing it for this new well project. Parties agree to include Project 63824 for $813,247, which includes the groundwater study.

C. CARRYOVER PROJECTS

The Parties agree to include the following Carryover projects in the capital budget for the years 2012 through 2015.

Livermore: Projects Not In Service as of January 2012
("Discussion" identifies projects discussed in detail below.)

Project	Discussion	Description	Year	Budget
00011036	-	2 Chlorine/Ammonia Shelters & Chloramination - Sta. 19-01	2012	$ 220,400.0
00016949	X	Replace Horizontal Booster Pumps w/ Vertical Canned Turbines - Sta. 13	2013	$ 161,000.0
00019110	-	Replace Control Valve - Sta. 18	2012	$ 20,800.0
00020556	-	Replace Existing Pump Equipment, Upgrade Motor, New Base Plate & Pump Foundation - Station 20-A	2013	$ 45,000.0
00020825	-	New pickup replace v206024	2012	$ 36,559.0
00021183	-	Chloramine Treatment - Sta. 24-01	2012	$ 264,943.0
00021185	-	Chloramine Treatment Equipment - Station 10	2013	$ 218,200.0
00021228	-	260' 8" PVC & 325' 12" D.I. & 6" Check Valve - Railroad Ave. - Realign 600/610 Pressure Zone Line	2012	$ 264,115.6
00021362	-	Replace Booster Pumps A & B (20hp 300gpm) & Electrical Panel - Sta. 11	2013	$ 176,407.4
00024467	-	INSTALL 1 - 8" GATE VALVE	2013	$ 2,252.0
00071693	-	Install 12" Pipe, First St.&Portola	2013	$ 525,961.7
00073953	-	Purchase 3-New PH Probes	2012	$ 4,080.0
Total				**$ 1,939,718.7**

Project 16949 - Replace Horizontal Booster Pumps w/ Vertical Canned Turbines - Station 13

ISSUE: The budget for Project 16949 was settled in 2009 GRC for $161,000. However, this amount did not include any electrical work to the station. Cal Water stated that the station has deteriorated further since its original proposal from the last rate case and required additional work that ultimately increased the final cost of the project. In its testimony, ORA recommended allowing the originally requested estimated cost.

In its rebuttal testimony, Cal Water provided detailed explanations of the additional scope and cost overruns (Rebuttal Testimony, Book 4, pages 241-243, April 30, 2013). Cal Water's revised estimate for the project is at $647,616. During settlement discussions, the Parties discussed the changed scope and cost overruns of the project.

RESOLUTION: The Parties agree (1) to include only $161,000 which is the previously settled cost estimate for this project, and (2) Cal Water will provide detailed cost information and justification for Commission review and authorization of the final project cost.

D. ADVICE LETTER PROJECTS

The Parties agree to include the following Advice Letter project in the capital budget for the years 2012 through 2015.

Livermore: Advice Letter Projects

Project	Discussion	Description	Year	Advice Letter Cap
00079953	-	Cal Water RAMCAP Vulnerability assessment	2015	$ 105,713.3
Total				**$ 105,713.3**

E. EXCLUDED PROJECTS

The Parties agree to exclude the following projects from the capital budget for 2012 through 2015. The reasons for the exclusion are as described below.

Cancelled projects – Cal Water cancelled these projects during discovery, in rebuttal or as a result of settlement negotiations.

Defer Request projects – Cal Water agrees to defer the request of these projects to a later rate case during discovery, in rebuttal or as a result of settlement negotiations.

2012 NS projects – These 2012 Non-Specific projects (i.e., projects funded by authorized 2012 Non-Specific Budget) were initiated on or after January 2012. Cal Water included these projects in its requested Carryover capital project budget in this rate case. ORA contends that these projects' costs are already covered under the authorized 2012 Non-Specific Budget, and therefore their costs should not be included again in the Carryover capital project budget. Cal Water agrees to remove dollars associated with these projects from the Carryover budget in this rate case.

Livermore: Excluded Projects
("Discussion" identifies projects discussed in detail below.)

Project	Discussion	Description	Reason
00017016	-	South Livermore Ave. - Railroad Ave. to Second St. - 882' 8" PVC; 16 1" Services; 1 2" Services; 2 Hydrants	Defer Request
00017470	-	Pressure Tank - Sta. 22	Cancelled
00019195	-	1,100' 6" PVC; 17 1" Services; 3 2" Services; 2 Hydrants - K Street - 1st to 15th	Defer Request
00021187	-	Generator - Sta. 23	Cancelled
00021344	X	Drill, Develop, & Equip New Well	Extraordinary Loss
00056569	-	Chloramination System - Sta. 14	Defer Request
00056749	X	Drill New Well - Zone 610	Defer Request

Project	Discussion	Description	Reason
00058212	X	Land - New Well see FP# 21344	Non-operating property; excluded from rate base
00066878		11 Well Level Sensors - Sta. 5, 9, 10, 12, 14, 15, 17, 19, 20, 24, 31	Defer Request
00067036		3 Flow Meters - Sta. 12, 15, 17	Defer Request
00067417		25 Power Meters - Sta. 5, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, 22, 23, 24, 25, 26, 27, 28, 29, 31, 32	Defer Request
00067420		28 Pressure Transducers - Sta. 7 (2), 8 (3), 9, 10 (2), 12 (2), 13, 14, 15 (2), 16, 18, 19, 20, 22, 23 (3), 25, 28 (2), 29, 32	Defer Request
00068892	-	Field - 2-Way Voice Radio System	Defer Request
00075953	-	Replace 6" FH- Murdell and Stanley	2012 NS
00075993	-	Replaced 8" GV, Olivina & Albatross	2012 NS
00077619	-	Replace Circuit Breaker Sta. 22	2012 NS
00077773	-	LIV 20-01: REPLACE PUMP EQUIPMENT	2012 NS
00078574	-	Install PVC C.P. test tube	2012 NS
00078874	-	LIV 9-C: REPLACE PUMP	2012 NS
Total			**$ 3,145,204.2**

Project 56749 – Drill, Develop and Equip New Well - Zone 610

ISSUE: Cal Water proposed the construction of a new well in Zone 610 for an estimated cost of $1,654,136. This project is associated with Project 63824 (Land Purchase in Zone 610). ORA recommended disallowing this project for reasons discussed in the Project 63824 discussion above.

During settlement discussions, Cal Water expressed its desire to pursue additional wells to address the district's long-term water supply need and its plan to propose this project in the next GRC if the groundwater quality study indicates acceptable water quality and property has been purchased.

RESOLUTION: The Parties agree that Cal Water should not pursue Project 56749 until a groundwater quality study has been conducted in the 610 Zone and there is a need to construct a well in the district.

Project 58212 – Purchase Land for New Well, and Project 21344 – Drill, Develop & Equip New Well

ISSUE: In the 2009 GRC, Cal Water was approved to purchase land (Project 58212) and to drill, develop, and equip a new well at that site (Project 21344) in Zone 610. Cal Water has started well construction and initial tests at the well site indicated

that a well at this location would not produce the quality or quantity of water that was anticipated and that would support further investment. As a result, Cal Water abandoned the well project and requested a new land purchase and well construction projects in this GRC application (Project 63824 and Project 56749, discussed above). The total amount Cal Water spent on the abandoned well project was $593,474.

RESOLUTION: The Parties agree to treat the cost incurred in Project 21344 as an extraordinary loss. The Parties also agree to amortize that cost over six years as an expense item with the unamortized portion earning Cal Water's weighted cost of debt. Cal Water agrees to transfer the land to a non-operating property account and to exclude Project 58212 from ratebase.

[END OF CHAPTER]

CHAPTER 26. LOS ALTOS DISTRICT PLANT

A. OVERVIEW

The Los Altos Suburban District uses a combination of company wells and water purchased from Santa Clara Valley Water District and San Jose Water Company. About 60% of the supply comes from purchased water. The district has 46 storage tanks, with a total capacity of almost 15 million gallons. Major projects proposed in this Agreement include storage tank retrofits and replacement, main replacements and chloramination treatment.

The tables below provide a summary of the plant settlement for this district. In the sections that follow, specific projects are identified in separate tables, and certain projects are discussed in further narratives. In addition, there may be projects related to "global" issues – issues that impact multiple districts – that are included in these tables, but discussed separately in the "Global Plant" section of this Agreement.

Los Altos Suburban: Non-Specific Advance Capital Budget Summary

Year	July Filing	ORA Report	Settlement
2012	$ 839,500.0	$ 839,500.0	$ 839,500.0
2013	$ 1,129,200.0	$ 848,594.0	$ 988,900.0
2014	$ 1,188,500.0	$ 865,822.0	$ 1,027,200.0
2015	$ 1,219,800.0	$ 884,355.0	$ 1,052,100.0
Total	**$ 4,377,000.0**	**$ 3,438,271.0**	**$ 3,907,700.0**

The annual Non-Specific Advance Capital Budget is for capital projects that are anticipated to be completed and placed in service during the indicated year to resolve issues that were not known in detail when the advanced capital budget ("ACB") was adopted for that time period. The Non-Specific projects tend to be for emergency or unforeseen projects that need to be addressed between GRCs.

Los Altos Suburban: Specific Advance Capital Budget Projects Summary

Year	July Filing	ORA Report	Settlement
2012	$ 1,059,199.1	$ 869,696.1	$ 109,779.2
2013	$ 3,226,295.8	$ 1,012,832.4	$ 3,607,209.1
2014	$ 2,457,928.7	$ 1,201,465.1	$ 1,627,788.8
2015	$ 2,367,855.1	$ 1,356,103.5	$ 1,465,148.6
Total	**$ 9,111,278.6**	**$ 4,440,097.1**	**$ 6,809,925.7**

The Advance Capital Budget for Specific projects identifies the projects and forecasted costs (except for Carryover projects) that the Parties agree should be reflected in the adopted revenue requirement.

Los Altos Suburban: Carryover Capital Projects Summary

Year	July Filing	ORA Report	Settlement
2012	$ 3,599,020.6	$ 2,168,100.0	$ 83,508.8
2013	$ -	$ 1,800.0	$ 1,352,612.9
2014	$ -	$ -	$ 1,455,000.0
2015	$ -	$ -	$ -
Total	**$ 3,599,020.6**	**$ 2,169,900.0**	**$ 2,891,121.7**

Carryover projects are capital projects reflected in the revenue requirement proposed in this Agreement that were (1) not used and useful, or in some cases not initiated, as of January 2012, and (2) not included in the Advance Capital Budgets summarized above. The Parties agree that Cal Water is expected to complete the listed Carryover projects at the identified settlement amounts and in the years indicated, and that their estimated costs should be reflected in the adopted revenue requirement in this rate case.

Los Altos Suburban: Advice Letter Projects Total

	Advice Letter Cap
Total	**$ 1,189,894.5**

The Parties agree that certain capital projects may be included in rates after (1) they are in service, and (2) their costs (up to the specified cap) are submitted for Commission review via Tier 2 advice letter, and found to be reasonable. This Agreement recommends adoption of these projects as “Advice Letter” projects, but their

costs are not reflected in the revenue requirement proposed for adoption in this Agreement.

Los Altos Suburban: Excluded Projects Total

Excluded Projects	$ 825,284.9

The Parties agree that some capital projects proposed in the company's July 2012 application should not be reflected in the 2012 through 2015 capital budgets, unless noted otherwise. These "excluded" projects encompass those that the company cancelled, those that are in service and already included in the beginning plant balance per this Agreement, and those that the Parties agree for other reasons will not be included at this time. The exclusion of these projects ("Defer Request projects") does not prevent the company from proposing them in a subsequent application.

B. SPECIFIC ADVANCE CAPITAL BUDGET PROJECTS

The Parties agree to include the following projects in the Advance Capital Budget for the years 2012 through 2015.

Los Altos Suburban: Advance Capital Budget – Specific Projects
("Discussion" identifies projects discussed in detail below.)

Project	Discussion	Description	Year	Budget
00005189	-	Sunshine Main Replacement	2014	$ 473,109.0
00015602	-	Reconfigure Site - New Pipe from Well to Tank 1 & Modify Panelboard - Sta. 119-03	2013	$ 48,232.0
00015631	-	Grant Road - Sleeper Rd. to Martins - 2,450' 8" PVC; 2 1" Services	2015	$ 727,586.2
00016750	-	Mtn. View - Park & Alley - 50' 6" CL&C; 2,700' 6" PVC; 25 1" Services; 1 2" Service; 3 Hydrants	2013	$ 794,741.1
00019416	-	Paint Interior UR & 8' of Upper Shell - Sta.42 Tank 3 (Vineyard)	2013	$ 241,777.8
00019447	-	Upgrade CP System, Replace Interior Safetyclimb, & Paint Interior Complete - Sta. 7 Tank 1 - Terrace	2013	$ 87,185.2
00019864	-	Chloramination - Sta. 21	2013	$ 215,186.4
00020161	-	Retrofit Woodland Tanks - Sta. 33	2013	$ 264,814.9
00020348	-	Retrofit Tank - Sta. 104 Tank 1	2013	$ 73,700.0
00020443	-	Replace Pressure Vessel - Sta. 7	2012	$ 4,916.0
00025649	-	Paint Complete Exterior - Sta. 121 T1, T2 & T3 Paint Interior Roof & Upper 2' shell - Sta. 121 Tank 1	2015	$ -
00025650	-	Paint Interior Complete and Upgrade CP System - Sta. 14-T2 - Maryknoll	2013	$ 259,138.8
00057289	X	Mitigate Tank Settlement - Sta. 111	2013	$ 600,538.0

Project	Discussion	Description	Year	Budget
00058333	-	Chloramination System - Sta. 24	2014	$ 358,148.1
00058334	-	Chloramination System - Sta. 121	2015	$ 368,005.4
00060332	-	Emergency Light Plant	2013	$ 15,300.0
00060492	-	Field - New Handhelds for Meter Reading	2013	$ 22,409.4
00060672	-	Tank Retrofit - Sta. 9	2014	$ 52,266.3
00061534	-	Upgrade CP System at LAS Sta.14 Tank 1	2013	$ 10,485.6
00062393	-	Underneath Foothill Expwy between Granger Rd. and Miguel Ave/Jolly Ct. - 8" A.C./Steel main	2014	$ 154,800.0
00062473	-	Replace Pump - Sta. 8-D	2013	$ 42,456.0
00062553	-	Replace Pump and Motor - Sta. 27-A	2013	$ 52,200.0
00062672	-	Replace Pump and Motor - Sta. 30-A	2015	$ 61,488.0
00063056	-	Replace Pump & Motor - Sta. 113-A	2015	$ 31,476.0
00065400	-	Vehicle - 0.75 Ton Truck and Utility Body - Service Truck	2013	$ 60,200.0
00065401	-	Vehicle - 0.5 Ton Pick Up and Outfitting	2013	$ 40,700.0
00066250	-	Replace Panelboard - Sta. 11	2015	$ 142,107.0
00066809	-	8 SCADA RTUs - Sta. 13, 24, 25, 30, 31, 32, 35, 41	2014	$ 293,664.0
00066829	-	6 SCADA RTUs - Sta. 39, 111, 115, 116, 121, 123	2014	$ 176,198.4
00067049	-	Data Acquisition Radio Replacement	2013	$ 201,913.2
00071833	-	Replace CP Anodes - Sta. 104 Tank 1	2013	$ 2,521.0
00073093	-	Paint interior floor & 21' lower shell, exterior roof, and upgrade CP system to auto potential - Sta. 42 T2	2015	$ 11,403.0
00077616	-	Need to upgrade security at stations 17, 18, 20, 34, 119, 15, 41, & 42	2013	$ 233,207.5
00079094	-	Paint complete interior, exterior, replace C.P. system and locate top hatch and install interior ladder	2013	$ 217,075.2
LAS0900	-	Meter Replacement Program	2012	$ 104,863.2
LAS0900	-	Meter Replacement Program	2013	$ 123,427.0
LAS0900	-	Meter Replacement Program	2014	$ 119,603.0
LAS0900	-	Meter Replacement Program	2015	$ 123,083.0
Total				**$ 6,809,925.7**

Project 57289 - Mitigate Tank Settlement - Station 111

ISSUE: Cal Water proposed Project 57289 at a cost of $618,030. Cal Water identified this tank as being subjected to differential ground settlement based on the recommendation of a geotechnical investigation conducted by Cotton Shires and Associates ("CSA"). ORA agreed with the recommendations made by CSA's geotechnical recommendations but disagreed with Cal Water's cost estimate. ORA adjusted capitalized interest in Cal Water's cost estimate and recommended a cost of $566,545.

RESOLUTION: Cal Water and ORA agree to include Project 57289 at a cost of $600,500. This cost reflects adjustment to the capitalized interest estimate.

C. CARRYOVER PROJECTS

The Parties agree to include the following Carryover projects in the capital budget for the years 2012 through 2015.

Los Altos Suburban: Projects Not In Service as of January 2012
("Discussion" identifies projects discussed in detail below.)

Project	Discussion	Description	Year	Budget
00019422	-	Replace Interior Safetyclimb - Sta. 119 Tank 2 – Mosher	2013	$ 1,800.0
00019871	-	9' 8" PVC; 26 1" Services; 1 2" Service; 1 4" Service; 1 Hydrant - Portland Ave. - Miramonte Ave. to Grant Road	2013	$ 198,600.0
00020071	-	Site Improvements, Tank Retrofit, Chloramination, Replace Pumps & Panelboard Sta. 6-02 & Blending of Sta. 6-02 & Sta. 2-01	2014	$ 1,455,000.0
00020439	-	Replace Pressure Vessel - Sta. 28	2013	$ 97,100.0
00021195	-	5 SCADA Remote Terminal Units	2013	$ 105,000.0
00021196	-	5 SCADA RTUs	2013	$ 51,000.0
00025147	-	6" Main upgrade to 8" CL&C on the F	2013	$ 94,160.0
00029729	-	WS&FMP Updates	2013	$ 244,200.0
00049390	-	Geotechnical Investigation @LAS111	2013	$ 33,244.4
00055069	-	Install PVC C.P. test tube	2013	$ 3,844.5
00060452	-	REPLACE HYD RUN AND HEAD #547	2012	$ 12,700.0
00061474	-	Replace Hyd Assembly And Head #494	2012	$ 4,706.3
00066509	X	Olive Tree Rezoning Phase I	2013	$ 523,664.0
00068690	-	EMG MAIN REP MORA @ ESBERG	2012	$ 45,877.0
00071773	-	Replace Sta 104-A Check Valve	2012	$ 11,538.0
00073594	-	LAS GPS DEVICE	2012	$ 8,687.5
Total				**$ 2,891,121.7**

Project 66509 - Olive Tree Rezoning Phase I

ISSUE: Cal Water requested $523,664 for Project 66509 in its application. The project was classified as non-specific carryover project. Cal Water stated that the existing tank at Station 37 is in poor condition and provides limited fire protection for the Olive Tree Area. Cal Water also indicated that the water quality checks indicate a level of stagnation. The scope of the project is to remove the tank at Station 37 and add new pumps at Station 28. The Los Altos Hills Fire Department is involved in the project and offered to contribute half toward the total cost of the project. .

ORA questioned the changing nature of this project and was concerned that non-specific dollars were used for this project. ORA believes funds for a project of this scope should have been anticipated, requested and authorized before proceeding with the

design and construction. In its rebuttal, Cal Water stated that design of the project was 95% complete and permits had already been obtained. During settlement discussions, Cal Water reiterated that the Los Altos Hills Fire Department would pay for half of the project's costs. Cal Water provided ORA with a revised project justification for the work to complete this project.

RESOLUTION: The Parties agree to include Project 66509 with a budget of $523,664, which is Cal Water's 50% share of the total project cost.

D. ADVICE LETTER PROJECTS

The Parties agree to include the following Advice Letter projects in the capital budget for the years 2012 through 2015.

Los Altos Suburban: Advice Letter Projects
("Discussion" identifies projects discussed in detail below.)

Project	Discussion	Description	Year	Advice Letter Cap
00060893	X	Mitigate Settlement of 1 Million Gallon Welded Steel Tank - Sta. 9	2014	$ 733,281.5
00062077	X	Replace 100K Gallon Redwood Tank - Sta. 8 Loyola Tank	2015	$ 312,308.4
00079954	-	Cal Water RAMCAP Vulnerability Assessment	2015	$ 144,304.6
Total				**$ 1,189,894.5**

Project 60893 - Mitigate Settlement of 1M-Gallon Welded Steel Tank - Station 9

ISSUE: Cal Water proposed Project 60893 at an estimated cost of $733,281. The scope of the project is to conduct a geotechnical investigation and mitigate the observed tank settlement at Station 9, similar to Project 57289. Cal Water indicated that the primary reason for this project is safety. Cal Water stated that there are cracks in the concrete ring wall foundation, uplift of the tank is clearly visible, and there are locations where the tank bottom is not in contact with the ring wall foundation.

ORA opposed the project, noting that a geotechnical investigation had not been completed for Station 9, and therefore Cal Water would not know the exact causes of the observed settlement in order to determine appropriate corrective measures. ORA recommended that Cal Water resubmit Project 60893 in a future GRC once the results of a geotechnical investigation are known.

In its rebuttal and during settlement discussions, Cal Water reemphasized the need for this project because of safety concerns. The Parties also discussed the importance of the tank and the consequences of its structural failure.

RESOLUTION: The Parties agree that Project 60893 should be treated as an Advice Letter project with a cap of $733,282. Furthermore, the Parties agree that this will be a conditional Advice Letter subject to Cal Water performing a geotechnical investigation to establish need and required corrective actions prior to construction. Cal Water will also share with ORA-Water Branch the findings and recommendations before proceeding to perform mitigation work.

Project 62077 - Replace 100K-Gallon Redwood Tank - Station 8 Loyola Tank

ISSUE: Cal Water proposed Project 62077 at an estimated cost of $312,308. The scope of the project is to replace a 50-year-old redwood tank with a welded steel tank. Cal Water states that the top of the tank has been deformed by the weight of the water, the exterior wall has longitudinal cracks and show signs of seepage in some areas, and contends that this un-lined redwood tank does not meet current standards. Cal Water reasoned that this is a critical facility for fire following earthquake and it may not withstand a significant earthquake.

ORA questioned the need to replace this tank based on its site inspection and the inspection report for this tank. The inspection report recommended conducting a geotechnical report before replacing the tank. ORA recommended deferring the tank replacement project pending the results of the geotechnical investigation.

In Rebuttal, Cal Water stated that conducting a geotechnical investigation would only address soil conditions and will not provide any additional information to assess the general condition of the tank. During settlement discussions, the Parties discussed the age, interior conditions, and criticality of the facility.

RESOLUTION: The Parties agree that Project 62077 should be treated as an Advice Letter project with a cap of $312,308.

E. EXCLUDED PROJECTS

The Parties agree to exclude the following projects from the capital budget for 2012 through 2015. The reasons for the exclusion are as described below.

Cancelled projects – Cal Water cancelled these projects during discovery, in rebuttal or as a result of settlement negotiations.

Defer Request projects – Cal Water agrees to defer the request of these projects to a later rate case during discovery, in rebuttal or as a result of settlement negotiations.

2012 NS projects – These 2012 Non-Specific projects (i.e., projects funded by authorized 2012 Non-Specific Budget) were initiated on or after January 2012. Cal Water included these projects in its requested Carryover capital project budget in this rate case. ORA contends that these projects' costs are already covered under the authorized 2012 Non-Specific Budget, and therefore their costs should not be included again in the Carryover capital project budget. Cal Water agrees to remove dollars associated with these projects from the Carryover budget in this rate case.

Los Altos Suburban: Excluded Projects
("Discussion" identifies projects discussed in detail below.)

Project	Discussion	Description	Reason
00015860	-	LAS OPS CENTER GENERATOR	Defer Request
00016107	-	25 SCADA Intrusion Alarms	Cancelled
00019420	-	Replace Tank Berms - Sta. 119 Tank 1 & 2 - Mosher	Cancelled
00019422	-	Replace Interior Safetyclimb - Sta. 119 Tank 2 – Mosher	Defer Request
00020437	-	Replace Pressure Vessel & Foundation - Sta. 33-A	Cancelled
00026667	-	Robleda - Fremont to Chapin - 1 8" Check Valve; 2,100' 8" PVC; 12 1" Services; 3 2" Services; 1 Meter Box #68; 2.5 Hydrants. See WO# 15715 for CBE portion. ADD TO NOTES: Install 4200' of 8" PVC main, 5 hydrants, ck. Valve, PRV, Services Abandon 900' 6"	Cancelled
00062177	-	ABN SVC SCWD, 2-2", 1-1"	Defer Request
00065089	-	Vehicle - 0.75 Ton Truck and Outfitting	Defer Request
00067949	X	Los Altos Land Development	Defer Request
00068893	-	Field - 2-Way Voice Radio System	Defer Request
00072753	-	Destroy Well: LAS 29-01	2012 NS
00074096	-	RPL 6" GV HAZELBROOK/ANN ARBOR	2012 NS
00074213	-	REP 4" GV EL MONTE/SPRINGER	2012 NS
00074234	-	REP. 4" FS VALVE HAMPTONS	2012 NS
00074373	-	COVINGTON/SEENA MAIN LEAK	2012 NS
00074655	-	FLUSHING MONITORING EQUIPMENT	2012 NS
00074714	-	INSTALL VALVE @ STA 113	2012 NS
00075433	-	Install Starter at Station 113	2012 NS
00075475	-	REPL 4" FS VALVE AT 396 1ST ST.	2012 NS
00076233	-	Replace valve on Jardin @ Panchita	2012 NS
00077453	-	REPL HYD#1591 20400 MARIANI 3	2012 NS
00077593	-	REPLACE 10" VALVE AT STA 27	2012 NS
00077814	-	REPLACED PRV NEAR STATION 36	2012 NS
00077815	-	CREATED ADDITIONAL DRAINAGE AT 32	2012 NS
00078395	-	Rep Hyd #1780 Stevens Creek/Bianchi	2012 NS
00078553	-	Replace Hyd Head #1021 Austin Ave	2012 NS
00078738	-	Replaced Flushing Equipment	2012 NS
00078755	-	LAS Backflow Kit	2012 NS

Project	Discussion	Description	Reason
00079213	-	Station 38 Overflow and Vault	2012 NS
00079313	-	Sta 121 Rep. Tee for Discharge PBC	2012 NS
00080133	-	Repl 18" Valve Foothill/Loyola Corn	2012 NS
00080215	-	Abandon 4" AC on Eunice at Sun Mor	Depreciation
Total			**$ 825,284.9**

Project 67949 - Los Altos Land Development

Cal Water classified Project 67949 as a non-specific carryover project in its application and requested $378,625 as a final project cost. This project was associated with a land purchase adjacent to the Los Altos Suburban Operations Center. ORA recommended disallowing this project in its testimony. The details of this project are discussed in the next section because it is closely tied to ORA's recommendation to adjust Cal Water's recorded plant balance for the Los Altos Suburban District.

F. ADJUSTMENT TO RECORDED PLANT BALANCE

ISSUE: In 2010, Cal Water purchased a piece of land adjacent to its Los Altos Suburban District's Operations Center. The total cost of the land purchase was $2,426,000. Cal Water also spent $352,000 to perform demolition of the existing restaurant structure and upgrades to the site. Cal Water stated that it had originally planned to include in this rate case a proposal to build a combined customer/operations center on this property. According to the company, it decided not to submit the building proposal in order to minimize the district's overall rate impact in this rate case. Cal Water, however, included the cost of the land purchase and site upgrades in its 2012 beginning of year plant balance. Cal Water also included request for a land development project (Project 67949) in its capital budget request.

In its testimony, ORA questioned the inclusion of the land purchase and site upgrades in the 2012 beginning plant balance. ORA objected to the fact that Cal Water included the cost of land purchase and site upgrades in rate base without justifying or even explicitly disclosing its plans for a new customer operations center. Consequently, ORA recommended reducing the 2012 beginning of year plant balance by $2,778,000 ($2,426,000 for land purchase plus $352,000 for site upgrades). ORA also recommended disallowing Project 67949 from the capital budget.

RESOLUTION: In settlement, Cal Water explained the events that led to this situation and again stressed the desire to keep rates to customers as low as possible.

Cal Water acknowledged the error of including the land purchase and site upgrades in the 2012 beginning plant balance and agreed to remove those costs from the 2012 beginning plant balance, for a total reduction of $2,778,000. Since the land was never included in rates or included in the District's adopted rate base, Cal Water agrees to record this land as "non-operating property" (thereby excluding the costs from rate base). Cal Water also agrees to withdraw Project 67949, the land development project with an estimated cost of $378,625. The company stated that it either will propose a complete project in the next GRC or will dispose of the property if it chooses not to pursue the customer operations center project.

[END OF CHAPTER]

CHAPTER 27. MARYSVILLE DISTRICT PLANT

A. OVERVIEW

The Marysville District's supply is 100% well water. The most significant project included in this Agreement is the main relocation along Route 20 and Route 70; this project was necessitated by a Caltrans project. The other is a remediation project for methyl tertiary butyl ether ("MtBE") contamination; this project will be funded from the MtBE litigation proceeds.

The tables below provide a summary of the plant settlement for this district. In the sections that follow, specific projects are identified in separate tables, and certain projects are discussed in further narratives. In addition, there may be projects related to "global" issues – issues that impact multiple districts – that are included in these tables, but discussed separately in the "Global Plant" section of this Agreement.

Marysville: Non-Specific Advance Capital Budget Summary

Year	July Filing	ORA Report	Settlement
2012	$ 107,400.0	$ 107,400.0	$ 107,400.0
2013	$ 166,200.0	$ 108,560.0	$ 137,380.0
2014	$ 174,900.0	$ 110,080.0	$ 142,490.0
2015	$ 179,400.0	$ 111,863.0	$ 145,632.0
Total	**$ 627,900.0**	**$ 437,903.0**	**$ 532,902.0**

The annual Non-Specific Advance Capital Budget is for capital projects that are anticipated to be completed and placed in service during the indicated year to resolve issues that were not known in detail when the advanced capital budget ("ACB") was adopted for that time period. The Non-Specific projects tend to be for emergency or unforeseen projects that need to be addressed between GRCs.

Marysville: Specific Advance Capital Budget Projects Summary

Year	July Filing	ORA Report	Settlement
2012	$ 630,380.0	$ 158,680.0	$ 1,256.4
2013	$ 96,430.6	$ 64,108.8	$ 214,018.8
2014	$ 38,308.5	$ 38,308.5	$ 38,304.5
2015	$ 357,696.7	$ 43,509.9	$ 85,338.9
Total	**$ 1,122,815.8**	**$ 304,607.2**	**$ 338,918.6**

The Advance Capital Budget for Specific projects identifies the projects and forecasted costs (except for Carryover projects) that the Parties agree should be reflected in the adopted revenue requirement.

Marysville: Carryover Capital Projects Summary

Year	July Filing	ORA Report	Settlement
2012	$ 3,160,127.8	$ 2,129,978.5	$ 1,781,522.4
2013	$ -	$ 53,460.0	$ 889,892.2
2014	$ -	$ -	$ -
2015	$ -	$ -	$ -
Total	**$ 3,160,127.8**	**$ 2,183,438.5**	**$ 2,671,414.6**

Carryover projects are capital projects reflected in the revenue requirement proposed in this Agreement that were (1) not used and useful, or in some cases not initiated, as of January 2012, and (2) not included in the Advance Capital Budgets

summarized above. The Parties agree that Cal Water is expected to complete the listed Carryover projects at the identified settlement amounts and in the years indicated, and that their estimated costs should be reflected in the adopted revenue requirement in this rate case.

Marysville: Advice Letter Projects Total

	Advice Letter Cap
Total	$ 55,589.6

The Parties agree that certain capital projects may be included in rates after (1) they are in service, and (2) their costs (up to the specified cap) are submitted for Commission review via Tier 2 advice letter, and found to be reasonable. This Agreement recommends adoption of these projects as "Advice Letter" projects, but their costs are not reflected in the revenue requirement proposed for adoption in this Agreement.

Marysville: Excluded Projects Total

Excluded Projects	$ 1,201,279.1

The Parties agree that some capital projects proposed in the company's July 2012 application should not be reflected in the 2012 through 2015 capital budgets, unless noted otherwise. These "excluded" projects encompass those that the company cancelled, those that are in service and already included in the beginning plant balance per this Agreement, and those that the Parties agree for other reasons will not be included at this time. The exclusion of these projects ("Defer Request projects") does not prevent the company from proposing them in a subsequent application.

B. SPECIFIC ADVANCE CAPITAL BUDGET PROJECTS

The Parties agree to include the following projects in the Advance Capital Budget for the years 2012 through 2015.

Marysville: Advance Capital Budget – Specific Projects
("Discussion" identifies projects discussed in detail below.)

Project	Discussion	Description	Year	Budget

00026209	-	Conversion of 261 Flat Rate Services to Metered Services	2013	$ 150,000.0
00062714	-	Post Chlorination Sample Station - Sta. 9	2013	$ 8,360.7
00062772	-	Post Chlorination Sample Station with 1" Service Line - Sta. 12	2013	$ 8,360.7
00062857	-	Sample Station with 1" Service Line - Sta. 7	2014	$ 8,604.2
00062859	-	Sample Station w/ 1-inch Service Line - Sta. 13	2014	$ 8,604.2
00062860	-	Sample Station with 1" Service Line - Sta. 8	2015	$ 8,847.7
00063296	-	Chlorine Storage Shed - Sta. 8	2013	$ 8,829.1
00063374	-	Chlorine Storage Shed - Sta. 12	2013	$ 8,829.1
00063394	-	Chlorine Storage Shed - Sta. 13	2013	$ 8,829.1
00063914	-	Field - Replace Meter Reading Equipment	2015	$ 12,962.2
00065090	-	Vehicle - New Vehicle - District Manager	2015	$ 41,800.0
MRL0900	-	Meter Replacement Program	2012	$ 1,256.4
MRL0900	-	Meter Replacement Program	2013	$ 20,810.0
MRL0900	-	Meter Replacement Program	2014	$ 21,096.0
MRL0900	-	Meter Replacement Program	2015	$ 21,729.0
Total				**$ 338,918.6**

C. CARRYOVER PROJECTS

The Parties agree to include the following Carryover projects in the capital budget for the years 2012 through 2015.

Marysville: Projects Not In Service as of January 2012
("Discussion" identifies projects discussed in detail below.)

Project	Discussion	Description	Year	Budget
00017803	-	SECURITY IMPROVEMENTS	2013	$ 38,700.0
00017806	-	Security Mitigation Improvements - Various Stations, Customer Service & Operations Center	2013	$ 95,400.0
00017829	-	Construct Cust. Center	2013	$ 248,400.0
00018844	-	New Customer Center & Office Furniture & Equipment - 2nd & D Streets - Phase 2	2013	$ 466,820.0
00030567	-	2-4" GV 5th St. at C & D Sts.	2013	$ 5,714.7
00050588	X	Main relocation along Routes 20, 70	2012	$ 1,781,522.4
00055309	-	Install PVC C.P. test tube	2013	$ 1,281.5
00060272	-	RPL 2" GV FREEMAN & E 13TH	2013	$ 5,143.5
00060312	-	RPL 2-4" VALVES 215 5TH ST	2013	$ 8,570.5
00068629	-	Replace well level probe	2013	$ 1,549.6
00072353	-	Install 1' offset @ 929 Rideout	2013	$ 18,312.4
Total				**$ 2,671,414.6**

Project 50588 - Main relocation along Routes 20 and 70

ISSUE: In 2010, Caltrans informed Cal Water about the agency's plan to replace asphalt pavement on Highways 20 and 70 in Marysville with reinforced concrete in year 2012. The Caltrans project required Cal Water to relocate the existing facilities under the state highways. Due to this short notice, Cal Water did not have the opportunity to propose this project in the 2009 GRC. Therefore, this project was completed as a non-specific project. The final cost exceeded the initial estimate of $1,781,522.40 due to unexpected subsurface conditions. In 2011, Cal Water submitted Advice Letter 2048 to record litigation cost, monetary judgment or payments associated with this project not previously recovered through rates in a memorandum account known as the Caltrans Litigation Memorandum Account ("CLMA").

RESOLUTION: Cal Water and ORA agree to a budget of $1,781,522.40. The Parties agree that Cal Water may propose to recover the incremental cost between the recorded cost and the adopted budget of this project in the next GRC. Cal Water agrees to reduce the project's costs by the $75,000 received from its settlement with Caltrans and close the CLMA.

D. ADVICE LETTER PROJECTS

The Parties agree to include the following Advice Letter projects in the capital budget for the years 2012 through 2015.

Marysville: Advice Letter Projects
("Discussion" identifies projects discussed in detail below.)

Project	Discussion	Description	Year	Advice Letter Cap
00079975	-	Cal Water RAMCAP Vulnerability Assessments	2015	$ 55,589.6
00017755	X	IRON&MANGANESE TREATMENT	2012	MTBE FUND
Total				**$ 55,589.6**

Project 17755 – Iron, Manganese and MtBE Treatment

ISSUE: Cal Water proposed a granular activated carbon ("GAC") treatment system at well station 14. This system will treat for iron, manganese and MtBE. Cal

Water has MtBE funds from damages recovered from MtBE producers. ORA did not have issue with the need for the project but wanted to ensure proper MtBE accounting treatment.

RESOLUTION: Cal Water and ORA agree that this project should be treated as an Advice Letter and funded by proceeds from the MtBE litigation, and not from ratepayers.

E. EXCLUDED PROJECTS

The Parties agree to exclude the following projects from the capital budget for 2012 through 2015. The reasons for the exclusion are as described below.

Cancelled projects – Cal Water cancelled these projects during discovery, in rebuttal or as a result of settlement negotiations.

Defer Request projects – Cal Water agrees to defer the request of these projects to a later rate case during discovery, in rebuttal or as a result of settlement negotiations.

2012 NS projects – These 2012 Non-Specific projects (i.e., projects funded by authorized 2012 Non-Specific Budget) were initiated on or after January 2012. Cal Water included these projects in its requested Carryover capital project budget in this rate case. ORA contends that these projects' costs are already covered under the authorized 2012 Non-Specific Budget, and therefore their costs should not be included again in the Carryover capital project budget. Cal Water agrees to remove dollars associated with these projects from the Carryover budget in this rate case.

Marysville: Excluded Projects

Project	Discussion	Description	Reason
00017434	-	Upgrade Distribution System - Sta. 15 - 1,500' 12" D.I.; 10 2" Services	Cancelled
00019663	-	4 Flowmeter Replacement - Various Stations	Defer Request
00062935	-	Replace Vertical (can) Booster Pump and Motor - Sta. 10-A	Defer Request
00063956	-	Panelboard Replacement - Sta. 9	Defer Request
00068894	-	Field - 2-Way Voice Radio System	Defer Request
00017352	-	Add Magmeter & Pump Test Vault - Sta. 13	Cancelled
00017354	-	Add Magmeter & Pump Test Vault - Sta. 9	Cancelled
00017355	-	Add Magmeter & Pump Test Vault - Sta. 12	Cancelled
00017863	-	D Street - 9th & 14th Street - 2,300' 8" PVC; 50 1" Services	Defer Request
00019654	-	Flow Meter - Sta. 10	Defer Request
00019657	-	4 Remote Power Metering - Sta. 4	Cancelled
00019658	-	4 Remote Power Metering - Various Stations	Cancelled

Project	Discussion	Description	Reason
00020715	-	Replace Pump and Add Energy Efficient Monitoring - Sta. 13-01	Cancelled
00073453	-	Replace GV,Yuba-E11th/Freeman-E13th	2012 NS
00075895	-	RPL 2 GV'S, OAK & 7TH-C & 7TH	2012 NS
00075933	-	RPL BROKEN 8" GV, 1ST & D ST.	2012 NS
00079055	-	Replace 2- 4" GV at 8th & D Streets	2012 NS
Total			**$ 1,201,279.1**

[END OF CHAPTER]

CHAPTER 28. OROVILLE DISTRICT PLANT

A. OVERVIEW

The Oroville District's water supply comes from company-owned and leased wells, and purchased water. About 70% of the total supply is from purchased water. Major projects in this Agreement include main replacement and water treatment projects.

The tables below provide a summary of the plant settlement for this district. In the sections that follow, specific projects are identified in separate tables, and certain projects are discussed in further narratives. In addition, there may be projects related to "global" issues – issues that impact multiple districts – that are included in these tables, but discussed separately in the "Global Plant" section of this Agreement.

Oroville: Non-Specific Advance Capital Budget Summary

Year	July Filing	ORA Report	Settlement
2012	$ 92,200.0	$ 92,200.0	$ 92,200.0
2013	$ 185,600.0	$ 93,196.0	$ 139,398.0
2014	$ 195,200.0	$ 94,501.0	$ 144,851.0
2015	$ 200,400.0	$ 96,031.0	$ 148,216.0
Total	**$ 673,400.0**	**$ 375,928.0**	**$ 524,665.0**

The annual Non-Specific Advance Capital Budget is for capital projects that are anticipated to be completed and placed in service during the indicated year to resolve issues that were not known in detail when the advanced capital budget ("ACB") was adopted for that time period. The Non-Specific projects tend to be for emergency or unforeseen projects that need to be addressed between GRCs.

Oroville: Specific Advance Capital Budget Projects Summary

Year	July Filing	ORA Report	Settlement
2012	$ 516,000.0	$ 516,000.0	$ 371,718.3
2013	$ 257,969.5	$ 197,440.3	$ 398,039.5
2014	$ 198,250.0	$ 107,027.3	$ 127,585.0
2015	$ 636,946.8	$ 165,844.3	$ 498,917.3
Total	**$ 1,609,166.4**	**$ 986,311.9**	**$ 1,396,260.1**

The Advance Capital Budget for Specific projects identifies the projects and forecasted costs (except for Carryover projects) that the Parties agree should be reflected in the adopted revenue requirement.

Oroville: Carryover Capital Projects Summary

Year	July Filing	ORA Report	Settlement
2012	$ 952,861.6	$ 129,636.5	$ 295,829.0
2013	$ -	$ 478,800.0	$ 505,460.0
2014	$ -	$ -	$ -
2015	$ -	$ -	$ -
Total	**$ 952,861.6**	**$ 608,436.5**	**$ 801,289.0**

Carryover projects are capital projects reflected in the revenue requirement proposed in this Agreement that were (1) not used and useful, or in some cases not initiated, as of January 2012, and (2) not included in the Advance Capital Budgets summarized above. The Parties agree that Cal Water is expected to complete the listed Carryover projects at the identified settlement amounts and in the years indicated, and that their estimated costs should be reflected in the adopted revenue requirement in this rate case.

Oroville: Advice Letter Projects Total

	Advice Letter Cap
Total	**$ 55,589.6**

The Parties agree that certain capital projects may be included in rates after (1) they are in service, and (2) their costs (up to the specified cap) are submitted for Commission review via Tier 2 advice letter, and found to be reasonable. This Agreement recommends adoption of these projects as “Advice Letter” projects, but their costs are not reflected in the revenue requirement proposed for adoption in this Agreement.

Oroville: Excluded Projects Total

Excluded Projects	$ 173,173.0

The Parties agree that some capital projects proposed in the company's July 2012 application should not be reflected in the 2012 through 2015 capital budgets, unless noted otherwise. These "excluded" projects encompass those that the company cancelled, those that are in service and already included in the beginning plant balance per this Agreement, and those that the Parties agree for other reasons will not be included at this time. The exclusion of these projects ("Defer Request projects") does not prevent the company from proposing them in a subsequent application.

B. SPECIFIC ADVANCE CAPITAL BUDGET PROJECTS

The Parties agree to include the following projects in the Advance Capital Budget for the years 2012 through 2015.

Oroville: Advance Capital Budget – Specific Projects
("Discussion" identifies projects discussed in detail below.

Project	Discussion	Description	Year	Budget
00020687	-	Replace Pump & Add Energy Efficient Monitoring - Sta. 10-01	2013	$ 99,400.0
00020790	-	Linden Ave. - 960' 6" PVC; 26 1" Services; 3 Hydrants	2012	$ 199,000.0
00020791	-	Wilcox Ave. - 858' 6" PVC; 19 1" Services	2012	$ 153,700.0
00020822	-	Vehicle - Vehicle & Mobile Radio - District Manager	2013	$ 40,700.0
00020899	-	3 Fluoride Vatts w/ Pumps	2012	$ 7,300.0
00021246	-	Backwash Recovery Valve - Sta. 15.	2013	$ 78,888.9
00063473	-	Spoils Bins - 3 bays	2015	$ 20,000.0
00063474	-	Chlorine Generation Unit - Sta. 15	2015	$ 116,000.0
00063476	X	1,275' 6" PVC - Lincoln & length of Easement	2015	$ 308,000.0
00063572	-	Replace Pump and Motor - Sta. 15-J	2013	$ 22,968.0
00063854	-	Field - New Handhelds for Meter Reading	2015	$ 19,444.3
00063915	-	Field - Various Tools for Gardening & Canal Maintenance	2015	$ 5,100.0
00064134	-	Telog - HPR kit/DTU & Flow Test	2015	$ 10,200.0
00067051	-	Data Acquisition Radio Replacement	2013	$ 60,529.2
00078213	-	Project includes installation of particle counters to optimize control of filter beds for the LT2ESWTR compliance.	2013	$ 75,283.5
00079455	X	Daryl Poerter Main Replacement	2014	$ 108,000.0
ORO0900	-	Meter Replacement Program	2012	$ 11,718.3
ORO0900	-	Meter Replacement Program	2013	$ 20,270.0
ORO0900	-	Meter Replacement Program	2014	$ 19,585.0
ORO0900	-	Meter Replacement Program	2015	$ 20,173.0
Total				$ 1,396,260.1

Project 63476-Lincoln & Length of Easement Main Replacement

ISSUE: Cal Water requested $342,000 to replace 1,275 feet of main, eight services, one fire hydrant, and to reconnect two fire hydrants. The company proposed this project citing the leak history of this main segment and the need to increase the capacity and fire flow. ORA recommended disallowing the project, arguing that the replacing the section of pipeline was not cost effective given the recorded leak history.

RESOLUTION: Upon further discussions, Cal Water and ORA agree to the need of the project. The budget of the project was adjusted to reflect the agreed-upon service replacement unit cost of $2,000. Cal Water and ORA agree to a budget of $308,000 for Project 63476.

Project 79455- Daryl Poerter Main Replacement

ISSUE: Cal Water requests $154,650 to replace 375 feet of main, ten services and one hydrant. The company proposed this project due to leak history of the main and to increase capacity and fire flow. ORA agreed with the need for the project, but recommended a lower budget cost due to lower service unit cost, contingency, and capitalized interest costs.

RESOLUTION: Cal Water and ORA agree to a service replacement unit cost of $2,000. The Parties agree to a budget of $108,000 for Project 79455.

C. CARRYOVER PROJECTS

The Parties agree to include the following Carryover projects in the capital budget for the years 2012 through 2015.

Oroville: Projects Not In Service as of January 2012
("Discussion" identifies projects discussed in detail below.)

Project	Discussion	Description	Year	Budget
00017697	-	Security Mitigation Improvements & SCADA - Various Stations, Customer Service & Operations Center	2012	$ 57,198.0
00019412	-	Paint Interior & Upper Shell - Sta.16 Tank 1 - Hi-Duty Res.2	2013	$ 235,800.0
00020758	-	Office - 3 Office Computers	2012	$ 4,576.0
00020890	-	Valve Replacement Program - 5	2012	$ 41,471.0
00021511	X	Treatment Plant Control System Upgrade - Station 15	2013	$ 243,000.00
00026591	-	Conversion of 33 Flat Rate Services to Metered	2013	$ 24,097.0

Project	Discussion	Description	Year	Budget
		Services		
00055308	-	Install PVC C.P. test tube	2013	$ 2,563.0
00066909	-	Gold Run Creek Diversion	2012	$ 192,584.0
Total				**$ 801,289.0**

Project 21511 - Treatment Plant Control System Upgrade - Station 15

ISSUE: Cal Water stated that it initiated this project to achieve better filter performance. This project was to replace the original outdated equipment from the mid 70's with programmable logic controller ("PLC") equipment to operate the plant automatically. Additionally, Cal Water performed modifications to the control system to make necessary operational changes to come into compliance with new water quality requirements from the Long Term 2 Enhanced Surface Water Treatment Rule. Cal Water informed ORA that the project completion date has changed from 2012 to 2013 and the final costs for this project are anticipated to be higher than the budgeted amount of $243,000.

RESOLUTION: Cal Water and ORA agree to a budget of $243,000. The Parties agree that Cal Water will provide in the next GRC detailed justification for any cost exceeding this settled amount.

D. ADVICE LETTER PROJECTS

The Parties agree to include the following Advice Letter project in the capital budget for the years 2012 through 2015.

Oroville: Advice Letter Project

Project	Discussion	Description		Advice Letter Cap
00079997	-	Cal Water RAMCAP Vulnerability Assessments	2015	$ 55,589.6
Total				**$ 55,589.6**

E. PROJECTS EXCLUDED FROM PLANT ADDITIONS

The Parties agree to exclude the following projects from the capital budget for 2012 through 2015. The reasons for the exclusion are as described below.

Cancelled projects – Cal Water cancelled these projects during discovery, in rebuttal or as a result of settlement negotiations.

Defer Request projects – Cal Water agrees to defer the request of these project to a later rate case during discovery, in rebuttal or as a result of settlement negotiations.

2012 NS projects – These 2012 Non-Specific projects (i.e., projects funded by authorized 2012 Non-Specific Budget) were initiated on or after January 2012. Cal Water included these projects in its requested Carryover capital project budget in this rate case. ORA contends that these projects' costs are already covered under the authorized 2012 Non-Specific Budget, and therefore their costs should not be included again in the Carryover capital project budget. Cal Water agrees to remove dollars associated with these projects from the Carryover budget in this rate case.

Oroville: Projects Not Included in Revenue Requirement

Project	Discussion	Description	Reason
00017343	-	Replace Magmeter - Sta. 3	Cancelled
00017349	-	Replace Magmeter - Sta. 1	Cancelled
00017794	-	1st Ave. - Montgomery & Robinson -645' 6" PVC; 9 1" Services	Defer Request
00063535	-	Replace Booster Pump and Motor - Sta. 15-B	Defer Request
00063898	-	Rebuild Ditch Banks & Gunite	Defer Request
00068895	-	Field - 2-Way Voice Radio System	Defer Request
00079933	-	Gunite 80ft of Ditch	2012 NS
Total			**$ 173,173.0**

[END OF CHAPTER]

CHAPTER 29. PALOS VERDES DISTRICT PLANT

A. OVERVIEW

The Palos Verdes District relies 100% on purchased water and has a large range in elevations (sea level to 1,465 feet). A major project in this Agreement is the purchase of a property for a new tank that will serve as part of the much larger Palos Verdes Pipeline Project, designed to increase the Ridge System's supply reliability. Other major projects include addition of backup power supply at Station 22 and Station 23, which are two large and important stations in the district.

The tables below provide a summary of the plant settlement for this district. In the sections that follow, specific projects are identified in separate tables, and certain projects are discussed in further narratives. In addition, there may be projects related to "global" issues – issues that affect multiple districts – that are included in these tables, but discussed separately in the "Global Plant" section of this Agreement.

Palos Verdes: Non-Specific Advance Capital Budget Summary

Year	July Filing	ORA Report	Settlement
2012	$ 542,600.0	$ 542,600.0	$ 542,600.0
2013	$ 749,500.0	$ 1,117,914.0	$ 649,000.0
2014	$ 788,600.0	$ -	$ 674,150.0
2015	$ 809,200.0	$ 571,700.0	$ 690,450.0
Total	**$ 2,889,900.0**	**$ 2,232,214.0**	**$ 2,556,200.0**

The annual non-specific budget is for capital projects that are anticipated to be initiated and completed during the indicated year to resolve issues that were not known in detail when the advanced capital budget ("ACB") was adopted for that period. The non-specific projects tend to be for emergency or unforeseen projects that need to be addressed between GRCs.

Palos Verdes: Specific Advance Capital Budget Projects Summary

Year	July Filing	ORA Report	Settlement
2012	$ 1,819,760.4	$ 534,015.4	$ 64,692.2
2013	$ 8,105,490.6	$ 1,825,265.9	$ 2,719,262.0
2014	$ 4,438,288.6	$ 1,114,529.3	$ 2,690,296.4
2015	$ 11,701,620.6	$ 2,184,099.4	$ 4,400,256.3
Total	**$ 26,065,160.1**	**$ 5,657,910.0**	**$ 9,874,506.9**

The advanced capital budget for specific projects identifies the projects and forecasted costs (except for carryover projects) that the Parties have agreed should be included in the adopted revenue requirement.

Palos Verdes: Carryover Capital Projects Summary

Year	July Filing	ORA Report	Settlement
2012	$ 7,432,059.6	$ 1,628,274.5	$ 4,193,625.3
2013	$ -	$ -	$ 1,102,241.4
2014	$ -	$ -	$ -
2015	$ -	$ -	$ -
Total	**$ 7,432,059.6**	**$ 1,628,274.5**	**$ 5,295,866.8**

Carryover projects are capital projects included in the revenue requirement proposed in the Agreement that were not used and useful as of January 2012, and are not included in the advanced capital budgets summarized above. The Parties agree that Cal Water will complete the listed carryover projects at the identified settlement amounts and in the years indicated. These projects should be included in the adopted revenue requirement.

Palos Verdes: Advice Letter Projects Total

	Advice Letter Cap
Total	**$ 8,166,216.6**

The Parties agree that certain capital projects may be included in rates after (1) they are in service; and (2) their costs (up to the specified cap) are submitted for Commission review via Tier 2 advice letter, and they are found to be reasonable. This settlement recommends adoption of these projects as “Advice Letter” projects, but their costs are not included in the revenue requirement proposed for adoption in this Agreement.

Palos Verdes: Excluded Projects Total

Excluded Projects	$ 9,979,891.8

The Parties agree that some capital projects proposed in the company's July 2012 application should not be included in the capital budget for 2012 through 2015, unless otherwise indicated. These "excluded" projects encompass those that the company cancelled, those that are in service and already included in the beginning plant balance per this Agreement, and those that the Parties agree for other reasons will not be included at this time. The exclusion of these projects does not prevent the company from proposing them in a subsequent application ("deferred projects").

B. SPECIFIC ADVANCE CAPITAL BUDGET PROJECTS

The Parties agree to include the following projects in the Advance Capital Budget for the years 2012 through 2015.

Palos Verdes: Advance Capital Budget – Specific Projects
("Discussion" identifies projects discussed in detail below.)

Project	Discussion	Description	Year	Budget
00019829		Anodes - Various Locations	2013	$ 21,600.0
00019840		Replace 12" PCV - Sta. 30	2013	$ 18,200.0
00019844		Field - Ice Machine - Operations Center Building	2012	$ 3,580.1
00019880		Pumping Equipment - Sta. 22-C	2013	$ 243,840.0
00020664		Solar Bee Circulating Equipment - Sta. 49 Tank 2 Res. 20	2013	$ 88,175.0
00020911		Upgrade 8 Fire Hydrants	2013	$ 99,960.4
00020917		PRV L-26 - 6939 Beechfield	2013	$ 58,400.0
00020945		PRV J-92 - Hawthorne Blvd. & Blackhorse	2013	$ 58,400.0
00044149		Field - Pipe Threading Machine	2013	$ 7,962.5
00053648		Paint Interior Complete, Exterior Roof and Replace CP Anodes - Sta. 23 Tank 2	2014	$ 14,146.0
00062032		Paint Interior Complete - Sta. 50 Tank 1 (Res. 21)	2014	$ -
00062813		Replace Pumping Equipment - Sta. 30-E	2013	$ 269,760.0
00063052		Panelboard Replacement - Sta.14	2013	$ 154,000.0
00063068		Genset - Sta. 15	2015	$ 288,412.0
00063105		1480' 8" D.I.; 2 1" Services; 1 Hydrant - Narcissa Dr. - Vanderlip Dr. to Cinnamon Ln.	2013	$ 298,323.4
00063109		Chelsea Road - Epping Rd. to Yarmouth Rd. in Palos Verdes Estates - 733' 6" D.I. & 11 Reconnects; 12 1" Services; 1 Hydrant	2014	$ 182,056.6
00063110		Chelsea Road from Yarmouth to Avenida Mirola - 1538' 6" DI	2015	$ 334,280.8
00063332		Replace Mineral Surface Roof Covering - Sta. 51 - Res. 22	2015	$ 54,110.4
00063358	X	Back Up Generator - Sta. 22	2015	$ 936,309.0
00063372	X	Emergency Back Up Generator - Sta. 23	2014	$ 912,618.0

Project	Discussion	Description	Year	Budget
00063373		Replace 12" Bevel Gear Wheel Operated Gate Valve - Sta. 22-E	2013	$ 18,120.0
00065270		Secure Reservoir - Fencing - Sta. 48 T1 Res. 17	2013	$ 5,476.5
00065289		Anodes - Various Locations	2014	$ 14,411.8
00065453		Replace Blow-Offs - Various Locations	2013	$ 36,029.4
00065456		Replace Valve Casings - Various Locations	2013	$ 36,029.4
00065457		Replace Blow-Offs - Various Locations	2014	$ 36,029.4
00065459		Replace Valve Casings at various locations in the Palos Verdes system.	2014	$ 36,029.4
00065460		Replace Blow-Offs - Various Locations	2015	$ 36,029.4
00065463		Replace Valve Casings at various locations in the Palos Verdes System.	2015	$ 36,029.4
00065464		Office - Replace Office Furniture & Computers	2013	$ 45,325.0
00065465		Replace Furniture - Operation Center	2014	$ 24,501.2
00065466		Upgrade Sample Room - Operations Center	2015	$ 45,325.0
00065609		Replace PRV - Sta. 69-A Crownview Dr.	2013	$ 147,000.0
00065610		Replace PRV H-238 Via Zurita	2014	$ 119,588.8
00065611		Replace PRV H-126-6424 Monero	2015	$ 134,029.4
00065729		Slurry Seal - Sta. 49 Res. 20	2014	$ 117,497.6
00065730		Slurry Seal Driveway - Sta. 48 T1 Res. 17	2015	$ 35,973.2
00065731		Slurry Seal - Sta. 44 T1 Res. 8	2015	$ 41,370.4
00065732		Driveway - Sta. 14	2013	$ 44,947.4
00066629		Replace Pumping Equipment - Sta. 23-D	2015	$ 227,880.0
00067476		Slurry Seal - Sta. 23	2014	$ 24,459.7
00067477		Retro Fit Over-Flow - Sta. 44 T1 Res. 8	2013	$ 7,615.2
00067478		Retro Fit Over-Flow - Sta. 46 T1 Res. 12	2013	$ 7,326.9
00070070		Pipeline Condition Assessment Alternatives Report for D500 Zone - 20 Inch Replacement between Crenshaw BLVD and Reservoir 5	2015	$ 134,751.6
00070089		Upsize Discharge Piping - Sta. 4	2013	$ 184,239.8
00077356		Install 610' -6" DI Main in the R.A. Watt Tract. Northerly of Whitley Collins Dr. in the city of Rancho Palos Verdes. Retire 251' -4" Transite main on Moro Bay, retire123'-4" Transite main on Newstar and 236' -4" transite main on Pinecastle.	2013	$ 232,101.4
00077357		Install 730' -6" DI Main on Brokenbow Ln. & Rollando Dr.in the city of Rolling Hills Estates. Retire 600' -4" Transite main on Brokenbow Ln. and 130' -2" ABS main on Rollando Dr..	2013	$ 281,389.6
00077358		Install 325' - 6" DI Main on Singletree Lane in the city of Rolling Hills Estates. Retire 325' -4" transite main.	2013	$ 125,850.7
00077555		Install 300' -6" DI main on Delasonde Dr. W/o S. Montereina Dr. in the city of Rancho Palos Verdes. Retire 300' -4" transite main.	2013	$ 119,473.5
00077558		Install 158' -6" DI main on Ridgecroft Ct. in the city of Rancho Palos Verdes. Retire 158' -4" PVC main.	2014	$ 75,157.3
00077559		Install 414' -6" DI main on Rio Linda Dr. in the city of Rancho Palos Verdes. Retire 414' -4" Transite main.	2014	$ 168,545.5
00077561		Install 295' -6" DI main on Meadowlark Lane in the city of Rolling Hills. Retire 295' -4" Transite	2014	$ 110,934.5

Project	Discussion	Description	Year	Budget
		main.		
00077573		Install 1500' -1076' of 6" DI main on Via Coronel and 430' of 6" DI Main on Via Landeta in the city of Palos Verdes Estates. Retire 1500' -4" Transite main.	2014	$ 539,720.4
00077574		Install 230' -6" DI main on Azores Place in the city of Rancho Palos Verdes. Retire 230' -4" AC main.	2014	$ 93,316.2
00077575		Install 250' -6" DI main on Circlet Drive in the city of Rancho Palos Verdes. Retire 250' -4" Transite main.	2014	$ 99,801.4
00077576		Install 377' -6" DI main on Mesaba Drive in the city of Rancho Palos Verdes. Retire 377' Transite main.	2015	$ 161,447.7
00077577		Install 200' -6" DI Main on W. Oconto Avenue in the city of Rancho Palos Verdes. Retire 200' -4" Transite main.	2015	$ 88,776.4
00077578		Install 300' -6" DI main on Valor Pl & 162' -6" DI main on Helm Pl. in the city of Rancho Palos Verdes. Retire 300' -4" Transite main & 162' -4" Transite main.	2015	$ 177,192.6
00077579		Install 1133' -6" DI main on Via Almar & 173' -6" DI main on Paseo Del Mar in the city of Palos Verdes Estates. Retire 1133' -4" Transite main on Via Almar & 173' -4" Transite main on Paseo Del Mar.	2015	$ 499,295.4
00077580		Install 600' -6" DI main on Chelsea Rd and 500' -6" DI main on Via Anacapa in the city of Palos Verdes Estates. Retire 600' -4" Transite on Chelsea Rd and 500' -4" Transite on Via Anacapa	2015	$ 387,532.2
00077581		Install 240' -6" DI main on Avenida Refinida, 240' -6" DI main on Avenida Magnifica and 220' -6" DI main on Esplendida Ave. in the city of Rancho Palos Verdes. Retire 240' -4" Transite main on Ave. Refinida, 240' -4" Transite main on Ave. Magnifica and 2	2015	$ 261,285.2
00077582		Install 215' -6" DI main on Waukesha Place in the city of Rancho Palos Verdes. Retire 215' -4" Transite main.	2015	$ 83,263.9
00077583		Install 240' -6" DI main on Menominee Place in the city of Rancho Palos Verdes. Retire 240' -4" Transite main.	2015	$ 98,288.2
00077584		Install 280' -6" DI main on Via Encanto in the city of Rolling Hills Estates. Retire 280' -4" Transite main.	2015	$ 106,070.6
00077585		Install 205' -6" DI main on S. Rockhurst Lane in the city of Rancho Palos Verdes. Retire 205' -4" Transite main.	2015	$ 88,668.4
00079774		Purchase 1-Color Copier for the Palos Verdes Field Operations Center.	2013	$ 13,884.7
PVD0900	**X**	Meter Replacement Program	2012	$ 61,112.1
PVD0900	**X**	Meter Replacement Program	2013	$ 95,831.2
PVD0900	**X**	Meter Replacement Program	2014	$ 121,482.6
PVD0900	**X**	Meter Replacement Program	2015	$ 143,935.1

Project	Discussion	Description	Year	Budget
Total				**$ 9,874,506.9**

Project PVD0900 – Meter Replacement Program

Please see Global Section of this Settlement Agreement.

Projects 63358 and 63372 – Back-Up Generators at Station 22 and 33

ISSUE: Cal Water requested these projects to install back-up generators at Stations 22 and 23. ORA opposed these projects stating that Cal Water's justification included invalid assumptions about storage deficiency.

RESOLUTION: In settlement discussions, Cal Water provided clarifications and discussed the needs for emergency power generators at these stations. As a result, Parties agree to include $936,309 for Project 63358 and $912,618 for Project 63372.

C. CARRYOVER PROJECTS

The Parties agree to include the following Carryover projects in the capital budget for the years 2012 through 2015.

Palos Verdes: Projects Not In Service as of January 2012
("Discussion" identifies projects discussed in detail below.)

Project	Discussion	Description	Year	Budget
00007442	X	REPLACE PANELBOARDS Sta 30	2012	$ 246,000.0
00017252		Cathodic Protection Rectifier & Anodes - Sta. 30 to Hedland Drive - Phase 1 of 2	2012	$ 54,000.0
00017254		Cathodic Protection Rectifier & Anodes - Hedland Dr. to Colt Rd. - Phase 2 of 2	2012	$ 54,000.0
00017330	X	Replace Panelboard - Sta. 30	2012	$ 1,263,375.9
00017887		Security Mitigation Improvement & SCADA - Customer Service & Operations Center	2013	$ 152,800.0
00017906		Security Mitigation Improvement - Customer Service & Operations Center	2013	$ 19,700.0
00018187		Replace 6 SCADA RTUs	2012	$ 59,148.9
00019828		8 Annodes - Crest Road & Ganado; Palos Verdes Drive North & Portugese Bend Road	2012	$ 25,011.6
00019839		Replace 12" PCV - Station 23	2012	$ 19,476.7
00019854		Replace Connection - 1000 block of PV Drive West	2013	$ 32,800.0
00019874		SCADA Radio System	2013	$ 99,171.5
00019991		Replace Roof - Storage Building	2013	$ 7,300.0
00020062		Re-Pave Back Parking Lot - Field Yard	2013	$ 106,000.0
00020064		Re-Pave Back Parking Lot - Field Yard	2013	$ 108,800.0
00020411		Replace PRV D-194 - Via Corta & Via Del Monte	2013	$ 60,400.0
00020424		Replace PRV J-48 - Crenshaw & Indian Peak	2013	$ 60,400.0
00020513		893' 6" DI; 4 1" Services - Crest Road - Res.	2013	$ 180,800.0

Project	Discussion	Description	Year	Budget
		22 East to Georgeff Rd.		
00020594		Conestoga Drive - Estribo Dr. to Saddle Rd. - 963' 6" PVC; 19 -1" Services; 1 Hydrant	2012	$ 132,889.7
00020657		Solar Bee Circulating Equipment - Sta. 23 Tank 2 Res. 19	2013	$ 68,998.9
00020883		Upgrade 8 - 4" Fire Hydrants to 6" Fire Hydrants.	2012	$ 87,606.5
00020969		This additional Portable Generator would be used at night on Emergency Main Leaks.	2012	$ 2,414.3
00021091		Replace PRV J-163	2013	$ 83,000.0
00021153		Upgrade 8 Fire Hydrants	2013	$ 89,700.0
00021154		Replace Field Trench Pump due to existing one is worn out.	2013	$ 1,744.6
00021175		Palos Verdes Drive East - Colt to Sta. 23 - 2,000' 34" CL&C	2012	$ 2,249,701.8
00042047		Install 3 Work Sta.-PV Opers Ctr.	2013	$ 30,626.5
Total				**$ 5,295,866.8**

Projects 7442, 17330, 17331, and 26747 – Panelboard replacement projects at Palos Verdes Stations 22 and 30

ISSUE: Cal Water proposed carryover status for 4 projects approved in prior GRCs to improve the electrical equipment at two of the district's largest and most important booster stations. Parties engaged in significant discussion on these projects ranging from the projects' needs and cost increases to reasons for the extended delays in completing the projects. .

RESOLUTION: As a result of settlement discussions, Cal Water and ORA agree to include in plant Project 7442 at $246,000 and Project 17330 at $1,263,376 – both of which are at Station 30. Parties agree to include Projects 17331 and 26747 at Station 22 as Advice Letter projects capped at $620,000 and $576,900, respectively. In its next GRC application, Cal Water will submit detailed justification for costs exceed these agreed-upon amounts.

D. ADVICE LETTER PROJECTS

The Parties agree to include the following Advice Letter projects in the capital budget for the years 2012 through 2015.

Palos Verdes Advice Letter Project
("Discussion" identifies projects discussed in detail below.)

Project	Discussion	Description	Advice Letter Cap
00017331	X	Replace Panelboard - Sta. 22	$ 620,000.0
00019668	X	POWER RECOVERY TURBINE	$ 217,200.1

Project	Discussion	Description	Advice Letter Cap
00020510	X	Power Recovery Turbine - Phase 2 - Sta. 37	$ 849,200.0
00026747	X	New Panelboard for Boosters - Sta. 22 A-D - Phase 2	$ 576,900.0
00076174	X	Purchase property along Crenshaw Blvd to house the Crenshaw Reservoir and pump station proposed as part of the PV Pipeline Project.	$ 5,814,595.2
00079993		Cal Water RAMCAP Vulnerability Assessments	$ 88,321.3
Total			**$ 8,166,216.6**

Projects 17331 and 26747 – Replace Panelboard - Sta. 22 and New Panelboard for Boosters - Sta. 22 A-D - Phase 2

These projects are discussed in the Carryover Projects section of this Agreement.

Projects 19668 and 20510 – Power Recovery Turbine Station 37 Phases 1 and 2

ISSUE: Cal Water included in its July 2012 application $212,834 for carry-over Project 19668 and $1,350,000 for carry-over Advice Letter Project 20150. Cal Water reported on its progress on these power recovery turbine projects and informed ORA of cost overruns above the authorized advice letter cap.

RESOLUTION: After discussing the progress of the projects, ORA and Cal Water agree to include both projects as Advice Letter projects, to be filed together upon completion, and maintain the original cap for Project 20150. Thus, the caps are $217,000 and $849,000 for Projects 19668 and 20150, respectively. Cal Water will also include the purchased power expense savings in the advice letter filing. In the next GRC, Cal Water will include detailed justification for costs exceeding these agreed-upon amounts.

Project 76174 – Property Purchase for Crenshaw Reservoir and Pump Station

ISSUE: Cal Water proposed this project for the purchase of property upon which to construct a 3-to 4-million gallon reservoir and pump station. The reservoir and pump station is an essential component of the overall Palos Verdes Pipeline Project. Cal Water explained that this is a critical project to address supply reliability concerns for the entire Palos Verdes (PV) District. The PV Pipeline Project will add a second, independent supply feed to the Ridge system along a more accessible and geologically stable alignment. It will also reduce storage deficits, lessen the vulnerabilities related to

power outages, and allow for efficient delivery of water supply. Lastly, it will replace an existing pipeline whose current location makes it inaccessible for maintenance and repair.

Cal Water noted that securing a reservoir site is a key part in proceeding with final design of the entire PV Pipeline Project. Cal Water initially budgeted $5,815,000 to purchase a +/-2.0 acre property and conduct due diligence activities to ensure technical and economic feasibility of the site.

Subsequent to the July 2012 filing, the property owner had the property appraised and Cal Water adjusted its request in rebuttal to $8,624,000 to reflect the appraised value of the property of $67/square feet plus capitalized interest, escalation, contingency and construction overhead expenses.

In its testimony, ORA opposed including this project in this GRC because it is part of a $60-million PV Pipeline Project that is best addressed in a separate application. That way the Commission can consider the reasonableness and cost impact of the PV Pipeline Project in totality. After discussing with Cal Water regarding the need to make incremental and essential progress for the project, ORA agreed to consider including the land purchase project in this GRC. However, ORA challenged the reasonableness of Cal Water's significantly increased project cost estimate, questioning the underlying assumptions including acreage needed for the reservoir, and the appropriateness of adding on costs such as contingency, escalation and construction overhead to the newly appraised price.

RESOLUTION: Based on extended settlement discussions and review of updated information, ORA and Cal Water agree to include Project 76174 as an Advice Letter project capped at the original requested amount of $5,815,000. This amount reflects approximately the appraised price for a 1.5-acre lot, instead of 2-acre, and excludes much of the above mentioned cost add-ons. Parties further agree that if Cal Water determines, during its due diligence, that if additional property is required above the 1.5 acres for such items as slopes, site maintenance, access, or other operational considerations, it may request additional cost recovery on the incremental costs via separate application or in the next GRC. As will any Advice Letter projects, Cal Water will provide detailed justification for cost exceeding the cap.

E. PROJECTS EXCLUDED FROM PLANT ADDITIONS

The Parties agree to exclude the following projects from the capital budget for 2012 through 2015. The reasons for the exclusion are as described below.

Cancelled projects – Cal Water cancelled these projects during discovery, in rebuttal or settlement negotiations.

Defer Request projects – Cal Water agrees to defer the request of these projects to a later rate case during discovery, in rebuttal or settlement negotiations.

2012 NS projects – These 2012 Non-Specific projects (i.e., projects funded by authorized 2012 Non-Specific Budget) were initiated on or after January 2012. Cal Water included these projects in its requested Carryover capital project budget in this rate case. ORA contends that these projects' costs are already covered under the authorized 2012 Non-Specific Budget, and therefore their costs should not be included again in the Carryover capital project budget. Cal Water agrees to remove dollars associated with these projects from the Carryover budget in this rate case.

Palos Verdes: Excluded Projects

("Discussion" identifies projects discussed in detail below.)

Project	Discussion	Description	Reason
00020012		Replace Carpet - Operations Center - Back Offices	Cancelled
00020635		Solar Bee Circulating Equipment - Sta. 37 Res. 25	Cancelled
00021170		Highridge Road - Scotwood Dr. to Armaga Spring - 3,860' 12" D.I.; 2 Hydrants	Cancelled
00063107	X	Replace 500' of 2" PVC main to 6" C-900 and reconnect 5 services - Via Bandini and Via Pacheco in Palos Verdes Estates.	Defer
00067155		Install 31 Hand-Off-Auto switch position indicators for remote access by SCADA: 4(2), 5, 14(2), 15(4), 22(8), 23(6), 30(4), 37(2), 38(2)	Defer
00067330		Install 25 pressure transducers: 4(2), 5, 14(2), 15, 22(7), 23(5), 30(4), 37, 38(2)	Defer
00067474		Install 9 power meters: 4, 5, 14, 15, 22, 23, 30, 37, 38	Defer
00070091	X	Upgrade Pump 4A - Sta. 4	Defer
00075013	X	Upgrade Pump 4C - Sta. 4	Defer
00075474	X	Inst.2-6" G.V.& Reloc.1" Service	2012 NS
00077556	X	Install 806' -6" DI main in HOA referred to as the "Ridges" in the city of Rancho Palos Verdes. Retire 806' -4" PVC main.	Defer
00077560	X	Install 510' -6" DI main on Via Palestra in the city of Palos Verdes Estates. Retire 510' -4" AC main.	Defer
00079657	X	Advanced metering pilot project	Defer
Total			**$ 9,979,891.8**

Projects 63107, 77556 and 77560 – Main replacement projects (various locations)

ISSUE: Cal Water requested several main replacement projects in this district to achieve a 1% main replacement rate. ORA expressed concerns that Cal Water may not have the ability to carry out a more robust main replacement program than it has accomplished in recent years. ORA also stated that some mains proposed to be replaced in this GRC have no leak history to support the need for replacement.

RESOLUTION: The Parties agree that Cal Water should defer these main replacement projects to a future GRC.

Project 79657 – Advanced Metering Pilot Project

See discussion in the Dominguez District plant section.

Projects 70091 and 75013 – Upgrade Station 4 Pumps

ISSUE: Cal Water requested Projects 70091 (Pump A) and 75013 (Pump C) for $500,337 and $133,914 respectively to increase the Station 4 pumping capacity based on the recommendation from the Water Supply and Facilities Master Plan ("WS&FMP") . ORA recommended disallowance of these projects because it found that the California Department of Public Health ("CDPH") report did not note any pumping deficiency in the Palos Verdes system. ORA also stated that the needs for these projects were based from the WS&FMP, which was originally prepared in 2002 and updated in 2009. ORA expressed concerns that the information contained in the Plan maybe outdated and not reflective of the current demand experience in the district.

RESOLUTION: The Parties agree that Cal Water should defer the request for these projects to a future GRC.

[END OF CHAPTER]

CHAPTER 30. RANCHO DOMINGUEZ (UMBRELLA) DISTRICT PLANT

A. OVERVIEW

The tables below provide a summary of the plant settlement for this district. In the sections that follow, specific projects are identified in separate tables, and certain projects are discussed in further narratives. In addition, there may be projects related to "global" issues – issues that impact multiple districts – that are included in these tables, but discussed separately in the "Global Plant" section of this Agreement.

Rancho Dominguez: Non-Specific Advance Capital Budget Summary

Year	July Filing	ORA Report	Settlement
2012	$ 63,300.0	$ 63,300.0	$ 63,300.0
2013	$ 65,800.0	$ 65,800.0	$ 65,800.0
2014	$ 69,300.0	$ 69,300.0	$ 69,300.0
2015	$ 71,100.0	$ 71,100.0	$ 71,100.0
Total	**$ 269,500.0**	**$ 269,500.0**	**$ 269,500.0**

The annual non-specific budget is for capital projects that are anticipated to be initiated and completed during the indicated year to resolve issues that were not known in detail when the advanced capital budget ("ACB") was adopted for that time period. The non-specific projects tend to be for emergency or unforeseen projects that need to be addressed between GRCs.

Rancho Dominguez: Specific Advance Capital Budget Projects Summary

Year	July Filing	ORA Report	Settlement
2012	$ 129,300.0	$ 83,840.0	$ -
2013	$ 505,143.5	$ 86,094.8	$ 169,558.7
2014	$ 76,629.9	$ 23,843.5	$ 107,493.5
2015	$ 109,104.4	$ 67,104.4	$ 67,104.4
Total	**$ 820,177.8**	**$ 260,882.7**	**$ 344,156.6**

The advanced capital budget for specific projects identifies the projects and forecasted costs (except for carryover projects) that the Parties have agreed should be included in the adopted revenue requirement.

Rancho Dominguez: Carryover Capital Projects Summary

Year	July Filing	ORA Report	Settlement
2012	$ 381,441.3	$ 60,500.0	$ 70,357.8
2013	$ -	$ -	$ 138,905.4
2014	$ -	$ -	$ -
2015	$ -	$ -	$ -
Total	**$ 381,441.3**	**$ 60,500.0**	**$ 209,263.2**

Carryover projects are capital projects included in the revenue requirement proposed in the Agreement that were not used and useful as of January 2012, and are not included in the advanced capital budgets summarized above. The Parties agree that Cal Water will complete the listed carryover projects at the identified settlement amounts, and in the years indicated. These projects should be included in the adopted revenue requirement.

Rancho Dominguez Advice Letter Projects

The Parties agree that certain capital projects may be included in rates after (1) they are in service; and (2) their costs (up to the specified cap) are submitted for Commission review via Tier 2 advice letter, and they are found to be reasonable. There are no Advice Letter projects in Rancho Dominguez.

Rancho Dominguez: Excluded Projects Total

Excluded Projects	**$ 645,861.0**

The Parties agree that some capital projects proposed in the company's July 2012 application should not be included in the capital budgets for 2012 through 2015, unless otherwise noted. These "excluded" projects encompass those that the company cancelled, those that are in service and already included in the beginning plant balance per this Agreement, and those that the Parties agree for other reasons will not be included at this time. The exclusion of these projects does not prevent the company from proposing them in a subsequent application ("deferred projects").

B. SPECIFIC ADVANCE CAPITAL BUDGET PROJECTS

Rancho Dominguez: Advance Capital Budget – Specific Projects

Project	Discussion	Description	Year	Budget
00020839		Office - 6 Ergonomic Chairs	2013	$ 6,824.4
00021088		Vehicle - Pick Up	2013	$ 37,562.1
00021089		Vehicle - Pick Up	2013	$ 39,077.5
00059734		Office - Chairs (50) and Tables (6) - New Conference Room	2013	$ 25,500.0
00059735		Office - New Furniture - Lobby	2013	$ 7,650.0
00059736		Kitchen Counter Tops	2013	$ 14,400.0
00061412		Office - Replace 2 Tables and 12 Chairs - Employee Locker Room	2014	$ 8,433.4
00061413		Office - Replace Furniture - Customer Service Lounge - Rancho Dominguez Main Office	2014	$ 4,108.6
00061472		Replace Floor - Locker Room & Bathrooms	2015	$ 12,720.0
00061514		Replace Kitchen Floor - Main Office	2015	$ 8,649.6
00061960		Office - 8 Additional Lockers - Locker Room	2015	$ 6,811.6
00061973		Office - Rotary File Cabinets - Operations	2015	$ 38,923.2
00064942		Vehicle - 0.5 Ton Pick Up with Accessories - Field Maintenance	2014	$ 42,000.0
00065112		Vehicle - 0.5 Ton Pick Up & Outfitting	2014	$ 41,650.0
00066175		Field - Replace Forklift	2013	$ 38,544.8
00072354		Field - Arrow Board	2014	$ 11,301.6
		Non-specifics	2012	$ 63,300.0
		Non-specifics	2013	$ 65,800.0
		Non-specifics	2014	$ 69,300.0
		Non-specifics	2015	$ 71,100.0
Total				**$ 613,656.6**

No discussion of specific projects.

C. CARRYOVER PROJECTS

Rancho Dominguez: Projects Not In Service as of January 2012

Project	Discussion	Description	Year	Budget
00020665		Upgrade Sample Room	2012	$ 50,200.0
00021157		Office - Replace Furniture	2013	$ 10,800.0
00021176		Slurry Coat & Repaint Back Parking Lot	2013	$ 13,000.0
00021218		SCADA Radios - Carson Tanks	2013	$ 17,600.0
00021219		SCADA Operations Center	2012	$ 10,300.0
00021302		Office - Electronic Key Management System	2013	$ 22,300.0
00053051		Hach PH Meters	2012	$ 9,857.8
00066751		Security @ Dominguez Office	2013	$ 75,205.4

Project	Discussion	Description	Year	Budget
Total				**$ 209,263.2**

No discussion of specific projects.

D. ADVICE LETTER PROJECTS

There are no Advice Letter Projects for Rancho Dominguez.

E. PROJECTS EXCLUDED FROM PLANT ADDITIONS

Rancho Dominguez: Excluded Projects
("Discussion" identifies projects discussed in detail below.)

Project	Discussion	Description	Reason
00014803		Vehicle - 1.75 Ton C&C & Dump Bed	Defer
00020226		Vehicle - CARB Regulation - Retrofit V206019	Defer
00020228		Vehicle - CARB Regulation - Retrofit V207001	Defer
00021087		Vehicle - Pick Up & Truck Upfitting	Cancelled
00038488		PURCHASE EMERGENCY RADIO	Cancelled
00061360		Remodel Landscaping - Main Office	Defer
00061432		Office - Patio Furniture - 2 Tables and 12 Chairs	Defer
00068896		Add two-way voice radio communication system.	Defer
00072333	**X**	Purchase Light Tower	2012 NS
00072517	**X**	Cross Connection addt'l compliment	2012 NS
00075653	**X**	Pur 10 1-1/2"&10 2-1/2" Fire Hoses	2012 NS
00076133	**X**	Purchase Backflow Testing Equipment	2012 NS
Total			**$ 645,861.0**

Projects 72333, 72517, 75653 & 76133 – These projects were initiated on or after January 2012. Cal Water is authorized an annual budget for non-specific projects per year for the period 2012-2015. As the 2012 non-specific budget is intended for the use of funds to cover the projects listed above, the cost of the projects has been removed from rate base during the current proceeding.

Project 72333 – The parties agree that this project should be excluded. The need for this equipment is currently being evaluated using the Continuous Improvement approach and will be resubmitted if approved.

Project 72517 - This project was created to purchase a vehicle for the Cross Connection Control inspector's position, which was approved in the 2009 GRC. The vehicle has been purchased and the project placed in the completed status by the District on 5/1/12. The project was placed in the Closed status and $35, 216 was posted on 1/4/13.

Project 75653 – This project was created to purchase additional fire hosed needed for operational purposes. The hoses have been purchased, and the project was placed in the Competed status by the District on 10/3/12. The project was placed in the Closed status and $2,518 was posted on 11/8/12.

Project 76133 - This project was created to purchase backflow test equipment for the Cross Connection Control inspector's position, which was approved in the 2009 GRC. The equipment has been purchased and the project placed in the completed status by the District on 10/3/12. The project was placed in the Closed status and $1,361 was posted on 11/8/12.

[END OF CHAPTER]

CHAPTER 31. REDWOOD VALLEY DISTRICT PLANT

A. OVERVIEW

Two groups intervened on behalf of ratepayers in the Redwood Valley District: the County of Lake and Jeff Young. Unless otherwise noted, the term "the Parties" as used in this chapter refers to Cal Water, ORA, County of Lake and Jeff Young. The Parties request that the Commission approve the settlement plant values described herein under the conditions specified.

The Redwood Valley District has three separate ratemaking areas: Coast Springs, Lucerne and Unified. Each of these ratemaking areas has its own capital budget. In addition, plant resources are shared and are accounted for in a separate capital budget indicated herein as "Redwood Valley – shared resources." This shared budget is allocated across the three ratemaking areas as an addition to their respective rate bases.

The tables below provide a summary of the plant settlement for this district. In the sections that follow, specific projects are identified in separate tables, and certain projects are discussed in further narratives. In addition, there may be projects related to company-wide or "global" issues – issues that impact multiple districts – that are included in these tables, but discussed separately in the "Global Plant" section of this Agreement.

Redwood Valley – Shared: Non-Specific Advance Capital Budget Summary

Year	July Filing	ORA Report	Settlement
2012	$ -	$ -	$ -
2013	$ 213,100.0	$ 181,843	$ 197,472.0
2014	$ 224,200.0	$ 184,389	$ 204,295.0
2015	$ 230,100.0	$ 187,376	$ 208,738.0
Total	**$ 667,400.0**	**$ 553,608**	**$ 610,505.0**

The annual non-specific budget is for capital projects that are anticipated to be initiated and completed during the indicated year to resolve issues that were not known in detail when the advanced capital budget ("ACB") was adopted for that time period. The non-specific projects tend to be for emergency or unforeseen projects that need to be addressed between GRCs.

Redwood Valley: Specific Advance Capital Budget Projects Summary

Coast Springs

Year	July Filing	ORA Report	Settlement
2012	$ -	$ -	$ -
2013	$ 252,480.0	$ 26,520.0	$ 173,400.0
2014	$ -	$ -	$ 26,520.0
2015	$ 8,640.0	$ 8,640.0	$ 8,640.0
Total	**$ 261,120.0**	**$ 35,160.0**	**$ 208,560.0**

Lucerne

Year	July Filing	ORA Report	Settlement
2012	$ -	$ -	$ -
2013	$ 233,400.0	$ 101,359.7	$ 150,000.0
2014	$ 259,260.0	$ -	$ -
2015	$ 358,096.1	$ 260,673.9	$ 257,888.9
Total	**$ 850,756.1**	**$ 362,033.6**	**$ 407,888.9**

Unified

Year	July Filing	ORA Report	Settlement
2012	$ -	$ -	$ -
2013	$ 15,000.0	$ -	$ 15,000.0
2014	$ -	$ -	$ -
2015	$ 356,538.0	$ 30,670.8	$ 175,330.8
Total	**$ 371,538.0**	**$ 30,670.8**	**$ 190,330.8**

Redwood Valley - shared resources

Year	July Filing	ORA Report	Settlement
2012	$ -	$ -	$ -
2013	$ 45,424.3	$ 45,424.3	$ -
2014	$ -	$ -	$ -
2015	$ 137,317.9	$ 137,317.9	$ 68,020.2
Total	**$ 182,772.2**	**$ 182,772.2**	**$ 68,020.2**

The advanced capital budget for specific projects identifies the projects and forecasted costs (except for carryover projects) that the Parties have agreed should be included in the adopted revenue requirement.

Redwood Valley: Carryover Capital Projects Summary

Coast Springs

Year	July Filing	ORA Report	Settlement
2012	$ 1,320.0	$ -	$ 1,320.0
2013	$ -	$ -	$ -
2014	$ -	$ -	$ -
2015	$ -	$ -	$ -
Total	**$ 1,320.0**	**$ -**	**$ 1,320.0**

Lucerne

Year	July Filing	ORA Report	Settlement
2012	$ 186,988.0	$ 144,400.0	$ 148,360.0
2013	$ -	$ -	$ -
2014	$ -	$ -	$ -
2015	$ -	$ -	$ -
Total	**$ 186,988.0**	**$ 144,400.0**	**$ 148,360.0**

Unified

Year	July Filing	ORA Report	Settlement
2012	$ 109,991.7	$ -	$ 83,339.0
2013	$ -	$ -	$ -
2014	$ -	$ -	$ -
2015	$ -	$ -	$ -
Total	**$ 109,991.7**	**$ -**	**$ 83,339.0**

Redwood Valley - shared resources

Year	July Filing	ORA Report	Settlement
2012	$ -	$ -	$ -
2013	$ -	$ -	$ -
2014	$ -	$ -	$ -
2015	$ -	$ -	$ -
Total	**$ -**	**$ -**	**$ -**

Carryover projects are capital projects included in the revenue requirement proposed in the Agreement that were not used and useful as of December 2011, and are not included in the non-specific and specific advanced capital budgets summarized above. The Parties agree that Cal Water will complete the listed carryover projects at the identified settlement amounts, and in the years indicated. The Parties agree that these projects' forecasted costs should be included in the adopted revenue requirement.

Redwood Valley: Advice Letter Projects Total

	Advice Letter Cap
Coast Springs	$ -
Lucerne	$ -
Unified	$ -
Redwood Valley – shared resources	**$ 69,297.7**
Total	**$ 69,297.7**

The Parties agree that certain capital projects may be included in rates after (1) they are in service and considered used and useful, and (2) their costs (up to the specified cap) are submitted for Commission review via Tier 2 advice letter, and the costs are found to be reasonable. This settlement recommends adoption of these projects as "Advice Letter" projects, but their costs are not included in the revenue requirement proposed for adoption in this Agreement.

Redwood Valley: Excluded Projects Total

Excluded Projects	
Coast Springs	**$ 52,560.0**
Lucerne	**$ 481,495.2**
Unified	**$ 207,859.9**
Redwood Valley - shared resources	**$ 45,454.3**
Total	**$ 787,369.4**

The Parties agree that some capital projects proposed in the company's July 2012 application should not be included in the capital budget for 2012 through 2015, unless otherwise indicated. These "excluded" projects encompass those that the company cancelled, those that are in service and already included in the beginning plant balance per this Agreement, and those that the Parties agree for other reasons to exclude at this time. The exclusion of these projects does not prevent the company from proposing them in a subsequent application ("deferred projects").

B. SPECIFIC ADVANCE CAPITAL BUDGET PROJECTS

The Parties agree to include the following projects in the Advance Capital Budget for the years 2012 through 2015.

Redwood Valley: Advance Capital Budget – Specific Projects

("Discussion" identifies projects discussed in detail below.)

COAST SPRINGS

Project	Discussion	Description	Year	Budget
00061959		Seismic Upgrade – Sta. 8 T1 Ravine Tank	2015	$ 8,640.0
00062054		Cline Well Agreement Modifications	2014	$ 14,400.0
00064889	X	Cliff from Beach to Ocean View – 800' 6" PVC: 340' 6" PVC Cliff from Beach to Ocean View and 460' 6" PVC Ocean View end to Park; 23 1" Services; and 2 Hydrants	2013	$ 173,400.0
00070651	X	Lawson's Landing Emergency Tie-in	2014	$ 12,120.0
Total				**$ 208,560.0**

Projects 62094 & 70651 – Lawson's Landing Tie-in

ISSUE: Cal Water's Coast Springs system is currently under a service connection moratorium imposed by the California Department of Public Health ("CDPH"). The Company's proposal is an attempt to balance the need to provide adequate water supply both in terms of meeting CDPH's requirements and for reliability, in the event their largest source of supply is taken out. Two options the company explored were to tie-in to an adjacent water system (Lawson's Landing) for emergency purposes through either temporary means (Project 70651) or by a permanent connection (Project 62094). ORA did not oppose Project 70651.

RESOLUTION: The Parties agree to include Project 70651 as a plant addition in 2014 instead of 2013 for $12,120 and to exclude Project 62094 from the Company's plant additions.

Project 64889 – Main Replacement (Cliff Street from Beach to Ocean View)

ISSUE: Cal Water proposed this project to replace a section of main that is under-sized, badly tuberculated and experiencing leaks. Additionally, Cal Water explained that this project will add critical fire hydrants to the system. This project was proposed in a prior GRC, but was ultimately deferred. ORA recommended disallowance of this project due to a lack of documented leaks on this main. In Rebuttal, Cal Water stated that it was able to determine the poor condition of the main while repairing leaks on the section of the main. (ORA RO Report, pages 7-11 to 7-12; CWS Book 4 Rebuttal, pages 277 to 278.)

During settlement discussions, the Parties discussed the high percentage of unaccounted for water resulting from leaky mains in the system. Cal Water's goal is to find ways to identify and target the sections of main that are causing the water loss.

RESOLUTION: The Parties agree to include Project 64889 as a plant addition in 2013 for $173,400 on the condition that the company lowers its unaccounted for water projections from 34% to 26%, and that Cal Water will conduct a system survey (leak analysis) for Coast Springs on an annual basis before the next rate case filing.

LUCERNE

Project	Discussion	Description	Year	Budget
00020333	**X**	Country Club Drive - 14th to 10th Ave. - Lucerne - 1,020' 8" PVC; 32 1" Services; 2 Hydrants	2015	$ 257,888.9
00064890	**X**	WQ Compliance DBP Removal - Sta. 1 - Lucerne	2013	$ 150,000.0
Total				**$ 407,888.9**

Projects 20320, 20333 & 64851 – Main Replacements (Country Club Drive)

ISSUE: During the past two GRCs, Cal Water has identified various sections of main on Country Club Drive that are in poor condition and need to be replaced. In the previous GRC, the Parties agreed that Project 20320 was to be funded at no cost to the ratepayers and Project 20333 was to be deferred.[9] In the current GRC, Cal Water proposed Project 20333 to replace 760' section of main on Country Club Drive, and Project 64851 to replace a 1042' section of main on Country Club Drive and First Avenue. ORA recommended allowance of Project 20333 at a lower cost, and disallowance of Project 64851 due to a lack of documented leaks on the section of main proposed to be replaced. In Rebuttal, Cal Water disagreed with ORA regarding the lack of documentation of leaks and further noted a potential for discoloration and odor of water due to excessive tuberculation in this section of main. (ORA RO Report, pages 7-11 to 7-12; CWS Book 4 Rebuttal, pages 278 to 279.)

[9] Project 20320 was funded by the shareholders in the amount of $371,042.56 and Project 21034 was included in the beginning plant balance for $299,235.56. This accounting treatment is consistent with the last GRC's settlement agreement in which the Parties agreed to permanently remove the completed Project 20320 from plant (D.10-12-017, Attachment C, pages 62 and 63). The discussion on pages 327 to 328 of the same settlement agreement contains errors and is not consistent with the discussion on pages 62 and 63 or the intent of the agreement.

RESOLUTION: For settlement purposes, the Parties agree to include Project 20333 as a plant addition in 2015 for $257,889 and to defer proposal of Project 64851 to a future GRC proceeding.

Project 64890 – Water Quality Compliance, DBP Removal

ISSUE: Cal Water proposed Project 64890 to address high levels of disinfection by-product ("DBP") resulting from the chlorine reacting with the algae in the water taken from Clear Lake. ORA agreed with the need of the project but did not agree to the proposed level of funding because the company has not completed the pilot study, which is a portion of the proposed project. ORA recommended allowing the company to conduct the pilot study of the proposed treatment system. Once Cal Water has a better understanding of the cost involved and the effectiveness of the required treatment, the company could request funding in the next GRC for the treatment system. As explained by the company in Rebuttal, Stage 2 of the DBP compliance rule will take effect in October 2013, and the CDPH has already approved a pilot project. The company stated that the activities proposed in the pilot project and the costs incurred to date will total $150,000. (ORA RO Report, pages 7-14 to 7-15; CWS Book 4 Rebuttal, pages 279 to 281.)

RESOLUTION: The Parties agree to include Project 64890 as a plant addition in 2013 for $150,000.

UNIFIED AREA

Project	Discussion	Description	Year	Budget
00055888		Retrofit Roof-Hatch to include vent, Install Interior and Exterior Ladders - Hawkins Sta.1 Tank 1	2015	$ 11,448.0
00061535		Seismic Upgrades - Sta. 2 Steel Tank 1	2015	$ 8,640.0
00062239		Replace Well Pump - Sta. 1-01	2013	$ 15,000.00
00064891		Armstrong Valley Lane - 580' 6" PVC; 7 1" Services; and 1 Hydrant	2015	$ 96,780.0
00064892		Noel Heights - Sta. 2 Tanks to Toyon Drive - 410' 6" PVC; Reconnect 1 2" service line	2015	$ 47,880.0
00071874		Interior & Exterior Ladders - Sta. 2 Tank 3 - Armstrong Valley	2015	$ 10,582.8
Total				**$ 190,330.8**

REDWOOD VALLEY – SHARED RESOURCES

Project	Discussion	Description	Year	Budget
00064849		Field - 4 New Handhelds for Meter Reading - 2 @ Guerneville and 2 @ Lucerne	2015	$ 26,020.2
00064941		Vehicle - 0.5 Ton Pick Up with Accessories	2015	$ 42,000.0
Total				**$ 68,020.2**

C. CARRYOVER PROJECTS

The Parties agree to include the following Carryover projects in the capital budget for the years 2012 through 2015.

Redwood Valley: Projects Not In Service as of January 2012
("Discussion" identifies projects discussed in detail below.)

Coast Springs

Project	Discussion	Description	Year	Budget
00069029		Install PVC C.P. test tube	2012	$ 1,320.0
Total				**$ 1,320.0**

Lucerne

Project	Discussion	Description	Year	Budget
00014844		Paint Interior & Exterior Complete, Replace CP System, & Cupola Vent - Sta. 2 Arden Tank 1 - Lucerne	2012	$ 144,400.0
00069010		Install PVC C.P. test tube	2012	$ 3,960.0
Total				**$ 148,360.0**

Unified

Project	Discussion	Description	Year	Budget
00025928		Electric Panelboard Replacement	2012	$ 83,339.0
Total				**$ 83,339.0**

There are no Carryover Projects for the Redwood Valley district's shared allocation department.

D. ADVICE LETTER PROJECTS

The Parties agree to include the following Advice Letter projects in the capital budget for the years 2012 through 2015.

Redwood Valley: Advice Letter Project
("Discussion" identifies projects discussed in detail below.)

Project	Discussion	Description	Year	Advice Letter Cap
00079998		Cal Water RAMCAP Vulnerability Assessments	2015	$ 69,297.7
Total				**$ 69,297.7**

There are no Advice Letter Projects specific to the Coast Springs, Lucerne or Unified ratemaking areas. Project 79998 is for the Redwood Valley District's shared resources. See Global Plant Issues section of this Agreement.

E. PROJECTS EXCLUDED FROM PLANT ADDITIONS

The Parties agree to exclude the following projects from the capital budget for 2012 through 2015. The reasons for the exclusion are as described below.

Cancelled projects – Cal Water cancelled these projects during discovery, in rebuttal or because of settlement negotiations.

Defer Request projects – Cal Water agrees to defer the request of these projects to a later rate case during discovery, in rebuttal or as a result of settlement negotiations.

2012 NS projects – These 2012 Non-Specific projects (i.e., projects funded by authorized 2012 Non-Specific Budget) were initiated on or after January 2012. Cal Water included these projects in its requested Carryover capital project budget in this rate case. ORA contends that these projects' costs are already covered under the authorized 2012 Non-Specific Budget, and therefore their costs should not be included again in the Carryover capital project budget. Cal Water agrees to remove dollars associated with these projects from the Carryover budget in this rate case.

Redwood Valley: Projects Not Included in Revenue Requirement
("Discussion" identifies projects discussed in detail below.)

COAST SPRINGS

Project	Discussion	Description	Reason

COAST SPRINGS

Project	Discussion	Description	Reason
00062094	X	600 LF- 3-inch PVC and meter vault and tie-in to Lawson Landing system to provide redundant water supply to Coast Springs.	Cancelled
00076853		Obtain permit from CDPH to take pond water as a source of supply for the treatment plant.	Defer Request
Total			**$ 52,560.0**

62094 – Lawson's Landing Tie-in

Please refer to discussion of Projects 62094 & 70651, above.

LUCERNE

Project	Discussion	Description	Reason
00020320	X	Country Club Drive - 17th Ave. to Strand near - Lucerne - 1,050' 8" PVC; 26 1" Services; 3 Hydrants	Company Funded
00061812		Paint Interior Complete - Sta. 4 Tank 1 Lucerne	Defer Request
00061813		Upgrade CP System - Sta. 4 Tank 1 Lucerne	Defer Request
00062237	X	Tank Tide-Flex Mixing Systems - Sta. 2 T1 & T2	Cancelled
00064851	X	1st Ave. & Country Club - 1,110' 6" PVS; 20 1" Services; and 2 Hydrants - Lucerne	Defer Request
00073874	X	Replace Pump and Motor: Lucerne 1-A	2012 NS
00075773	X	Lucerne WQ Sample stations	2012 NS
Total			**$ 481,495.2**

Projects 20320 & 64851 – Main Replacements (Country Club Drive)

Please refer to discussion of Projects 20320, 20333 & 64851, above

Project 62237 – Tank Tide-Flex Mixing Systems

ISSUE: Cal Water proposed Project 62237 to install Tide-Flex Mixing Systems in Tanks 1 and 2 at Station 2 in order to address the Stage 2 DBP rule compliance referenced in the discussion regarding Project 64890, above. ORA agreed with the need for the project, but proposed a lower cost estimate. (ORA RO Report, page 7-15.)

RESOLUTION: The Parties agreed that Cal Water should address DBP compliance at the Lucerne Water Treatment Plant as a first step. It is anticipated that the work as part of Project 64890 discussed above will alleviate the need for the DBP

compliance projects in the distribution system tanks. Cal Water will determine whether this project is still needed after implementing Project 64890.

UNIFIED AREA

Project	Discussion	Description	Reason
00061894		Paint Interior Complete - Sta. 2 Tank 1 (Guerneville) Armstrong Valley	Defer Request
00061952		Upgrade CP System - Sta. 2 Tank 1 (Guerneville) Armstrong Valley	Defer Request
00064894		Rancho West Tank to Freezeout Road - 660' 4" CL&C. Need CPUC approval to install mains less than 6-inches in diameter.	Defer Request
00073278	**X**	HKN Arsenic Removal	2012 NS
00074553	**X**	ARM CUTTEN DR CHECK VALVES	2012 NS
00074694	**X**	Replace Service Line	2012 NS
00074913	**X**	ARM upgrade tank overflow drain	2012 NS
00076473	**X**	NH ZENON FILTER	2012 NS
Total			**$ 207,859.9**

Redwood Valley – shared resources

Project	Discussion	Description	Reason
00068897		Install repeaters, antennas, mobile & handheld radios for 2-way voice communications and SCADA alarms.	Defer Request
Total			**$ 45,454.3**

[END OF CHAPTER]

CHAPTER 32. SALINAS DISTRICT PLANT

A. OVERVIEW

A major concern in this general rate case in Salinas is water quality and water supply. Salinas has various water quality contamination issues including nitrates, MtBE, PCE, iron and manganese, seawater intrusion, and other VOC issues. The focus has been to shift production to new wells in the southern portion of the district where better groundwater is available. It will likely take a number of rate cases to resolve this supply issue and Cal Water will submit additional reports and plans in the 2015 GRC.

Salinas: Non-Specific Advance Capital Budget Summary

Year	July Filing	ORA Report	Settlement
2012	$ 1,668,900.0	$ 1,668,900.0	$ 1,668,900.0
2013	$ 2,924,500.0	$ 1,687,000.0	$ 2,305,800.0
2014	$ 3,077,800.0	$ 1,721,300.0	$ 2,399,550.0
2015	$ 3,158,600.0	$ 1,758,200.0	$ 2,458,450.0
Total	**$ 10,829,800.0**	**$ 6,835,400.0**	**$ 8,832,700.0**

The annual Non-Specific Advance Capital Budget is for capital projects that are anticipated to be completed and placed in service during the indicated year to resolve issues that were not known in detail when the advanced capital budget ("ACB") was adopted for that time period. The Non-Specific projects tend to be for emergency or unforeseen projects that need to be addressed between GRCs.

Salinas: Specific Advance Capital Budget Projects Summary

Year	July Filing	ORA Report	Settlement
2012	$ 1,332,723.1	$ 571,775.0	$ 32,733.1
2013	$ 9,297,683.0	$ 2,064,216.8	$ 7,283,902.0
2014	$ 9,798,732.1	$ 795,250.7	$ 3,863,524.6
2015	$ 8,899,892.7	$ 1,323,928.2	$ 3,630,248.9
Total	**$ 29,329,030.9**	**$ 4,755,170.6**	**$ 14,810,408.5**

The Advance Capital Budget for Specific projects identifies the projects and forecasted costs (except for Carryover projects) that the Parties agree should be reflected in the adopted revenue requirement.

Salinas: Carryover Capital Projects Summary

Year	July Filing	ORA Report	Settlement
2012	$ 12,787,397.9	$ 4,165,900.0	$ 2,019,773.9
2013	$ 939,994.5	$ 212,600.0	$ 3,119,059.2
2014	$ -	$ -	$ 212,600.0
2015	$ -	$ -	$ -
Total	**$ 13,727,392.4**	**$ 4,378,500.0**	**$ 5,351,433.2**

Carryover projects are capital projects reflected in the revenue requirement proposed in this Agreement those were (1) not used and useful, or in some cases not initiated, as of January 2012, and (2) not included in the Advance Capital Budgets summarized above. The Parties agree that Cal Water is expected to complete the listed Carryover projects at the identified settlement amounts and in the years indicated, and that their estimated costs should be reflected in the adopted revenue requirement in this rate case.

Salinas: Advice Letter Projects Total

	Advice Letter Cap
Total	**$ 1,868,795.3**

The Parties agree that certain capital projects may be included in rates after (1) they are in service, and (2) their costs (up to the specified cap) are submitted for Commission review via Tier 2 advice letter, and found to be reasonable. This Agreement recommends adoption of these projects as "Advice Letter" projects, but their costs are not reflected in the revenue requirement proposed for adoption in this Agreement.

Salinas: Excluded Projects Total

Excluded Projects	**$ 17,952,122.0**

The Parties agree that some capital projects proposed in the company's July 2012 application should not be reflected in the capital budget for 2012 through 2015, unless otherwise indicated. These "excluded" projects encompass those that the company cancelled, those that are in service and already included in the beginning plant balance per this Agreement, and those that the Parties agree for other reasons will not

be included at this time. The exclusion of these projects ("Deferred Projects") does not prevent the company from proposing them in a subsequent application.

B. SPECIFIC ADVANCE CAPITAL BUDGET PROJECTS

The Parties agree to include the following projects in the Advance Capital Budget for the years 2012 through 2015.

Salinas: Advance Capital Budget – Specific Projects
("Discussion" identifies projects discussed in detail below.)

Project	Discussion	Description	Year	Budget
00016933	-	Generator - Customer & Operations Centers	2013	$ 131,900.0
00019042	-	Capitol Street - Central St. South to end - 2,800' 8" PVC; 60 1" Services; 4 2" Services; 4 Hydrants	2013	$ 868,823.1
00048848	-	Replace 30 Valve Covers and Casings - Various Locations	2013	$ 40,485.6
00056028	-	700' 8 PVC; 20 1" Services; 1 hydrant - Chestnut Street. Retire 4" main	2013	$ 204,000.0
00061633	X	Drill New Well in 280 Zone - Sta. 108	2014	$ 2,966,367.4
00061793	-	Replace Valve Covers and Casing - Various Locations	2014	$ 50,037.6
00061852	-	Hydrant Head Replacements - City Agreement - City of Salinas	2013	$ 52,406.4
00062072	-	20 Hydrants - City Agreement - Various Locations	2014	$ 58,378.8
00062092	-	Hydrants - City Agreement	2015	$ 62,991.6
00062103	-	Paint Complete Exterior & New Cupola Vent - Sta. 53 Tank 1	2014	$ 10,435.0
00062135	-	Replace 30 Valve Covers & Casings - Various Locations	2015	$ 54,402.0
00062713	-	Blow Offs - Sta. 29, 31, 37	2013	$ 118,944.0
00062913	-	Blow Offs - Sta. 20, 26, and 27	2014	$ 124,200.0
00062992	-	Blow Offs - Sta. 32, 44, 50	2015	$ 134,520.0
00063032	X	Remodel Customer Service Center - including Ergonomically Correct Work Stations	2013	$ 293,285.1
00063092	-	1546' 8" PVC; 36 1" Services; 2 Hydrants - Riker Street	2015	$ 391,104.0
00063356	X	Break Room Remodel	2014	$ 198,000.0
00063573	-	Nitrate Analyzer - Sta. 12	2013	$ 58,483.0
00063818	X	Office Furniture - 5 Superintendent Offices	2013	$ 85,097.0
00063858	-	2141' 8" PVC; 168 6" PVC; 67 1" Services; 3 Hydrants - Tyler Street. Abandon old 6" AC main.	2015	$ 635,838.9
00063955	-	Electric Gate Field Yard	2015	$ 78,730.8
00064054	-	Replace Pump Bowl - Sta. 56-01	2013	$ 22,528.8
00064061	-	Replace Pump Bowl - Sta. 63-01	2013	$ 22,834.4
00064077	-	Replace Well Pumping Equipment & Well Level Transducer - Sta. 26-01	2015	$ 79,508.8
00064092	-	Replace Booster Pump - Sta. 47-B	2014	$ 22,368.5
00064095	X	Pipeline Upgrade - Sta. 47 - Phase 1	2013	$ 2,803,598.3

00064177	X	Pipeline Upgrade - Sta. 47 - Phase 2	2015	$ 1,411,874.6
00064215	-	Hydraulic Model - Outlying Areas	2014	$ 157,274.4
00064757	-	Discharge Treatment for PCE - Sta. 5	2013	$ 259,555.2
00064809	-	Discharge Treatment - Sta. 11	2013	$ 112,079.5
00064930	-	Vehicle - 0.75 Ton Pick Up and Service Body - Pump Operator	2013	$ 64,300.0
00064931	-	Vehicle - New Vehicle & Accessories	2013	$ 35,700.0
00064932	-	Vehicle - 0.75 Ton Pick Up & Accessories - Loc/Inspec.	2015	$ 42,000.0
00065033	-	100K Gallon Storage Tank - Sta. 304 Los Lomas	2013	$ 417,859.0
00065093	-	Vehicle - 0.75 Ton Pick Up and Outfitting - Service Person	2014	$ 44,400.0
00065403	-	Vehicle - 0.75 Ton Pickup - Pump Operator	2013	$ 60,200.0
00065404	-	Vehicle - 0.5 Ton Pickup & Outfitting - District Superintendent	2013	$ 40,800.0
00066830	X	11 SCADA RTUs - Sta. 32, 33, 40, 49, 53, 57, 60, 61, 73, 203, 47	2015	$ 332,173.2
00066889	-	25 Well Level Sensors - Sta. 6, 12, 13, 16, 17, 20, 21, 22, 23, 24, 25, 26, 27, 28, 29, 30, 31, 37, 38, 44, 50-1, 50-2, 56, 58, 63	2015	$ 128,874.0
00066890	-	7 Well Level Sensors - Sta. 64, 65, 67, 70, 71, 106, 201	2015	$ 36,084.0
00067072	-	Data Acquisition Radio Replacement	2013	$ 180,507.6
00073754	-	Replace 10 metering pumps at various stations	2013	$ 24,000.0
00073793	-	Replace 10 Metering Pumps - Various Stations	2014	$ 31,800.0
00073813	-	Replace 10 Metering Pumps - Various Stations	2015	$ 36,000.0
00075493	-	Pine Canyon Road - 280' 6" DI; 3700' 8" DI; 4 PRVs; 30 2" Services; 9 Hydrants	2013	$ 1,171,200.0
SLN0900	-	Meter Replacement Program	2012	$ 32,733.1
SLN0900	-	Meter Replacement Program	2013	$ 215,315.0
SLN0900	-	Meter Replacement Program	2014	$ 200,263.0
SLN0900	-	Meter Replacement Program	2015	$ 206,147.0
Total				$ 14,810,408.5

Project 61633 - Drill New Well in 280 Zone - Sta. 108

ISSUE: Cal Water proposed a new well in the 280 zone to improve the source water supply reliability in this zone. The Salinas district experiences many contaminants such as nitrates, Volatile Organic Chemicals (VOCs), Methyl Tertiary Butyl Ether (MTBE) and seawater intrusion.

ORA found that Cal Water's supply reliability analysis did not reflect operating conditions in the district because the company overstated customer demand and discounted available sources of supply. ORA noted that customer demands have decreased significantly which should allow Cal Water to defer the need to add new

sources of supply. In addition, Cal Water requested to drill a well in Zone 280 (Projects 09209, 15885, and 18952) in the 2009 GRC but has not constructed the well.

RESOLUTION: Cal Water and ORA agree that Cal Water should construct a well at Station 108 and cancel Projects 09209, 15885, and 18952. Parties agree to a budget of $2,966,400 for Project 61633.

Projects 64095 and 64177- Pipeline Upgrade for Station 47 Phase 1 & 2

ISSUE: Cal Water proposed to construct two pipelines to transfer water from Station 47 and excess water from the Ag Industrial Center. Cal Water recently constructed a well at Station 47, which yielded high capacity and good quality water and requested to construct a new well at the Ag Center. Also, a segment of the pipeline is proposed to transfer water to the area around Station 20.

ORA noted that in 2009 Cal Water proposed to install a well at Station 47 due to the location's existing infrastructure which would eliminate a need to construct additional pipeline to transfer the water. ORA found that Cal Water's proposal for supply reliability with the installation of additional wells, storage tanks, and pipelines contains too many redundancies. Cal Water also proposed to drill a new well at Station 20 to meet customer demand although demand in the area has decreased since 2008.

RESOLUTION: After a series of discussions, the Parties agree that Cal Water should construct the pipelines to utilize the capacity of water obtained from Station 47 for other parts of the system. Additionally, Cal Water will conduct a feasibility assessment on blending water from Well 21-01 at Station 47 and consult with ORA prior to taking this well out of service. Cal Water and ORA agree to include these respective budgets, $2,803,600 and $1,411,900 in calculating revenue requirement.

Project 63032 – Remodel Customer Center

ISSUE: Cal Water proposed to replace office furniture to meet company-wide ergonomic standards and install bullet-proof windows for safety reasons. ORA recommended disallowance of this project because Cal Water's project justification lacked foundation. ORA noted that Cal Water's ergonomic "standards" vary from one district to another.

RESOLU`TION: Parties agree that Cal Water should proceed with the project to provide a safe working environment for its employees and agreed to include $293,285 for Project 63032.

Project 63818 – Remodel Five Superintendent Offices

ISSUE: Cal Water proposed to replace the furniture and carpets in five offices occupied by the district's superintendents for $156,843. Although ORA agreed with the project, ORA found the cost to be unreasonable for the proposed scope of work. ORA recommended a much lower cost of $78,600.

RESOLUTION: Cal Water revised the scope of work to eliminate unnecessary items and reduced the cost of this project to $85,097. Parties agree to include this amount for Project 63818.

Project 63356 – Remodel Break Room

ISSUE: Cal Water proposed to remodel its employee break room for $305,000. ORA noted that Cal Water's cost estimate for this project exceeded its contractor's itemized quote and Cal Water did not provide any details regarding its request of $60,000 for appliances.

RESOLUTION: In subsequent discussions, Cal Water provided additional details for its appliance requests and reduced the total cost for this project to $198,000. Parties agree to include that amount for Project 63356.

Project 66830 – Replacement of Remote Telemetry Units

ISSUE: Cal Water proposed replacing these units at the pumping locations, which are the controllers of the physical equipment. This is a portion of the overall SCADA system and that provides timely information for pressure, flow, voltage and current so that the system can be monitored and controlled. ORA questioned all of the SCADA related projects because there was not a demonstrated benefit to the customer.

RESOLUTION: Parties divided the SCADA related projects into replacements and optimizations. Parties agree that most SCADA replacements need to be completed, while a portion of the optimizations can be deferred. The Parties classified these projects in Salinas as replacement to ensure that the current blending and operating conditions continue proper operations. Cal Water and ORA agree to a budget of $332,200 for Project 66830.

C. CARRYOVER PROJECTS

The Parties agree to include the following Carryover projects in the capital budget for the years 2012 through 2015.

1 **Salinas: Projects Not In Service as of January 2012**

Project	Discussion	Description	Year	Budget
00009247	-	Las Lomas Remote Meters	2012	$ 77,355.1
00011255	-	RTU Installation	2013	$ 225,000.0
00015832	-	INST. PIPELINES MENKE & BRIDGE	2012	$ 491,400.0
00017006	-	FE & MN REMOVAL -STA 305	2013	$ 936,700.0
00017469	-	Replace Pressure Tank - Sta. 201-01	2012	$ 87,300.0
00017810	-	SECURITY IMPROVEMENT_SALINAS	2012	$ 247,400.0
00017815	-	Security Mitigation Improvements - Facilities, Customer Service & Operations Center	2013	$ 269,900.0
00018591	-	RELOC MAIN HARRISON RD	2013	$ 55,000.0
00018864	-	NEW WELL	2013	$ 703,800.0
00019534	-	REPLACE CL2 INJECTOR POINTS	2013	$ 58,400.0
00020157	-	Ion Exchange	2014	$ 212,600.0
00020459	-	Replace Pump & Add Energy Efficient Monitoring - Sta. 303-01	2012	$ 56,614.0
00026708	-	Relocate Main - Harrison Road - Install new 12" diameter ductile-iron pipeline to replace existing 12" A.C. pipeline in Harrison Road. Install new 12" CL&C bore & case at two locations. Install new 12" diameter and 8" diameter pipelines to provide addition	2013	$ 632,900.0
00029010	-	RPLC 4" GT VLV @ CAMPUS AVE	2013	$ 6,600.0
00030147	-	238-A Commission St	2012	$ 68,774.0
00032328	-	Media Center Video Display	2012	$ 17,393.0
00033067	-	REPLACE/RETIRE FUEL TANKS	2013	$ 16,060.0
00040287	-	FH HEAD REPLACEMENTS	2013	$ 67,341.0
00043969	-	Install Pipeline W.Bolivar & N.Main	2012	$ 704,850.0
00048789	-	REPLC VLV CASING/COVERS2012	2013	$ 36,000.0
00048913	-	Repl Regulators in Las Palmas	2012	$ 60,580.0
00049349	-	Backflow Device Test Stand	2012	$ 1,099.9
00052648	-	REPLC GV's @ 1310 Primavera St.	2012	$ 13,200.0
00055029	-	Hydrnt GV @ Schilling pl.	2012	$ 28,113.0
00055108	-	Install PVC C.P. test tube	2013	$ 11,533.5
00056549	-	6" GV on FS @1207 Abbott St.	2012	$ 15,863.0
00056929	-	GV REPLACEMENTS - VARIOUS	2013	$ 52,425.0
00057168	-	By-pass and Meter Vaults 2011	2012	$ 90,981.0
00058072	-	Traffic Signs/Equip Salinas	2012	$ 3,629.0
00058612	-	RPLC 6"GV Murietta IS	2013	$ 8,281.0
00058613	-	REPLC 8" GV Pellet st.	2012	$ 9,081.1

Project	Discussion	Description	Year	Budget
00068469	-	REPLC 4" GV Angelus St.	2013	$ 24,556.2
00068473	-	6" Hydrnt Assy capital st.	2013	$ 14,562.5
00068970	-	Ergonomic Workstation Upgrades	2012	$ 12,272.0
00069269	-	Metal Detectors	2012	$ 2,603.6
00071093	-	Install Nitrate analyzer sta 13	2012	$ 30,005.0
00073735	-	Dead bolts and locks	2012	$ 1,260.3
Total				$ 5,351,433.2

D. ADVICE LETTER PROJECTS

The Parties agree to include the following Advice Letter projects in the capital budget for the years 2012 through 2015.

Salinas: Advice Letter Projects
("Discussion" identifies projects discussed in detail below.)

Project	Discussion	Description	Year	Advice Letter Cap
00023267	X	New 2 150K Gal. Storage Tank & Pumping Equipment - Buena Vista	2014	$ 1,190,200.0
00069429	X	Sta 70 - Tank 4	2014	$ 510,000.0
00080000	-	Cal Water RAMCAP Vulnerability Assessments	2015	$ 168,595.3
Total				**$ 1,868,795.3**

Projects 23267 & 69429 – 150K-Gallon Storage Tanks & Pumping Equipment at Stations 70 and 73

ISSUE: In the 2009 GRC, Cal Water proposed to construct tanks and booster pumps to address the lack of pressure in the Buena Vista System, specifically for the five residences on Trimble Lane. The 2009 GRC Settlement Agreement between Cal Water and ORA reflected a $1.7 million project to address the issues identified in the Buena Vista System, but Cal Water has not completed these projects. In this GRC, Cal Water once again proposed to construct the same infrastructure that the company has previously requested.

RESOLUTION: Cal Water and ORA agreed that the company should complete the proposed projects under previously authorized Advice Letter Projects 23267 and 69429 with a combined budget of $1,700,200 ($1,190,200 for Project 23267 and $510,000 for Project 69429). In addition, Cal Water agrees to cancel its request for Projects 64487 and 64510.

E. PROJECTS EXCLUDED FROM PLANT ADDITIONS

The Parties agree to exclude the following projects from the capital budget for 2012 through 2015. The reasons for the exclusion are described below.

Cancelled projects – Cal Water cancelled these projects during discovery, in rebuttal or as a result of settlement negotiations.

Defer Request projects – Cal Water agrees to defer the request of these projects to a later rate case during discovery, in rebuttal or as a result of settlement negotiations.

2012 NS projects – These 2012 Non-Specific projects (i.e., projects funded by authorized 2012 Non-Specific Budget) were initiated on or after January 2012. Cal Water included these projects in its requested Carryover capital project budget in this rate case. ORA contends that these projects' costs are already covered under the authorized 2012 Non-Specific Budget, and therefore should not be included again in the Carryover capital project budget. Cal Water agrees to remove dollars associated with these projects from the Carryover budget in this rate case.

Salinas: Excluded Projects
("Discussion" identifies projects discussed in detail below.)

Project	Discussion	Description	Reason
00009209	X	New Well Site	Defer Request
00015544	-	Drill, Develop, & Equip - New Well - River Road	Defer Request
00015789	X	New Well - Location TBD	Cancelled
00015885	X	Drill, Develop, & Equip New Well - Well Replacement for Well in Zone 280	Cancelled
00016916	-	Replace Motor - Sta. 301-01	Cancelled
00016917	-	Replace Pump & Motor & Add Energy Efficient Monitoring - Sta. 20-01	Cancelled
00016918	-	Replace Pump & Add Energy Efficient Monitoring - Sta. 24-01	Cancelled
00017009	-	Well Head Treatment - New Well	Cancelled
00017467	-	Replace Pressure Tank - Sta. 33	Defer Request
00018952	X	Drill, Develop, & Equip New Well - Well Replacement for Well 17 & 20	Cancelled
00018997	-	Relocate Mains at Highway 101 & Airport	Cancelled
00019609	-	Replace Pump - Sta. 106-01	Cancelled
00020154	-	Ion Exchange Treatment	Cancelled
00020198	X	New Well Site	Cancelled
00020449	-	Replace Pump & Add Energy Efficient Monitoring - Sta. 27-01	Cancelled
00020460	-	Replace Pump & Add Energy Efficient Monitoring - Sta. 103-01	Cancelled
00020463	-	Replace Pump & Add Energy Efficient Monitoring - Sta. 16-01	Cancelled

Project	Discussion	Description	Reason
00020828	-	Vehicle hybrid suv - Utility Worker	Completed
00020829	-	Vehicle - 0.75 Ton Pickup, Truck Upfitting, & Mobile Radio - Pump Operator	Completed
00021751	-	Main Relocation Airport Blvd - Cal	Cancelled
00023128	-	Panelboard - Sta. 72 - Buena Vista	Cancelled
00023147	-	Pump, Motor & Generator - Sta. 72 - Buena Vista	Cancelled
00023187	-	New Well Site - Buena Vista	Cancelled
00023250	-	Panelboard - Sta. 71 Buena Vista	Cancelled
00024488	-	Rep booster pump"A" Sta 73	Cancelled
00025688	-	Purchase land for storage	Cancelled
00027249	-	8" GV @ CALLE CEBU	Cancelled
00029732	-	Replace 4" Service Gate Valve	Cancelled
00054828	-	SLN 28-01: Well Destruction	Depreciation
00056928	-	8" GV @ N. HEBBRON AVE	Cancelled
00061713	X	Drill and Equip New Well - Sta. 20-02 to feed 155 zone	Cancelled
00061956	X	New Well #1 - Ag-Industrial Center	Defer Request
00062853	X	1MG Tank - Sta. 108	Defer Request
00063835	-	Parking Structure	Defer Request
00063902	-	Field - 5 Itron Handheld Units for Meter Reading	Defer Request
00064487	X	120K Gal Storage Tank - Sta. 70	Cancelled
00064510	X	Booster Pump Building and 5 Booster Pumps - Sta. 70 tanks to 1060 and 535 zones	Cancelled
00065541	-	Vehicle - 0.5 Ton Truck and Outfitting - Collector	Cancelled
00065542	-	Vehicle - 0.75 Ton Truck and Service Body - Pump Operator	Cancelled
00067131	-	42 Hand-Off-Auto Sensors by SCADA - Sta. 6, 12, 13, 16(5),17, 20, 21, 22, 23, 24, 25, 26, 27, 28, 29, 30, 31, 37, 38, 44, 47 (2), 48 (2), 50 (2), 56, 58 (3),63, 64, 65, 67, 71, 106, 108, 201	Defer Request
00067269	-	7 Pressure Transducers - Sta. 16 (3), 46, 47, 58 (2)	Defer Request
00067430	X	25 Power Meters - Sta. 6, 12, 13, 16 (5), 17, 20, 21, 22, 23, 24, 25, 26, 27, 28, 29, 30, 31, 37, 38, 44, 47	Defer Request
00067449	-	10 Power Meters - Sta. 63, 64, 65, 67, 69, 70, 71, 106, 108, 201	Defer Request
00068898	-	Field - 2-Way Voice Radio System	Defer Request
00073693	-	Purchase Grundfos Chemical Pumps	2012 NS
00073714	-	Work Station Modifications	2012 NS
00073734	-	Chlorine Meters	2012 NS
00073794	-	Purchase iPad2	2012 NS
00073814	-	Reloc 8" main on E. Market St	2012 NS
00073833	-	Replace roof station 33	2012 NS
00073873	-	Replace roof station 203	2012 NS
00074173	-	Replc GV @ 100/164 Casentini st.	2012 NS
00074353	-	Replace station 303 piping	2012 NS
00074516	-	Chip Seal Wildwood Wy	2012 NS
00076193	-	Replc Srvc and Metr 406 Tyler pl.	2012 NS
00076433	-	Replc 4" GV @ 900 E. Blanco	2012 NS
00076453	-	WELL MODIFICATION STA 56	2012 NS
00076754	-	Repl 8" G.V. on San Juan Grade Rd	2012 NS
00076913	-	Replc 8" GV N. Main st.	2012 NS
00077233	-	Purchase 3 Trimble GPS Units and Retire 2 Trimble GPS Units	Defer Request

Project	Discussion	Description	Reason
00077733	-	Replc 4" srvc @ 1044 John st	2012 NS
00078113	-	Replace well pump slab 301	2012 NS
00078353	-	Install retaining wall/fence sta 40	2012 NS
00078413	-	Install corrosion control sta 63	2012 NS
00078433	-	Rebld 4" service @ 411 La Mesa dr	2012 NS
00078493	-	Repl PRV's @ Legends x Las Palmas	2012 NS
00078573	-	Rep 10" GV @ Terven x Airport Blvd	2012 NS
00078673	-	Chemical Transfer Pump	2012 NS
00079574	-	Equip Salinas Oak Hill Well 205	2012 NS
00080053	-	equip vehicle #211010	2012 NS
00080174	-	4" FS GV @ 1016 N. Davis rd	Cancelled
00080394	-	SLN 67-01: SUB CONVERSION	Cancelled
Total			**$ 17,952,122.0**

Projects 9209, 15789, 15885, 18952, 20198, 61713, 61956— Well-Related Projects

Cal Water has either cancelled these projects because properties were difficult to acquire or deferred to a later GRC to avoid a larger rate impact to the Salinas customers in this GRC cycle.

Project 62853 – 1-Million Gallon Tank - Station 108

ISSUE: Based on the 2005 Water Supply and Facilities Master Plan's recommendation to meet 2015 demand, Cal Water proposed a tank at Station 108 to meet max day demand and to balance flows. ORA recommended disallowance of this project because Cal Water used outdated demand data that do not reflect current operational conditions. There is currently enough storage capacity in this zone to meet AWWA's recommended storage standards. Cal Water discussed the increase in water usage in the commercial area and that water demands have been shifting.

RESOLUTION: Originally, the Parties considered including this project in this GRC. However, because of the importance of the pipeline projects discussed previously under Projects 64095 and 64177, Cal Water and ORA agree to defer this project to reduce the impact to rates in this GRC cycle. Cal Water intends to resubmit and re-justify this project in the next GRC.

Projects 64487 and 64510 – Tank at Station 70 and Pump at Station 73

Cal Water has decided to cancel these projects and pursue the solution through Project ID 23267.

[END OF CHAPTER]

CHAPTER 33. SELMA DISTRICT PLANT

A. OVERVIEW

The City of Selma intervened on behalf of the Selma customers in this general rate case. Unless otherwise noted, the term "the Parties" as used in this chapter refers to Cal Water, ORA and the City of Selma. The Parties request the Commission approve the Settlement plant values established herein under the conditions specified.

The tables below provide a summary of the plant settlement for this district. In the sections that follow, specific projects are identified in separate tables, and certain projects are discussed in further narratives. In addition, there may be projects related to company-wide or "global" issues – issues that impact multiple districts – that are included in these tables, but discussed separately in the "Global Plant" section of this Agreement.

Selma: Non-Specific Advance Capital Budget Summary

Year	July Filing	ORA Report	Settlement
2012	$ 146,300.0	$ 146,300.0	$ 146,300.0
2013	$ 208,500.0	$ 147,900.0	$ 178,200.0
2014	$ 219,400.0	$ 150,700.0	$ 185,050.0
2015	$ 225,200.0	$ 154,000.0	$ 189,600.0
Total	**$ 799,400.0**	**$ 598,900.0**	**$ 699,150.0**

The annual non-specific budget is for capital projects that are anticipated to be initiated and completed during the indicated year to resolve issues that were not known in detail when the advanced capital budget ("ACB") was adopted for that time period. The non-specific projects tend to be for emergency or unforeseen projects that need to be addressed between GRCs.

Selma: Specific Advance Capital Budget Projects Summary

Year	July Filing	ORA Report	Settlement
2012	$ 106,100.0	$ 20,800.0	$ 101,932.2
2013	$ 389,428.2	$ 118,400.6	$ 349,414.4
2014	$ 261,465.1	$ 21,500.0	$ 189,484.2
2015	$ 416,560.8	$ 30,300.0	$ 335,545.1
Total	**$ 1,173,554.1**	**$ 191,000.6**	**$ 976,375.9**

The advanced capital budget for specific projects identifies the projects and forecasted costs (except for carryover projects) that the Parties have agreed should be included in the adopted revenue requirement.

Selma: Carryover Capital Projects Summary

Year	July Filing	ORA Report	Settlement
2012	$ 1,691,895.0	$ 298,000.0	$ 207,195.0
2013	$ -	$ 600,000.0	$ 1,404,500.0
2014	$ -	$ -	$ -
2015	$ -	$ -	$ -
Total	**$ 1,691,895.0**	**$ 898,000.0**	**$ 1,611,695.0**

Carryover projects are capital projects included in the revenue requirement proposed in the Agreement that were not used and useful as of January 2012, and are not included in the non-specific and specific advanced capital budgets summarized above. The Parties agree that Cal Water will complete the listed carryover projects at the identified settlement amounts, and in the years indicated. The Parties agree that these projects' forecasted costs should be included in the adopted revenue requirement.

Selma: Advice Letter Projects Total

	Advice Letter Cap
Total	**$ 78,151.7**

The Parties agree that certain capital projects may be included in rates after (1) they are in service and considered used and useful, and (2) their costs (up to the specified cap) are submitted for Commission review via Tier 2 advice letter, and the costs are found to be reasonable. This settlement recommends adoption of these projects as "Advice Letter" projects, but their costs are not included in the revenue requirement proposed for adoption in this Agreement.

Selma: Excluded Projects Total

Excluded Projects	**$ 184,448.1**

The Parties agree that some capital projects proposed in the company's July 2012 application should not be included in the capital budgets for 2012 through 2015, unless otherwise indicated. These "excluded" projects encompass those that the

company cancelled, those that are in service and already included in the beginning plant balance per this Agreement, and those that the Parties agree for other reasons to exclude at this time. The exclusion of these projects does not prevent the company from proposing them in a subsequent application ("deferred projects").

B. SPECIFIC ADVANCE CAPITAL BUDGET PROJECTS

The Parties agree to include the following projects in the Advance Capital Budget for the years 2012 through 2015.

Selma: Advance Capital Budget – Specific Projects
("Discussion" identifies projects discussed in detail below.)

Project	Discussion	Description	Year	Budget
00021509		113 Conversions of Flat Rate Services to Metered Services	2012	$ 80,200.0
00062472	X	Replace Pumping Equipment - Sta. 13-02	2013	$ 68,585.6
00062513		Sand Separator - Sta. 11-01	2013	$ 30,546.6
00062515	X	Replace Pump Equipment - Sta. 19-01	2015	$ 69,185.6
00063577	X	223 Conversions of Flat Rate Services to Metered Services	2013	$ 165,379.5
00063796	X	223 Conversions of Flat Rate Services to Metered Services	2014	$ 165,379.5
00063799	X	223 Conversions of Flat Rate Services to Metered Services	2015	$ 165,379.5
00064135		Field - Handheld Meter Reading Radios ITRONS FC3000	2015	$ 13,110.1
00064933		Vehicle - 0.5 Ton Pick Up & Accessories	2015	$ 62,934.0
00065543		Vehicle - 1 Ton C&C with Service Body	2013	$ 58,854.0
SEL0900		Meter Replacement Program	2012	$ 21,732.2
SEL0900		Meter Replacement Program	2013	$ 26,048.7
SEL0900		Meter Replacement Program	2014	$ 24,104.7
SEL0900		Meter Replacement Program	2015	$ 24,936.0
Total				**$ 976,375.9**

Projects 62472, 62492 & 62515 – Oil to Water Lube Pump Replacements

ISSUE: Cal Water proposed Projects 62472, 62492 and 62515 to replace oil-lubricated well pumps with water-lubricated well pumps. Cal Water proposed three of these conversions in this rate case for this district. Cal Water explained that it has experienced a number of incidences where the food grade oil was consumed by oil

nitrifying bacteria; which in turn resulted in bacteriological issues in the distribution system requiring extra sampling, flushing, and customer notification.

ORA found that the subject wells do not have any history of bacteriological issues to necessitate pump conversion, and the pump efficiency data provided by Cal Water indicated that the subject pumps have acceptable efficiency ratings. Therefore, ORA did not see a need to convert these pumps at this time. In Rebuttal, Cal Water reiterated the need for the projects and provided a journal article supporting its claim. (ORA RO Report, pages 7-4 to 7-5; CWS Book 4 Rebuttal, pages 318 to 319.)

Parties discussed completing only a portion of the work for each site, but once Cal Water explored this option further, it realized the savings associated with partial replacement would not be significant because of high mobilization costs. The Parties agree to include Projects 62472 and 62515 in the current proceeding, and Cal Water agrees to defer proposal of Project 64292 to a subsequent GRC.

RESOLUTION: The Parties agree to include Project 62472 in 2013 for $68,586, include Project 62515 in 2015 for $69,186 and to exclude Project 62492.

Projects 63577, 63796, and 63799 – Conversion of flat to metered services

ISSUE: Cal Water proposed to convert 223 flat to metered services. Although ORA agreed with the need to convert flat rate services to metered services as required by Section 527 of the California Water Code, ORA was concerned that, based on recorded conversion rate, Cal Water would not be able to accomplish the number of conversions that the company proposed. ORA recommended the cost be recovered through the AL process.

In settlement discussions, Cal Water assured ORA that the company will be concentrating its efforts on meter conversion for the coming years and because the District does not have any other major construction projects, it will be able to achieve the number of conversions as planned.

RESOLUTION: Based on updated information from Cal Water, Parties agree to include Projects 63577, 63796, and 63799 at $165,380 each.

C. CARRYOVER PROJECTS

The Parties agree to include the following Carryover projects in the capital budget for the years 2012 through 2015.

Selma: Projects Not In Service as of January 2012
("Discussion" identifies projects discussed in detail below.)

Project	Discussion	Description	Year	Budget
00013822		GenSet - Sta. 20-01	2013	$ 100,000.0
00013854		Storeroom / Warehouse - Field Yard	2012	$ 198,000.0
00013914	X	Drill & Develop New Well - Sta. 22-01	2013	$ 600,000.0
00014673	X	Equip New Well - Mechanical - Sta. 22-01	2013	$ 704,500.0
00054931		Install PVC C.P. test tube	2012	$ 2,563.0
00063292		Station 18 Well Level Sensor	2012	$ 5,000.0
00068032		Laptop, Monitor and Dock Station	2012	$ 1,632.0
Total				**$ 1,611,695.0**

Projects 13914 & 14673 – New Well at Station 22

ISSUE: Projects 13914 and 14673 were approved in the 2006 GRC to construct and equip a well at Station 22 and the costs to be recovered via Advice Letters. In this GRC, Cal Water included the budget for these two projects in the Carryover Budget. Although the well was constructed and placed in service in December 2012, Cal Water has not completed all the site improvements required by the City of Selma to satisfy its conditional use permit. Since that time, Cal Water has been in discussions with the City Engineer from the City of Selma regarding the required site improvements. In its report, ORA recommended disallowance of the dollars to equip the well in the company's plant additions, and for Cal Water to file an advice letter to recover the costs once the site improvements were complete. In Rebuttal, Cal Water noted that the site improvements are expected to be complete in 2013. Furthermore, Cal Water noted that any project placed into service after December 31, 2011 needs to be included as a plant addition in order to be ultimately adopted by the Commission. Finally, Cal Water stated that due to increasing requirements imposed by the City of Selma, the proposed cost of $704,000 for Project 14673 would no longer be adequate to complete the project, and asked for a higher cost of $778,600. (ORA RO Report, page 7-4; CWS Book 4 Rebuttal, pages 324 to 325.)

Cal Water, ORA and the City of Selma discussed the well project, particularly the outstanding site requirements needed to comply with the City of Selma, at length during settlement discussions. The City of Selma reevaluated the requirements needed for Cal Water to finish site work at Station 22 and as a result agreed to changes that should allow the Company to complete the project within the originally proposed budget.

RESOLUTION: The Parties agree to include Project 13914 as a plant addition in 2013 for $600,000 and Project 14673 as a plant addition in 2013 for $704,500.

D. ADVICE LETTER PROJECTS

The Parties agree to include the following Advice Letter projects in the capital budget for the years 2012 through 2015.

Selma: Advice Letter Projects

Project	Year	Description	Year	Advice Letter Cap
00080001	**2015**	Cal Water RAMCAP Vulnerability Assessments	2015	$ 78,151.7
Total				**$ 78,151.7**

E. PROJECTS EXCLUDED FROM PLANT ADDITIONS

The Parties agree to exclude the following projects from the capital budget for 2012 through 2015. The reasons for the exclusion are as described below.

Cancelled projects – Cal Water cancelled these projects during discovery, in rebuttal or as a result of settlement negotiations.

Defer Request projects – Cal Water agrees to defer the request of these projects to a later rate case during discovery, in rebuttal or as a result of settlement negotiations.

2012 NS projects – These 2012 Non-Specific projects (i.e., projects funded by authorized 2012 Non-Specific Budget) were initiated on or after January 2012. Cal Water included these projects in its requested Carryover capital project budget in this rate case. ORA contends that these projects' costs are already covered under the authorized 2012 Non-Specific Budget, and therefore should not be included again in the Carryover capital project budget. Cal Water agrees to remove dollars associated with these projects from the Carryover budget in this rate case.

Selma: Excluded Projects
("Discussion" identifies projects discussed in detail below.)

Project	Discussion	Description	Reason
00021508		130 Conversion of Flat Rate Services to Metered Services	Already In Beginning Plant Balance
00021509		2012 Flat-to-Meter	Duplicate

Project	Discussion	Description	Reason
00062492	**X**	Replace Pump Equipment - Sta. 18-01	Defer Request
00068899		Field - 2-Way Voice Radio System	Defer Request
SEL0600		SERVICES -- ALL SIZES	2012 NS
SEL0800		INSTALL / RETIRE METERS	2012 NS
Total			**$ 184,448.1**

Project 62492 – Oil to Water Lube Pump Replacement

Please refer to discussion of Projects 62472, 62492 & 62515 above.

[END OF CHAPTER]

CHAPTER 34. STOCKTON DISTRICT PLANT

A. OVERVIEW

Stockton District has recently completed a project to remodel the old Operations Center building to be the new Customer Service Center, which is now home to the combined Operations Center and Customer Center.

Stockton is Cal Water's district with a significant number main leaks, which makes it the best candidate for the Condition Based Assessment Pilot Program to identify the mains that need replacement. In this rate case, Stockton has proposed a large number of projects to replace pipelines that are aging and leaking.

The tables below provide a summary of the plant settlement for this district. In the sections that follow, specific projects are identified in separate tables, and certain projects are discussed in further narratives. In addition, there may be projects related to "global" issues – issues that impact multiple districts – that are included in these tables, but discussed separately in the "Global Plant" section of this Agreement.

Stockton: Non-Specific Advance Capital Budget Summary

Year	July Filing	ORA Report	Settlement
2012	$ 932,300.0	$ 932,300.0	$ 932,300.0
2013	$ 1,246,200.0	$ 942,400.0	$ 1,094,300.0
2014	$ 1,311,500.0	$ 961,600.0	$ 1,136,550.0
2015	$ 1,345,900.0	$ 982,200.0	$ 1,164,050.0
Total	**$ 4,835,900.0**	**$ 3,818,500.0**	**$ 4,327,200.0**

The annual Non-Specific Advance Capital Budget is for capital projects that are anticipated to be completed and placed in service during the indicated year to resolve issues that were not known in detail when the advanced capital budget ("ACB") was adopted for that period. The Non-Specific projects tend to be for emergency or unforeseen projects that need to be addressed between GRCs.

Stockton: Specific Advance Capital Budget Projects Summary

Year	July Filing	ORA Report	Settlement
2012	$ 1,921,918.5	$ 1,897,805.5	$ 195,955.5
2013	$ 4,399,674.5	$ 2,119,516.4	$ 4,685,844.5
2014	$ 6,154,005.7	$ 2,889,059.5	$ 3,388,772.9
2015	$ 4,274,257.2	$ 1,852,053.8	$ 2,995,035.3
Total	**$ 16,749,855.9**	**$ 8,758,435.2**	**$ 11,265,608.1**

The Advance Capital Budget for Specific projects identifies the projects and forecasted costs (except for Carryover projects) that the Parties agree should be reflected in the adopted revenue requirement.

Stockton: Carryover Capital Projects Summary

Year	July Filing	ORA Report	Settlement
2012	$ 10,431,293.4	$ 2,249,600.0	$ 3,653,721.4
2013	$ -	$ -	$ 2,757,338.0
2014	$ -	$ -	$ -
2015	$ -	$ -	$ -
Total	**$ 10,431,293.4**	**$ 2,249,600.0**	**$ 6,411,059.4**

Carryover projects are capital projects reflected in the revenue requirement proposed in this Agreement that were (1) not used and useful, or in some cases not initiated, as of January 2012, and (2) not included in the Advance Capital Budgets summarized above. The Parties agree that Cal Water is expected to complete the listed

Carryover projects at the identified settlement amounts and in the years indicated, and that their estimated costs should be reflected in the adopted revenue requirement in this rate case.

Stockton: Advice Letter Projects Total

	Advice Letter Cap
Total	$ 5,560,711.5

The Parties agree that certain capital projects may be included in rates after (1) they are in service, and (2) their costs (up to the specified cap) are submitted for Commission review via Tier 2 advice letter, and found to be reasonable. This Agreement recommends adoption of these projects as "Advice Letter" projects, but their costs are not reflected in the revenue requirement proposed for adoption in this Agreement.

Stockton: Excluded Projects Total

Excluded Projects	$ 2,877,697.5

The Parties agree that some capital projects proposed in the company's July 2012 application should not be reflected in the capital budgets for 2012 through 2015, unless otherwise indicated. These "excluded" projects encompass those that the company cancelled, those that are in service and already included in the beginning plant balance per this Agreement, and those that the Parties agree for other reasons will not be included at this time. The exclusion of these projects ("Deferred Projects") does not prevent the company from proposing them in a subsequent application.

B. SPECIFIC ADVANCE CAPITAL BUDGET PROJECTS

The Parties agree to include the following projects in the Advance Capital Budget for the years 2012 through 2015.

Stockton: Advance Capital Budget – Specific Projects
("Discussion" identifies projects discussed in detail below.)

Project	Discussion	Description	Year	Budget
00019799	-	MN Treatment - Sta. 36-01	2013	$ 1,024,018.5

Project	Discussion	Description	Year	Budget
00019987	-	Sodium Hypo Chlorite System - Sta. 79-01 & Sta. 7-02	2013	$ 37,800.0
00020427	-	Field - Forklift	2013	$ 30,934.0
00020481	-	Replace Pump & Add Energy Efficient Monitoring - Sta. 59-01	2013	$ 47,000.0
00020484	-	Replace Pump & Add Energy Efficient Monitoring - Sta. 7-02	2013	$ 67,000.0
00020675	-	Field - Tool Replacement & New Additions	2013	$ 21,600.0
00020795	-	Funston Ave. - Harding Way to Pinchot Street; Willow Street - Funston to Sycamore Ave. - 1,000' 6" PVC; 4 1" Services	2013	$ 71,600.0
00020832	-	Vehicle - 0.5 Ton Pickup, Truck Upfitting, & Mobile Radio - Const. Superintendent	2013	$ 36,829.0
00020928	-	Arcade Street - El Dorado to California St. - 1,750' 8" PVC; 59 1" Services	2013	$ 238,700.0
00020964	-	Solari Ave. - Acacia to Poplar St. - 1,025' 6" PVC; 12 1" Services	2013	$ 92,700.0
00025514	-	Paint Interior & Provide Lining for the Concrete Reservoir - Sta. 001	2014	$ -
00060772	-	Upgrade CP System - Sta. 32 Tank 3	2014	$ 9,068.4
00060773	-	Paint Interior, Exterior Complete, Replace Interior & Exterior Safety Climb - Sta. 32 T3. Paint Exterior Complete - Sta. 32 T2	2014	$ 5,860.0
00061392	-	Paint Exterior Complete - Sta. 3 Tank 4	2015	$ -
00061652	-	Replace Pump, Motor, & Column - Sta. 7-02	2014	$ 99,900.0
00061674	-	Replace Pump & Column - Sta. 18-01	2014	$ 80,880.0
00061732	-	Replace Pump, Motor, & Column - Sta. 35-01	2015	$ 97,050.0
00061772	-	Replace Pump and Column - Sta. 60-01	2013	$ 63,600.0
00062075	-	Paint Complete Exterior - Sta. 82 Tank 7	2014	$ -
00062112	-	Paint Exterior Complete - Sta. 81 Tank 2	2014	$ -
00063050	-	1,150' 6" PVC - Weber Ave. from Walker Lane to Cardinal Ave. Retire 906' 4" Steel and 244' of 4" A.C. in same.	2013	$ 120,114.7
00063054	-	Convert Chlorination - Sta. 07	2013	$ 60,000.0
00063074	-	Convert Chlorination - Sta. 52	2013	$ 60,000.0
00063093	-	Convert Chlorination - Sta. 62	2014	$ 60,000.0
00063096	-	Fresno Avenue - Navy Drive to Charter Way - 1,650' 8" PVC. Retire 900' 8" C.I. and 750' of 8" Steel pipe in same.	2013	$ 296,489.9
00063136	-	Convert Chlorination - Sta. 68-01	2014	$ 60,000.0
00063153	-	Convert Chlorination - Sta. 71-01	2015	$ 60,000.0
00063156	-	Allston Way - Bedford Road to Smith Lane - 2,200' 8" PVC. Retire 2,200' 6" C.I.	2013	$ 264,325.7
00063215	-	Replace Flow Meter - Sta. 16	2013	$ 12,000.0
00063218	-	Michael Avenue - Airport Way frontage Road to Anne Street - 1,520' 8" PVC in Michael Ave. from Airport frontage Rd. to Anne St.; 1,000' 8" PVC in Anne St. from Michael Ave. to Ralph Ave. Retire 2,520' of 6" Steel pipe in same.	2013	$ 315,162.8

Project	Discussion	Description	Year	Budget
00063233	-	Replace Flow Meter - Sta. 7-02.	2014	$ 12,000.0
00063236	-	Replace Flow Meter - Sta. 61	2015	$ 24,000.0
00063257	-	Madison Street - Jefferson Street to Charter Way - 1,100' 6" PVC. Retire 1,100' of 2" Wrought Iron pipe in same	2014	$ 115,996.1
00063259	-	Replace Air Release Valves - Sta. 52-01, 62-01, 67-01, 69-01 and 69-02	2014	$ 30,000.0
00063260	-	Replace Air Release Valves - Sta. 35-01, 70-01, 75-01 and 78-01.	2015	$ 30,000.0
00063318	-	2,840' 6" PVC; Eugenia, Della and Beighle south from Hazelton Street. Retire 2,670' 2" C.I. and 700' 4" C.I.	2013	$ 283,994.0
00063325	-	Anderson Street - Center Street to El Dorado Street - 320' 6" PVC. Retire 320' 2" Wrought Iron pipe in same.	2013	$ 41,656.2
00063326	-	2,785' 6" PVC 900 - Harding Way, Elm St., Walnut St. and Columbia Ave. from Pershing Ave. to Yale Ave. Retire 1,450' 4" C.I.; 1,030' 6" C.I.; 625' 2" C.I.; 460' 2" Wrought Iron in backyard easements of same.	2013	$ 555,734.1
00063406	-	American Street - Miner Avenue to Park Street. Install 1,130' of 6" PVC C-900 pipe in American Street from Miner Avenue to Park Street. Retire 830' of 2" Wrought Iron pipe and 300' of 3" Cast Iron pipe in same.	2014	$ 121,961.3
00063416	-	Willow Street - San Juan Avenue to Carlton Avenue and Jewell Court.	2014	$ 205,020.3
00063436	-	Replace Panelboard - Sta. 7	2014	$ 186,734.2
00063453	X	Seventh Street - San Joaquin Street to American Street and American Street from Sixth Street to Eighth Street. Install 1,200' of 8" PVC C-900 pipe in Seventh Street from San Joaquin Street to American Street and 900' in American Street from Sixth Street to Eighth Street.	2014	$ 233,278.2
00063475	X	Phelps Street, Volney Street & Belleview Avenue - Michael Avenue to Ralph Avenue and Ralph Avenue from Airport Way frontage road to Belleview Avenue. Install 2,940' of 6" PVC C-900 pipe in Phelps Street, Volney Street and Belleview Avenue from Michael Ave	2014	$ 490,845.7
00063481	X	Maple Street and Alder Street from Pacific Avenue to Hunter Street - 1,440' 6" PVC in Maple Street and 1,460' in Alder Street from Pacific Avenue to Hunter Street. Retire 1,320' 2" Wrought Iron pipe and 140' 4" C.I. pipe in Maple Street from Pacific	2014	$ 515,163.2
00063483	X	Ingram Street - El Dorado Street to Sutter Street - 1,200' 6" PVC; 8 New 1" short-side & 8 New 1" long-side services to eliminate split services. Retire 1,200' 6" Steel pipe in same.	2014	$ 142,299.2
00063500	-	Ash Street - Main St. to Alma St. - 680' 6" PVC. Retire 680' of 2" Wrought Iron pipe in same.	2014	$ 80,229.6

Project	Discussion	Description	Year	Budget
00063534	-	Commerce Street - Harding Way to Willow Street. Install 380' of 6" PVC C-900 pipe in Commerce Street from Harding Way to Willow Street. Retire 380' of 2" Wrought Iron pipe in same.	2014	$ 54,761.6
00063554	-	Van Buren Street - Worth to Anderson Street. Install 330' of 8" PVC C-900 pipe in Van Buren Street from Worth Street to Andrson Street. Retire 330' of 2" Wrought Iron pipe in same.	2015	$ 39,061.8
00063575	-	Carpenter Road - Airport Way Frontage Road to Belleview Avenue - 1,150' 8" PVC. Retire 1,150' of 6" Steel pipe in same. Phelps St., Volney St. and Belleview Ave. from Ralph Ave. to Carpenter Rd. - 2,850' 6" PVC. Retire 2,850' of 6" Steel pipe in same	2015	$ 470,647.3
00063655	-	Walnut Street - Pacific Ave. to Hunter St.; Elm St. - Pacific Ave. to Commerce St. - 1,940' 6" PVC Walnut St. from Pacific Ave. to Hunter St. and 460' of 6" PVC Elm St. from Pacific Ave. to Commerce St.	2015	$ 383,890.1
00063715	X	Chronicle Avenue - Waterloo Road to Harding Way - 1,980' 6" PVC. Retire 1,980' 4" Steel pipe in same. Retire 180' 2" C.I. pipe - John St. East from Chronicle Ave.	2015	$ 243,225.6
00063752	-	Bishop Street - Funston Avenue to Sanguinetti Lane	2015	$ 224,871.6
00063795	-	Woodland Drive - West from Pershing Avenue - 1,800' 8" PVC. Retire 1,800' of 8" Steel pipe in same.	2015	$ 203,991.8
00063800	-	Twelfth Street - "B" Street to Bieghle Street - 1,140' 6" PVC. Retire 1,070' of 6" Steel and 70' of 4" Steel pipe in same.	2015	$ 127,280.7
00063801	-	Center Street - Weber Avenue to Washington Street - 1,040' 8" PVC. Retire 760' of 4" C.I. pipe and 240' of 3" C.I. pipe in same.	2015	$ 181,359.1
00063802	-	"E" Street - Waterloo Road to Francis Street - 300' 6" PVC. Retire 300' of 6" Steel pipe in same.	2015	$ 39,432.0
00063852	-	1,600' of 12" D.I. - Alpine Ave. - Margaret Ave. to Grange Ave. Retire 1,600' of 10" Steel pipe in same.	2013	$ 428,157.1
00063873	-	Replace Panelboard - Sta. 16	2015	$ 184,116.0
00063936	-	Panelboard Replacement - Sta. 61	2015	$ 296,132.5
00064007	-	Field - New Handhelds for Meter Reading	2014	$ 39,586.2
00064174	-	Replace 4 Existing Sample Stations	2013	$ 28,560.0
00064295	-	Replace 4 Sample Stations	2014	$ 36,025.6
00064335	-	Replace 4 Sample Stations	2015	$ 46,588.8
00064934	-	Vehicle - 0.5 Ton Pick Up with Accessories - LOC/INSPEC	2015	$ 42,000.0
00064935	-	Vehicle - 0.5 Ton Pick Up with Accessories - General Foreman	2015	$ 41,600.0
00065094	-	Vehicle - 0.5 Ton Pick Up and Outfitting - General Superintendent	2014	$ 39,800.0

Project	Discussion	Description	Year	Budget
00065405	-	Vehicle - 0.5 Ton Pick Up and Outfitting - Meter Reader	2013	$ 40,700.0
00065406	-	Vehicle - 0.5 Ton Pick Up and Outfitting - Meter Reader	2013	$ 40,700.0
00065450	-	Vehicle - 0.5 Ton Pick Up and Outfitting - Serviceman	2014	$ 41,650.0
00065556	-	Replace Pumps and Panel Board - Sta. 32	2014	$ 471,992.3
00067089	X	Replace obsolete data acquisition radio system: 33 remote radios, two-frequency redundant master, tank modification for antennas.	2013	$ 149,811.6
STK0900	-	Meter Replacement Program	2012	$ 195,955.5
STK0900	-	Meter Replacement Program	2013	$ 256,657.0
STK0900	-	Meter Replacement Program	2014	$ 255,721.0
STK0900	-	Meter Replacement Program	2015	$ 259,788.0
Total				**$ 11,265,608.1**

Main Replacements – various project numbers

ISSUE: Cal Water proposed several main replacement projects in this rate case. Of all Cal Water districts, Stockton has the highest number of leaks per mile. Cal Water identified these mains for replacement through the Condition Based Assessment ("CBA") Pilot Program. Cal Water established the program to replace all undersized and bare steel mains (uncoated, unlined or both) and to address any main in poor physical condition. The Company has implemented a leak tracking system that uses leak repair report cards submitted by repair crews following any leak repair action. Cal Water enters the information from these cards to a database. Using this database, Cal Water generates a leak history on individual mains. Annually the number of leak occurrences is determined for each district based on of the number of leaks per one hundred miles of main.

ORA disagreed with the contingency factor used in the cost estimates. ORA reasoned that since these are relatively straightforward projects, then contingencies should only be 3% because there are fewer design challenges. ORA also opposed five of these projects because there was not enough leak history to warrant replacement.

RESOLUTION: Parties discussed the results of the CBA pilot, impact of leaks on the overall degradation of pipelines, and the challenges and unknown factors associated with underground construction. Cal Water and ORA agree to the main replacement budgets that include the projects shown in the list above.

Project 67089 - Replace obsolete data acquisition radio system

ISSUE: The data acquisition radio system is a critical component for the SCADA system and has been providing tangible benefits. Cal Water proposed replacement of this component of the SCADA system. ORA recommended disallowance of all SCADA related projects because there was not a demonstrated benefit to the customers.

RESOLUTION: Parties divided the SCADA related projects into replacements and optimizations. Parties agree that most SCADA replacements need to be completed, while a portion of the optimizations can be deferred. The Parties classified this project in Stockton as a replacement to ensure that the current operations are maintained. Cal Water and ORA agree to a budget of $149,800 for Project 67089.

C. CARRYOVER PROJECTS

The Parties agree to include the following Carryover projects in the capital budget for the years 2012 through 2015.

Stockton: Projects Not In Service as of January 2012
("Discussion" identifies projects discussed in detail below.)

Project	Discussion	Description	Year	Budget
00015550	-	CUSTOMER SERVICE CENTER DESIGN	2013	$ 66,000.0
00016387	-	STORAGE & DUMP FACILITY	2012	$ 237,600.0
00016817	-	"B" STREET-DUCK CREEK TO RALPH	2013	$ 92,200.0
00017025	X	CUSTOMER SERV CENT-FURNISHINGS	2013	$ 842,400.0
00017104	-	STK 63-01: REPLACE PUMP	2013	$ 80,200.0
00017203	-	Drill, Develop, & Equip New Well - Including Monitoring Well	2012	$ 1,435,298.4
00017394	-	GAC TREATMENT	2012	$ 513,300.0
00017818	-	SECURITY IMP. @ STOCKTON	2013	$ 234,900.0
00019902	-	New Concrete Building - Sta. 1-F Booster Pump	2012	$ 32,400.0
00019985	-	2 Sodium Hypo Chlorite Systems - Sta. 75-01 & Sta. 21-01	2013	$ 32,400.0
00019986	-	Sodium Hypo Chlorite System - Stations 71-01 & 16-01	2013	$ 34,600.0
00020924	-	Vehicle - Vehicle & Mobile Radio - District Manager	2012	$ 39,600.0
00021022	-	Field - Bob-Cat Attachments - Hydraulic Breaker, 60" Hydraulic Sweeper, & Water + Nozzle	2013	$ 36,800.0
00021253	-	Generator - Sta. 62	2013	$ 120,000.0

Project	Discussion	Description	Year	Budget
00043950	X	Mn Treatment at STK 61-01	2012	$ 1,373,524.0
00048948	X	New Customer Service Center-Phase 2	2013	$ 1,151,200.0
00055449	-	Install PVC C.P. test tube	2013	$ 2,563.0
00056708	-	Replace pump, motor, column:36-01	2013	$ 64,075.0
00057728	-	Purchase Spill Containment	2012	$ 3,748.0
00072074	-	322 E MLK Jr Blvd- Rplc 4" GV	2012	$ 2,951.0
00073893	-	Network Scanner/Copier	2012	$ 15,300.0
Total				**$ 6,411,059.4**

Project 17025- Customer Service Center Furnishings

ISSUE: This is a carryover project from the 2009 GRC, which involves furnishing workstations, desks, filing cabinets, tables, chairs, storage cabinets, and other office accessories for the new customer service center, which includes purchase, shipping, and delivery and installation costs for all items. ORA recommended in its report that this project remain as advice letter to be filed before the effective date of this GRC, which is January 1, 2014.

RESOLUTION: Cal Water and ORA agree to include Project 17025 at $842,400, which is lower than the $1,215,000 cap approved in the 2009 GRC.

Project 43950- Manganese Treatment at Station 61-01

ISSUE: The secondary maximum contaminant levels (SMCL) set by the California Department of Public Health (CDPH) requires installation of a manganese treatment system. Cal Water stated that although manganese is a secondary contaminant, the CDPH has elected to regulate SMCL in a fashion similar to primary maximum contaminant level. This change in the rules was made official in the Fall of 2006. Article 16, Section 64449 of Title 22 states that the SMCL shall not be exceeded in the water supplied to the public by community water systems. This new rule affected Station 61-01 and because this station is a higher producer than Station 36-01, Cal Water substituted this project for Project 19804 authorized in the 2009 GRC for manganese treatment for Station 36-01. Cal Water completed this project in August 2012.

RESOLUTION: Cal Water and ORA agree to include in the 2013 capital budget $1,373,500 for Project 43950. In the next GRC application, Cal Water will provide a detailed showing and explanation of cost exceeding the original budget.

Project 48948- New Customer Service Center-Phase 2

ISSUE: Cal Water stated that this additional phase of the project is necessary to address issues related to hazardous materials discovered during demolition. ORA had concerns that this was a non-specific project and questioned the need for the project and the customer benefit.

RESOLUTION: Cal Water and ORA agree to include in the 2013 capital budget $1,151,200 for Project 48948. In the next GRC, Cal Water will provide a detailed showing and explanation of any cost overruns from original budget.

D. ADVICE LETTER PROJECTS

The Parties agree to include the following Advice Letter projects in the capital budget for the years 2012 through 2015.

Stockton: Advice Letter Projects
("Discussion" identifies projects discussed in detail below.)

Project	Discussion	Description	Year	Advice Letter Cap
00016025	X	New Customer Service Center	2014	$ 1,215,000.0
00020204	X	Drill, Develop, & Equip New Well	2014	$ 2,121,100.0
00079414	X	Modify or replace steel members of the elevated tank support structure necessary to upgrade to current seismic codes. Also modify or replace foundation structures as necessary to meet current seismic codes.	2014	$ 1,039,200.0
00079416	X	Modify or replace steel members of the elevated tank support structure necessary to upgrade to current seismic codes. Also, modify or replace foundation structures as necessary to meet current seismic codes.	2014	$ 989,400.0
00079963	-	Cal Water RAMCAP Vulnerability Assessments	2015	$ 196,011.5
Total				**$ 5,560,711.5**

Project 16025 – New Customer Service Center

ISSUE: This project was originally approved in the 2007 GRC as an advice letter project capped at $1,215,000 plus capitalized interest to construct and furnish the new Stockton Customer Service Center. The new facility will be located on the same

property as the Lafayette Field office. Design changes and permitting issues put this project behind schedule. ORA questioned the need for this project and customer benefit.

RESOLUTION: Cal Water and ORA agree that Project 16025 should be completed as an advice letter project with a budget of $1,215,000 plus capitalized interest. In the next GRC, Cal Water will provide a detailed showing and explanation of any cost overruns from the original budget.

Project 20204 – New Well Construction and Land Purchase

ISSUE: Wells 8-01 and 10-01 were drilled over 60 years ago. Cal Water proposed that it would be more to destroy these wells and drill two new, replacement wells in an area known to have arsenic concentration below the MCL, than to spend funds connecting antiquated wells to the blending pipeline. This Advice Letter project, authorized in the 2009 GRC, is for one of the two new well sites in the northeast part of Stockton, where the groundwater is known to have acceptable water quality. The well will be equipped as a part of this project and is expected to produce 1,000 gallons per minute. This new well will replace Well 08-01. Site development consists of constructing a new pump building with an electrical control panel and a concrete driveway.

ORA questioned the lack of progress on this project as it was approved in the previous GRC. ORA could not support including this project in rates now.

RESOLUTION: Given the project's progress, Cal Water and ORA agree that Project 20204 should be completed as an advice letter project capped at $2,121,100. Furthermore, if the actual cost of the land is less than the budgeted amount of $325,000, the capped amount of $2,121,100 should be reduced by the difference between actual and budgeted property cost.

Projects 79414 and 79416 - Modify or replace steel members of the elevated tank support structures

ISSUE: Cal Water stated that its risk assessment planning program found Tanks STK3-T4 and STK84-T3 to be at high risks of failure in the event of the most probable strength earthquake. Thus, the company determined that the tanks exhibit unacceptable safety risks. Cal Water proposed these projects to upgrade the steel components and anchors of the elevated tanks to improve safety to the public.

ORA did not question the seismic safety aspect of the projects, but did question whether it is cost effective to expend $1-million seismic retrofits on these aged tanks.

RESOLUTION: In settlement, Cal Water and ORA considered the tanks' current conditions, estimated life expectancy and replacement costs. Based on those discussions, the Parties agree to include Projects 79414 and 79416 as Advice Letter projects capped at $1,039,200 and $989,400, respectively, and with the following conditions:

1. Cal Water will present a thorough life expectancy analysis of these two tanks and include in the advice letter filing detailed breakdowns of the costs to rehabilitate these tanks vs. replacement with new tanks and net present value analysis. These costs breakdowns will also include the revenue impact of Cal Water's contracts with communications companies for its use of these elevated tanks as cell tower leases.
2. Cal Water will present a detailed cost breakdown of estimated vs. actual costs for construction in the advice letter.
3. In Cal Water's next GRC, if it requests similar tank rehabilitation projects, it will include results from a geotechnical/engineering report in its project justification to support the project's seismic retrofit needs and costs. Cal Water will also present the analysis similar to item 1 above in its project justifications.

E. PROJECTS EXCLUDED FROM PLANT ADDITIONS

The Parties agree to exclude the following projects from the capital budget for 2012 through 2015. The reasons for the exclusion are as described below.

Cancelled projects – Cal Water cancelled these projects during discovery, in rebuttal or as a result of settlement negotiations.

Defer Request projects – Cal Water agrees to defer the request of these projects to a later rate case during discovery, in rebuttal or as a result of settlement negotiations.

2012 NS projects – These 2012 Non-Specific projects (i.e., projects funded by authorized 2012 Non-Specific Budget) were initiated on or after January 2012. Cal Water included these projects in its requested Carryover capital project budget in this rate case. ORA contends that these projects' costs are already covered under the

authorized 2012 Non-Specific Budget, and therefore their costs should not be included again in the Carryover capital project budget. Cal Water agrees to remove dollars associated with these projects from the Carryover budget in this rate case.

Stockton: Excluded Projects
("Discussion" identifies projects discussed in detail below.)

Project	Discussion	Description	Reason
00015360	-	BUENA VISTA STORM DRAIN IMP.	Defer Request
00020764	-	Alpine Ave. - Margaret to Grange Ave. - 1,600' 12" D.I.; 5 1" Services	Defer Request
00045868	X	Destroy Well- STK 11-01	Depreciation
00056368	X	STK 27-01: Well Destruction	Depreciation
00056409	X	STK 10-01: Well Destruction	Depreciation
00063792	-	Land - New Tank and Booster	Defer Request
00063823	-	Land - New Well	18) Defer Request
00066893	X	26 Well Level Sensors - Sta. 7, 16, 18, 21, 35, 36, 51, 52, 59, 60, 61, 62, 63, 66-1, 66-2, 67, 68, 69-1, 69-2, 70, 71, 75, 76, 77, 79, 85	Defer Request
00067310	X	7 Pressure Transducers - Sta. 18, 65, 69(4), 80	Defer Request
00067454	X	25 Power Meters - Sta. 1, 3, 7, 16, 18, 21, 35, 36, 51, 52, 59, 60, 61, 62, 63, 65, 66, 67, 68, 69, 70, 71, 75, 76, 77	Defer Request
00067455	X	7 Power Meters - Sta. 79, 80, 81, 82, 83, 84, 85	Defer Request
00068901	-	Field - 2-Way Voice Radio System	Defer Request
00070835	-	Remove Buried Fuel Tanks at Sta. 1	Depreciation
00072533	-	Ergonomic Work Stations	2012 NS
00072833	-	STATION #85 EYEWASH UNIT	2012 NS
00073113	-	ROOSEVELT @ WILSON GV REPLACEMENTS	2012 NS
00074095	-	Automatic Gate Installation	2012 NS
00074973	-	Replace Pump and Motor: STK 83-A	2012 NS
00075553	-	915 W Anderson- 4" Service 3" Meter	2012 NS
00076973	-	South Stockton Sidewalks	2012 NS
00077876	-	Building Demolition/Pumping eq. ret	2012 NS
00078733	-	REPL 12" DEF GATE VALVE	2012 NS
Total			**$ 2,877,697.5**

Projects 63792 – Land for New Tank and Booster Pump Station

Cal Water proposed this project as part of its plan to add more storage, citing deficiency in operational, emergency and fire flow storage. ORA in opposing the project challenged the design standards relied by Cal Water in determining storage needs. The Parties agree that Cal Water should defer its request for this project.

Projects 66893, 67310, 67454, and 67455

These projects have been deferred to a later GRC. They are all related to the expansion of SCADA coverage to improve operational efficiency for water distribution. See discussion in the Global Plant Issues section of this Agreement.

Projects 45868, 56368 & 56409 – Well Destruction and Project 70835 – Tank Removal

These are well destruction and tank removal projects. Dollars for projects like this are included in Cal Water's depreciation projections and was inadvertently and incorrectly included in the Carryover budget. Cal Water agrees to correct this error.

[END OF CHAPTER]

CHAPTER 35. VISALIA DISTRICT PLANT

A. OVERVIEW

The City of Visalia intervened on behalf of ratepayers in the Visalia District. Unless otherwise noted, the term "the Parties" as used in this chapter refers to Cal Water, ORA and the City of Visalia. The Parties request that the Commission approve the settlement plant values described herein under the conditions specified. ORA does not agree to or oppose the settlement between the City of Visalia and Cal Water.

The tables below provide a summary of the plant settlement for this district. In the sections that follow, specific projects are identified in separate tables, and certain projects are discussed in further narratives. In addition, there may be projects related to company-wide or "global" issues – issues that impact multiple districts – that are included in these tables, but discussed separately in the "Global Plant" section of this Agreement.

Visalia: Non-Specific Advance Capital Budget Summary

Year	July Filing	ORA Report	Settlement
2012	$ 1,226,700.0	$ 1,226,700.0	$ 1,226,700.0
2013	$ 1,631,200.0	$ 1,240,000.0	$ 1,435,600.0
2014	$ 1,716,600.0	$ 1,265,200.0	$ 1,490,900.0
2015	$ 1,716,800.0	$ 1,292,400.0	$ 1,527,100.0
Total	**$ 6,291,300.0**	**$ 5,024,300.0**	**$ 5,680,300.0**

The annual non-specific budget is for capital projects that are anticipated to be initiated and completed during the indicated year to resolve issues that were not known in detail when the advanced capital budget ("ACB") was adopted for that time period. The non-specific projects tend to be for emergency or unforeseen projects that need to be addressed between GRCs.

Visalia: Specific Advance Capital Budget Projects Summary

Year	July Filing	ORA Report	Settlement
2012	$ 2,585,515.4	$ 942,400.0	$ 1,858,542.9
2013	$ 1,626,550.1	$ 1,293,578.3	$ 1,842,092.3
2014	$ 3,188,797.7	$ 848,900.7	$ 1,146,555.0
2015	$ 2,070,565.4	$ 1,519,551.1	$ 1,464,539.6
Total	**$ 9,471,428.6**	**$ 4,604,430.1**	**$ 6,311,729.9**

The advanced capital budget for specific projects identifies the projects and forecasted costs (except for carryover projects) that the Parties have agreed should be included in the adopted revenue requirement.

Visalia: Carryover Capital Projects Summary

Year	July Filing	ORA Report	Settlement
2012	$ 7,108,135.1	$ 2,732,550.0	$ 2,424,919.2
2013	$ -	$ -	$ 933,400.0
2014	$ -	$ -	$ 1,636,300.0
2015	$ -	$ -	$ -
Total	**$ 7,108,135.1**	**$ 2,732,550.0**	**$ 4,994,619.2**

Carryover projects are capital projects included in the revenue requirement proposed in the Agreement that were not used and useful as of January 2012, and are not included in the non-specific and specific advanced capital budgets summarized above. The Parties agree that Cal Water will complete the listed carryover projects at the identified settlement amounts, and in the years indicated. The Parties agree that these projects' forecasted costs should be included in the adopted revenue requirement.

Visalia: Advice Letter Projects Total

	Advice Letter Cap
Total	**$ 2,006,339.8**

The Parties agree that certain capital projects may be included in rates after (1) they are in service and considered used and useful, and (2) their costs (up to the specified cap) are submitted for Commission review via Tier 2 advice letter, and the costs are found to be reasonable. This settlement recommends adoption of these projects as "Advice Letter" projects, but their costs are not included in the revenue requirement proposed for adoption in this Agreement.

Visalia: Excluded Projects Total

Excluded Projects	$ 2,497,295.6

The Parties agree that some capital projects proposed in the company's July 2012 application should not be included in the capital budgets for 2012 through 2015, unless otherwise indicated. These "excluded" projects encompass those that the company cancelled, those that are in service and already included in the beginning plant balance per this Agreement, and those that the Parties agree for other reasons to exclude at this time. The exclusion of these projects does not prevent the company from proposing them in a subsequent application ("deferred projects").

B. SPECIFIC ADVANCE CAPITAL BUDGET PROJECTS

The Parties agree to include the following projects in the Advance Capital Budget for the years 2012 through 2015.

Visalia: Advance Capital Budget – Specific Projects
("Discussion" identifies projects discussed in detail below.)

Project	Discussion	Description	Year	Budget
00020382		Replace Pump - Sta. 11-02	2012	$ 65,855.0
00020445		Replace Well Pumping Equipment, Well Level Transducer and Remove Existing Aux Unit Engine - Sta. 74-01	2012	$ 61,053.1
00020485		Replace 5 Sodium Hypochlorite Pumps	2013	$ 8,100.0
00020605		5 Hydrant Replacement/Upgrade Program	2013	$ 61,400.0
00020833		Vehicle - 0.5 Ton Pick Up, Truck Upfitting, & Mobile Radio - Utility Worker	2013	$ 37,570.0
00020834		Vehicle - 0.5 Ton Pick Up, Truck Upfitting, & Mobile Radio - Collector	2013	$ 38,210.9
00020835		Vehicle - 0.75 Ton Pick Up, Truck Upfitting, & Mobile Radio - Utility Worker	2013	$ 38,829.0
00020836		Vehicle - Vehicle, Truck Upfitting, & Mobile Radio - Production Superintendant	2013	$ 39,364.0
00020837		Vehicle - Vehicle, Truck Upfitting, & Mobile Radio - Distribution Superintendant	2013	$ 40,488.5
00020998	X	Robin, Lark, & Orl. - 4,000' 8" PVC; 75 1" Services; 7 Hydrants	2015	$ 715,500.0
00021093		10 SCADA RTUs - Phase 5	2013	$ 291,300.0
00021140		Conversion of 3,365 Flat Rate Services to Metered Services	2012	$ 1,606,915.4
00051768		Paint Exterior Complete & Replace CP Anodes - Sta. 59 Tank 3	2014	$ 14,146.0

Project	Discussion	Description	Year	Budget
00062212		Pump Bowl Replacement - Sta. 55-02	2013	$ 24,302.5
00062213		Replace Pump Bowl - Sta. 93-01	2013	$ 24,324.0
00062219		Replace Pump Equipment - Sta. 14-01	2014	$ 74,951.0
00062233		Replace Pump Equipment - Sta. 7-01	2015	$ 80,105.6
00062235	X	Replace Pump Equipment - Sta. 50-01	2015	$ 80,705.6
00062242	X	Howard, Feemster, Vassar & Walnut Ave. 100' 6" PVC; 3650' 8" PVC; 133 1" Services; 6 Hydrants. Retire 6730' 6" AC; 1270' 4" AC; 133 Services; & Hydrants.	2013	$ 936,300.0
00062592		Portable Calibration Flowmeter	2013	$ 9,564.4
00062612		Field - Portable Welder and Trailer	2013	$ 5,858.9
00062653		Replace Chemical Dosing Pumps	2013	$ 7,453.6
00062734		Replace Concrete Driveway - Sta. 16	2014	$ 12,304.9
00062752		New Concrete Driveway - Sta. 23	2015	$ 9,004.9
00062812		Replace Chemical Dosing Pumps	2015	$ 7,453.6
00062954		Pump Bowl Replacement - Sta. 94-01	2014	$ 24,540.0
00063319		Giddings and Riggin Ave. - 1450' 12" D.I.; 1060' 8" PVC; 40 1" Services; 3 6" Hydrants	2014	$ 564,967.6
00063392		4 Air Condition Units - Commercial Office	2013	$ 27,201.7
00063399		Office - Replace Copy Machine - Customer Center	2013	$ 14,545.3
00063407		Parking and Carport - Customer Center	2013	$ 36,189.7
00063613		Panelboard Replacement - Sta. 3	2014	$ 183,000.0
00063635		Panelboard Replacement - Sta. 7	2015	$ 174,077.3
00063639		Panelboard Replacement - Sta. 91	2015	$ 162,746.8
00063653		Flowmeter Replacement - Sta. 37	2013	$ 24,721.0
00063828		Flowmeter Replacement - Sta. 45	2013	$ 24,721.0
00063843		Flowmeter Replacement - Sta. 48	2014	$ 25,751.1
00063892		Flowmeter Replacement - Sta. 49	2014	$ 28,841.2
00063901		Flowmeter Replacement - Sta. 50	2015	$ 26,781.1
00063912		Flowmeter Replacement - Sta. 53	2015	$ 29,871.3
00064489		Office - Replace Shelving - Storeroom - Operations Center	2013	$ 23,067.3
00064937		Vehicle - 0.5 Ton Pick Up with Accessories - Serviceman	2015	$ 42,000.0
00064938		Vehicle - 0.5 Ton Pick Up with Accessories - Serviceman	2015	$ 42,000.0
00065095		Replace SUV V206007	2014	$ 43,248.0
00065110		Replace V204091 0.5-Ton Pick Up - Inspector	2014	$ 43,248.0
00065111		Vehicle - 0.75 Ton Pick Up and Outfitting - Construction Superintendent	2014	$ 39,800.0
00065544		Vehicle - 0.5 Ton Truck and Outfitting - Serviceman	2013	$ 40,700.0
VIS0900		Meter Replacement Program	2012	$ 124,719.4
VIS0900		Meter Replacement Program	2013	$ 87,880.6
VIS0900		Meter Replacement Program	2014	$ 91,757.2
VIS0900		Meter Replacement Program	2015	$ 94,293.6
Total				**$ 6,311,729.9**

Projects 20998 & 62242 – 6" Main Replacement Projects

ISSUE: Projects 20998 and 62242 are two pipeline replacement projects that Cal Water proposed in order to eliminate mains that are located in customer rear yards.

The existing locations cause difficulty in making repairs and in meter reading. Cal Water based its cost estimates for these projects on experience with similar projects that it recently completed.

Neither ORA nor the City of Visalia expressed concerns with the need for the projects. ORA was concerned with the estimated cost per foot of the projects and requested revised detailed costs estimates based on Cal Water's master contract with its general contractor for this district. The City of Visalia expressed concerns with both the cost and level of pavement restoration proposed. (ORA RO Report, page 7-15; CWS Book 4 Rebuttal, page 356.)

After a series of discussions, the Parties agreed to keep both projects in this rate case with a lower pavement restoration requirement and reduced cost estimate for Project 62242. Project 20998 had been completed during the negotiations at the more significant pavement restoration amounts and at the original cost. Therefore, the cost estimate for Project 20998 was not modified. The Parties further agreed that Cal Water would review its master contract procurement policy and make logical and cost saving changes in the next bidding of the master contract.

RESOLUTION: The Parties agree to include in rate base $715,500 in 2015 for Project 20998 and $936,300 in 2015 for Project 62242.

<u>Projects 62235 & 62221 – Oil to Water Lube Pump Replacement Projects</u>

ISSUE: Cal Water characterized its pump replacement program as targeting those pumps that are identified as old and inefficient. However, Cal Water did not provide any information such as pump efficiency data for the pump replacement projects under these two projects to substantiate its replacement criteria of old and inefficient pumps. ORA did not have the necessary information needed to evaluate the need to replace these two pumps and therefore recommended their disallowance. In Rebuttal Testimony, Cal Water provided additional testimony regarding the company's pump replacement program, which consists of converting oil-lubricated pump to minimize bacteria growth in its wells.

RESOLUTION: Cal Water proposes to replace all oil-lubricated pumps with water-lubricated pumps, regardless of age and efficiency ratings. The Parties agree to include Project 62235 in rate base in 2015 for $80,706 and to exclude Project 62221 from rate base for the current proceeding.

C. CARRYOVER PROJECTS

The Parties agree to include the following Carryover projects in the capital budget for the years 2012 through 2015.

Visalia: Projects Not In Service as of January 2012
("Discussion" identifies projects discussed in detail below.)

Project	Discussion	Description	Year	Budget
00015940		Replace 10 LMI Injection Pumps with Prominent Pumps - Various Stations in VIS	2012	$ 14,751.6
00015947		Acquire Property at the Oak Ranch subdivion in North East Visalia Caldwell w/of Akers (Year 2008)	2012	$ 213,750.0
00016105		SCADA Intrusion Alarms	2013	$ 119,900.0
00016781		New Well & Tank Site – Goshen	2012	$ 290,000.0
00016934	X	200K Gal Welded Steel Tank - Booster Station Pumphouse, Site Improvements, & Pumping Equipment – Mullen	2014	$ 904,500.0
00016938	X	Drill & Develop - New Well @ James St. Lot (Caldwell, Mill Creek or Downtown site, Year 2008)	2014	$ 731,800.0
00017703		Security Mitigation Improvements - Facilities, Customer Service & Operations Center	2013	$ 256,800.0
00020450		Gen-Set - For Operations and Customer Centers	2013	$ 270,000.0
00020487		Landscape - Sta. 30-01	2012	$ 15,638.1
00020601		5 Hydrant Replacement/Upgrade Program	2012	$ 54,900.0
00020971		Wren & Canary - 2,209' 8" PVC; 2,000' & Reconnect 45 Houseline Services; 6 Hydrants	2012	$ 345,400.0
00021045		Office - 7 Additional Computers - Customer Center & Operations Center	2012	$ 9,667.1
00021090		10 SCADA RTUs - Phase 3	2012	$ 282,100.0
00021092		10 SCADA RTUs - Phase 4	2013	$ 286,700.0
00029730	X	WS&FMP Updates	2012	$ 760,000.0
00054708		VIS 9-01: Replace Pump Equipment	2012	$ 74,736.0
00054989		Install PVC C.P. test tube	2012	$ 2,654.9
00069250		REPL MAIN KAWEAH,NOYES,MYRTLE	2012	$ 254,799.2
00070209		KELSEY MAIN LINE	2012	$ 64,758.0
00072516		Cross Connection addt'l compliment	2012	$ 36,138.3
00074813		MOTOR @ STATION 68	2012	$ 5,626.0
Total				**$ 4,994,619.2**

<u>Projects 16934 & 16938 – New Well, Storage Tank & Site Improvements in Mullen</u>

ISSUE: Project 16934 was approved in the 2009 GRC to construct a storage tank, which Cal Water had not initiated. In this rate case, Cal Water decided to shift the funding to construct a second well in the Mullen system. Project 16938 is also a carryover project from the 2009 GRC identified for a new well at the James Street Lot, which Cal Water shifted the funding to construct a 200,000-gallon storage tank in the Mullen system. The Mullen water system has no storage and no second source of supply. Cal Water encountered problems with its well drilling contractor for Project 16934 and the well could not be completed as originally planned. The contractor faced financial problems and could not complete the work. Cal Water hired a replacement well drilling contractor to finish this project. Project 16938 involves work at the same station, which cannot be performed until after Project 16934 is complete.

The City of Visalia expressed concern that this stand-alone system was included with the Visalia system for rate-making and operational purposes and did not believe this was fair to customers in the City of Visalia. ORA was concerned about the project timing and cost. In Rebuttal, Cal Water explained its need for the well and provided a status update on the projects. (ORA RO Report, page 7-7; CWS Book 4 Rebuttal, pages 361 to 362.)

After a series of discussions, the Parties agree that the prudent way to proceed is to complete the well project with a new contractor at a revised cost. The Parties agree that Cal Water should complete the tank project as proposed by Cal Water in this case. As noted above, Cal Water agrees to provide more information to the City of Visalia on future projects outside of the main Visalia system that could significantly impact Visalia customer rates.

RESOLUTION: The Parties agree to include Projects 16934 and 16938 in rate base for 2014 for $904,500 and $731,800, respectively.

<u>Project 29730 – Updates to Water Supply and Facilities Master Plan ("WS&FMP")</u>

ISSUE: Project 29730 is a carryover project to update to the company's Water Supply and Facilities Master Plan for Visalia. The project was completed for $1,050,000, but originally authorized in the 2009 GRC for $500,000. ORA and the City of Visalia expressed concern regarding the magnitude of cost overrun, lack of coordination with the City of Visalia's general planning efforts and cost control measures.

Cal Water explained that the project required specialized outside subject matter experts to study the alternatives for a surface water supply and a groundwater model, and that this study would be the foundation for Cal Water's water facility decisions over the next 10 years. (ORA RO Report, pages 7-7 to 7-8; CWS Book 4 Rebuttal, page 361.)

RESOLUTION: In order to reach settlement on this project, the Parties agree to include the project at a lower cost of $760,000 to reflect the points raised by ORA and the City of Visalia.

D. ADVICE LETTER PROJECTS

The Parties agree to include the following Advice Letter projects in the capital budget for the years 2012 through 2015.

Visalia: Advice Letter Projects
("Discussion" identifies projects discussed in detail below.)

Project	Discussion	Description	Year	Advice Letter Cap
00016782	X	Drill, Develop, & Equip New Well - Mill Creek	2014	$ 1,687,313.1
00079994		Cal Water RAMCAP Vulnerability Assessments	2015	$ 236,331.4
00028649	X	Variable frequency drive, well level transducer, and power meter at Sta. 74.		
Total				**$ 2,006,339.8**

Project 16782 & 19730 – New Well at Mill Creek

ISSUE: Project 16782 was authorized as an Advice Letter project capped at $1,496,800 in the previous general rate case for construction of a new well in Visalia's Mill Creek area. Cal Water has completed well drilling activities but needs to equip the well and provide the proper piping connections to the water system. Cal Water proposed Project 19730 in the current proceeding for construction of a 1-MG tank at the same site in order to alleviate pressure issues in the northeast area of Visalia, and to satisfy the firm capacity requirement as recommended by AWWA[10] Standards. ORA

[10] American Water Works Association

questioned the need for both projects in its RO Report pointing out Cal Water has sufficient water supply and storage as required by Title 22 Section 64554(a). Cal Water disputed ORA's assessment in Rebuttal. (ORA RO Report, pages 7-8 to 7-14; CWS Book 4 Rebuttal, pages 352 to 356.) Cal Water engaged in lengthy discussions with ORA and the City of Visalia regarding the current need for the storage tank.

The Parties agreed to reduce the scope of the Mill Creek well, tank and booster station project proposed in this proceeding to a standard well that will pump to the water system primarily to meet maximum day demand. As part of this overall settlement, Cal Water will complete the needed piping improvements in this rate case period to allow for a possible addition of a booster station and tank in a future rate case. Cal Water estimates the additional piping will add roughly $190,000 to the total cost of the project. Cal Water intends to propose and submit justification for the tank and booster station in the 2015 GRC.

The City of Visalia has already approved the conditional use permit ("CUP") for this site with the tank and booster station included. With the schedule set in this settlement, the CUP will expire before the tank is constructed. The City of Visalia agrees to work with its planning department to extend this CUP by a year and aid in the amendment process should the CUP need to be extended further.

RESOLUTION: The Parties agree that Project 19730 will be excluded from the rate base in the current proceeding and that Project 16782 will retain Advice Letter status with a revised cap of $1,687,313.

<u>Project 28649 – Variable frequency drive, well level transducer, and power meter at Sta. 74.</u>

Please see discussion under Operational Energy Efficiency Program Memo Account ("OEEPMA") in Chapter 7, Section D, Item 10.

E. PROJECTS EXCLUDED FROM PLANT ADDITIONS

The Parties agree to exclude the following projects from the capital budget for 2012 through 2015. The reasons for the exclusion are as described below.

<u>Cancelled projects</u> – Cal Water cancelled these projects during discovery, in rebuttal or as a result of settlement negotiations.

Defer Request projects – Cal Water agrees to defer the request of these projects to a later rate case during discovery, in rebuttal or as a result of settlement negotiations.

2012 NS projects – These 2012 Non-Specific projects (i.e., projects funded by authorized 2012 Non-Specific Budget) were initiated on or after January 2012. Cal Water included these projects in its requested Carryover capital project budget in this rate case. ORA contends that these projects' costs are already covered under the authorized 2012 Non-Specific Budget, and therefore their costs should not be included again in the Carryover capital project budget. Cal Water agrees to remove dollars associated with these projects from the Carryover budget in this rate case.

Visalia: Excluded Projects

("Discussion" identifies projects discussed in detail below.)

Project	Discussion	Description	Reason
00017021		Customer Information Booklets	Cancelled
00019730	X	1 MG Tank - Mill Creek	Cancelled
00021010		Evaluate facility needs for the Visalia District. Outgrowing existing building and grounds.	Cancelled
00021026		Remodel Customer Center Lobby, Add Security Measures, & Security Camera	Cancelled
00021118		Vehicle - 0.5 Ton Pick Up, Truck Upfitting, & Mobile Radio - OMW	Defer Request
00024567	X	VIS 28-01: WELL DESTRUCTION	Depreciation
00062221	X	Replace Pump Equipment - Sta. 18-01	Defer Request
00062232		Replace Pump Equipment - Sta. 23-01	Defer Request
00068329	X	VIS 6-03: Well & Station Destruction.	Depreciation
00068349	X	VIS 21-01: Well & Station Destruction.	Depreciation
00068902		Field - 2-Way Voice Radio System	Defer Request
00073433	X	PLAZA DRIVE INTERCHANGE	2012 NS
00073653	X	TULARE AVE CAR WASH	2012 NS
Total			**$ 2,497,295.6**

Project 19730 – 1 MG Tank at Mill Creek

Please refer to discussion of Projects 16782 and 19730 above.

Projects 24567, 68329 & 68349 – Well Destruction Projects

These are well destruction projects. Dollars for these projects are included in Cal Water's Depreciation projections, which are forecasted based on historical projects.

Project 62221 – Oil to Water Lube Pump Replacement Project

Please refer to discussion of Projects 62221 and 62235 above.

F. ADDITIONAL AGREEMENTS BETWEEN CAL WATER AND CITY OF VISALIA

1) Twice-a-Year Meetings

Cal Water and the City of Visalia agree to meet in Visalia twice each year, at a mutually agreeable time in or around March and September of each year. The purposes of the meetings are to improve communication and interaction between the parties, which can include a focus on the Visalia District's operations and capital projects, as well as the mix of conservation programs. Two weeks prior to each meeting, Cal Water will provide the City with a list of current, proposed, and long-term projects/programs, as well as brief status descriptions. One week before the meeting, the City and Cal Water will exchange proposed agendas describing topics and questions for discussion at the meeting, and will develop a mutually agreed-upon agenda. Based on that agenda, Cal Water and the City will each gather responsive information and arrange for appropriate/knowledgeable staff to participate in the meeting. Parties will work to identify potential coordination opportunities, long-term solutions to joint problems, and solutions to improve overall utility and governmental value to Visalia customers and citizens.

2) Mergers and Acquisitions

In addition to not pursuing a Visalia-Selma merger or any acquisitions of areas adjacent to Visalia in this GRC, Cal Water will not initiate any acquisition or merger with the Visalia District during this GRC cycle. If the CPUC, DPH or other regulatory entity requests Cal Water to initiate an acquisition or merger, Cal Water shall promptly inform the City of that direction and shall, no less than 30 days before filing the advice letter or application with the CPUC, provide relevant documentation to and consult with the City regarding strategies for ensuring that any acquisition or merger does not result in adverse financial consequences for existing Visalia ratepayers.

[END OF CHAPTER]

CHAPTER 36. WESTLAKE DISTRICT PLANT

A. OVERVIEW

The Westlake district water supply is purchased water, with a small portion from recycled water. The most significant and largest project included in this Agreement is the new 16-inch transmission line that will provide supply reliability to the southern portion of the Westlake water system. Other projects include one new interconnection for emergency water supply and a pressure regulating station to address a low pressure area.

The tables below provide a summary of the plant settlement for this district. In the sections that follow, specific projects are identified in separate tables, and certain projects are discussed in further narratives. In addition, there may be projects related to company-wide or "global" issues – issues that impact multiple districts – that are included in these tables, but discussed separately in the "Global Plant" section of this Agreement.

Westlake: Non-Specific Advance Capital Budget Summary

Year	July Filing	ORA Report	Settlement
2012	$ 156,800.0	$ 156,800.0	$ 156,800.0
2013	$ 178,200.0	$ 159,400.0	$ 168,800.0
2014	$ 187,600.0	$ 173,400.0	$ 180,500.0
2015	$ 192,600.0	$ 170,900.0	$ 181,750.0
Total	**$ 715,200.0**	**$ 660,500.0**	**$ 687,850.0**

The annual non-specific budget is for capital projects that are anticipated to be initiated and completed during the indicated year to resolve issues that were not known in detail when the advanced capital budget ("ACB") was adopted for that time period. The non-specific projects tend to be for emergency or unforeseen projects that need to be addressed between GRCs.

Westlake: Specific Advance Capital Budget Projects Summary

Year	July Filing	ORA Report	Settlement
2012	$ 167,000.0	$ 101,582.0	$ 55,419.1
2013	$ 753,170.4	$ 426,906.4	$ 478,115.1
2014	$ 1,680,213.7	$ 277,022.6	$ 691,240.5
2015	$ 4,001,291.9	$ 84,522.2	$ 104,367.4
Total	**$ 6,601,675.9**	**$ 890,033.2**	**$ 1,329,142.1**

The advanced capital budget for specific projects identifies the projects and forecasted costs (except for carryover projects) that the Parties have agreed should be included in the adopted revenue requirement.

Westlake: Carryover Capital Projects Summary

Year	July Filing	ORA Report	Settlement
2012	$ 622,411.5	$ 566,598.5	$ 618,790.5
2013	$ -	$ -	$ -
2014	$ -	$ -	$ -
2015	$ -	$ -	$ -
Total	**$ 622,411.5**	**$ 566,598.5**	**$ 618,790.5**

Carryover projects are capital projects included in the revenue requirement proposed in the Agreement that were not used and useful as of January 2012, and are not included in the non-specific and specific advanced capital budgets summarized above. The Parties agree that Cal Water will complete the listed carryover projects at the identified settlement amounts, and in the years indicated. The Parties agree that these projects' forecasted costs should be included in the adopted revenue requirement.

Westlake: Advice Letter Projects Total

	Advice Letter Cap
Total	**$ 2,955,398.6**

The Parties agree that certain capital projects may be included in rates after (1) they are in service and considered used and useful, and (2) their costs (up to the specified cap) are submitted for Commission review via Tier 2 advice letter, and the costs are found to be reasonable. This settlement recommends adoption of these projects as "Advice Letter" projects, but their costs are not included in the revenue requirement proposed for adoption in this Agreement.

Westlake: Excluded Projects Total

Excluded Projects	**$ 1,890,917.8**

The Parties agree that some capital projects proposed in the company's July 2012 application should not be included in the capital budgets for 2012 through 2015, unless otherwise stated. These "excluded" projects encompass those that the company cancelled, those that are in service and already included in the beginning plant balance per this Agreement, and those that the Parties agree for other reasons to exclude at this

time. The exclusion of these projects does not prevent the company from proposing them in a subsequent application ("deferred projects").

B. SPECIFIC ADVANCE CAPITAL BUDGET PROJECTS

The Parties agree to include the following projects in the Advance Capital Budget for the years 2012 through 2015

Westlake: Advance Capital Budget – Specific Projects
("Discussion" identifies projects discussed in detail below.)

Project	Discussion	Description	Year	Budget
00020841		Vehicle - 0.5 Ton Pick Up, Truck Upfitting, & Mobile Radio	2013	$ 44,500.0
00027089		Paint Exterior Complete - Sta. 9 Tank 1 Notter	2015	$ -
00064053	X	Emergency Interconnection - Hillcrest and Duesenberg - City of Thousand Oaks	2014	$ 161,359.2
00064064		Field - Replace ITRON Handheld	2014	$ 12,962.2
00064105		Office - Replace Office Copier, Printer, & Scanner	2014	$ 11,001.7
00064108		Portable Booster Connections - Thousand Oaks Blvd. & Lakeview Cyn Road. Zones 1 and 2-A	2014	$ 74,443.2
00064156		Solar Backup Power - Kanan Tank - Sta. 8	2014	$ 60,000.0
00064193		Portable Booster Connection - Westlake Blvd & Kanan Road	2013	$ 67,285.2
00064475		Install two, 10" Bypasses (with control valves) at Station 2 utilizing existing pump suction cans.	2013	$ 66,438.0
00064476		Replace 5 Sample Enclosures	2013	$ 18,133.2
00064495	X	Install pressure regulating station at the corner of Meadow Grove Lane and Country Valley Drive interconnecting zones II-A and III.	2014	$ 111,918.0
00064500		Office Renovation	2014	$ 158,228.6
00065407		Vehicle - 0.5 Ton Pick Up & Outfitting - District Manager	2013	$ 40,800.0
00068412		Pressure Vessel Replacement	2013	$ 143,524.8
WLK0900		Meter Replacement Program	2012	$ 55,419.1
WLK0900		Meter Replacement Program	2013	$ 97,433.9
WLK0900		Meter Replacement Program	2014	$ 101,327.6
WLK0900		Meter Replacement Program	2015	$ 104,367.4
Total				**$ 1,329,142.1**

Projects 64053, 64102, and 64107 – Install emergency interconnections

ISSUE: In this GRC, Cal Water proposed three interconnections with the neighboring water system owned by the City of Thousand Oaks. Cal Water stated that these interconnections are primarily to maintain service in the event of an interruption of the wholesale supply, to which the Westlake district is completely reliant. ORA opposed the three projects stating that Cal Water already has two interconnections with the Las Ivergenes Municipal Water District.

RESOLUTION: Parties agree that Cal Water should scale back the number of these emergency interconnection projects to reduce rate impacts to customers, while still improving the emergency supply in the district. Parties agree that in conjunction with Project 64175 (discussed below), one interconnection will improve the current situation. Cal Water elects to include 64053 at a cost of $161,359, and defers Projects 64102 and 64107 until the impact of all improvements can be determined, and possible partnering with the City of Thousand Oaks, can be explored.

Project 64495 - Install Pressure Reducing Valve (PRV) to create subzone

ISSUE: Cal Water proposed installing a PRV and creating a subzone to increase pressure in an area with marginal pressure. ORA opposed the project, citing insufficient data to support Cal Water's claim of not meeting General Order 103-A minimum pressure requirement and lack of customer complaints of low pressures in this area.

RESOLUTION: Parties discussed the lack of documented low-pressure complaints from customers in this area. Cal Water attributed this to the policy in this district of not sending a service person to investigate low-pressure complaints in known low-pressure areas. With this clarification, Parties agree to include this project in revenue requirement to improve water pressure in this area. Cal Water further agrees to review its procedure for recording customer complaints in this district to ensure it is in line with other districts.

C. CARRYOVER PROJECTS

The Parties agree to include the following Carryover projects in the capital budget for the years 2012 through 2015.

Westlake: Projects Not In Service as of January 2012

Project	Discussion	Description	Year	Budget
00015817		Zone 4-B Water into Portion of Zone 3 - Boundary Change - 50' 8" D.I.	2012	$ 49,500.0
00016093		Install RTU at Calleguas connection to Cravitz pump station	2012	$ 17,900.0
00017640		Security Mitigation Improvements - Customer Service & Operations Center	2012	$ 3,870.4
00019896		Radio Tower - Sta. 2	2012	$ 17,100.0
00020101		Portable Gen Transfer Switches @ Cravitz - Sta. 5 & 6	2012	$ 44,300.0
00020150		101 Freeway - 24" D.I.	2012	$ 384,192.0
00020183		Pump Station Flow Meters - Sta. 2, 3, & 5	2012	$ 35,800.0
00054908		Install PVC C.P. test tube	2012	$ 1,281.5
00071493		Install Fence Sta #2	2012	$ 64,846.6
Total				**$ 618,790.5**

D. ADVICE LETTER PROJECTS

The Parties agree to include the following Advice Letter projects in the capital budget for the years 2012 through 2015.

Westlake: Projects Allowed Via Advice Letter
("Discussion" identifies projects discussed in detail below.)

Project	Discussion	Description	Year	Budget
00064175	X	Duesenberg Dr, Thousand Oaks Blvd and Hamphire Blvd, Clearwater St to Triunfo Canyon Road - 6500LF 16" transmission pipeline	2015	$ 2,886,247.2
00079967		Cal Water RAMCAP Vulnerability Assessment	2015	$ 69,151.4
Total				**$ 2,955,398.6**

<u>Project 64175 – Install 16" Transmission pipeline in Duesenberg</u>

ISSUE: Cal Water proposed a 16" pipeline to cross the 101 Freeway to provide an additional supply feed into the southern portion of the Westlake water system. Cal Water explained that there is currently only one large pipeline to convey this supply across the freeway. Hydraulic modeling indicates that should this single pipeline fail, storage in the southern portion of the district would be quickly depleted. This pipeline is for emergency reliability purposes and is recommended in the Water Supply and Facilities Master plan for the district.

ORA did not question the need or potential benefit of the pipeline, but did question the uncertain design and costs for the project.

RESOLUTION: Parties discussed ORA's concerns and the uncertainties in the project. Cal Water was able to obtain and share clarification on Cal Trans' design requirements and to further explain the need for and readiness to proceed with the project. Based on these discussions, Parties agree to include Project 64175 as an Advice Letter project capped at $2,886,247.

E. PROJECTS EXCLUDED FROM PLANT ADDITIONS

The Parties agree to exclude the following projects from the capital budget for 2012 through 2015. The reasons for the exclusion are as described below.

Cancelled projects – Cal Water cancelled these projects during discovery, in rebuttal or as a result of settlement negotiations.

Defer Request projects – Cal Water agrees to defer the request of these projects to a later rate case during discovery, in rebuttal or because of settlement negotiations.

2012 NS projects – These 2012 Non-Specific projects (i.e., projects funded by authorized 2012 Non-Specific Budget) were initiated on or after January 2012. Cal Water included these projects in its requested Carryover capital project budget in this rate case. ORA contends that these projects' costs are already covered under the authorized 2012 Non-Specific Budget, and therefore their costs should not be included again in the Carryover capital project budget. Cal Water agrees to remove dollars associated with these projects from the Carryover budget in this rate case.

Westlake: Excluded Projects

("Discussion" identifies projects discussed in detail below.)

Project	Discussion	Description	Reason
00019897		Radio Tower - Field Office	Cancelled
00020065		Field - Gen-Set Repeater Station - Sta. 8 T1 – Kanan	Cancelled
00064102	X	Emergency Interconnection - Westlake Blvd and Allyson Court - City of Thousand Oaks	Defer Request
00064107	X	Emergency Interconnection - Hampshire Road and Foothill Drive - City of Thousand Oaks	Defer Request
00064254	X	Upgrade/Replace - Sta. 10	Defer Request
00067092		Data Acquisition Radio Replacement	Defer Request

Project	Discussion	Description	Reason
00067169		23 Hand-Off-Auto Sensors by SCADA - Sta. 1 (2), 2 (2), 3 (4), 5 (6), 6 (2), 7 (3), 10 (4)	Defer Request
00067475		7 Power Meters - Sta. 1, 2, 3, 5, 6, 7, 10	Defer Request
00068904		Field - 2-Way Voice Radio System	Defer Request
00074533	**X**	Meter Master Model 100EL	2012 NS
WLK0600	**X**	Services - All Sizes	2012 NS
Total			**$ 1,890,917.8**

Projects 64102 and 64107 - Emergency interconnections

Parties agree to remove these two projects from the capital budget. Please see discussion regarding emergency interconnection in the specific advance capital budget section.

Project 64254 - Upgrade and replace Station 10

ISSUE: Cal Water proposed a complete replacement of Station 10 because the concrete foundation, pumps, piping, and electrical components have aged and are in poor condition and the capacity of the station is insufficient to meet demands. As a part of the project, Cal Water proposed to increase the station's capacity from 5,900 GPM (gallons per minute) to 8,000 GPM to meet supply and reliability goals.

ORA opposed the project for several reasons: current pumping capacity still sufficient to meet demands, likelihood of imminent failure is unclear, and existing booster pumps at the station are in fair or above condition.

RESOLUTION: Since the Parties agree to other projects in this case that will improve system reliability, Cal Water agrees to remove this project from this general rate case.

[END OF CHAPTER]

CHAPTER 37. WILLOWS DISTRICT PLANT

A. OVERVIEW

Eight groundwater wells provide 100% of the Willows District's water supply. Major projects in this Agreement include the continuation of flat rate to metered service conversion, and main replacement. The Agreement also proposes to include in rates the cost of a previously authorized and recently completed 750,000-gallon storage tank, with Walmart providing 50% of the cost in Advances for Construction.

The tables below provide a summary of the plant settlement for this district. In the sections that follow, specific projects are identified in separate tables, and certain projects are discussed in further narratives. In addition, there may be projects related to "global" issues – issues that impact multiple districts – that are included in these tables, but discussed separately in the "Global Plant" section of this Agreement.

Willows: Non-Specific Advance Capital Budget Summary

Year	July Filing	ORA Report	Settlement
2012	$ 65,500.0	$ 65,500.0	$ 65,500.0
2013	$ 162,100.0	$ 66,207.0	$ 114,154.0
2014	$ 170,800.0	$ 67,134.0	$ 118,967.0
2015	$ 175,100.0	$ 68,222.0	$ 121,661.0
Total	**$ 573,500.0**	**$ 267,063.0**	**$ 420,282.0**

The annual Non-Specific Advance Capital Budget is for capital projects that are anticipated to be completed and placed in service during the indicated year to resolve issues that were not known in detail when the advanced capital budget ("ACB") was adopted for that period. The Non-Specific projects tend to be for emergency or unforeseen projects that need to be addressed between GRCs.

Willows: Specific Advance Capital Budget Projects Summary

Year	July Filing	ORA Report	Settlement
2012	$ 68,300.0	$ 68,300.0	$ 71,612.8
2013	$ 463,718.1	$ 134,757.9	$ 318,974.1
2014	$ 425,658.3	$ 77,077.7	$ 409,166.8
2015	$ 538,859.4	$ 363,842.5	$ 399,038.0
Total	**$ 1,496,535.8**	**$ 643,978.1**	**$ 1,198,791.7**

The Advance Capital Budget for Specific projects identifies the projects and forecasted costs (except for Carryover projects) that the Parties agree should be reflected in the adopted revenue requirement.

Willows: Carryover Capital Projects Summary

Year	July Filing	ORA Report	Settlement
2012	$ 1,588,356.1	$ 127,881.9	$ 2,319,078.4
2013	$ -	$ 164,400.0	$ -
2014	$ -	$ -	$ -
2015	$ -	$ -	$ -
Total	**$ 1,588,356.1**	**$ 292,281.9**	**$ 2,319,078.4**

Carryover projects are capital projects reflected in the revenue requirement proposed in this Agreement those were (1) not used and useful, or in some cases not initiated, as of January 2012, and (2) not included in the Advance Capital Budgets summarized above. The Parties agree that Cal Water is expected to complete the listed Carryover projects at the identified settlement amounts and in the years indicated, and that their estimated costs should be reflected in the adopted revenue requirement in this rate case.

Willows: Advice Letter Projects Total

	Advice Letter Cap
Total	**$ 404,783.6**

The Parties agree that certain capital projects may be included in rates after (1) they are in service, and (2) their costs (up to the specified cap) are submitted for Commission review via Tier 2 advice letter, and found to be reasonable. This Agreement recommends adoption of these projects as "Advice Letter" projects, but their costs are not reflected in the revenue requirement proposed for adoption in this Agreement.

Willows: Excluded Projects Total

Excluded Projects	**$ 204,206.7**

The Parties agree that some capital projects proposed in the company's July 2012 application should not be reflected in the capital budgets for 2012 through 2015,

unless otherwise indicated. These "excluded" projects encompass those that the company cancelled, those that are in service and already included in the beginning plant balance per this Agreement, and those that the Parties agree for other reasons will not be included at this time. The exclusion of these projects ("Deferred Projects") does not prevent the company from proposing them in a subsequent application.

B. SPECIFIC ADVANCE CAPITAL BUDGET PROJECTS

The Parties agree to include the following projects in the Advance Capital Budget for the years 2012 through 2015.

Willows: Advance Capital Budget – Specific Projects
("Discussion" identifies projects discussed in detail below.)

Project	Discussion	Description	Year	Budget
00020840	-	Vehicle - Sedan & Mobile Radio - Local Manager	2012	$ 36,700.0
00020987	-	Conversion of 45 Flat Rate Services to Metered Services	2012	$ 21,287.0
00061673	X	200 and 300 Block of S. Shasta Street - 960' 8" PVC; 12 1" Services; 2 Hydrants	2014	$ 332,086.1
00062175	X	200 and 300 blocks of S Plumas St. - 960' 8" PVC; 23 1" Services; 2 Hydrants	2015	$ 337,840.0
00062192	-	Replace Two Dedicated Sample Sites	2013	$ 16,478.0
00062193	-	Replace Sample Site	2014	$ 9,580.4
00062774	-	Office - Replace Copy / Fax / Scanner	2013	$ 13,422.1
00064276	-	Field - 2 New Handhelds for Meter Reading	2015	$ 12,045.8
00064612	-	Flat to Meter Conversion	2013	$ 36,028.4
00064629	-	Flat to Meter Conversion	2014	$ 37,077.8
00064711	-	Flat to Meter Conversion	2015	$ 38,127.2
00065372	-	Sand Separator - Sta. 5	2013	$ 77,651.5
00065669	X	400 Block N. Plumas Street - 460' 8" PVC; 10 1" Services; & 2 Hydrants	2013	$ 170,841.1
00065671	-	Building Improvements - Sta. 6-01	2014	$ 19,719.5
WIL0900	-	Meter Replacement Program	2012	$ 13,625.8
WIL0900	-	Meter Replacement Program	2013	$ 4,553.0
WIL0900	-	Meter Replacement Program	2014	$ 10,703.0

Project	Discussion	Description	Year	Budget
WIL0900	-	Meter Replacement Program	2015	$ 11,025.0
Total				**$ 1,198,791.7**

Projects 61673, 62175, 65669, and 65650- Main Replacement Projects

ISSUE: Cal Water proposed four main replacement projects (two in 2013, one in 2014, and one in 2015) citing the main sections' leak history. ORA agreed with the need for Project 62175, but recommended deferring the other main projects arguing that the replacement of the sections of pipeline were not cost effective given the extent of the recorded leak history.

RESOLUTION: Cal Water and ORA agree to include $332,086, $337,840, and $170,841 for Projects 61673, 62175 and 65669, respectively. Cal Water agrees to defer its request for Project 65650.

C. CARRYOVER PROJECTS

The Parties agree to include the following Carryover projects in the capital budget for the years 2012 through 2015.

Willows: Projects Not In Service as of January 2012
("Discussion" identifies projects discussed in detail below.)

Project	Discussion	Description	Year	Budget
00015436	X	NEW 750,000 GAL TANK	2012	$ 2,191,313.3
00017809	-	Security Mitigation Improvements - Various Facilities, Customer Service & Operations Center	2012	$ 78,800.0
00020679	-	Replace Pump & Add Energy Efficient Monitoring - Sta. 7-01	2012	$ 48,965.1
Total				**$ 2,319,078.4**

Project 15436 - New 750,000-Gallon Tank

ISSUE: In the previous GRC, the CPUC approved a new storage tank as an Advice Letter project capped at $1,366,100. The tank as approved was to be located west of Interstate 5 and adjacent to a Walmart. Because Walmart was considering building a tank in order to provide emergency fire flow for the then proposed store expansion, Cal Water and Walmart agreed to share equally the cost of the project, which was modified to include a tank and a booster pump station. Cal Water recorded $2.2 million as final cost of the project, with Wal-Mart provided 50% of that amount as

Advances to Construction. The net plant impact to ratepayers in this rate case should be $1.1 million. However, in its July 2012 application, Cal Water inadvertently and grossly understated the revenue requirement impact to ratepayers – by including $1.1 million, instead of the full $2.2 million, in gross plant addition. This results in revenue requirement reflecting a net plant impact of $0, instead of $1.1 million. Cal Water and ORA discovered this workpaper error and agreed to correct it in this settlement. It should be noted that on April 30, 2012 Cal Water filed Advice Letter 2069 for this project using the correct amounts for plant addition and advances.

RESOLUTION: Cal Water and ORA agree to include $2,191,313 as plant addition and $1,094,042 as Advances for Construction for 2012.

D. ADVICE LETTER PROJECTS

The Parties agree to include the following Advice Letter projects in the capital budget for the years 2012 through 2015.

Willows: Advice Letter Projects
("Discussion" identifies projects discussed in detail below.)

Project	Discussion	Description		Advice Letter Cap
00020953	X	Zone Test Repair - Sta. 6-01	2013	$ 184,794.0
00021141	X	I-5 Crossing - Design & Permit; 300' 12" CL&C; 2,700' 12" D.I.	2014	$ 164,400.0
00080003	-	Cal Water RAMCAP Vulnerability Assessments	2015	$ 55,589.6
Total				**$ 404,783.6**

Project 20953 - Zone Test Repair - Station 6-01

ISSUE: In the previous rate case, the Commission approved a project to modify the well at Station 6 to isolate nitrate zones in the well and draw water from specific low-nitrate zones. Because this well also has high Chromium-6 levels that may exceed the Maximum Contaminant Level ("MCL") currently under consideration by the California Department of Public Health, Cal Water decided to put this project on hold until more is known on Chromium-6 regulation. Depending on how the MCL compares to the well's Chromium-6 level and the cost to address the exceedance, if any, Cal Water will either proceed or cancel this project.

RESOLUTION: Because of the uncertain impact of the pending Chromium-6 regulation on this nitrate mitigation project, Cal Water and ORA agree that it should only be included as an Advice Letter capped at $184,800. This project is for nitrate mitigation only and not meant to be expanded to address more costly Chromium-6 mitigation.

Project 21141 - I-5 Crossing - Design & Permit; 300' 12" CL&C; 2,700' 12" D.I.

ISSUE: The Commission approved this project in the 2009 GRC. Cal Water proposed this project to link the two portions of the district together on opposite sides of the freeway. The final design was not completed due to permitting and property issues. ORA agreed with the need for this phase of the project, but based on the lack of progress in permitting and property acquisition, questioned whether and when this project would be completed as planned.

RESOLUTION: Due the uncertainties described above, Cal Water and ORA agree to include Project 21141 as an Advice Letter project capped at $164,000.

E. PROJECTS EXCLUDED FROM PLANT ADDITIONS

The Parties agree to exclude the following projects from the capital budget for 2012 through 2015. The reasons for the exclusion are as described below.

Cancelled projects – Cal Water cancelled these projects during discovery, in rebuttal or because of settlement negotiations.

Defer Request projects – Cal Water agrees to defer the request of these projects to a later rate case during discovery, in rebuttal or because of settlement negotiations.

2012 NS projects – These 2012 Non-Specific projects (i.e., projects funded by authorized 2012 Non-Specific Budget) were initiated on or after January 2012. Cal Water included these projects in its requested Carryover capital project budget in this rate case. ORA contends that these projects' costs are already covered under the authorized 2012 Non-Specific Budget, and therefore their costs should not be included again in the Carryover capital project budget. Cal Water agrees to remove dollars associated with these projects from the Carryover budget in this rate case.

Willows: Excluded Projects

("Discussion" identifies projects discussed in detail below.)

Project	Discussion	Description	Reason
00015433	-	new booster station	Cancelled
00017388	-	Colusa Street at Laurel Street - 320' 6" PVC; 2 1" Services; 1 Hydrant	Defer Request
00020579	-	Shasta Street - Cedar & Ash - 960' 8" PVC; 27 1" Services; 2 Hydrants	Defer Request
00020876	-	Zone Test - Sta. 6-01	Cancelled
00055288	-	Install PVC C.P. test tube	2012 NS
00062341	-	Replace Pump, Motor, & Column - Sta. 8-01	Cancelled
00065650	-	N. Culver St. - 360' 8" PVC; & 3 1" Services	Defer Request
00068905	-	Field - 2-Way Voice Radio System	Defer Request
00076773	-	Replace Transfer Switch: WIL 8	2012 NS
Total			**$ 204,206.7**

[END OF CHAPTER]

CHAPTER 38. EXECUTION OF THE AGREEMENT

The undersigned acknowledge that they have been duly authorized to execute this Agreement on behalf of their respective principals and that such execution is made within the course and scope of their respective agency and/or employment.

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