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

In the Matter of the Application of Park Water)
Company (U 314 W) for Authority to Increase)
Rates Charged for Water Service by \$2,918,800) APPLICATION NO. 15-01-001
or 8.72% in 2016, \$2,422,093 or 6.63% in 2017,)
and \$1,598,099 or 4.08% in 2018.)
_____)

**SETTLEMENT AGREEMENT BETWEEN PARK
WATER COMPANY AND THE OFFICE OF RATEPAYER ADVOCATES**

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SETTLEMENT AGREEMENT

I. GENERAL PROVISIONS

1.1 This Settlement Agreement (“Settlement”) is entered into by and between Park Water Company (“Park”) and the Office of Ratepayer Advocates (“ORA”) of the California Public Utilities Commission (“Commission”). Park and ORA are referred to jointly herein as the “Parties” or singularly as a “Party.”

1.2 This Settlement shall become effective and binding on the Parties as of the date it is fully executed by all Parties (“Effective Date”). The Settlement will not, however, resolve the issues before the Commission in Application 15-01-001 unless, and until, it is adopted by the Commission.

1.3 This Settlement resolves all of the outstanding issues raised by ORA that are currently before the Commission in Application 15-01-001, except for the following issues, which the Parties litigated in hearings before the Commission: (1) the level of the California Alternative Rates for Water (“CARW) Service Charge Discount and the CARW Surcharge proposed by Park; (2) the Sales Reconciliation Mechanism; and (3) the Perchlorate Memorandum Account. The unresolved issues are identified in the Parties’ Briefs as Low-Income Assistance Program (CARW), Sales Reconciliation Mechanism, and Perchlorate Memorandum Account.

1.4 The Parties agree that (except as otherwise stated herein) the Parties’ adoption of this Settlement should not be construed as an admission or waiver by any Party regarding any fact, matter of law, or issue thereof that pertains to the subject of this Settlement. In accordance with the Commission’s Rules of Practice and Procedure (“Rule”) 12.5, the Parties intend that the

Commission's adoption of this Settlement be binding on each Party, including its legal successors, predecessors, assigns, partners, joint ventures, shareholders, members, representatives, agents, attorneys, parent or subsidiary companies, affiliates, officers, directors, and/or employees. Adoption of this Settlement does not constitute approval of, or establish precedent regarding, any principle in any future proceeding. Nor does adoption of this Settlement bind any Party with respect to a future proceeding except with respect to the terms and conditions set forth herein, including as provided in Sections 1.19 and 1.22.

1.5 The Parties agree that no Party to this Settlement, or any Parties' legal successors, predecessors, assigns, partners, joint ventures, shareholders, members, representatives, agents, attorneys, parent or subsidiary companies, affiliates, officers, directors, and/or employees thereof, assumes any personal liability as a result of this Settlement.

1.6 The Parties agree that the Commission has primary jurisdiction over any interpretation, enforcement, or remedy pertaining to this Settlement. No Party may bring an action pertaining to this Settlement in any local, State, or Federal court, or administrative agency, without having first exhausted its administrative remedies at the Commission.

1.7 If any Party fails to perform its respective obligations under this Settlement, the other Party may come before the Commission to pursue any applicable remedy, including enforcement.

1.8 The Parties agree that this Settlement is an integrated agreement and the provisions of the Settlement are not severable. Therefore, if the Commission rejects, conditions, or purports to modify any term or portion of this Settlement, the Parties shall convene a conference within fifteen (15) days thereof and engage in good faith negotiations to determine whether some or all of the remainder of the Settlement is acceptable to the Parties. In the event an agreement is reached, all Parties must consent in writing to any changes or the Settlement is void. If the Parties cannot agree to resolve any issue raised by the Commission's actions within thirty (30) days of their conference, this Settlement shall be deemed to be rescinded, the Parties shall be released from any obligation, representation, or condition set forth in this Settlement, including their obligation to support this Settlement, and the Parties shall be restored to their positions prior to having entered into this Settlement. Following any rescission of this Settlement, the Parties may pursue any action they deem appropriate.

1.9 The Parties acknowledge and stipulate that they are agreeing to this Settlement freely,

voluntarily, and without any fraud, duress, or undue influence by any other Party. Each Party hereby states that it has read and fully understands its rights, privileges, and duties under this Settlement, including each Party's right to discuss this Settlement with its legal counsel, and has exercised those rights, privileges, and duties to the extent deemed necessary.

1.10 The Parties have determined that this Settlement is in their best interests, and more cost-effective than undertaking the expenses, delays, and uncertainties of further litigation. In executing this Settlement, each Party declares that the terms and conditions herein are reasonable, consistent with the law, and in the public interest. Therefore, the Parties jointly request that the Commission accept and adopt this Settlement in its entirety and without modification or condition, as reasonable, consistent with the law, and in the public interest.

1.11 The Parties agree that, on or before August 14, 2015, they will jointly file this Settlement for Commission approval by joint motion under Commission Rule 12.1(a). In their joint motion, the Parties will ask that the Commission expeditiously consider and approve this Settlement in its entirety and without condition or modification.

1.12 The Parties agree to support this Settlement and use their best efforts to secure the Commission's approval of this Settlement in its entirety and without condition or modification.

1.13 The Parties agree to defend this Settlement and its implementation before the Commission if the Commission's adoption or implementation of this Settlement is opposed by anyone else.

1.14 Each Party hereto agrees without further consideration to execute and deliver such other documents and take such other actions as may be necessary to achieve the purposes of this Settlement, including, without limitation, furnishing such additional information, documents, and/or testimony as the Commission may require (with due regard for confidentiality) in issuing an order adopting this Settlement.

1.15 The Parties acknowledge and agree that this Settlement has been jointly negotiated and drafted. The language of this Settlement shall be construed as a whole according to its fair meaning and not in favor of or against any Party.

1.16 This Settlement constitutes the entire agreement and understanding between the Parties as to the subject of this Settlement, and supersedes any prior agreements, commitments, representations, or discussions between the Parties.

1.17 This Settlement may not be amended or modified without the express written and signed

consent of each Party hereto.

1.18 No Party has relied or relies upon any statement, promise, or representation by any other Party, except as specifically set forth in this Settlement. Each Party expressly assumes the risk of any mistake of law or fact made by such Party or its authorized representative.

1.19 This Settlement and each covenant and condition set forth herein shall be binding upon the respective Parties hereto.

1.20 This Settlement may be executed in counterparts by each Party hereto with the same effect as if all Parties had signed one and the same document. Any such counterpart shall be deemed to be an original and shall together constitute one and the same Settlement.

1.21 This Settlement is comprised of this Settlement document itself and the Parties' Joint Comparison Exhibit.

1.22 Each Party to this Settlement represents that his or her signature to this Settlement binds his or her respective Party to the terms of this Settlement.

1.23 This Settlement shall be governed by the laws of the State of California as to all matters, including validity, construction, effect, performance, and remedy.

II. FACTUAL BACKGROUND

2.1 Park, a California corporation, is a Class A Public Utility Water Company regulated by the Commission providing regulated water service in and surrounding the cities of Artesia, Bellflower, Norwalk, Compton, Lynwood and Santa Fe Springs in Los Angeles County, California. Park's office is located in Downey, California. Park has three separate "systems" – the Bellflower/Norwalk, Lynwood/Rancho Dominguez, and Compton/Willowbrook systems, which together comprise its Central Basin Division.

2.2 On January 2, 2015, Park filed a General Rate Case ("GRC") Application ("Application") requesting authority to increase its rates by \$2,918,800 or 8.72% in 2016; \$2,422,093 or 6.63% in 2017; and \$1,598,099 or 4.08% in 2018. Concurrent with the filing of the Application, Park supported its Application with prepared testimony and exhibits, its Revenue Requirements Report for Test Year 2016, its General Office Report for Test Year 2016, its Urban Water Management Report, and Minimum Data Requirements ("MDR"), all of which were served on January 2, 2015. ORA filed a timely protest to the application on February 5, 2015, and Park

filed a timely response.

2.3 A prehearing conference was held on March 25, 2015 before Administrative Law Judge (“ALJ”) Dan H. Burcham. On April 10, 2015, the Commission issued the Scoping Memo and Ruling in this proceeding. The Commission held a Public Participation Hearing on April 29, 2015, at the Bellflower City Hall Council Chambers in Bellflower, California. On May 6, 2015, ORA served its Report on the Results of Operations. On May 22, 2015, Park served its rebuttal testimony.

2.4 The Parties engaged in extensive settlement negotiations beginning on May 28, 2015. As a result of those negotiations, which continued through June 8, 2015, including a mediation with ALJ Katherine MacDonald, ORA and Park reached a settlement on most of the issues raised in ORA’s Report and agreed upon the terms and conditions comprising the Settlement, set forth below.

2.5 Evidentiary hearings on the unresolved issues were held on June 9, 2015. At the hearings, Park’s and ORA’s testimony and reports were marked as exhibits and entered into the record. On July 13, 2015, Park filed its Motion for Interim Rates, which remains pending. On the same day, the Parties filed their respective Opening Briefs on the three unsettled issues. On August 4, 2015, the Parties filed their respective Reply Briefs. Accordingly, all briefing has been completed at this time.

III. TERMS AND CONDITIONS OF THE SETTLEMENT

3.0 WATER CONSUMPTION AND REVENUES

3.1 Number of Customers

PARK WATER REQUEST:

In accordance with the Rate Case Plan (D.04-06-018), Park forecasted customer growth based on a five-year historical average for all customer classes. In instances where the calculated average was negative, zero growth was assumed.

ORA POSITION:

ORA agrees with Park’s method of forecasting customers using a five-year average of the change in the number of customers by customer class as directed in the Rate Case Plan.

RESOLUTION:

ORA and Park agree on the number of customers, as set forth in the tables below.

Test Year 2016

Average Number of Customers	Park Original	ORA Original	Difference	Settlement
Residential (Bi-Monthly)	25,239	25,239	0	25,239
Business (Bi-Monthly)	1,645	1,645	0	1,645
Business (Monthly)	49	49	0	49
Industrial (Bi-Monthly)	3	3	0	3
Industrial (Monthly)	2	2	0	2
Public Authority (Bi-Monthly/Monthly)	199	199	0	199
Private Fire Service (Bi-Monthly)	64	64	0	64
Private Fire Service (Monthly)	130	130	0	130
Fire Hydrant (Bi-Monthly)	11	11	0	11
Temporary (Bi-Monthly)	0	0	0	0
Temporary (Monthly)	13	13	0	13
Irrigation-Reclaimed (Monthly)	25	25	0	25
Total Metered Customers	27,380	27,380	0	27,380

Escalation Year 2017

Average Number of Customers	Park Original	ORA Original	Difference	Settlement
Residential (Bi-Monthly)	25,275	25,275	0	25,275
Business (Bi-Monthly)	1,645	1,645	0	1,645
Business (Monthly)	51	51	0	51
Industrial (Bi-Monthly)	3	3	0	3
Industrial (Monthly)	2	2	0	2
Public Authority (Bi-Monthly/Monthly)	200	200	0	200
Private Fire Service (Bi-Monthly)	64	64	0	64
Private Fire Service (Monthly)	133	133	0	133
Fire Hydrant (Bi-Monthly)	11	11	0	11
Temporary (Bi-Monthly)	0	0	0	0
Temporary (Monthly)	14	14	0	14
Irrigation-Reclaimed (Monthly)	25	25	0	25

Average Number of Customers	Park Original	ORA Original	Difference	Settlement
Total Metered Customers	27,423	27,423	0	27,423

Escalation Year 2018

Average Number of Customers	Park Original	ORA Original	Difference	Settlement
Residential (Bi-Monthly)	25,311	25,311	0	25,311
Business (Bi-Monthly)	1,645	1,645	0	1,645
Business (Monthly)	53	53	0	53
Industrial (Bi-Monthly)	3	3	0	3
Industrial (Monthly)	2	2	0	2
Public Authority (Bi-Monthly/Monthly)	201	201	0	201
Private Fire Service (Bi-Monthly)	64	64	0	64
Private Fire Service (Monthly)	136	136	0	136
Fire Hydrant (Bi-Monthly)	11	11	0	11
Temporary (Bi-Monthly)	0	0	0	0
Temporary (Monthly)	15	15	0	15
Irrigation-Reclaimed (Monthly)	25	25	0	25
Total Metered Customers	27,466	27,466	0	27,466

REFERENCES: Park Exh. P-1, Ch. 3, Table III-1; ORA Exh. O-1, Ch. 2, Table 2-2.

3.2 Consumption Per Customer

PARK WATER REQUEST:

For the Residential, Business and Irrigation-Reclaimed customer classes, Park forecasted sales based on the 2013 recorded consumption per customer with an annual decrease of 1.5% because the New Committee Method sales forecasting methodology overstated the effects of the drastic drop in unit consumption that occurred between 2007 - 2011. For the Industrial and Private Fire Service customer classes, Park forecasted sales based on a recorded three-year average (2011-2013) of total sales. For Public Authority customers, Park forecasted sales based on recorded 2013 total sales. For Temporary Construction customers, Park forecasted sales based on the five-year average (2009-2013) of total sales.

ORA POSITION:

With the exception of the Residential, Business, and Irrigation-Reclaimed customer classes, ORA finds the estimates proposed by Park to be reasonable based on the circumstances presented in this case and recommends the Commission adopt Park’s estimates of water sales per customer. For the Residential, Business and Reclaimed-Irrigation customer classes, ORA recommends using the recorded 2014 unit consumption.

RESOLUTION:

The Parties agree that the Basic Procedure of the New Committee Method as outlined in the Rate Case Plan for Class A water utilities should not be used for the Residential and Business customers in this GRC because the methodology provides results that are unreasonably lower than current unit consumption levels. The Parties agree to use Park’s estimates for the Industrial, Private Fire, Public Authority, and Temporary Construction customer classes. The Parties agree to use ORA’s estimates for the Residential, Business, and Irrigation-Reclaimed customer classes. The Parties agree to the customer unit consumption as set forth in the table below.

Test Year 2016 and Escalation Years 2017 and 2018

Consumption per Customer (Ccf)	Park Original	ORA Original	Difference	Settlement
Residential (Bi-Monthly)	127.76	126.57	(1.19)	126.57
Business (Bi-Monthly)	511.04	511.61	0.57	511.61
Business (Monthly)	6,284.12	5,767.65	(516.47)	5,767.65
Industrial (Bi-Monthly)	5,353.00	5,353.00	0.00	5,353.00
Industrial (Monthly)	10,817.17	10,817.17	0.00	10,817.17
Public Authority (Bi-Monthly/Monthly)	1,445.88	1,445.88	0.00	1,445.88
Private Fire Service (Bi-Monthly)	2.82	2.82	0.00	2.82
Private Fire Service (Monthly)	11.60	11.60	0.00	11.60
Fire Hydrant (Bi-Monthly)	0.00	0.00	0.00	0.00
Temporary (Bi-Monthly)	0	0	0	0
Temporary (Monthly)	1,372.22	1,372.22	0.00	1,372.22
Irrigation-Reclaimed (Monthly)	5,503.20	5,316.68	(186.52)	5,316.68

REFERENCES: Park Exh. P-1, Ch. 3, Table III-3; ORA Exh. O-1, Ch. 2, Table 2-3.

3.3 Unaccounted for Water

PARK WATER REQUEST:

Park requests unaccounted for water of 3.86% based on the latest information available at the time Park's application was prepared.

ORA POSITION:

ORA recommends unaccounted for water of 1.55% based on the recorded 2014 data.

RESOLUTION:

ORA and Park agree that, while Park's unaccounted for water has decreased from Park's previous GRC, the annual unaccounted for water continues to vary slightly each year. Based on further discussions, settlement negotiations, and review of Park's rebuttal testimony, the Parties agree to use unaccounted for water estimate of 2.50% as set forth in the tables below.

Unaccounted For Water

	Park Original	ORA Original	Difference	Settlement
Test Year 2016	3.86%	1.55%	(2.31%)	2.50%
Escalation Year 2017	3.86%	1.55%	(2.31%)	2.50%
Escalation Year 2018	3.86%	1.55%	(2.31%)	2.50%

REFERENCES: Park Exh. P-1, p. 12, 60; ORA Exh. O-1, Ch. 2, p. 2-6.

3.4 Total Water Supply

PARK WATER REQUEST:

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

ORA RECOMMENDATION:

ORA finds Park's methodology of total water supply to be reasonable. The original differences between Park's and ORA's estimates resulted from different estimates of consumption per customer and unaccounted for water.

RESOLUTION:

With the resolution of consumption per customer (Section 3.2) and unaccounted for water (Section 3.3), there is no difference in the total water supply. The Parties agree on the total water supply as set forth in the tables below.

Test Year 2016

Total Water Supply (Ccf)	Park Original	ORA Original	Difference	Settlement
Residential (Bi-Monthly)	3,224,514	3,194,441	(30,073)	3,194,441
Business (Bi-Monthly)	840,655	841,601	946	841,601
Business (Monthly)	307,922	282,615	(25,307)	282,615
Industrial (Bi-Monthly)	16,059	16,059	0	16,059
Industrial (Monthly)	21,634	21,634	0	21,634
Public Authority (Bi-Monthly/Monthly)	287,729	287,729	0	287,729
Private Fire Service (Bi-Monthly)	180	180	0	180
Private Fire Service (Monthly)	1,509	1,509	0	1,509
Fire Hydrant (Bi-Monthly)	0	0	0	0
Temporary (Bi-Monthly)	0	0	0	0
Temporary (Monthly)	17,839	17,839	0	17,839
Irrigation-Reclaimed (Monthly)	137,580	132,917	(4,663)	132,917
TOTAL	4,855,621	4,796,524	(59,097)	4,796,524

Escalation Year 2017

Total Water Supply (Ccf)	Park Original	ORA Original	Difference	Settlement
Residential (Bi-Monthly)	3,229,113	3,198,997	(30,116)	3,198,997
Business (Bi-Monthly)	840,655	841,601	946	841,601
Business (Monthly)	320,490	294,150	(26,340)	294,150
Industrial (Bi-Monthly)	16,059	16,059	0	16,059
Industrial (Monthly)	21,634	21,634	0	21,634
Public Authority (Bi-Monthly/Monthly)	289,175	289,175	0	289,175
Private Fire Service (Bi-Monthly)	180	180	0	180
Private Fire Service (Monthly)	1,543	1,543	0	1,543

Fire Hydrant (Bi-Monthly)	0	0	0	0
Temporary (Bi-Monthly)	0	0	0	0
Temporary (Monthly)	19,211	19,211	0	19,211
Irrigation-Reclaimed (Monthly)	137,580	132,917	(4,663)	132,917
TOTAL	4,875,641	4,815,469	(60,172)	4,815,469

Escalation Year 2018

Total Water Supply (Ccf)	Park Original	ORA Original	Difference	Settlement
Residential (Bi-Monthly)	3,233,712	3,203,554	(30,158)	3,203,554
Business (Bi-Monthly)	840,655	841,601	946	841,601
Business (Monthly)	333,059	305,686	(27,373)	305,686
Industrial (Bi-Monthly)	16,059	16,059	0	16,059
Industrial (Monthly)	21,634	21,634	0	21,634
Public Authority (Bi-Monthly/Monthly)	290,621	290,621	0	290,621
Private Fire Service (Bi-Monthly)	180	180	0	180
Private Fire Service (Monthly)	1,578	1,578	0	1,578
Fire Hydrant (Bi-Monthly)	0	0	0	0
Temporary (Bi-Monthly)	0	0	0	0
Temporary (Monthly)	20,583	20,583	0	20,583
Irrigation-Reclaimed (Monthly)	137,580	132,917	(4,663)	132,917
TOTAL	4,895,662	4,834,414	(61,248)	4,834,414

REFERENCES: Park Exh. P-1, Ch. 3, Table III-2; ORA Exh. O-1, Ch. 2, Table 2-4.

3.5 Present Rate Revenues

PARK WATER REQUEST:

Revenue at present rates consists of Operating Revenue and Miscellaneous Revenue. Operating Revenue consists of Service Charge Revenue and Commodity Charge Revenue. Service Charge Revenue is based on the number of customers multiplied by the appropriate tariff and Commodity Charge Revenue is calculated by multiplying the number of customers by their applicable water use and appropriate tariff. Miscellaneous Revenue consists of revenues from Late Fees, Reconnection Fees and other charges, and the portion of revenues allocated to ratepayers from Non-Tariffed Products and Services (NTPS) activities.

ORA POSITION:

ORA finds Park’s methodology for calculation of present rate revenues derived from Operating Revenue to be reasonable and recommends that Commission adopt Park’s estimate of operating revenues at present rates. As discussed in Section 13 below, ORA took issue with Park’s estimates of Miscellaneous Revenue.

RESOLUTION:

The issues associated with Miscellaneous Revenue have been resolved as discussed in Section 13. With that resolution and the resolution of the consumption per customer (Section 3.2) and the resultant change in total water supply (Section 3.4) the Parties agree on the present rate revenues as set forth in table below.

Test Year 2016

Metered Revenues (\$)	Park Original	ORA Original	Difference	Settlement
Residential (Bi-Monthly)	\$22,595,192	\$22,442,210	(\$152,982)	\$22,442,210
Business (Bi-Monthly)	\$5,532,925	\$5,537,807	\$4,882	\$5,537,807
Business (Monthly)	\$1,852,372	\$1,721,787	(\$130,585)	\$1,721,787
Industrial (Bi-Monthly)	\$93,783	\$93,783	0	\$93,783
Industrial (Monthly)	\$121,339	\$121,339	0	\$121,339
Public Authority (Bi-Monthly/Monthly)	\$1,921,691	\$1,921,691	0	\$1,921,691
Private Fire Service (Bi-Monthly)	\$53,992	\$53,992	0	\$53,992
Private Fire Service (Monthly)	\$120,425	\$120,425	0	\$120,425
Fire Hydrant (Bi-Monthly)	\$7,661	\$7,661	0	\$7,661
Temporary (Bi-Monthly)	\$0	\$0	0	\$0
Temporary (Monthly)	\$139,363	\$139,363	0	\$139,363
Irrigation-Reclaimed (Monthly)	\$657,921	\$638,472	(\$19,449)	\$638,472
Miscellaneous Revenue	\$390,674	\$497,631	\$106,957	\$490,000
Total Revenue	\$33,487,338	\$33,296,161	(\$191,177)	\$33,288,530

REFERENCES: Park Exh. P-1, Ch. 3, Table III-4; ORA Exh. O-1, Ch. 2, Table 2-1.

4.0 CUSTOMER SERVICE

ORA RECOMMENDATION:

Based upon its review of Park's application and responses to data requests, ORA finds Park's customer service to be acceptable.

PARK WATER RESPONSE:

Park agrees with ORA's findings.

RESOLUTION:

The Parties recommend that the Commission find Park's customer service to be satisfactory.

REFERENCES: Park Exh. P-1, pp. 13 -14; ORA Exh. O-1, Ch. 10.

5.0 OPERATIONS AND MAINTENANCE

5.1 Expense Estimating Methodology

PARK WATER REQUEST:

In general, and in those areas where a five-year average is the most reasonable way of estimating costs, Park's expense estimates were based on a five-year average of recorded expenses (2010 – 2014) escalated to the Test Year. The 2014 data used by Park were partially estimated because that was the most current data available to Park at the time its application was prepared. Park provided ORA with an update of the recorded 2014 data and an updated five-year average of recorded expense (2010 – 2014) from which ORA's estimates are based.

ORA POSITION:

Where ORA's estimates are based on historic amounts or averages that include 2014 data, ORA incorporated the updated recorded year 2014 data.

RESOLUTION:

Park agrees with ORA's use of the updated averages in those areas where Park and ORA otherwise agree on an estimating methodology which makes use of recorded 2014 data. The Parties agree to use the updated information for recorded year 2014 where applicable and agree

to the resultant estimate absent other methodological differences.

REFERENCES: Park Exh. P-1, pp. 42 - 51; ORA Exh. O-1, pp. 3-15 – 3-17.

5.2 Escalation Factors

PARK WATER REQUEST:

Park proposed labor escalation factors of 2.0% for 2015 and 2.0% for Test Year 2016. Park proposed non-labor escalation factors of 3.0% for 2015 and 3.0% for Test Year 2016.

ORA POSITION:

ORA proposed the use of the most current memorandum published by ORA’s Energy Cost of Service Branch (“ECSB”) available at the time the Joint Comparison Exhibit is prepared. ORA highlighted Park’s deviation from what ORA believes to be a GRC practice of using the escalation memos. Rather than utilizing a memo that would ultimately be updated, ORA accepted Park’s non-labor escalation factor of 3% as a placeholder. For labor escalation, ORA used the 5-year recorded average (2010 – 2014) of Park’s labor escalation factor as an interim proxy. Mathematically, the labor escalation factor of 1.44% was modeled for 2015 and 2016. ORA utilized these proxies in order to focus on differences that were not attributable to the application of different escalation factors.

RESOLUTION:

After further discussions and settlement negotiations, the Parties agree to use a labor escalation factor of 1.4% for 2015 and 2.0% for Test Year 2016. For non-labor escalation, the Parties agree to use the latest ORA ECSB memorandum, which is the April 14, 2015 memorandum. The Parties agree to use composite escalation factors of 0.32% for 2015 and 2.48% for Test Year 2016 based on the 60/40 weighting of the Non-Labor Index and the Compensation Per Hour Index as provided by ORA’s ECSB memorandum.

Year 2015

	Park Original	ORA Original*	Difference	Settlement
Labor	2.0%	1.44%	(0.56%)	1.4%
Composite	3.0%	3.0%	N/A	0.32%

Test Year 2016

	Park Original	ORA Original*	Difference	Settlement
Labor	2.0%	1.44%	(0.56%)	2.0%
Composite	3.0%	3.0%	N/A	2.48%

* ORA is not supporting a 3% non-labor factor; it is using it as a placeholder until the ECSB factor is determined.

REFERENCES: Park Exh. P-1, pp. 42-43, 51; ORA Exh. O-1, pp. 3-3 – 3-7.

5.3 O&M Payroll Expense

PARK WATER REQUEST:

Park's payroll estimate for 2015 is based on employees' hourly rates in effect at the end of 2014 with the estimated 2015 COLA increase of 2.0% and merit increase of 1.0% and promotional salary adjustments to be granted plus overtime during 2015. The payroll estimate for Test Year 2016 is similarly estimated beginning with the hourly rates expected at the end of year 2015, estimated 2016 COLA increase of 2.0% and merit of 1.0% and promotional salary adjustments to be granted plus overtime during 2016. For the Test Year 2016 payroll expense, Park has included the costs associated with the proposed position of Water Quality/Operations Engineer and Excellence Awards of \$21,768 (based on a five-year escalated average, 2010 – 2014).

ORA POSITION:

ORA accepts Park's methodology to estimate the payroll expense but proposes adjustments to the result. First, ORA proposes a 1.22% merit percentage increase based upon historical information and zero allowance for excellence awards because ORA believed documentation was inadequate. ORA also recommends disallowance of the costs associated with the position of Water Quality/Operations Engineer. ORA further recommends a downward salary adjustment of \$44,587, from \$97,989 to \$53,402, for the position of Production Technician based on ORA's interpretation of the same position authorized by the Commission in D.13-09-005. Lastly, ORA recommends an overall vacancy adjustment (4.66% reduction) of the total payroll expense based upon historical data.

RESOLUTION:

Based on further discussions, settlement negotiations, and review of Park’s rebuttal testimony, the Parties agree to the payroll costs set forth in the tables below. The Parties agree to include Excellence Awards as requested in Park’s Application. The Parties agree that the position of Water Quality/Operations Engineer is necessary and should be authorized. For the position of Production Technician, the Parties agree to a total salary of \$81,684 (including overtime and standby pay) for Test Year 2016. The Parties further agree that ORA’s proposed 4.66% vacancy adjustment to the total overall payroll expense is overstated for Park and the Parties agree to address the vacancy adjustment issue with a downward adjustment of \$22,000 to the temporary labor expense account, rather than an adjustment to payroll expense. The Parties agree to calculate payroll for 2015 using Park’s recorded 2015 COLA increase (1.4%) and merit adjustment (1.5%). For 2016 the Parties agree to a COLA increase of 2%, based on the agreed-upon labor escalation factor, and merit adjustment of 0.9%. The Parties agree that payroll expense for Escalation Years 2017 and 2018 will be calculated pursuant to the Escalation Year methodology in the Rate Case Plan (D.04-06-018).

Test Year 2016	Park Original	ORA Original	Difference	Settlement
Payroll Operations	\$1,232,821	\$1,026,641	(\$206,180)	\$1,217,235
Payroll Customers	\$790,167	\$748,000	(\$42,167)	\$788,851
Payroll Maintenance	\$421,078	\$376,239	(\$44,839)	\$420,463
Payroll Clearings	\$ 157,695	\$149,345	(\$8,350)	\$157,452
Total O & M Payroll	\$2,601,761	\$2,300,225	(\$301,536)	\$2,584,001

REFERENCES: Park Exh. P-1, pp. 40-42, 51; Park Exh. P-7, pp. 2-7, Appendix A; Park Exh. P-8, pp. 4–5; Park Exh. P-10, pp. 5-11, Park Exh. P-13, pp. 2-7, ORA Exh. O-1, pp. 3-4 – 3-9, 4-3, 4-4.

5.4 Purchased Water-Potable

PARK WATER REQUEST:

Park requests \$7,628,298 for Test Year 2016 in purchased water-potable expense based on its projections of total water supply less projected groundwater pumping and based on the current rate of \$1,062 per acre-foot. Park’s estimated total groundwater pumping assumes that Park’s

request for new wells and purchase of groundwater pumping rights are authorized by the Commission.

Park purchases water from Central Basin Municipal Water District. Central Basin Municipal Water District (“CBMWD”) charges minimum flow violations when the flow through any Metropolitan connection falls below 10 percent; CBMWD charges Park as though the full 10 percent was delivered. Park makes every effort to keep this penalty charge to a minimum but about 42 acre-feet is charged due to unavoidable operational conditions, which is the basis of Park’s request of \$50,976 for the potable water expenses due to minimum flows.

ORA POSITION:

ORA finds Park’s purchased water-potable estimating methodology reasonable. However, ORA’s calculation of purchased water contained calculation errors. Part of the differences in the Parties’ original estimates was due to the Parties’ different estimates of total production, which resulted from the difference in consumption per customer (Section 3.2), unaccounted for water (Section 3.3), and calculation errors.

RESOLUTION:

The Parties agree to use the same methodology used in Park’s Application to estimate the purchased water-potable. With the resolution of the issues of consumption per customer (Section 3.2), unaccounted for water (Section 3.3), total water supply (Section 3.3), the Compton-East well (Section 9.7), and the correction of errors, the Parties agree to the purchased water-potable costs as set forth in the tables below. The agreed-upon estimate for purchased water potable expense for 2018 is higher than the original estimates of either party and reflects a greater amount of purchased water, not reflected in either party’s estimate, due to elimination of increased groundwater use resulting from the agreement to defer the Compton-East well.

Test Year 2016

Purchased Water-Potable	Park Original	ORA Original	Difference	Settlement
Usage Cost	\$7,504,535	\$7,417,719	(\$86,816)	\$7,201,092
Monthly Service Charge	\$62,100	\$62,100	\$0	\$62,100
Monthly Capacity Charge	\$10,687	\$10,687	\$0	\$10,687

Min Flow Violation	\$50,976	\$50,976	\$0	\$50,976
Total	\$7,628,298	\$7,541,481	(\$86,816)	\$7,324,855

Escalation Year 2017

Purchased Water-Potable	Park Original	ORA Original	Difference	Settlement
Usage Cost	\$6,918,107	\$6,827,434	(\$90,673)	\$6,611,264
Monthly Service Charge	\$62,100	\$62,100	\$0	\$62,100
Monthly Capacity Charge	\$10,687	\$10,687	\$0	\$10,687
Min Flow Violation	\$50,976	\$50,976	\$0	\$50,976
Total	\$7,041,870	\$6,951,197	(\$90,673)	\$6,735,026

Escalation Year 2018

Purchased Water-Potable	Park Original	ORA Original	Difference	Settlement
Usage Cost	\$5,906,879	\$5,812,349	(\$94,530)	\$6,446,235
Monthly Service Charge	\$62,100	\$62,100	\$0	\$62,100
Monthly Capacity Charge	\$10,687	\$10,687	\$0	\$10,687
Min Flow Violation	\$50,976	\$50,976	\$0	\$50,976
Total	\$6,030,642	\$5,936,112	(\$94,530)	\$6,569,998

REFERENCE: Park Exh. P-1, p. 48, Park Exh. P-8, pp. 5-6; ORA Exh. O-1, pp. 2-6, 3-10.

5.5 Purchased Water – Reclaimed

PARK WATER REQUEST:

Park requests \$190,299 in purchased water-reclaimed for Test Year 2016 based on the total water supply of 149,091 Ccf and the current rate of \$556 per acre-foot.

ORA POSITION:

ORA recommends \$169,655 in purchased water- reclaimed for Test Year 2016 based on the total water supply of 132,917 Ccf and the current rate of \$556 per acre-foot.

RESOLUTION:

With the resolution of the issue of consumption per customer (Section 3.2) Park agrees to use the amount recommended in ORA’s Report. ORA and Park agree on purchased water-reclaimed, as set forth in the table below.

Test Year 2016, Escalation Years 2017 & 2018

	Park Original	ORA Original	Difference	Settlement
Purchased Water-Reclaimed	\$190,299	\$169,655	(\$20,644)	\$169,655

REFERENCE: Park Exh. P-1, p. 48, Park Exh. P-8, pp. 5-6; ORA Exh. O-1, pp. 3-9 – 3-10.

5.6 Purchased Power

PARK WATER REQUEST:

Park requests \$396,004 for Test Year 2016 in purchased power expense based on pumping of 4,200 acre-feet in Test Year 2016 and the unit cost of pumping based on a three-year average (2011 – 2013) of kilowatt hour per cubic foot pumped for each well and booster pump. Park’s proposal to increase groundwater pumping to 4,800 acre-feet for Escalation Year 2017 and 5,800 acre-feet for 2018 assumes that Park’s request for new wells and purchase of groundwater pumping water rights are authorized by the Commission.

ORA POSITION:

ORA finds Park’s purchased power estimating methodology reasonable and recommends that the Commission adopt Park’s estimated purchased power expense.

RESOLUTION:

The Parties agree that the purchase power expense should be calculated consistent with the resolution of the total water supply (Section 3.5) and capital projects (Section 9). ORA and Park agree to groundwater pumping of 4,200, 4,800, and 5,000 acre-feet for Test Year 2016 and Escalation Years 2017 and 2018, respectively. The Parties agree on purchased power as set forth below.

Purchased Power

	Park Original	ORA Original	Difference	Settlement
Test Year 2016	\$396,004	\$396,004	\$0	\$396,004
Escalation Year 2017	\$431,631	\$431,631	\$0	\$431,631
Escalation Year 2018	\$491,008	\$491,008	\$0	\$443,506

REFERENCE: Park Exh. P-1, pp. 49-51, Park Exh. P-8, p. 6, ORA Exh. O-1, p. 3-10.

5.7 Replenishment Assessment

PARK WATER REQUEST:

Park requests \$1,127,009 in replenishment assessments (pumped taxes) for Test Year 2016 based on Park’s proposed ground water pumping of 4,800 acre-feet in Test Year 2016 and based on the current rate of \$268 per acre-foot. Park’s proposal to increase groundwater pumping to 4,800 acre-feet for Escalation Year 2017 and 5,800 acre-feet for 2018 assumes that Park’s request for new wells, reservoir, and groundwater pumping rights are authorized by the Commission.

ORA POSITION:

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

RESOLUTION:

The Parties agree that the replenishment assessment expense should be calculated consistent with the resolution of the total water supply (Section 3.5) and capital projects (Section 9). The Parties agree on the replenishment assessment as set forth below.

Replenishment Assessment

	Park Original	ORA Original	Difference	Settlement
Test Year 2016	\$1,127,009	\$1,127,009	\$0	\$1,127,009
Escalation Year 2017	\$1,287,809	\$1,287,809	\$0	\$1,287,809
Escalation Year 2018	\$1,555,809	\$1,555,809	\$0	\$1,341,409

REFERENCE: Park Exh. P-1, pp. 48-51, Park Exh. P-8, p. 7, ORA Exh. O-1, p. 3-10.

5.8 Leased Water Rights

PARK WATER REQUEST:

Park requests \$554,130 in leased water rights for Test Year 2016 based on Park’s proposed ground water pumping of 4,200 acre-feet, less the total projected ground water pumping rights of 827.3 acre-feet, and based on the projected average lease rate of \$164.30. Park’s proposal to increase groundwater pumping to 4,800 acre-feet for Escalation Year 2017 and 5,800 acre-feet for Escalation Year 2018 assumes that Park’s request for new wells, reservoir, and purchase of

new groundwater pumping rights are authorized by the Commission. Park proposes total groundwater pumping rights of 889.8 acre-feet for Escalation Year 2017 and 2018. Park projected average leased water rights rate of \$190.52/AF and \$225.36/AF for Escalation Years 2017 and 2018, respectively.

ORA POSITION:

ORA agrees with Park’s proposed groundwater pumping of 4,200, 4,800, and 5,800 acre-feet for Test Year 2016, and Escalation Years 2017 and 2018, respectively. ORA also agrees with Park’s estimated groundwater pumping rights of 827.3 acre-feet for Test Year 2016 and 889.8 acre-feet for Escalation Years 2017 and 2018. However, ORA disagrees with Park’s average leased water rate projections. ORA recommends average leased water rights rate of \$146.88 for Test Year 2016, \$155.55 for Escalation Year 2017, and \$167.02 for Escalation Year 2018.

RESOLUTION:

The Parties agree that the Leased Water Rights expense should be calculated consistent with the resolution of the total water supply (Section 3.5) and capital projects (Section 9). ORA and Park agree to groundwater pumping of 4,200, 4,800, and 5,000 acre-feet for Test Year 2016, and Escalation Years 2017 and 2018, respectively; groundwater pumping rights of 764.8 acre-feet for Test Year 2016 and 796.1 acre-feet for Escalation Years 2017 and 2018, respectively; average leased water rights rate of \$163.68, \$186.78, and \$214.75 for Test Year 2016, Escalation Year 2017, and Escalation Year 2018, respectively. The Parties agree on Leased Water Right expense as set forth below.

Leased Water Rights

	Park Original	ORA Original	Difference	Settlement
Test Year 2016	\$554,130	\$495,370	(\$58,760)	\$562,277
Escalation Year 2017	\$744,990	\$608,251	(\$136,739)	\$747,872
Escalation Year 2018	\$881,219	\$653,097	(\$228,122)	\$859,864

REFERENCE: Park Exh. P-1, p. 48-51, Park Exh. P-8, pp. 7-8, ORA Exh. O-1, pp. 3-10 – 3-12.

5.9 Chemicals

PARK WATER REQUEST:

Park requests chemicals expense of \$88,623 for Test Year 2016 based on the annualized 2014 expense escalated to the Test Year. Park’s estimated chemical expense also includes an adjustment for the proposed increase in groundwater pumping.

ORA POSITION:

ORA finds Park’s methodology reasonable. There are no methodological differences between ORA’s and Park’s estimates of chemicals. The original differences between ORA and Park’s estimates resulted from ORA’s use of the updated recorded information for 2014.

RESOLUTION:

ORA and Park agree on chemicals, as set forth in the table below.

Test Year 2016

	Park Original	ORA Original	Difference	Settlement
Chemicals	\$ 88,623	\$78,832	(\$9,791)	\$75,646

REFERENCES: Park Exh. P-1 p. 49, ORA Exh. O-1, p. 3-10.

5.10 Operations Other

PARK WATER REQUEST:

Park requests \$292,205 for Test Year 2016 for the expense category of Operations – Other based on the five-year average (2010 – 2014) of recorded expenses with the exception of the following accounts, where Park used specific expense estimates to reflect current activity levels: after-hours answering service, Account No. 7717.603; Oth-Pump Op Misc Exp, Account No. 7717.626; Oth-Wtr Tr Op Labor/Exp, Account No. 7717.642; Suppl/Parts-Wtr Sup/Parts-Wtr Tr Op Lb/Ex, Account No. 7762.642; Suppl/Parts-Wtr Tr Misc Exp, Account No. 7762.643; Suppl/Parts-T&D Lines Exp, Account No. 7762.662; and Uniforms, Account No. 7780.

ORA POSITION:

ORA finds Park’s methodology reasonable. The original differences between ORA and Park’s estimates resulted from ORA’s use of the updated recorded information for 2014.

RESOLUTION:

The Parties agree that the other expenses in this expense category are subject to the agreement on the expense estimating methodology (Section 5.1) and escalation factors (Section 5.2) as shown in the table below.

Test Year 2016

	Park Original	ORA Original	Difference	Settlement
Operations-other	\$ 292,205	\$291,826	(\$379)	\$288,612

REFERENCES: Park Exh. P-1, pp. 43-44.

5.11 Customer Other (excluding conservation)

PARK WATER REQUEST:

Park requests \$316,412 for Test Year 2016 for the expense category of Customer – Other based on the five-year average (2010 – 2014) of recorded expenses with the exception of the Customer-Billing & Related (Account No. 7060.1), Other Cust Serv/Info Expense (Account No. 7717.907), Other Inst/GW Advertise (Account No. 7717.9301), Suppl/Parts-Cust Acct Rec/C (Account No. 7762.903), Suppl/Parts-Sales Promotion (Account No. 7762.910), and Collection Agency (Account No. 7810) sub-accounts, where Park used specific expense estimates to reflect current activity levels.

ORA POSITION:

ORA agrees with Park on the majority of the expense sub-accounts in this expense category except for Other Inst/GW Advertise, Suppl/Parts-Sales Promotion, and Collection Agency sub-accounts. For sub-account Other Inst/GW Advertise and Suppl/Parts-Sales Promotion, ORA’s estimates were based on a five-year recorded escalated average (2010-2014). For sub-account Collection Agency, ORA based its estimates on the recorded 2014 expense. The original difference between Park’s and ORA’s estimates resulted from ORA’s use of the updated data for

recorded year 2014 (since ORA used Park’s escalation factors for comparison purposes).

RESOLUTION:

After further discussions, settlement negotiations, and review of Park’s rebuttal testimony, the Parties agree to estimates for this category of expense as shown below, which includes the impact of the agreement on the expense estimating methodology (Section 5.1) and escalation factors (Section 5.2).

Test Year 2016

	Park Original	ORA Original	Difference	Settlement
Other Inst/GW Advertise	\$9,336	\$6,254	(\$3,082)	\$7,795
Suppl/Parts-Sales Promotion	\$8,240	\$1,853	(\$6,387)	\$4,927
Collection Agency	\$15,255	\$13,671	(\$1,584)	\$14,811
Other	\$283,581	\$284,435	\$854	\$253,601
Total Customers Other (excluding conservation)	\$316,412	\$306,213	(\$10,199)	\$281,134

REFERENCES: Park Exh. P-1, pp. 44-46; ORA Exh. O-1, pp. 3-14 – 3-16.

5.12 Conservation

5.12.1 Budget Request

PARK WATER REQUEST:

Park proposed an increase in its conservation budget as compared to the current authorized amount. Park requests \$585,091, \$588,519, and \$591,490 for Test Year 2016, and Escalation Years 2017 and 2018, respectively, based on its new Water Use Efficiency Plan. Park’s request is based on the conservation programs necessary for compliance with Commission Decision 11-05-004 (Conservation OII), the Urban Water Management Planning Act, AB 1420, SBX7-7, the Governor’s Drought Emergency Orders, and the Best Management Practices (“BMPs”). As a signatory to the Memorandum of Understanding regarding Urban Water Conservation in California (“MOU”), Park is required to meet the BMPs.

ORA POSITION:

Because Park is currently in compliance with SBX7-7 and the Governor’s emergency drought

mandates, ORA recommends \$291,128 for Test Year 2016 and recommends that the expense for 2017 and 2018 be subject to the Escalation Year methodology pursuant to the Rate Case Plan.

RESOLUTION:

After further discussions, settlement negotiations, and review of Park’s rebuttal testimony, the Parties agree to the conservation expense budget as shown below. Park agrees with ORA’s recommendation for Escalation Years 2017 and 2018.

Test Year 2016

	Park Original	ORA Original	Difference	Settlement
Conservation Expense Budget	\$585,091	\$291,128	(\$293,963)	\$425,000

REFERENCES: Park Exh. P-1, p. 45; Park Exh. P-15; ORA Exh. O-1, pp. 3-12 – 3-14.

5.12.2 One-Way Balancing Account

After discussions and settlement negotiations, the Parties agree that Park’s conservation expenses continue to be subject to a one-way balancing account that tracks actual and authorized conservation expense. The Parties further agree that because conservation costs may not be incurred evenly throughout the rate cycle that the cap will cover the entire rate cycle versus a yearly cap. The cap is \$425,000 for Test Year 2016 plus any additional grants that Park is able to secure (securing grants will allow an increase to the cap and additional spending). In the event that Park does not spend the amount of the cap during this rate case cycle, Park would refund to customers any unspent amount in its next rate case.

5.13 Uncollectibles

PARK WATER REQUEST:

Park’s estimate is based on a five-year average of recorded uncollectible expense (2009 – 2013). Park applies the rate of 0.57% to Park’s total proposed revenue requirement (operating revenues plus miscellaneous revenues) to project its uncollectible expense. The category of Miscellaneous Revenues consists of fire flow fees, reconnection fees, late fees, and Non-Tariffed Products & Services (“NTPS”).

ORA POSITION:

ORA applied Park’s proposed rate of 0.57% to its proposed operating revenues, rather than total revenues, to project its uncollectible expense. The original differences between Park’s and ORA’s estimates resulted from different estimates of revenues.

RESOLUTION:

After further discussions, settlement negotiations, and review of Park’s rebuttal testimony the Parties agree to recalculate the uncollectible percentage based on revenues excluding the Miscellaneous Revenues. The new uncollectible rate is 0.58% and will be applied to the total revenues less NTPS revenue. The Parties agree to the uncollectible expense as set forth in the table below.

Test Year 2016

	Park Original	ORA Original	Difference	Settlement
Uncollectible Expense	\$207,515	\$190,494	(\$17,021)	\$203,974

REFERENCES: Park Exh. P-1, p. 48; Park Exh. P-11, pp. 2-4; ORA Exh. O-1, pp. 3-16 – 3-17.

5.14 Maintenance Other

PARK WATER REQUEST:

Park requests \$645,117 for Test Year 2016 for the expense category of Maintenance – Other based on the five-year average (2010 – 2014) of recorded expenses with the exception of Paint/Coat-T&D Mt Distrb Reser (Account No. 7716.672), Oth-Wtr Tr Mt Equip (Account No. 7717.652, Oth-T&D Mt Mains (Account No. 7717.673), Oth-T&D Mt Hydrants (Account No. 7717.677, Inventory-T&D Mt Mains (Account 7761.673), Inventory-T&D Mt Hydrants (Account No. 7761.677), Suppl/Parts-T&D Mt Hydrants (Account No. 7762.677), and Gen’l Plant-PR Burden (Account No. 8805.2), where Park used specific expense estimates to reflect current activity levels.

ORA POSITION:

ORA finds Park’s methodology acceptable. There are no methodological differences between the

Parties' estimates of Maintenance Other except for the sub-account Gen'l Plant-PR Burden (the difference is the flow-through of payroll issues as described in Section 5.3). The original differences between Park's and ORA's estimates resulted from ORA's use of the updated data for recorded year 2014 (since ORA used Park's escalation factors for comparison purposes). With the resolution of expense estimating methodology (Section 5.1), escalation factors (Section 5.2) and payroll (Section 5.3), there is no difference between Parties' estimates.

RESOLUTION:

The Parties agree to estimates for this expense category, which include the impact of the agreement on the expense estimating methodology (Section 5.1), escalation factors (Section 5.2), and payroll (Section 5.3) as shown in the table below.

Test Year 2016

	Park Original	ORA Original	Difference	Settlement
Paint/Coat-T&D Mt Distrb Reser	\$80,825	\$80,825	\$0	\$80,825
Oth-Wtr Tr Mt Equip	\$29,238	\$24,213	(\$5,025)	\$23,473
Oth-T&D Mt Mains	\$91,093	\$91,093	\$0	\$90,633
Oth-T&D Mt Hydrants	\$25,921	\$23,767	(\$2,154)	\$23,033
Inventory-T&D Mt Mains	\$7,045	\$7,045	\$0	\$7,010
Inventory-T&D Mt Hydrants	\$11,765	\$11,353	(\$412)	\$10,999
Suppl/Parts-T&D Mt Hydrants	\$10,800	\$7,169	(\$3,631)	\$6,947
Gen'l Plant-PR Burden	(\$26,830)	(\$26,629)	(\$201)	(\$26,774)
Other Expense	\$415,260	\$410,004	(\$5,256)	\$397,274
Total Maintenance Other	\$645,117	\$628,840	(\$16,277)	\$613,420

REFERENCE: Park Exh. P-1, pp. 46-47, ORA Exh. O-1, p. 3-9.

5.15 Depreciation Clearing

PARK WATER REQUEST:

Park requests \$109,324 for Test Year 2016 for depreciation clearing based on its proposed depreciation rates (Section 10.1) and projected balances of utility plant in service.

ORA POSITION:

ORA finds Park’s methodology acceptable. There are no methodological differences between the Parties’ estimates. The original differences between Park’s and ORA’s estimates resulted from different estimates of utility plant in service. With the resolution of utility plant in service (Section 9.0), there is no difference between the Parties’ estimates.

RESOLUTION:

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

Depreciation Clearings

	Park Original	ORA Original	Difference	Settlement
Test Year 2016	\$109,324	\$111,447	\$2,123	\$110,642
Escalation Year 2017	\$112,391	\$111,447	(\$944)	\$112,156

REFERENCES: Park Exh. P-1, Ch. VII, p. 128-129; ORA Exh. O-1, p. 5-36.

5.16 Clearings Other

PARK WATER REQUEST:

Park requests \$304,833 for Test Year 2016 for Clearings – Other based on its projected payroll costs and the five-year average (2010 – 2014) of recorded expenses.

ORA POSITION:

ORA finds Park’s methodology acceptable. There are no methodological differences between ORA and Park. The original differences between ORA’s and Park’s estimates resulted from different estimates of payroll and the use of recorded data from 2014.

RESOLUTION:

With the resolution on escalation factors (Section 5.2), expense estimating methodology (Section 5.1), and payroll (Section 5.3) the Parties agree to Clearings Others expense, as set forth in the table below.

Test Year 2016

	Park Original	ORA Original	Difference	Settlement
Clearings Other	\$304,833	\$304,230	(\$603)	\$299,418

REFERENCES: Park Exh. P-1, p. 47-48; Park Exh. P-8, p. 3-4; ORA Exh. O-1 p. 3-9.

6.0 ADMINISTRATIVE AND GENERAL

6.1 Payroll

PARK WATER REQUEST:

The contested issues are the same as identified in Section 5.3 above (O&M Payroll). The PTO, Holiday, etc. portions of those employees' payroll is included in A&G payroll. The Parties agreement on A&G payroll is based upon the reasons provided in Section 5.3.

RESOLUTION:

The resolution is the same as identified and explained in Section 5.3. ORA and Park agree on payroll as set forth in the table below.

Test Year 2016

	Park Original	ORA Original	Difference	Settlement
A & G Payroll	\$2,135,723	\$1,972,923	(\$162,800)	\$2,128,912

REFERENCES: Park Exh. P-1, pp. 40-42; Park Exh. P-7, pp. 2-7, Appendix A; Park Exh. P-8, pp. 4-5; Park Exh. P-10, pp. 5-11, Park Exh. P-13, pp. 2-7; ORA Exh. O-1, pp. 3-4 – 3-9, 3-17 – 3-18.

6.2 PBOP

PARK WATER REQUEST:

Park requests \$80,000 in Post-retirement Health and Life Benefits ("PBOP") for Test Year 2016 based on the allowable tax deductible contributions to the Voluntary Employee Beneficiary Association ("VEBA") and 401(h) plans according to the actuarial valuation of Park's Post-retirement Benefits by its outside actuary. For plan year 2014, Park has modified the PBOP plan such that the benefit offered to retirees 65 and over will be limited to a Medical Reimbursement

Account.

ORA POSITION:

ORA finds Park’s methodology to estimate PBOP acceptable. ORA’s estimate reflects a vacancy adjustment as described in Section 5.3. ORA recommends \$76,272 for Test Year 2016.

RESOLUTION:

After further discussions, settlement negotiations, and review of Park’s rebuttal testimony, the Parties agree to use the amount in Park’s Application as shown in the table below.

Test Year 2016

	Park Original	ORA Original	Difference	Settlement
PBOP	\$80,000	\$76,272	(\$3,928)	\$80,000

REFERENCES: Park Exh. P-1, pp. 52-54; Park Exh. P-7, pp. 7-11, Appendix A; Park Exh. P-8, pp. 4-5; ORA Exh. O-1, pp. 3-5, 3-18, 3-20.

6.3 Medical Insurance

PARK WATER REQUEST:

Park requests \$600,732 for Test Year 2016 in Medical Insurance premiums based on the projected premiums to be in effect as of January 1, 2015, projected premium increase of 7% for 2016, and the projected payroll for the Test Year. The increase in premium for 2016 is based on the projected increase in medical costs used by Park’s outside actuaries for calculation of Park’s Post-Retirement Health and Life Benefits 2014 Actuarial Valuation.

ORA POSITION:

ORA recommends \$546,481 in Medical Insurance for Test Year 2016 based on the actual premiums in effect as of January 1, 2014, and projected premium increases of 4% for 2015 and 5.1% for 2016 using the inflation factors from the January 2015 Global Insight U.S. Economic Outlook (Health Insurance Benefits) and the projected payroll for the Test Year. ORA’s estimate also reflects a vacancy adjustment as described in Section 5.3.

RESOLUTION:

After further discussions and settlement negotiations, Park agrees to use ORA’s recommended premium increase of 4% for 2015 and 5.1% for 2016, applied to the premiums in effect as of January 1, 2014. The Parties also agree to reflect the high deductible premiums elections made by three positions in calculating the Test Year medical insurance expense. For Escalation Years 2017 and 2018, the Parties agree to escalation factors of 5% and 4.3%, respectively. With the resolution of payroll issues described in Section 5.3, the Parties agree to the medical expense as shown in the table below.

Test Year 2016

	Park Original	ORA Original	Difference	Settlement
Medical Insurance	\$600,732	\$546,481	(\$54,251)	\$605,322

REFERENCES: Park Exh. P-1, pp. 52-54; Park Exh. P-7, pp. 7-11, Appendix A; Park Exh. P-8, pp. 4-5; ORA Exh. O-1, pp. 3-5, 3-18, 3-19.

6.4 Dental Insurance

PARK WATER REQUEST:

Park requests \$54,804 for Test Year 2016 in Dental Insurance premiums based on the projected premiums to be in effect as of January 1, 2015, projected premium increase of 4.75% for 2016, and the projected payroll for the Test Year. The increase in premium for 2016 is based on the projected increase in dental costs used by Park’s outside actuaries for calculation of Park’s Post-Retirement Health and Life Benefits 2014 Actuarial Valuation.

ORA POSITION:

ORA recommends \$48,681 in Dental Insurance for Test Year 2016 based on the actual premiums in effect as of January 1, 2014, and projected premium increases of 4% for 2015 and 5.1% using the inflation factors from the January 2015 Global Insight U.S. Economic Outlook (Health Insurance Benefits), and the projected payroll for the Test Year. ORA’s estimate also reflects a vacancy adjustment as described in Section 5.3.

RESOLUTION:

After further discussions and settlement negotiations, Park agrees to use ORA’s recommended premium increase of 4% for 2015 and 5.1% for 2016, applied to the premiums in effect as of January 1, 2014. For Escalation Years 2017 and 2018, the Parties agree to escalation factors of 5% and 4.3%, respectively. With the resolution of payroll issues described in Section 5.3, the Parties agree to the dental expense as shown in the table below.

Test Year 2016

	Park Original	ORA Original	Difference	Settlement
Dental Insurance	\$54,804	\$48,681	(\$6,123)	\$51,672

REFERENCES: Park Exh. P-1, pp. 52-54; Park Exh. P-7, pp. 7-11, Appendix A; Park Exh. P-8, pp. 4–5; ORA Exh. O-1, pp. 3-5, 3-18 - 3-19.

6.5 Life Insurance

PARK WATER REQUEST:

Park requests \$12,168 in Life Insurance expense for Test Year 2016 based on the rate of \$0.15 per \$1,000 of payroll and the projected payroll for the Test Year.

ORA POSITION:

ORA finds Park’s methodology and rates reasonable. The difference between the Parties’ original estimates is the result of the payroll issues and vacancy adjustment as described in Section 5.3.

RESOLUTION:

With the resolution of payroll issues described in Section 5.3, the Parties agree to the Life Insurance expense as shown in the table below.

Test Year 2016

	Park Original	ORA Original	Difference	Settlement
Life Insurance	\$12,168	\$11,002	(\$1,166)	\$12,101

REFERENCES: Park Exh. P-1, pp. 52-54; Park Exh. P-7, pp. 7-11, Appendix A; Park Exh. P-8, pp. 4–5; ORA Exh. O-1, pp. 3-5, 3-18.

6.6 Accident D & D Insurance

PARK WATER REQUEST:

Park requests \$1,785 for Test Year 2016 in Accident Insurance expense based on the rate of \$0.22 per \$1,000 of payroll and the projected payroll for the Test Year.

ORA POSITION:

ORA finds Park's methodology and rates reasonable. The differences between the Parties' original estimates is the result of payroll issues and vacancy adjustment as described in Section 5.3.

RESOLUTION:

With the resolution of payroll issues described in Section 5.3, the Parties agree to the Accidental Insurance expense as shown in the table below.

Test Year 2016

	Park Original	ORA Original	Difference	Settlement
Accident D & D Ins.	\$1,785	\$1,614	(\$171)	\$1,775

REFERENCES: Park Exh. P-1, pp. 52-54; Park Exh. P-7, pp. 7-11, Appendix A; Park Exh. P-8, pp. 4-5; ORA Exh. O-1, pp. 3-5, 3-18.

6.7 Disability-Long Term

PARK WATER REQUEST:

Park requests \$15,396 for Test Year 2016 in Disability Insurance expense based on the rate of \$0.34 per \$100 of payroll and the projected payroll for the Test Year.

ORA POSITION:

ORA finds Park's methodology and rates reasonable. The differences between the Parties' original estimates are the result of payroll issues, including the vacancy adjustment described in Section 5.3.

RESOLUTION:

With the resolution of payroll issues described in Section 5.3, the Parties agree to the Disability Insurance expense as shown in the table below.

Test Year 2016

	Park Original	ORA Original	Difference	Settlement
Disability-Long Term	\$15,396	\$13,855	(\$1,541)	\$15,313

REFERENCES: Park Exh. P-1, pp. 52-54; Park Exh. P-7, pp. 7-11, Appendix A; Park Exh. P-8, pp. 4-5; ORA Exh. O-1, pp. 3-5, 3-18.

6.8 401(K) Plan

PARK WATER REQUEST:

Park requests \$120,094 in 401(k) expense for Test Year 2016 based on the actual employee's elections to be in effect on January 1, 2015 and the projected payroll for Test Year 2016.

ORA POSITION:

ORA finds Park's methodology reasonable. ORA recommends \$107,334 in 401(k) expense for Test Year 2016. The differences between the Parties' original estimates were the result of the payroll issues, including the vacancy adjustment described in Section 5.3.

RESOLUTION:

As a result of further discussions and settlement negotiations, the Parties agree to recalculate the Test Year expense using the methodology contained in Park's Application, using Park's estimated participation levels and incorporating the stipulated payroll.

Test Year 2016

	Park Original	ORA Original	Difference	Settlement
401(k)	\$120,094	\$107,334	(\$12,760)	\$119,387

REFERENCES: Park Exh. P-1, pp. 52-54; Park Exh. P-7, pp. 7-11, Appendix A; Park Exh. P-8, pp. 4-5; ORA Exh. O-1, pp. 3-5, 3-18.

6.9 Group Pension

PARK WATER REQUEST:

Park requests \$890,241 in Group Pension expense for Test Year 2016 based on an actuarial valuation by Park’s outside actuary. Park requests that a new balancing account be established to track the difference between adopted pension expense included in rates and the actual expense incurred.

ORA POSITION:

ORA’s estimate was based on the 2014 recorded amount and increased using the 2.8% inflation factor from the January 2015 Global Insight U.S. Economic Outlook. ORA recommends \$746,384 in Group Pension expense for Test Year 2016. ORA’s estimate reflects a vacancy adjustment as described in Section 5.3. ORA disagrees with Park’s request to establish a Group Pension Balancing Account.

RESOLUTION:

As a result of further discussions, settlement negotiations, and review of Park’s rebuttal testimony, the Parties agree to the Group Pension expense as forth in the table below. ORA agrees with Park’s recommendation to establish a new Group Pension Balancing Account (Section 16.9).

Test Year 2016

	Park Original	ORA Original	Difference	Settlement
Group Pension	\$890,241	\$746,384	(\$143,857)	\$822,094

REFERENCES: Park Exh. P-1, pp. 52-54; Park Exh. P-7, pp. 7-11, Appendix A; Park Exh. P-8, pp. 4-5; ORA Exh. O-1, pp. 3-19, 12-19 – 12-20.

6.10 Employee Benefits - Service Awards, Educational Assistance, EAP/Wellness Program, Other

PARK WATER REQUEST:

Park’s estimate for the Service Awards, Educational Assistance, EAP/wellness program, and Other expense is based on the 5-year year recorded escalated average (2010 – 2014).

ORA POSITION:

ORA finds Park methodology reasonable. The differences between the Parties’ original estimates were due to ORA’s use of the 2014 recorded data (since ORA used Park’s escalation for comparison purposes) and the payroll vacancy adjustment as described in Section 5.3.

RESOLUTION:

After further discussions, settlement negotiations, and review of Park’s rebuttal testimony, the Parties agree to the expense for these sub-accounts as shown below.

Test Year 2016

	Park Original	ORA Original	Difference	Settlement
Service Awards	\$3,217	\$3,072	(\$145)	\$3,141
Educational Assistance	\$4,361	\$4,158	(\$203)	\$4,252
EAP/Wellness	\$5,469	\$5,473	\$4	\$5,596
Other	\$35,979	\$32,999	(\$2,980)	\$33,744
Total	\$49,026	\$45,701	(\$3,325)	\$46,733

REFERENCES: Park Exh. P-1, pp. 52-54; Park Exh. P-7, pp. 7-11, Appendix A; Park Exh. P-8, pp. 4-5; ORA Exh. O-1, pp. 3-5, 3-18 - 3-20.

6.11 Defined Contribution 401(A) Expense

PARK WATER REQUEST:

Park requests \$76,268 for Test Year 2016 for the Defined Contribution 401(A) plan based on the number of employees eligible for the plan, the projected cost per employee, and projected increases of 3% for both 2015 and Test Year 2016.

ORA POSITION:

ORA finds Park’s methodology reasonable. ORA recommends \$69,552. The original differences between Park and ORA are due to the differences in the estimates of the number of employees eligible for the plan due to ORA’s recommended disallowance of the position of Water Quality/Operations Engineer and vacancy adjustment (Section 5.3).

RESOLUTION:

With the resolution of payroll (Section 5.3), the Parties agree to use Park’s application Amount as shown below.

Test Year 2016

	Park Original	ORA Original	Difference	Settlement
401(A) Expense	\$76,268	\$69,552	(\$6,716)	\$76,268

REFERENCES: Park Exh. P-1, pp. 52-54; Park Exh. P-7, pp. 7-11, Appendix A; Park Exh. P-8, pp. 4–5; ORA Exh. O-1, pp. 3-5, 3-18.

6.12 Net Benefit Adjustment

PARK WATER REQUEST:

Park requests \$11,051 for Test Year 2016 of Net Benefits Adjustment based on the projected payroll and applicable payroll burden rate.

ORA POSITION:

ORA finds Park’s methodology to estimate Net Benefits Adjustment acceptable. There are no methodological differences between ORA and Park. The differences between Parties’ original estimates were the result of payroll issues and the vacancy adjustment as described in Section 5.3.

RESOLUTION:

With the resolution of payroll (Section 5.3), the Parties agree to the Net Benefits Adjustment as shown below.

Test Year 2016

	Park Original	ORA Original	Difference	Settlement
Net Benefits Adjustment	\$11,051	\$10,567	(\$484)	\$11,180

REFERENCES: Park Exh. P-1, pp. 52-54; Park Exh. P-7, pp. 7-11, Appendix A; Park Exh. P-8, pp. 4–5; ORA Exh. O-1, pp. 3-5, 3-18.

6.13 Insurance

PARK WATER REQUEST:

Park requests \$820,733 for Test Year 2016 in total Insurance expense based on the projected premiums and projected payroll for the Test Year. Park's Insurance estimate contained calculation errors identified during discovery.

ORA POSITION:

ORA finds Park's methodology acceptable. There are no methodological differences between ORA and Park. The original differences between ORA and Park are due to differences in the estimates of payroll and vacancy adjustment as described in Section 5.3, and ORA's use of 2014 recorded data. With the resolution of payroll issues (Section 5.3), there are no longer any differences in the Parties' position.

RESOLUTION:

Based on further discussions, settlement negotiations, and review of Park's rebuttal testimony, the Parties agree to use the corrected amounts Park provided to ORA during discovery, adjusted to reflect the settlement on payroll.

Test Year 2016

	Park Original	ORA Original	Difference	Settlement
Insurance	\$820,733	\$737,830	(\$82,903)	\$813,113

REFERENCES: Park Exh. P-1, pp. 55; Park Exh. P-7, pp. 9-10, Appendix A; Park Exh. P-8, pp. 4-5; ORA Exh. O-1, pp. 3-17, 3-20 – 3-21.

6.14 Regulatory Commission Expense

PARK WATER REQUEST:

Park requests total Regulatory Commission expense of \$525,081 amortized over three years, resulting in an annual expense of \$175,027, based on the estimated costs of the current rate case. Park's estimate of Regulatory Commission expense is based on the actual recorded costs of Park's subsidiary Apple Valley Ranchos ("AVR") in the Test Year 2012 rate case plus two-thirds of the total costs incurred in the current base year 2013 cost of capital proceeding (D.13-05-027).

In addition, Park includes \$53,215 in recorded costs associated with the Asset Management Report and \$34,660 for the Water Use Efficiency Plan.

ORA POSITION:

ORA recommends switching Park from the historic practice of estimating Regulatory Commission expense as the amortization of the estimated deferred costs of the current rate case over the rate period that rate case covers to a methodology using a prospective approach of estimating the costs of the next rate case, which will occur during the rate cycle. ORA further recommends that there should not be a catch-up provision, that no amortization of the costs associated with the current rate case proceeding be included in the authorized expense. In addition, ORA disallowed the outside consulting costs associated with the Asset Management Report and the Water Use Efficiency Plan.

RESOLUTION:

As a result of additional discussions, settlement negotiations, and review of Park’s rebuttal testimony, ORA agrees to Park’s request to include the costs associated with the Asset Management Report and Water Use Efficiency Plan in Regulatory Commission expense. Park agrees with ORA’s recommendation of switching to the prospective methodology and ORA agrees with Park to include a catch-up provision for the costs of the current proceeding. The Parties agree that the estimated costs of the current proceeding, \$488,720, will be amortized over six years, for an annual amortization of \$81,453, with the unamortized portion included in the fixed portion of working cash. The amortization is not subject to escalation for the Escalation Years. The Parties agree to \$178,800 as the estimate for the projected Regulatory Commission expense under ORA’s proposed prospective methodology, which will be subject to escalation in the Escalation Years. The Parties agree to the Regulatory Commission expense as set forth in the tables below.

Test Year 2016

	Park Original	ORA Original	Difference	Settlement
Regulatory Commission Expense	\$175,027	\$125,765	(\$49,262)	\$260,253

Working Cash - Unamortized Average Balance

	2016	2017	2018	2019	2020	2021
Regulatory Commission Expense	\$444,599	\$363,146	\$281,693	\$200,239	\$118,786	\$37,333

REFERENCES: Park Exh. P-1, pp. 56-57, Park Exh. P-12, pp. 2-8; ORA Exh. O-1, p. 3-21.

6.15 Franchise Requirements

PARK WATER REQUEST:

Park's estimate is based on a five-year average of recorded franchise expense (2009 – 2013).

ORA POSITION:

ORA finds Park's methodology reasonable and recommends that the Commission adopt Park's estimated Franchise Requirements (0.38%). There are no methodological differences between the Parties' estimate of franchise expense. The original differences between Park's and ORA's estimates resulted from different estimates of revenues.

RESOLUTION:

The Parties agree to calculate the Franchise Requirements consistent with the resolution of all issues (e.g., revenue, expense, utility plant). The Parties agree to the Franchise Requirements as set forth in the table below.

Test Year 2016

	Park Original	ORA Original	Difference	Settlement
Franchise Requirements	\$138,343	\$128,887	(\$9,456)	\$134,316

REFERENCES: Park Exh. P-1, p. 57; ORA Exh. O-1, p. 3-17.

6.16 Outside Services

PARK WATER REQUEST:

Park requests \$206,261 for Test Year 2016 for Outside Services based on a five-year average of recorded expenses (2010 – 2014) except for the sub-accounts of Safety Consulting (Account No.

7200.11) and Insurance Consulting (Account No. 7200.17), where Park used specific estimates to reflect current activity levels.

ORA POSITION:

ORA finds Park’s methodology acceptable. There are no methodological differences between ORA and Park. The original differences between ORA and Park are due to differences in ORA’s use of 2014 recorded data (since ORA used Park’s escalation factors for comparison purposes).

RESOLUTION:

The Parties agree on the Outside Services expense as set forth in the table below.

Test Year 2016

	Park Original	ORA Original	Difference	Settlement
Safety Consulting	\$15,216	\$12,853	(\$2,363)	\$12,591
Insurance Consulting	\$48,418	\$48,101	(\$317)	\$46,895
Other	\$142,627	\$143,745	\$1,118	\$140,140
Total	\$206,261	\$204,699	(\$1,562)	\$199,626

REFERENCES: Park Exh. P-1, pp. 54-55; ORA Exh. O-1, p. 3-17.

6.17 A&G Other

PARK WATER REQUEST:

Park requests \$451,250 for Test Year 2016 for the expense category of A&G Other. Park’s estimate is based on five-year average of recorded expenses (2010 – 2014) except for Cellular (Account No. 7011.1), Telemetry (Account No. 7011.2), All Other (Account No. 7011.9), Registration (Account No. 7040.1), and Corporate A & G Allocation (Account No. 7690), where Park used budgeted amounts to reflect current activity levels.

ORA POSITION:

ORA finds Park’s methodology reasonable. There are no methodological differences between Park’s and ORA’s estimates. The original differences between Park’s and ORA’s estimates resulted from different estimates of payroll and ORA’s use of recorded 2014 data.

RESOLUTION:

With the resolution of the payroll (Section 5.3) and escalation factors (Section 5.2), there are no longer any differences between the Parties' positions. The Parties agree to the amounts shown in the table below.

Test Year 2016

	Park Original	ORA Original	Difference	Settlement
Cellular	\$32,277	\$33,136	\$859	\$32,168
Telemetry	\$35,020	\$35,020	\$0	\$34,843
All Other	\$51,587	\$52,228	\$641	\$50,669
Registration	\$20,547	\$20,447	(\$100)	\$19,840
Corporate A&G Allocation	\$76,734	\$76,191	(\$543)	\$76,612
Other	\$235,085	\$228,492	(\$6,593)	\$221,410
Total	\$451,250	\$445,514	(\$5,736)	\$435,543

REFERENCES: Park Exh. P-1, pp. 55-56; ORA Exh. O-1, p. 3-17.

6.18 A&G Transferred

PARK WATER REQUEST:

Park requests \$725,986 for Test Year 2016 for the A&G Transferred Credit based on in its proposed capital expenditures.

ORA POSITION:

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

RESOLUTION:

The Parties agree to the amounts shown in the below table incorporating the stipulated plant additions (Section 9) as set forth in the table below.

A&G Transferred Credit

	Park Original	ORA Original	Difference	Settlement
Test Year 2016	(\$725,986)	(\$480,611)	\$245,375	(\$592,090)
Escalation Year 2017	(\$730,552)	(\$362,116)	\$368,436	(\$593,813)

REFERENCES: Park Exh P.-1, Ch. IV, Table IV-B; ORA Exh. O-1, p. 3-17.

6.19 General Office Allocation

PARK WATER REQUEST:

Park's estimate of the General Office Allocation is based on the Settlement Agreement filed in A.14-01-002 for Park's AVR subsidiary. The 2016 expense estimates were calculated by escalating the 2015 expense amounts using the escalation methodology adopted by D.07-05-062.

ORA POSITION:

ORA accepts the methodology used by Park in its Application.

RESOLUTION:

The Parties agree to the amounts as set forth in the table below. The Settlement amount is slightly lower than the original amounts due to the resolution of the issue on escalation factors (Section 5.2).

Test Year 2016

	Park Original	ORA Original	Difference	Settlement
General Office Allocation	\$3,110,653	\$3,110,653	\$0	\$3,084,372

REFERENCES: Park Exh. P-2, p. 6; ORA Exh. O-1, p. 3-26.

6.20 Depreciation Expense

PARK WATER REQUEST:

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

ORA POSITION:

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

RESOLUTION:

The Parties agree to calculate depreciation expense incorporating the stipulated plant additions (Section 9) as set forth in the tables below.

Test Year 2016

	Park Original	ORA Original	Difference	Settlement
Net Depreciation Expense	\$2,114,669	\$2,037,779	(\$76,890)	\$2,057,999
Amortization - Limited Term Plant	\$1,674	\$1,674	\$0	\$1,674
General Office Allocation	\$145,244	\$145,313	\$69	\$145,313
Total Net Depreciation Expense	\$2,261,588	\$2,184,766	(\$76,822)	\$2,204,986

Test Year 2017

	Park Original	ORA Original	Difference	Settlement
Net Depreciation Expense	\$2,606,509	\$2,226,512	(\$379,997)	\$2,487,962
Amortization - Limited Term Plant	\$1,674	\$1,674	\$0	\$1,674
General Office Allocation	\$145,244	\$145,313	\$69	\$145,313
Total Net Depreciation Expense	\$2,753,427	\$2,373,499	(\$379,928)	\$2,634,949

REFERENCES: Park Exh. P-1, p. 128-132; ORA Exh. O-1, Ch. 6.

7.0 TAXES OTHER THAN INCOME

7.1 Ad Valorem Taxes

PARK WATER REQUEST:

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

ORA POSITION:

ORA accepts Park’s methodology for estimating Ad Valorem taxes. The original differences between Park’s and ORA’s estimates resulted from differences in estimates of utility plant in service.

RESOLUTION:

With the resolution of the utility plant in service there is no longer any difference in the Parties’ positions. The Parties agree to estimates of the Ad Valorem tax as set forth in the tables below.

Ad Valorem Taxes

	Park Original	ORA Original	Difference	Settlement
Test Year 2016	\$754,047	\$719,594	(\$34,453)	\$742,204
Escalation Year 2017	\$882,536	\$787,934	(\$94,602)	\$834,504
Escalation Year 2018	\$1,022,403	\$851,036	(\$171,367)	\$943,830

REFERENCES: Park Exh. P-1, p. 62; ORA Exh. O-1, p. 8-1.

7.2 Payroll Taxes

PARK WATER REQUEST:

Park requests \$427,532 for Test Year 2016 for Payroll taxes based on Park’s projections of payroll tax rates and limits.

ORA POSITION:

ORA accepts Park’s methodology but disagrees with Park’s FICA limit. The original differences between Park’s and ORA’s estimates resulted from the differences in the estimates of payroll as described in Section 5.3 and FICA limit.

RESOLUTION:

ORA and Park agree to a FICA limit of \$121,050 for 2016. With the settlement on payroll (Section 5.3), there is no longer any difference in the Parties’ positions. ORA and Park agree to the estimates of payroll taxes as set forth in the table below.

Test Year 2016

	Park Original	ORA Original	Difference	Settlement
Payroll Taxes	\$427,532	\$ 395,493	(\$32,039)	\$424,458

REFERENCES: Park Exh. P-1, p. 62; ORA Exh. O-1, p. 8-1.

7.3 Taxes - Other

PARK WATER REQUEST:

Park's estimate for the Taxes-Other expense is based on the 5-year recorded escalated average (2010 – 2014).

ORA POSITION:

ORA accepts the methodology used by Park in its application.

RESOLUTION:

The Parties agree to estimates for this expense category, which include the impact of the agreement on the expense estimating methodology (Section 5.1) and escalation factors (Section 5.2), as set forth in the table below.

Test Year 2016

	Park Original	ORA Original	Difference	Settlement
Taxes-Other	\$61,773	\$61,773	\$0	\$59,502

8.0 INCOME TAXES

8.1 Tax Depreciation

PARK WATER REQUEST:

Park estimates Federal Tax Depreciation of \$2,285,886 and State Tax Depreciation of \$3,020,270 for Test Year 2016 based on Park's actual ratemaking depreciation methodology and Park's proposed plant additions.

ORA POSITION:

ORA accepts the methodology proposed by Park in its Application. There are no

methodological differences between ORA’s and Park’s estimates of the ratemaking tax depreciation deduction. The original differences between ORA’s and Park’s estimates resulted from the different estimates of utility plant additions and calculation errors contained in ORA’s estimate.

RESOLUTION:

The Parties agree that tax depreciation should be calculated using the methodology used in Park’s Application consistent with the stipulated utility plant (Section 9) as set forth in the tables below.

Test Year 2016

	Park Original	ORA Original	Difference	Settlement
Federal Tax Depreciation	\$2,285,886	\$2,285,886	\$0	\$2,209,037
State Tax Depreciation	\$3,020,270	\$3,020,270	\$0	\$2,868,986

Test Year 2017

	Park Original	ORA Original	Difference	Settlement
Federal Tax Depreciation	\$2,626,887	\$3,561,194	\$934,307	\$2,499,382
State Tax Depreciation	\$3,561,194	\$3,561,194	\$0	\$3,313,143

REFERENCES: Park Exh. P-1, p. 141, Table IX-A; ORA Exh. O-1, p. 9-2.

8.2 Interest Expense Deduction

PARK WATER REQUEST:

Park estimates the Interest Expense Deduction of \$2,584,592 for Test Year 2016 based on Park’s authorized weighted cost of long-term debt multiplied by the projected rate base for the Test Year.

ORA POSITION:

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

RESOLUTION:

The Parties agree that the Interest Expense Deduction should be calculated using the methodology used in Park’s and ORA’s estimates, consistent with the stipulated rate base, as set forth in the tables below.

Interest Expense

	Park Original	ORA Original	Difference	Settlement
Test Year 2016	\$2,584,592	\$2,294,662	(\$289,930)	\$2,461,148
Escalation Year 2017	\$3,048,240	\$2,487,228	(\$561,012)	\$2,789,190

REFERENCES: Park Exh. P-1, p. 142, Table IX-A; ORA Exh. O-1, Table 9-1.

8.3 Qualified Production Activities Deduction

PARK WATER REQUEST:

Park estimates the Qualified Production Activities Deduction (“QPD”) based on the methodology prescribed by Internal Revenue Code Section 199.

ORA POSITION:

ORA accepts the methodology used by Park in its Application. The original differences between Park and ORA resulted from the differences in the estimates of revenue requirement and ORA’s use of the updated 2014 QPD percentage.

RESOLUTION:

The Parties agree to calculate the Qualified Production Activities Deduction based upon the methodology used for preparing Park’s most recent federal tax return (including percentages to determine applicable revenues and deductions). The Parties agree that the QPD tax deduction should be estimated by taking 9% of the production-related portion (15.41%) of Park’s Federal Taxable Income ((Fed. Taxable Income) x .1541 x .09). The Parties agree to the QPD tax deduction as set forth in the table below.

Test Year 2016

	Park Original	ORA Original	Difference	Settlement
Qualified Production Deduction	\$82,473	\$78,659	(\$3,814)	\$89,281

REFERENCES: Park Exh. P-1, p. 142, Table IX-A; ORA Exh. O-1, p. 9-3, Table 9-1.

9.0 UTILITY PLANT IN SERVICE

9.1 Capital Budgets

PARK WATER REQUEST:

Park requested total capital budgets of \$15,048,700 for 2015, \$15,095,700 for 2016, and \$15,191,600 for 2017.

ORA POSITION:

ORA recommended capital budgets of \$9,348,361 for 2015, \$9,942,828 for 2016, and \$7,454,440 for 2017.

RESOLUTION:

As a result of discussions, settlement negotiations, and review of Park’s rebuttal testimony, ORA and Park have resolved their differences regarding plant additions for 2015, 2016, and 2017. ORA and Park agree to capital budgets of \$12,271,523 for 2015, \$12,283,887 for 2016, and \$12,320,080 for 2017.

REFERENCES: Park Exh. P-1, Ch. VI; ORA Exh. O-1, Ch. 5.

9.2 Compton East Reservoir and Booster Pump Station

PARK WATER REQUEST:

Park requests \$150,000 in 2015, \$1,600,000 in 2016 and \$1,378,000 in 2017 for the construction of the Compton East Reservoir and companion Booster Pump Station. The project was proposed to reduce water supply costs by increasing groundwater pumping and decreasing the purchase of imported water, and to increase service reliability from planned and emergency interruptions in imported water service deliveries.

ORA POSITION:

ORA recommends disallowance of the project because Park failed to submit detailed designs on alternative project options.

RESOLUTION:

After further discussions, settlement negotiations, and review of Park’s rebuttal, ORA and Park agree to Park’s proposal for the Compton East Reservoir and Booster Pump Station. The construction of the Compton East Reservoir will allow Park to increase groundwater pumping and decrease the purchase of imported water. This project will also help Park improve water system reliability.

Compton East Reservoir and Booster Pump Station

	Park Original	ORA Original	Difference	Settlement
Year 2015	\$150,000	\$0	(\$150,000)	\$150,000
Test Year 2016	\$1,600,000	\$0	(\$1,600,000)	\$1,600,000
Test Year 2017	\$1,378,000	\$0	(\$1,378,000)	\$1,378,000

REFERENCES: Park Exh. P-1, Ch. VI, p. 64; ORA Exh. O-1, Ch. 5, p. 5-4.

9.3 T&D Main Replacements

PARK WATER REQUEST:

Park requests T&D main extensions of \$570,700 in 2015 and \$313,900 in 2017. Park also requests T&D main replacements of \$5,970,300 for 2015, \$5,656,300 for 2016, and \$6,539,400 for 2017. Park’s requested replacement of aged and undersized mains are based on the needs for transmission capacity and maintaining a reliable distribution system as discussed in the Asset Management for Water Mains Report, KANEW Analysis for Water Mains Report, and the Park Water Company Asset Management - InfraPlan Report. Park’s main replacement program also takes into consideration the consequences of pipeline failure, the need for additional fire flow capacity, improved fire hydrant spacing, and improved water quality.

ORA POSITION:

ORA disagrees with Park's estimates of main replacements because ORA believes that Park's main replacement program is too ambitious and will have too much rate impact. ORA recommends \$4,000,000 for new and replacement mains annually for years 2015 – 2017.

RESOLUTION:

After further discussions, settlement negotiations, and review of Park's rebuttal testimony, ORA and Park agree to T&D main replacements of \$5,200,000 for 2015, \$3,100,000 for 2016, and \$6,300,000 for 2017 and a T&D main extension of \$884,600 for 2017 as set forth in the tables below.

Year 2015

	Park Original	ORA Original	Difference	Settlement
Main Extension	\$570,700			
Main Replacements	\$5,970,300			\$5,200,000
Total T&D Mains	\$6,541,000	\$4,000,000	(\$2,541,000)	\$5,200,000

Test Year 2016

	Park Original	ORA Original	Difference	Settlement
Main Extension	\$0			
Main Replacements	\$5,656,300			\$3,100,000
Total T&D Mains	\$5,656,300	\$4,000,000	(\$1,656,300)	\$3,100,000

Test Year 2017

	Park Original	ORA Original	Difference	Settlement
Main Extension	\$313,900			\$884,600
Main Replacements	\$6,539,400			\$6,300,000
Total T&D Mains	\$6,853,300	\$4,000,000	(\$2,853,300)	\$7,184,600

REFERENCES: Park Exh. P-1, Ch. VI, p. 68; ORA Exh. O-1, Ch. 5, p. 5-9.

9.4 Valves**PARK WATER REQUEST:**

Park requests replacement valves of \$100,100 for 2015, \$101,100 for 2016, and \$102,200 for

2017. Park requests new valves of \$56,300 for 2015, \$56,800 for 2016, and \$57,400 for 2017. Park's estimates are based on 25 replacement valves and 14 new valves per year.

ORA POSITION:

ORA accepts Park's unit cost estimate for valves and accepts Park's estimate for new valve installations. ORA recommends replacement valves of \$76,095 in 2015, \$76,855 in 2016, and \$77,634 in 2017. ORA's estimates are based on 19 replacement valves and 14 new valves per year.

RESOLUTION:

After further discussions, settlement negotiations, and review of Park's rebuttal testimony, the Parties agree to the total valve estimates (replacement and new) as set forth in the tables below.

Valves

	Park Original	ORA Original	Difference	Settlement
Year 2015	\$156,400	\$132,395	(\$24,005)	\$144,400
Test Year 2016	\$157,900	\$133,655	(\$24,245)	\$145,775
Test Year 2017	\$159,600	\$135,034	(\$24,566)	\$147,315

REFERENCES: Park Exh. P-1, Ch. VI, p. 75; ORA Exh. O-1, Ch. 5, p. 5-25.

9.5 Hydrants

PARK WATER REQUEST:

Park requests \$176,000 for replacement hydrants in 2015, \$178,000 in 2016, and \$179,700 in 2017. Park requests \$30,900 for new hydrants in 2015, \$31,200 in 2016, and \$31,600 in 2017. Park's estimates are based on 22 replacement hydrants and 4 new hydrants per year.

ORA POSITION:

ORA accepts Park's estimate of unit costs for hydrants. ORA recommends \$88,099 for replacement hydrants in 2012, \$88,979 in 2013, and \$89,870 in 2014. ORA accepts Park's request for new hydrants. ORA's estimates for replacement hydrants are based on 11 replacement hydrants instead of the 22 Park requested.

RESOLUTION:

After further discussions, settlement negotiations, and review of Park’s rebuttal testimony, the Parties agree to the total hydrant estimates (replacement and new) as set forth in the tables below.

Hydrants

	Park Original	ORA Original	Difference	Settlement
Year 2015	\$207,100	\$118,999	(\$88,101)	\$163,050
Test Year 2016	\$209,200	\$120,179	(\$89,021)	\$164,685
Test Year 2017	\$211,300	\$121,470	(\$89,830)	\$166,385

REFERENCES: Park Exh. P-1, Ch. VI, p. 75; ORA Exh. O-1, Ch. 5, p. 5-26.

9.6 Land for Reservoir, Booster Station, and Future Groundwater Well-Compton East

PARK WATER REQUEST:

Park requests \$1,000,000 in 2015 to purchase land for the Compton East Reservoir, Booster Pump Station, and future groundwater Well projects.

ORA POSITION:

ORA disagrees with Park’s proposed Compton East Reservoir, Booster Pump Station, and new Well and therefore recommends disallowance of Park’s proposed land purchase.

RESOLUTION:

Consistent with the resolution of the Compton East Reservoir and Booster Pump Station issues (Section 9.2), the Parties agree to Park’s proposal for land purchase as set forth by the table below.

Year 2015	Park Original	ORA Original	Difference	Settlement
Land for Reservoir, Booster Station, and Future Groundwater Well	\$1,000,000	\$0	(\$1,000,000)	\$1,000,000

REFERENCES: Park Exh. P-1, Ch. VI, p .80; ORA Exh. O-1, Ch. 5, p. 5-31.

9.7 Groundwater Well-Compton East

PARK WATER REQUEST:

Park requests \$1,550,000 in 2017 for drilling and construction of a new groundwater well in the Compton East system.

ORA POSITION:

ORA recommends disallowance of the Compton East Groundwater well because ORA believes the operational conditions do not warrant the construction of a new well at this time.

RESOLUTION:

After further discussions, settlement negotiations, Park agrees to defer the construction of the Compton East Groundwater Well.

Year 2017

	Park Original	ORA Original	Difference	Settlement
Compton East Groundwater Well	\$1,550,000	\$0	(\$1,550,000)	\$0

REFERENCES: Park Exh. P-1, Ch. VI, p. 122; ORA Exh. O-1, Ch. 5, p. 5-31.

9.8 Pumping Equipment

PARK WATER REQUEST:

Park requests \$200,000 annually in 2015, 2016, and 2017 for pumping equipment.

ORA POSITION:

ORA recommends \$133,880 in 2015, \$135,219 in 2016, and \$135,571 in 2017 for pumping equipment.

RESOLUTION:

After further discussions, settlement negotiations, and review of Park's rebuttal testimony, ORA and Park agree to use the estimates for pumping equipment as set forth by the tables below.

Pumping Equipment

	Park Original	ORA Original	Difference	Settlement
Year 2015	\$200,000	\$133,880	(\$66,120)	\$166,940
Test Year 2016	\$200,000	\$135,219	(\$64,781)	\$167,605
Test Year 2017	\$200,000	\$136,571	(\$63,429)	\$167,785

REFERENCES: Park Exh. P-1, Ch. VI, p. 80-81; ORA Exh. O-1, Ch. 5, p. 5-31.

9.9 Groundwater Well Compton West, Well 12C Project

PARK WATER REQUEST:

Park requests \$1,408,000 in 2015 and \$1,000,000 in 2016 for new Well 12C in the Compton West system. Park's cost estimate was based on the recorded costs of Well 19C.

ORA POSITION:

ORA agrees with the necessity of this project, but disagrees with Park's proposed cost estimate. ORA recommends \$1,132,598 in 2015 and \$804,402 in 2016 for Well 12C. ORA's cost estimate was based on the estimated cost for Well 13D authorized in Park's Test Year 2013 rate case. ORA also recommends a hard cap on the total project cost.

RESOLUTION:

After further discussions, settlement negotiations, and review of Park's rebuttal testimony, the Parties agree to estimates of \$1,358,000 in 2015, and \$990,000 in 2016 for the construction of Well 12C as set forth in the table below. In lieu of a hard cap, the Parties agree that Park will provide specific testimony in the next GRC supporting any cost variances 5% or greater than the total authorized project costs.

Well 12C

	Park Original	ORA Original	Difference	Settlement
Year 2015	\$1,408,000	\$1,132,598	(\$275,402)	\$1,358,000
Test Year 2016	\$1,000,000	\$804,402	(\$195,598)	\$990,000

REFERENCES: Park Exh. P-1, Ch. VI, p. 81; ORA Exh. O-1, Ch. 5, p. 5-15.

9.10 Miscellaneous Site Improvements

PARK WATER REQUEST:

Park requests \$100,000 annually in 2015, 2016, and 2017 for miscellaneous site improvements based on the proposed increase in groundwater pumping.

ORA POSITION:

ORA recommends \$38,775 in 2015, \$39,163 in 2016, and \$39,554 in 2017 for miscellaneous site improvements based on a five-year recorded average (2010 – 2014) of capital expenditures.

RESOLUTION:

After further discussions, settlement negotiations, Park agrees to use ORA’s recommendation for miscellaneous site improvements as set forth in the table below.

Miscellaneous Site Improvements

	Park Original	ORA Original	Difference	Settlement
Year 2015	\$100,000	\$38,775	(\$61,225)	\$38,775
Test Year 2016	\$100,000	\$39,163	(\$60,837)	\$39,163
Test Year 2017	\$100,000	\$39,554	(\$60,446)	\$39,554

REFERENCES: Park Exh. P-1, Ch. VI, p. 81; ORA Exh. O-1, Ch. 5, p. 5-29.

9.11 Water Treatment

PARK WATER REQUEST:

Park requests \$136,300 in 2015, \$137,000 in 2016, and \$137,700 in 2017 for Water Treatment equipment based on its proposed increase in groundwater pumping.

ORA POSITION:

ORA recommends \$129,194 in 2015, \$130,486 in 2016, and \$131,791 in 2017 for Water Treatment equipment based on a five-year average (2010 – 2014) of capital expenditures.

RESOLUTION:

After further discussions, settlement negotiations, and review of Park’s rebuttal testimony, the Parties agree to use \$132,745 in 2015, \$133,640 in 2016, and \$134,745 in 2017 for Water Treatment equipment as set forth in the tables below.

Water Treatment

	Park Original	ORA Original	Difference	Settlement
Year 2015	\$136,300	\$129,194	(\$7,106)	\$132,745
Test Year 2016	\$137,000	\$130,486	(\$6,514)	\$133,640
Test Year 2017	\$137,700	\$131,791	(\$5,909)	\$134,745

REFERENCES: Park Exh. P-1, Ch. VI, p. 81; ORA Exh. O-1, Ch. 5, p. 5-30.

9.12 Water Rights

PARK WATER REQUEST:

Park requests \$1,000,000 annually in 2015, 2016, and 2017 for the purchase of new water rights to secure the ability to pump more groundwater in a tightening leased water rights market and allow for the capacity to store groundwater for future drought conditions.

ORA POSITION:

ORA recommended disallowance for this project, in part, because Park spent more than double the authorized amount for the purchase of water rights in the previous rate case.

RESOLUTION:

After further discussions, settlement negotiations, and review of Park’s rebuttal testimony, the Parties agree to cost estimates for the purchase of water rights as set forth by the tables below.

Water Rights

	Park Original	ORA Original	Difference	Settlement
Year 2015	\$1,000,000	\$0	(\$1,000,000)	\$500,000
Test Year 2016	\$1,000,000	\$0	(\$1,000,000)	\$500,000
Test Year 2017	\$1,000,000	\$0	(\$1,000,000)	\$500,000

REFERENCES: Park Exh. P-1, Ch. VI, p. 84-86; ORA Exh. O-1, Ch. 5, p. 5-13.

9.13 Bellflower/Norwalk Replacement Groundwater Well

PARK WATER REQUEST:

Park requests \$650,000 in 2015 for the purchase of land for the Bellflower/Norwalk Replacement Groundwater Well. Park also requests \$1,550,000 in 2016 and \$1,550,000 in 2017 for the drilling and construction of the replacement well.

ORA POSITION:

ORA agrees with Park’s proposal for the Bellflower/Norwalk Replacement Groundwater Well and recommends it be authorized by the Commission with a hard cap on the total project cost.

RESOLUTION:

After further discussions, settlement negotiations, and review of Park’s rebuttal testimony, ORA and Park agree to use Park’s estimates for the Bellflower/Norwalk Replacement Groundwater Well as set forth by the tables below. In lieu of a hard cap, the Parties agree that Park will provide specific testimony in the next GRC supporting any cost variance 5% or greater than the total authorized project cost.

Year 2015

Bellflower/Norwalk Well	Park Original	ORA Original	Difference	Settlement
Land Purchase	\$650,000	\$650,000	\$0	\$650,000
Drill & Casing	\$0	\$0	\$0	\$0
Structure & Equipping	\$0	\$0	\$0	\$0

Test Year 2016

Bellflower/Norwalk Well	Park Original	ORA Original	Difference	Settlement
Land Purchase	\$0	\$0	\$0	\$0
Drill & Casing	\$1,550,000	\$1,550,000	\$0	\$1,550,000
Structure & Equipping	\$0	\$0	\$0	\$0

Test Year 2017

Bellflower/Norwalk Well	Park Original	ORA Original	Difference	Settlement
Land Purchase	\$0	\$0	\$0	\$0
Drill & Casing	\$0	\$0	\$0	\$0
Structure & Equipping	\$1,550,000	\$1,550,000	\$0	\$1,550,000

REFERENCES: Park Exh. P-1, Ch. VI, p. 86; ORA Exh. O-1, Ch. 5, p. 5-18.

9.14 Building Remodel**PARK WATER REQUEST:**

Park requests \$1,300,000 in 2015 and \$1,300,000 in 2016 for remodeling Park’s office building. Park also requests \$200,000 in 2015, \$250,000 in 2016, and \$5,000 in 2017 for related furniture and office equipment.

ORA POSITION:

ORA agrees with Park’s proposals for the building remodel capital project and furniture/office equipment and further recommends the adoption of hard caps on the total project cost.

RESOLUTION:

After further discussions, settlement negotiations, and review of Park’s rebuttal testimony, the Parties agree to use Park’s estimates for the building remodel and furniture/office equipment as set forth by the tables below. In lieu of hard caps, the Parties agree that Park will provide specific testimony in the next GRC supporting any cost variances 5% or greater than the total authorized project costs.

Year 2015

	Park Original	ORA Original	Difference	Settlement
Building Remodel	\$1,300,000	\$1,300,000	\$0	\$711,765
Furniture and Office Equipment	\$200,000	\$200,000	\$0	\$200,000

Test Year 2016

	Park Original	ORA Original	Difference	Settlement
Building Remodel	\$1,300,000	\$1,300,000	\$0	\$1,888,235
Furniture and Office Equipment	\$250,000	\$250,000	\$0	\$250,000

Test Year 2017

	Park Original	ORA Original	Difference	Settlement
Furniture and Office Equipment	\$5,000	\$5,000	\$0	\$5,000

REFERENCES: Park Exh. P-1, Ch. VI, p. 93; ORA Exh. O-1, Ch. 5, p. 5-19.

9.15 Vehicles**PARK WATER REQUEST:**

Park requests \$84,500 in 2015, \$66,300 in 2016, and \$77,600 in 2017 for vehicles and related equipment. Park's estimate is based on six new vehicles at Park's estimated unit cost including related equipment.

ORA POSITION:

ORA recommends \$32,600 in 2015, \$32,600 in 2016, and \$6,900 in 2017 for vehicles and related equipment. ORA's estimate is based on two new vehicles at ORA's estimated unit costs including related equipment.

RESOLUTION:

After further discussions, settlement negotiations, and review of Park's rebuttal testimony, the Parties agree to estimates for purchasing vehicles and related equipment as set forth by the table below. The settlement amounts are based on ORA's recommendation for two new vehicles using Park's estimated unit costs and related equipment.

Year 2015

	Park Original	ORA Original	Difference	Settlement
Vehicles	\$77,700	\$25,800	(\$51,900)	\$30,418
Light Bars	\$6,800	\$6,800	\$0	\$6,800
Total	\$84,500	\$32,600	(\$51,900)	\$37,218

Test Year 2016

	Park Original	ORA Original	Difference	Settlement
Vehicles	\$59,500	\$25,800	(\$33,700)	\$30,722
Light Bars	\$6,800	\$6,800	\$0	\$6,800
Total	\$66,300	\$32,600	(\$33,700)	\$37,522

Test Year 2017

	Park Original	ORA Original	Difference	Settlement
Vehicles	\$70,700	\$0	(\$70,700)	\$0
Light Bars	\$6,900	\$6,900	\$0	\$6,900
Total	\$77,600	\$6,900	(\$70,700)	\$6,900

REFERENCES: Park Exh. P-1, Ch. VI, p.104; ORA Exh. O-1, Ch. 5, p. 5-23.

9.16 Cost of Removal**PARK WATER REQUEST:**

Park requests \$888,400 in 2015, \$874,800 in 2016, and \$393,900 in 2017 for the cost of removal.

ORA POSITION:

ORA recommends \$452,920 in 2015, \$452,924 in 2016, and \$452,920 in 2017 for the cost of removal.

RESOLUTION:

Based on the stipulated capital projects, the Parties agree to the cost of removal estimates as set forth in the table below.

Cost of Removal

	Park Original	ORA Original	Difference	Settlement
Year 2015	\$888,400	\$452,920	(\$435,480)	\$803,400
Test Year 2016	\$874,800	\$452,924	(\$421,880)	\$711,300
Test Year 2017	\$393,900	\$452,920	\$59,020	\$164,600

REFERENCES: Park Exh. P-1, Ch. VI, p. 104; ORA Exh. O-1, Ch. 5, p. 5-32.

9.17 Real Property Subject to Water Infrastructure Improvement Act of 1996

PARK WATER REQUEST:

Park requests that Pump Lot 13-C with a total original cost of \$3,185.72 be transferred to non-utility property in the year-end 2014 accounting as this property is determined to be no longer used and useful. Park requests Commission acknowledgement that Park is in compliance with the Infrastructure Improvement Act.

ORA RESPONSE:

ORA did not issue testimony regarding the Water Infrastructure Improvement Act of 1996.

RESOLUTION:

After further discussions, settlement negotiations, and review of Park's rebuttal testimony, the Parties agree that the Commission should find that Park is in compliance with the real property subject to the Water Infrastructure Improvement Act of 1996.

REFERENCES: Park Exh. P-1, pp--126.

9.18 Potential Water Supply – City of Bellflower

ORA RECOMMENDATION:

As a result of a comment received at the Public Participation Hearings, ORA learned that the City of Bellflower may have excess capacity that could be available to Park. Based on Park's responses to ORA's discovery requests, it is not economically feasible for Park to incorporate this excess capacity into Park's supply at this time. Park identified several reasons why it is more cost effective for Park to replace the wells in its Bellflower-Norwalk system rather than enter into an agreement with the City of Bellflower to purchase water. Some of the reasons identified by Park included the limited availability of supply during peak demands, hydraulic constraints, capital improvements required, wheeling charges from Bellflower-Somerset Mutual Water Company, and the terms of the contract proposed by the City of Bellflower.

PARK WATER RESPONSE:

Park did not issue testimony regarding the excess capacity from the City of Bellflower’s well.

RESOLUTION:

After further discussions and settlement negotiations, the Parties agree that Park will reexamine whether or not it is economically feasible to purchase water from the City of Bellflower. This would involve an assessment of whether conditions have changed regarding the firm capacity and seasonal availability of water from the City of Bellflower, the City of Bellflower’s ability to commit capacity for an extended period of time consistent with the life of the additional facilities that Park would need to install in order to utilize that capacity, and the feasibility for Park to incorporate this excess capacity into Park’s supply mix. Park agrees to provide an update to the Commission in its next GRC application.

REFERENCES: ORA Exh. O-1, pp. 5-33 – 5-37.

10.0 DEPRECIATION RATES, RESERVE, AND DEPRECIATION EXPENSE

10.1 Depreciation Rates

PARK WATER REQUEST:

Park proposed new depreciation rates based on a remaining life study completed in accordance with Standard Practice U-4, using plant and reserve balances as of January 1, 2014.

ORA RESPONSE:

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

RESOLUTION:

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

Depreciation Rates	Present	Proposed
Wells	3.71%	2.23%
Source Of Supply - Other	2.16%	2.13%

Depreciation Rates	Present	Proposed
Pumping - Struct. & Improv.	3.99%	3.82%
Electric Pump. Equip.	4.12%	4.13%
Water Treatment Equip.	5.06%	5.12%
T&D Reservoirs & Tanks	2.05%	2.09%
T & D Mains	2.28%	1.91%
Services	2.54%	2.56%
Meters	2.84%	3.09%
Hydrants	2.28%	2.25%
Gen. Plant Struct. & Improv.	2.57%	1.94%
Office Furniture & Equip.	6.11%	6.54%
Transportation Equipment	7.78%	2.12%
Stores Equipment	4.01%	3.55%
Tools & Shop Equipment	5.51%	4.97%
Laboratory Equipment	4.42%	6.78%
Power Operated Equipment	6.61%	8.35%
Communication Equipment	7.76%	7.56%
Computer Equipment-Pc	11.98%	10.95%
Computer Equipment-Mis/Sftwr	8.92%	9.55%
Computer Mapping Equipment	3.35%	0.54%
Other Tangible Property	4.00%	4.00%

REFERENCES: Park Exh. P-1, Table VII-A; ORA Exh. O-1, Ch. 6.

10.2 Depreciation Reserve

PARK WATER REQUEST:

Park requested depreciation expense and reserve based on its proposed depreciation rates and proposed utility plant. In developing the proposed depreciation rates, Park revised the remaining life assumptions for services and water mains from 40 to 50 years and from 50 to 60 years, respectively.

ORA POSITION:

There are no methodological differences between Park and ORA. There was no issue regarding the depreciation rates or revisions to the remaining life study proposed by Park. Differences in

the Parties' original depreciation reserve and depreciation expense estimates resulted from differences in the utility plant estimates.

RESOLUTION:

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

Test Year 2016

	Park Original	ORA Original	Difference	Settlement
<u>Depreciation Reserve & Expense</u>				
Beginning Year Balance	\$21,920,314	\$21,067,835	(\$852,479)	\$21,096,041
Annual Accrual Charged To:				
Clearing Accounts	\$109,324	\$110,541	\$1,217	\$110,642
Contributions	\$300,175	\$299,675	(\$500)	\$299,675
Depreciation Expense	\$2,139,342	\$2,058,176	(\$81,166)	\$2,078,396
Other				
Total	\$2,548,841	\$2,468,392	(\$80,449)	\$2,488,713
<u>Retirements & Adjustments</u>				
Net Retirements	\$1,124,888	\$2,054,888	\$930,000	\$2,054,888
Adjustments	\$73,761	\$166,761	\$93,000	\$166,761
Total	\$1,198,649	\$2,221,649	\$1,023,000	\$2,221,649
Net Additions	\$1,350,193	\$246,744	\$1,103,449	\$267,064
End Of Year Balance	\$23,270,506	\$21,314,579	(\$1,955,927)	\$21,363,105
Average Balance	\$22,595,410	\$21,191,207	(\$1,404,203)	\$21,229,573
<u>Statistics</u>				

	Park Original	ORA Original	Difference	Settlement
Average Depreciable Plant	\$118,555,047	\$107,101,612	(\$11,453,435)	\$112,008,596
Accrual As % Of Plant	2.15%	2.30%		2.22%

Escalation Year 2017

	Park Original	ORA Original	Difference	Settlement
<u>Depreciation Reserve & Expense</u>				
Beginning Year Balance	\$23,270,506	\$21,314,579	(\$1,955,927)	\$21,363,105
Annual Accrual Charged To:				
Clearing Accounts	\$112,391	\$111,954	(\$437)	\$112,156
Contributions	\$301,669	\$301,170	(\$499)	\$301,170
Depreciation Expense	\$2,620,743	\$2,373,499	(\$247,244)	\$2,493,514
Other				
Total	\$3,034,804	\$2,786,623	(\$248,181)	\$2,906,840
<u>Retirements & Adjustments</u>				
Net Retirements	\$623,803	\$623,803	\$0	\$623,803
Adjustments	\$6,908	\$6,908	\$0	\$6,908
Total	\$630,712	\$630,712	\$0	\$630,712
Net Additions	\$2,404,092	\$2,155,911	(\$248,181)	\$2,276,128
End Of Year Balance	\$25,674,599	\$23,470,490	(\$2,204,109)	\$23,639,233
Average Balance	\$24,472,553	\$22,392,534	(\$2,080,019)	\$22,501,169
<u>Statistics</u>				
Average Depreciable Plant	\$136,832,624	\$116,386,176	(\$20,446,448)	\$126,770,565
Accrual As % Of Plant	2.22%	2.39%		2.29%

REFERENCES: Park Exh. P-1, Table VII-C; ORA Exh. O-1, Ch. 6, Tables 6-1 & 6-2.

11.0 RATE BASE

11.1 Materials and Supplies

PARK WATER REQUEST:

Park requests \$196,210 in materials and supplies based on the recorded 2013 data calculated by the 3% non-labor escalation factor to Test Year 2016.

ORA POSITION:

ORA agrees with Park's methodology. The original differences between the Parties' positions are the result of ORA's use of recorded 2014 data. Since Park agrees with ORA's use of recorded 2014 data and with the resolution of escalation factors (Section 5.2), there are no more differences between the Parties' positions.

RESOLUTION:

The Parties agree to materials and supplies as shown in the tables below.

Materials/Supplies

	Park Original	ORA Original	Difference	Settlement
Test Year 2016	\$196,210	\$194,248	(\$1,962)	\$188,709
Escalation Year 2017	\$202,097	\$200,076	(\$2,021)	\$193,810

REFERENCES: Park Exh. P-1, Table VIII-A; ORA Exh. O-1, Ch. 7, Table 7-1.

11.2 Deferred Income Tax

PARK WATER REQUEST:

Park estimated \$6,866,281 in deferred income taxes for Test Year 2016 based on the normalization of tax benefits derived from accelerated depreciation, Accelerated Cost Recovery System ("ACRS") and Modified Accelerated Cost Recovery System ("MACRS"), allowed for Federal Income Tax calculation and incorporating Park's estimates of utility plant in service. The calculation of the deferred tax reserve incorporates the impact of Bonus Depreciation allowed by the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010 and the Internal Revenue Service ("IRS") Repair Regulations (U.S. Treasury Department regulations issued on December 23, 2011 (T.D. 9564), and IRS related guidance issued in March 2012)

implemented for taxable years beginning on or after January 1, 2014, allowing some costs which are normally capitalized to be treated as repair or expense items for tax purposes. Because Park has not yet filed its 2014 return and not yet finalized its methodology for determining the costs which could be expensed for tax purposes, Park estimated them at 3% of the 25-year tax life plant for both the tax repair catch-up and future plant adjustments.

ORA POSITION:

There are no methodological differences between Park and ORA. There was no issue regarding the tax rates proposed by Park. Differences in the Parties’ original deferred income tax estimates resulted from ORA’s use of the deferred income taxes from Park’s update for recorded 2014 data and differences in the utility plant estimates.

RESOLUTION:

The Parties agree to use Park’s methodology to calculate the deferred taxes. The Parties agree Park’s projected tax repairs and any differences in revenue requirement due to differences between the estimated and actual methodology for determining tax repairs will be recorded in the Tangible Property Regulations Consequences Memorandum Account. The Parties further agree that the deferred taxes will incorporate the settlement on utility plant issues and agree to the amounts shown in the below tables.

Deferred Income Tax

	Park Original	ORA Original	Difference	Settlement
Test Year 2016	\$6,866,281	\$6,773,971	(\$92,310)	\$6,807,979
Escalation Year 2017	\$7,186,687	\$6,984,247	(\$202,440)	\$7,072,207

REFERENCES: Park Exh. P-1, p. 137, Table VIII-A; ORA Exh. O-1, Table 7-1.

11.3 Working Cash

PARK WATER REQUEST:

Park’s Application requests working cash estimates of \$2,474,564 for Test Year 2016 and \$4,141,888 for Test Year 2017 based on the methodology prescribed in Standard Practice U-16 (in Rebuttal, Park corrected an error in the calculation of the 2017 revenue lag day resulting in a

correction of the 2017 working cash allowance to \$2,540,386, based on Park’s original application estimates of expenses and capital).

ORA POSITION:

ORA recommends working cash estimates of \$2,212,412 for Test Year 2016 and \$1,956,374 for Test Year 2017 based on adjustments to Park’s Application amounts to exclude depreciation expense and production expenses (purchased power, purchased water, and replenishment) from the lead-lag study and the WRAM adjustment for revenue lag in 2017.

RESOLUTION:

Aside from the methodological differences described above, the differences in the Parties’ original working cash estimates resulted from differences in revenues, expense and utility plant used in the total working cash calculation, and correction of Park’s error in the 2017 revenue lag day calculation and ORA’s inconsistency between its expense estimates and the amounts used for those expense categories in the lead-lag study. ORA agrees to include depreciation expense and production expenses in the lead – lag study and agrees with Park’s corrected proposed WRAM adjustment for revenue lag in 2017. The Parties agree to include in Operational Cash the unamortized portion of agreed upon rate case costs (Section 6.14). The Parties agree that working cash should be calculated using adopted expenses and utility plant in service consistent with the Commission’s Standard Practice U-16. The Parties further agree to the working cash as set forth in the tables below.

Working Cash

	Park Original	ORA Original	Difference	Settlement
Test Year 2016	\$2,474,564	\$2,212,412	(\$262,152)	\$2,484,097
Escalation Year 2017	\$4,141,888	\$1,956,374	(\$2,185,514)	\$2,619,576

REFERENCES: Park Exh. P-1, pp. 134-135, Park Exh P-12, pp. 9-17; ORA Exh. O-1, pp. 7-1 – 7-4.

13.0 MISCELLANEOUS REVENUES

13.1 Non-Tariffed Products & Services (NTPS)

PARK WATER REQUEST:

Park estimated NTPS revenues of \$93,509 for 2016, 2017, and 2018 based on contracts with HomeServe and CBMWD (the Rio Hondo System). Park’s estimates were based on a 3-year average and based on the contracts contemplated to be in effect during 2016, 2017, and 2018 at the time the Application was prepared.

ORA POSITION:

ORA recommends NTPS revenues of \$186,066 for 2016, 2017, and 2018. ORA’s estimates also include contracts entered into after the Application was filed, CBMWD (Century system renewal) and the City of Bell Gardens. ORA proposes the same estimate for 2016 be used for 2017 and 2018 without averaging. ORA also proposes a difference in the accounting for incremental costs.

RESOLUTION:

After much discussion, the Parties agree to an estimate for the total Miscellaneous Revenue for 2016, 2017, and 2018 of \$490,000. Assuming use of ORA’s estimates for Late Fees and Miscellaneous Service Revenues (Fire flow and Reconnection Fees) as reflected below, the NTPS revenues for 2016, 2017, and 2018 is \$178,434. The Parties agree to NTPS revenues of \$178,434 for 2016, 2017, and 2018 as set forth in the tables below.

NTPS Revenues

	Park Original	ORA Original	Difference	Settlement
Test Year 2016	\$93,509	\$186,066	\$92,557	\$178,434
Escalation Year 2017	\$93,509	\$148,295	\$54,786	\$178,434
Escalation Year 2017	\$93,509	\$148,295	\$54,786	\$178,434

REFERENCES: Park Exh. P-1, pp. 163-164, Park Exh P-12, pp. 17-19; ORA Exh. O-1, pp. 13-1 – 13-4.

13.2 Misc. Service Revenues (Fire Flow and Reconnection Fees)

PARK WATER REQUEST:

Park estimated Misc. Service Revenue based on a 9-month annualized for 2014.

ORA POSITION:

ORA recommends Misc. Service Revenue of \$178,043 based on the updated 2014 data.

RESOLUTION:

Park agrees with ORA's use of the updated 2014 data. The Parties agree to misc. service revenue as set forth in the table below.

Test Year 2016

	Park Original	ORA Original	Difference	Settlement
Misc. Service Revenues	\$182,242	\$178,043	(\$4,199)	\$178,043

REFERENCES: Park Exh. P-1, pp. 163-164; ORA Exh. O-1 p. 13-5.

13.3 Late Fees

PARK WATER REQUEST:

Park estimated late fees of \$113,922 for 2016 based on a 5-year recorded average (2009-2013).

ORA POSITION:

ORA recommends \$133,524 based on 3-year recorded average (2012-2014).

RESOLUTION:

After further discussions and settlement negotiations, Park agrees with ORA's recommended use of the 3-year recorded average. The Parties agree to the late fees as set forth in the table below.

Test Year 2016

	Park Original	ORA Original	Difference	Settlement
Late Fees	\$113,922	\$133,524	\$19,602	\$133,524

REFERENCES: Park Exh. P-1, pp. 163-164; ORA Exh. O-1 p. 13-2.

14.0 RATE DESIGN

14.1 Residential and Non-Residential

PARK WATER REQUEST:

Park requests continuation of the current conservation rate design program that includes increasing block rates of three tiers for residential customers. Park requests that the breakpoints be adjusted to reflect more recent consumption patterns. Due to the different characteristics of its non-residential customers, Park recommends retaining the single quantity conservation rate for non-residential customers. The rate design uses the California Urban Water Conservation Council (“CUWCC”) BMP 11 on conservation rates by using the threshold guideline of having more than 70% of its revenue generated by the commodity charge. The residential rate design is set such that 75% of revenue comes from the quantity charge.

ORA POSITION:

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

RESOLUTION:

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

REFERENCES: Park Exh.P-1, Chapter XII; ORA Exh. O-1, Chapter 14.

15.0 WATER QUALITY

ORA RECOMMENDATION:

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

PARK WATER RESPONSE:

Park agrees with ORA’s recommendation.

RESOLUTION:

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

REFERENCES: Park Exh. P-1, Chapter X; ORA Exh. O-1, Chapter 10.

16.0 MEMORANDUM AND BALANCING ACCOUNTS

16.1 Tangible Property Regulations Consequences Memorandum Account

PARK WATER REQUEST:

Park requests that the Commission authorize the refund of the over-collected balance recorded in the Tangible Property Regulations Consequences Memorandum Account estimated at \$14,000 as of December 31, 2014. Park further requests Commission authorization to close the account as of January 1, 2016, the effective date of the Test Year 2016 rate case cycle, as the estimated impact of these regulations has been incorporated in the calculation of Park's requested revenue requirement in this proceeding.

ORA POSITION:

ORA agrees with Park's request to refund the balance recorded in the account but recommends that the account remain open to allow Park to record potential customer benefits that are unknown at this time because Park has yet to file its 2014 federal income tax return ,which will contain the determination of the Section 48(a) catch up provision.

RESOLUTION:

After further discussions, settlement negotiations, and review of ORA's testimony, the Parties agree that the balance recorded in the Tangible Property Regulations Consequences Memorandum Account should be refunded to customers after the final balance is determined. The Parties agree that the account should remain open through this rate cycle (2016 – 2018) to track differences in revenue requirement due to differences between the estimated and actual methodology for determining the tax impact of the Repair Regulations.

REFERENCES: Park Exh. P-1, p. 155-156; ORA Exh. O-1, Ch. 11.

16.2 Income Tax Repair Regulations Implementation Memorandum Account

PARK WATER REQUEST:

Park requests that the Commission authorize the recovery of the under-collected balance recorded in the Income Tax Repair Regulations Implementation Memorandum Account. The Income Tax Repair Regulations Implementation Memorandum Account records the costs of initial implementation of the Repair Regulations, including outside services. Park also requests that the Commission close this account on January 1, 2016, the effective date of the Test Year 2016 rate case cycle, since Park anticipates that all implementation costs would have been incurred by that time.

ORA POSITION:

ORA finds Park's request to be reasonable.

RESOLUTION:

After discussions, settlement negotiations, and review of Park's rebuttal testimony, the Parties agree that the Income Tax Repair Regulations Implementation Memorandum Account should terminate at the end of December 31, 2015 (or whatever other time that rates from this proceeding become effective) and that the Commission should authorize Park to file a Tier 2 advice letter to recover the under-collected balance recorded in the Income Tax Repair Regulations Implementation Memorandum Account.

REFERENCES: Park Exh. P-1, p. 156; ORA Exh. O-1, Ch. 11.

16.3 Low-Income Customer Data Sharing Cost Memorandum Account

PARK WATER REQUEST:

Park requests that the Commission authorize recovery of the balance recorded in the Low-Income Customer Data Sharing Memorandum Account. The under-collected balance recorded in the account through December 31, 2014 is \$17,989. The costs associated with the maintenance of Park's low-income sharing are not included in Park's 2015 adopted rates, therefore, Park requests that the recovery include the recorded 2015 costs.

ORA POSITION:

ORA finds Park's request to be reasonable. ORA further recommends that the account be closed.

RESOLUTION:

After discussion, settlement negotiations, and review of Park's rebuttal testimony, the Parties agree that the Commission should authorize Park to file a Tier 2 advice letter in the first quarter of 2016, after the 2015 recorded information is available, to recover the balance recorded in the Low-Income Customer Data Sharing Memorandum Account and that the account be closed thereafter.

REFERENCES: Park Exh. P-1, p. 156; ORA Exh. O-1, Ch. 11.

16.4 Credit Card Memorandum Account

PARK WATER REQUEST:

Park requests that the Commission authorize the refund of the over-collected balance recorded in the Credit Card Memorandum Account estimated at \$5,183 at December 31, 2015 through a one-time surcredit. Park further proposes that the Commission authorize the closing of the account. The account was authorized by the Commission in Resolution W-4936, which requires disposition of the amounts recorded in the account in this GRC proceeding and allows for the balance to be estimated through December 31, 2015.

ORA POSITION:

ORA finds Park's request to be reasonable.

RESOLUTION:

Based on discussions, review of Park's rebuttal testimony, and review of workpapers, the Parties agree that the Commission should authorize Park to file a Tier 1 advice letter to the refund the over-collected balance recorded in the Credit Card Memorandum Account in the amount of \$5,183 and that the account be closed thereafter.

REFERENCES: Park Exh. P-1, p. 157; ORA Exh. O-1, Ch. 11.

16.5 Conservation Expense One-Way Balancing Account

PARK WATER REQUEST:

Park requests that ORA defer audit of the Conservation Expense One-Way Balancing Account until after the completion of the 2013-2015 rate cycle, when Park files an advice letter requesting the resolution of the account authorized for the period.

ORA POSITION:

ORA supports Park's recommendation because the account covers the current rate case cycle (2013 – 2015). At the end of the three-year rate cycle (December 31, 2015), if the cumulative balance in the account is positive (meaning the actual conservation expenses did not exceed the authorized conservation expense), Park would refund the net positive balance to its customers. Conversely, if the amount of the cumulative balance is negative at the end of 2015, then that balance shall not be recovered from customers.

RESOLUTION:

The Parties agree that Park will file a Tier 2 advice letter by April 30, 2016 proposing resolution of the One-Way Conservation Expense Balancing Account. At that time, ORA will conduct an audit of the 2013 – 2015 expenses recorded in the account.

REFERENCES: Park Exh. P-1, p. 156-157; ORA Exh. O-1, Ch. 11.

16.6 Military Family Relief Program ("MFRP") Memorandum Account

ORA RECOMMENDATION:

ORA recommends that the Commission authorize the closing of the MFRP Memorandum Account because there has been no activity recorded in the account since its inception. ORA believes that the purpose, circumstances, and conditions under which the memorandum account was originally established no longer exist.

PARK WATER RESPONSE:

Park did not issue testimony regarding the MFRP Memorandum Account.

RESOLUTION:

After further discussions, settlement negotiations, and review of ORA's testimony, the Parties agree that the Commission should authorize the closing of the MFRP Memorandum Account. The Parties agree that Park should be authorized to file a Tier 1 advice letter to remove the MFRP Memorandum Account from Park's Preliminary Statement.

REFERENCES: ORA Exh. O-1, pp. 11-9 – 11-10.

16.7 Cost of Capital Memorandum Account

PARK WATER REQUEST:

Park requests that the Commission authorize recovery of the residual balance remaining in the Cost of Capital Memorandum Account through a one-time surcharge and that the account be closed. The under-collected balance recorded in the account through December 31, 2014 is \$28,093.

ORA POSITION:

ORA finds Park's request to be reasonable.

RESOLUTION:

After discussions, settlement negotiations, and review of Park's rebuttal testimony, the Parties agree that the Commission should authorize Park to file a Tier 1 advice letter to recover the residual balance remaining in the Cost of Capital Memorandum Account through a one-time surcharge of \$28,093 recorded through December 31, 2014, and that the account be closed thereafter.

REFERENCES: Park Exh. P-8, pp. 16-17; ORA Exh. O-1, pp. 11-13.

16.8 Employee and Retiree Health Care Balancing Account

PARK WATER REQUEST:

Park requests that the Commission authorize a new balancing account to track the difference between adopted employee and retiree healthcare expenses included in rates in this proceeding

and the actual expenses incurred. Park is seeking this account because of the large size of the expense, the volatility of the expense, and the fact that it is outside of Park's control. Park is seeking similar treatment previously afforded to other utilities regulated by the Commission, including its subsidiary, Apple Valley Ranchos Water Company.

ORA POSITION:

ORA opposes Park's request to establish an Employee and Retiree Health Care Balancing Account on the basis of its review of the justification provided by Park.

RESOLUTION:

After further discussions, settlement negotiations, review of Park's rebuttal testimony, and based on the Parties agreement regarding medical and dental expenses for 2017 and 2018, the Parties agree to ORA's recommendation and Park will withdrawal its request for an Employee and Retiree Healthcare Balancing Account.

REFERENCES: Park Exh. P-1, p. 154-155; Park Exh. P-7, pp. 11-13; ORA Exh. O-1, pp. 12-18 – 12-19.

16.9 Group Pension Expense Balancing Account

PARK WATER REQUEST:

Park requests that the Commission authorize a new balancing account to track the difference between adopted pension expenses included in rates in this proceeding and the actual expenses incurred. Park is seeking this account because of the projected increase in pension expense. Market conditions impact actual asset returns and the appropriate discount factor used by actuaries in determining the pension expense. These market conditions are outside of Park's control. A balancing account ensures that neither customers nor Park are harmed or benefitted by changing market conditions. Park is seeking similar treatment afforded to other water and energy utilities regulated by the Commission, including its subsidiary Apple Valley Ranchos Water Company (D.12-09-004). The amounts to be recorded in the account would be limited to the difference between Park's recorded expense, as determined by an independent actuarial firm, consistent with SFAS (Statement of Financial Accounting Standards) 87 accounting and ERISA

(The Employee Retirement Income Security Act of 1974) standards, and Park’s recovery of costs for ratemaking purposes.

ORA POSITION:

ORA opposes Park’s request to establish a Group Pension Balancing Account on the basis of its review of the justification provided by Park.

RESOLUTION:

After further discussions, settlement negotiations, and review of Park’s rebuttal testimony, the Parties agree that the Commission should authorize the establishment of the Group Pension Expense Balancing Account. The Parties agree that Park should be authorized to file a Tier 1 advice letter to establish the Group Pension Expense Balancing Account.

REFERENCES: Park Exh. P-1, p. 154; Park Exh. P-7, pp. 15 – 17; ORA Exh. O-1, Ch. 12.

17.0 SPECIAL REQUESTS

17.1 Level Payment Plan

PARK WATER REQUEST:

Park requests Commission authorization to offer a level payment plan option to allow customers to pay for water service in equal bi-monthly payments based on their last 12 months average bill, or a representative bill in their consumption history is shorter than that. At the end of the 12-month period, customers would receive a settlement bill with payment due or a credit balance. Park requests to offer a level payment plan similar to the program approved by the Commission for Southern California Edison.

ORA POSITION:

ORA opposes Park’s request to establish a Level Payment Plan program on the basis of its review of the justification provided by Park.

RESOLUTION:

After further discussions, settlement negotiations, and review of Park’s rebuttal testimony, the

Parties agree that the Commission should authorize Park to file a Tier 2 advice letter to implement the Level Payment Plan (“LPP”) as a pilot program. 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 LPP by informing Park by phone, or by submitting a form in person, by mail, or by email.
- Park may end a customer’s enrollment in the LPP 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 LPP program. If the customer fails to pay within 10 days of the notice, Park 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 LPP 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 monthly cycles or 6 bi-monthly cycles).

The accounts of customers who enroll in the LPP will be electronically tagged with a special identifier. For program evaluation purposes, Park agrees to monitor the success of the LPP 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 costs savings that could be attributed to the program. Park will also discuss whether further adjustments to the program may make it more cost effective.

The Parties also agree that the program is subject to suspension if drought conditions require Park to implement Stage 2 (or higher) of Schedule 14.1, Water Shortage Contingency Plan.

REFERENCES: Park Application, p. 13; ORA Exh. O-1, Ch. 11.

17.2 Recognition of Future Offset

PARK WATER REQUEST:

Park anticipates the filing of leased water and purchased power expense offset advice letters subsequent to the filing of this GRC Application but prior to the Test Year. Park requests that

the Commission recognize any subsequent offsets prior to the issuance of a final decision in this GRC.

ORA POSITION:

ORA supports this request.

RESOLUTION:

The Parties agree that any expense offsets be recognized prior to the issuance of a final decision in the proceeding.

REFERENCES: Park Application, p. 13; ORA Exh. O-1, Ch. 12.

18.0 WATER REVENUE ADJUSTMENT MECHANISM (“WRAM”)/MODIFIED COST BALANCING ACCOUNT (“MCBA”)

PARK WATER REQUEST:

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

ORA POSITION:

ORA opposes Park’s requests to modify the WRAM/MCBA.

RESOLUTION:

After further discussions, settlement negotiations, and review of Park’s rebuttal testimony, the Parties agree that the Commission should authorize the continuance of the WRAM/MCBA. The Parties agree with ORA’s recommendation not to add the commodity revenues for reclaimed

water customers to the WRAM and the purchased water-reclaimed expenses to the MCBA. The Parties agree to include Park's request to add leased water rights to the MCBA for this rate case cycle only, subject to a reasonableness review based on market conditions. The Parties further agree to include Park's request to add chemicals to the MCBA. The Parties agree that the Commission should authorize Park to file a Tier 1 advice letter to update the description of the WRAM/MCBA in Park's Preliminary Statement as described herein.

REFERENCES: Park Exh. P-1, p. 152-153; Park Exh. P-8, p.p 19 – 21; ORA Exh. O-1, Ch. 12.

19.0 LOW INCOME PROGRAM (CARW)

PARK WATER REQUEST:

Park proposes to continue its existing low-income discount program known as California Alternate Rates for Water ("CARW"). Park requests continuing this program by increasing the current monthly service charge discount of \$6.69 by the average percentage increase to rates authorized in this proceeding. Park also proposes the continuation of a surcharge to offset the CARW discounts provided to qualifying customers. Park requests the Commission authorize the recovery of the under-collection recorded in the CARW Balancing Account as of December 31, 2014 in the amount of \$526,141 through a 12-month temporary surcharge.

ORA POSITION:

ORA disagrees with Park's proposed modifications to the CARW program. ORA recommends that the CARW discount and surcharge remain at the current authorized level for years 2016 – 2018. ORA agrees with Park's request to recover the under-collected balance recorded in the CARW Revenue Reallocation Balancing Account.

RESOLUTION:

The Parties agree that the Commission should authorize the continuance of the CARW Program. The Parties disagree on Park's proposed modifications to the discount and surcharge, which are outlined in Section 1.3.

The Parties agree that the Commission should authorize Park to file a Tier 1 advice letter to recover the under-collection recorded in the CARW Revenue Reallocation Balancing Account as of December 31, 2014 in the amount of \$526,141. The Parties further agree that the CARW Balancing Account continues to be necessary to track the balance of collected surcharges and discounts.

REFERENCES: Park Exh. P-1, pp. 18-20, 153-154; Park Exh. P-8, pp. 17-18; ORA Exh. O-1, Ch. 12.

20.0 REQUESTS TO THE COMMISSION

As a result of this Settlement, the Commission should act to resolve Park's requests in this proceeding. The Parties are providing a list of these requests under paragraph 21.0 below in an effort to ensure the Commission takes notice of necessary findings and orders arising from this proceeding.

21.0 REQUESTS AS A RESULT OF THE SETTLEMENT

21.1 The Parties request that the Commission authorize the continuance of the existing Water Revenue Adjustment Mechanism and Modified Cost Balancing Accounts pursuant to Section 18.

21.2 The Parties request that the Commission authorize recovery of the under-collected balance in Park's Low-Income Customer Data Sharing Cost Memorandum Account (\$17,989 as of December 31, 2014) pursuant to Section 16.3.

21.3 The Parties request that the Commission authorize recovery of the under-collected balance in Park's Cost of Capital Memorandum Account (\$28,093 as of December 31, 2014) pursuant to Section 16.5.

21.4 The Parties request that the Commission authorize the refund of the over-collected balance in the Park's Credit Card Balancing Account (estimate of \$5,183 as of December 31, 2015) pursuant to Section 16.4.

21.5 The Parties request that the Commission authorize recovery of the under-collected balance in Park's CARW Revenue Reallocation Balancing Account (\$526,141 as of December 31, 2014) pursuant to Section 19.0.

21.6 The Parties request that the Commission make a finding that Park meets all applicable

water quality standards. This finding would be based upon ORA's review of water quality testimony and information provided by Park.

21.7 The Parties request that the Commission make a finding that Park is in compliance with the Real Property Subject to the Water Infrastructure Improvement Act of 1996.

21.8 The Parties request that the Commission order the filing of advice letters to implement increases for Escalation Years 2017 and 2018.

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

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

21.11 The Parties request that the Commission adopt a net-to-gross multiplier of 1.782332 for this rate case cycle.

22.0 FURTHER TERMS AND CONDITIONS OF THE SETTLEMENT

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

22.1 The Settlement is Reasonable

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

22.2 The Settlement is Lawful

The Parties are aware of no statutory provisions or prior Commission decision that would be

contravened or compromised by the Settlement. The issues resolved in the Settlement are clearly within the scope of the proceeding. Moreover, the Settlement, if adopted, would result in just and reasonable rates to Park's customers.

22.3 The Settlement Serves the Public Interest

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

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

22.4 The Settlement Conveys Sufficient Information

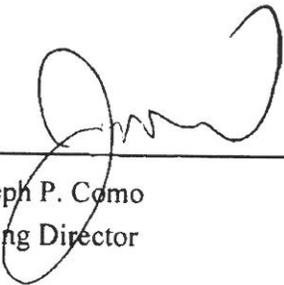
The Parties believe that the Settlement conveys sufficient information for the Commission to discharge its future regulatory obligations. Thus, taken as a whole, the Settlement will satisfy the Commission's standards for approving a settlement presented to it.

23.0 CONCLUSION

The Parties mutually believe that, based on the terms and conditions set forth above, this Settlement is reasonable, consistent with the law, and in the public interest.

* * * * * *Signature Page Follows* * * * * *

OFFICE OF RATEPAYER ADVOCATES

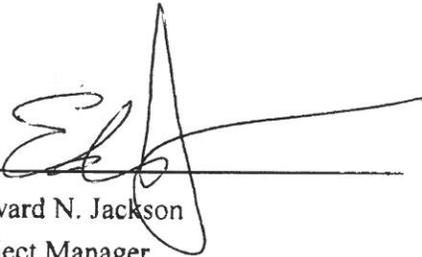
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Dated: August 14, 2015

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