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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 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. )  
\_\_\_\_\_ )

**JOINT MOTION OF PARK WATER COMPANY AND THE OFFICE OF RATEPAYER  
ADVOCATES TO APPROVE SETTLEMENT  
(SETTLEMENT AGREEMENT AND JOINT COMPARISON EXHIBIT ATTACHED)**

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- (1) that the Settlement Agreement commands the sponsorship of the Parties;
- (2) that the Parties are representative of the affected interests;
- (3) that no terms of the Settlement Agreement contravene any statutory provision or any decision of the Commission;
- (4) that the Settlement Agreement, together with the record in the proceeding, conveys to the Commission sufficient information to permit the Commission to discharge its regulatory obligations on the issues addressed by the Settlement Agreement;
- (5) that the Settlement Agreement is reasonable in light of the entire record, and it fulfills the criteria that the Commission requires for approval of such a settlement;
- (6) that the Settlement Agreement is an integrated whole with terms and conditions that are interdependent upon one another; and
- (7) that the Settlement Agreement is in the public interest.

Therefore, the Parties respectfully request that the Commission grant this motion and approve the Settlement Agreement without modification or condition.

## **II. PROCEDURAL BACKGROUND**

In accordance with the RCP, Park filed its Application, A.15-01-001, on January 2, 2015 (“Application”), which was assigned to ALJ Burcham. Park had previously filed its proposed application on November 3, 2014. In its Application, Park requested a revenue increase for 2016 in the amount of \$2,918,800, or 8.72% above revenues generated by current rates. Pursuant to the escalation year increase methodology adopted by the RCP, Park indicated it will file advice letters setting out its calculations and supporting analysis for the 2017 and 2018 escalation year rates 45 days prior to the first day of each escalation year. Park did include estimates of the impact of the escalation methodology for 2017 and 2018 solely for the purpose of providing customer notification. The estimated revenue increase for 2017 was \$2,422,093, or 6.63% above the proposed revenue requirements for Test Year 2016. The estimated revenue increase for 2018 was \$1,598,099, or 4.08% above the estimated revenue requirement for 2017. Park estimated that the requested increase would produce a rate of return on equity of 9.79% and a 9.07% return on the Company’s estimated rate base for Test Year 2016. 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 the Minimum Data Requirements (“MDR”), all of which were served on January 2, 2015.

ORA filed its protest to the Application on February 5, 2015. ALJ Burcham conducted a prehearing conference on March 25, 2015. On April 10, 2015, ALJ Burcham and assigned Commissioner Liane M. Randolph issued a Scoping Memo, setting the schedule for the proceeding. On April 29, 2015, ALJ Burcham held Public Participation Hearings (“PPH”) in the City of Bellflower. On May 6, 2015, ORA served its Report on the Results of Operations (“ORA’s Report”). On May 22, 2015, Park served its rebuttal testimony.

In accordance with ORA’s statutory mandate to represent and advocate on behalf of the interests of public utility customers within the jurisdiction of the Commission, ORA’s staff engaged in vigorous discovery, including numerous data requests. Park provided responses to ORA’s discovery, including detailed workpapers. Park also provided information in response to informal requests from ORA.

The Parties engaged in extensive settlement negotiations from May 28 to June 8, 2015, which included a mediation with ALJ Katherine MacDonald. As a result of those negotiations, Park and ORA settled the majority of the issues raised in ORA’s Report. The three issues that remained unsettled (identified in Section III of this Joint Motion) were litigated in hearings and have been briefed by the Parties.

ALJ Burcham held evidentiary hearings on June 9, 2015. At the hearing, Park’s and ORA’s testimony and reports were marked as exhibits and entered into the record along with additional exhibits introduced at the hearings. At the beginning of the evidentiary hearings, the Parties also provided ALJ Burcham with a summary of the unsettled issues and the Parties’ agreement to brief two of the unsettled issues based on the record, without the need to cross-examine witness. Hearings were held on the one remaining unresolved issue.

On July 13, 2015, Park filed its Motion for Interim Rates. 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. SUMMARY OF PROVISIONS OF SETTLEMENT AGREEMENT**

Based primarily on the use of updated 2014 recorded data, the stipulated escalation factors, and adjustments to calculations, as discussed throughout the Settlement Agreement, Park and ORA revised their revenue requirement estimates and the resulting Test Year 2016 revenue requirement increase estimates. With the incorporation of the settled issues, Park's revised revenue requirement increase for Test Year 2016 was reduced from 8.72% in its Application to 6.18%, while ORA's was increased from 1.87% to 6.18%. The Settlement Agreement resolves the majority of the issues contested by ORA's Report. The Settlement Agreement describes how each issue was resolved, a comparison of the Settling Parties' positions, the settlement on each issue, and a set of references to the evidentiary record addressing the particular issue. The Settlement Agreement does not address Park's proposals on the following unresolved issues, which the Parties have briefed: (1) the level of CARW Service Charge Discount and the CARW Surcharge (2) the Sales Reconciliation Mechanism; and (3) the Perchlorate Memorandum Account.

### **IV. THE SETTLEMENT MEETS THE CRITERIA UNDER RULE 12.1**

The Settlement Agreement meets all standards for approval by the Commission identified in Rule 12.1(d), which states:

The Commission will not approve settlements, whether contested or uncontested, unless the settlement is reasonable in light of the whole record, consistent with law, and in the public interest.

First, the Settlement Agreement is reasonable. Second, the Parties are aware of no statutory provision or prior Commission decision that would be impermissibly contravened or compromised by the Settlement Agreement. Third, the Settlement Agreement is in the public interest. The principal public interest affected by this proceeding is Park's delivery of safe, reliable water service at reasonable rates. The Settlement Agreement advances this interest because it fairly balances Park's ability to earn a reasonable rate of return against the needs of its customers for reasonable rates and safe, reliable water service.

In sum, the Parties believe that the Settlement Agreement and the related documents convey sufficient information for the Commission to discharge its regulatory obligations. Taken as a whole, the Settlement Agreement satisfies the Commission's standards for approving

settlements. Accordingly, the Parties respectfully request that the Commission approve their Settlement Agreement, without modification or alteration.

**A. THE SETTLEMENT AGREEMENT IS REASONABLE IN LIGHT OF THE RECORD AS A WHOLE.**

As reflected by their testimony and reports, the Parties have both similar and disparate positions and conclusions about the different issues involved in this GRC proceeding. The Parties have reviewed the testimony, reports, MDR, and data request responses and have been involved in discussions of the issues presented in the Application and are knowledgeable and experienced regarding these issues. The Parties also considered the affordability of the rates, statements presented at the PPH, Park's financial health, and the Commission's Water Action Plan. The Parties conducted extensive arm's length settlement negotiations for several weeks, including with a mediator, after considering all testimony and information.

The Parties fully considered the facts and law relevant to this case and reached reasonable compromises on most of the issues raised in Park's Application. In agreeing to a settlement, the Parties have used their collective experience to produce appropriate, well-founded recommendations. The Settlement Agreement clearly describes its scope and expresses the factual and legal considerations that form the grounds on which its approval is requested. The Parties believe the Settlement Agreement balances the various interests affected in this proceeding, reflects appropriate compromises of the Parties' litigation positions, and is reasonable.

**B. THE SETTLEMENT IS CONSISTENT WITH LAW AND PRIOR COMMISSION DECISIONS.**

The Parties are not aware of any statutory provisions or prior Commission decisions that would be contravened or compromised by the Settlement Agreement. The issues resolved in the Settlement Agreement are within the scope of the proceeding. If adopted, the Settlement Agreement will result in reasonable rates for Park's customers.

**C. THE SETTLEMENT AGREEMENT IS IN THE PUBLIC INTEREST.**

The Commission's first consideration on this point should be that this Settlement Agreement results in reasonable rates to customers while providing Park adequate funding for the safe and reliable provision of water service to those customers.

Numerous Commission decisions have endorsed settlements as an “appropriate method of alternative ratemaking” and express a strong public policy favoring settlement of disputes if they are fair and reasonable in light of the whole record. (*See, e.g.*, D.88-12-083, 30 CPUC 2d 189, 221-23; D.91-05-029, 40 CPUC 2d 301, 326.) This policy supports many worthwhile goals, including not only reducing the expense of litigation, and conserving scarce Commission resources, but also allowing parties to reduce the risk that litigation will produce unacceptable results. (D.92-12-019, 46 CPUC 2d 538, 553.) “This strong public policy favoring settlements also weighs in favor of the Commission resisting the temptation to alter the results of the negotiation process.” (D.08-01-043.) As long as a settlement taken as a whole is fair, reasonable, and in the public interest, it should be adopted without change.

Furthermore, the provisions of the Settlement Agreement and the Joint Comparison Exhibit show that the settled values generally fall within or below the litigation positions initially established by the Parties. Thus, from reviewing the Settlement Agreement, the Joint Comparison Exhibit, and the process used to arrive at these mutually acceptable outcomes, the Commission may derive substantial assurance that the Parties have met the requirements of Rule 12 and Public Utilities Code Sections 451 and 454.

While the Settlement also advances the interest of providing speedy resolution of contested issues and conservation of Commission resources, factors other than “avoiding the time and expense of hearings” have traditionally been weighed by the Commission in assessing whether a settlement is in the public interest. For example, the Commission has looked at the extent to which discovery has been completed, the stage of the proceeding, whether the Parties had undertaken a thorough review of the issues, the experience of counsel, the amount offered in settlement, the presence of a governmental participant, the overall strength of applicant’s case, and the relative risks and complexities of the litigation. (*See, e.g.*, D.00-09-037, 2000 Cal. PUC LEXIS 697 (citing *Officers for Justice v. Civil Service Commission of the City and County of San Francisco* (9th Cir. 1982) 688 F.2d 615, 625.) In the present case, prepared testimony has been served, extensive discovery was completed, and evidentiary hearings were held on June 9, 2015. The Parties have undertaken a thorough review of the issues and have been represented by experienced counsel. The recommended revenue requirement is a reasonable amount, as discussed above.

The involvement and presence of ORA – Commission staff responsible for representing ratepayer interests – as a party to the Settlement Agreement is strongly indicative of the fact that the settlement is reasonable and in the public interest. As the Commission has explained, a settlement that “commands broad support among participants fairly reflective of the affected interests” and “does not contain terms which contravene statutory provisions or prior Commission decisions” well serves the public interest. (*Re San Diego Gas & Elec.*, D.92-19-019, 46 CPUC2d at 552.) ORA is “ideally positioned to comment on the operation of the utility and ratepayer perception,” as required by D.92-12-019. (*Id.*, at 16.)

In addition, the Settlement Agreement and the developed record before the Commission convey sufficient information for the Commission to assess the relative risks and complexities of the litigation and to discharge its regulatory obligations.

The Parties believe that the Settlement Agreement is a reasonable compromise of their respective positions, and that the outcome in the Settlement Agreement is “reasonable in light of the whole record, consistent with law, and in the public interest,” as required by Rule 12.1(d). Looking at each of the various factors, the Commission can and should determine that the Settlement Agreement is in the public interest and is the preferred outcome for this proceeding. Accordingly, the Parties request that the Commission adopt the Settlement Agreement without modification.

## **V. CONCLUSION**

For the reasons discussed above, Park and ORA respectfully request the Commission approve the attached Settlement Agreement without modification. As discussed, the Settlement Agreement is reasonable in light of the whole record, consistent with the law, and is in the public interest. After a thorough review and analysis of information concerning Park’s and ORA’s positions and the strengths and weaknesses of the other’s position in this proceeding, the Parties strongly believe that the Settlement Agreement accomplishes a mutually reasonable and acceptable outcome of the Test Year 2016 revenue requirement issues in this proceeding.

Therefore, the Parties respectfully request that the Commission grant this Motion and: (1) adopt the attached Settlement Agreement as reasonable in light of the whole record, consistent with law and in the public interest; (2) authorize Park to modify water rates for service, consistent with the terms of the Settlement Agreement, subject to further modification resulting from the final decision on the remaining unsettled issues in this proceeding; (3) make

the findings and grant the requests to implement the fees, programs, mechanisms, and procedures as set forth in Park's Application, as modified by the Settlement Agreement and final decision on the remaining unsettled issues; and (4) grant such other and further relief as the Commission finds just and reasonable.

Executed at San Francisco, California,  
August 14, 2015

Executed at Los Angeles, California,  
August 14, 2015

Respectfully submitted,

Respectfully submitted,

                  /s/ Selina Shek                    
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