

**ATTACHMENT A**

**PHASE II SETTLEMENT AGREEMENT BETWEEN GOLDEN STATE  
WATER COMPANY AND THE OFFICE OF RATEPAYER ADVOCATES**

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

In the matter of the Application of the  
**GOLDEN STATE WATER COMPANY**  
(U 133 W) for an order authorizing it to decrease  
rates for water service by \$1,615,400 or -0.50%  
in 2016, to increase  
by \$10,280,800 or 3.21% in 2017; and increase  
by \$10,303,200 or 3.12% in 2018.

Application 14-07-006  
(Filed July 15, 2014)

**PHASE II SETTLEMENT AGREEMENT BETWEEN GOLDEN STATE WATER  
COMPANY AND THE OFFICE OF RATEPAYER ADVOCATES**

**I. TERMS AND CONDITIONS – GENERAL**

- 1.1** This Phase II Settlement Agreement (“Settlement”) is entered into by and between Golden State Water Company (“Golden State”) and the Office of Ratepayer Advocates (“ORA”) of the California Public Utilities Commission (“Commission”). Golden State and ORA are referred to jointly herein as the “Parties” or singularly as a “Party.”
- 1.2** This Settlement resolves all outstanding issues that are currently before the Commission relating to the water quality issues in the City of Gardena that are the subject matter of Phase II of the above referenced proceeding, Application 14-07-006.
- 1.3** This Settlement shall become effective and binding on the Parties as of the date it is fully executed by both Parties (“Effective Date”). The Settlement will not, however, resolve the Phase II issues before the Commission in Application 14-07-006 unless, and until, it is adopted by the Commission.

- 1.4** The Parties agree that (except as otherwise stated herein) the Commission's adoption of this Settlement should not be construed as an admission or waiver by either 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 (hereinafter "Rule"), 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 either Party with respect to a future proceeding except with respect to the terms and conditions set forth herein.
- 1.5** The Parties agree that neither Party to this Settlement, or either 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. Neither 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 either Party fails to perform its respective obligations under this Settlement, the other Party may come before the Commission to pursue a 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, both 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.
- 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 within fifteen (15) days of the Effective Date 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 either 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** Neither 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 both 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 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** Golden State filed its Application and direct testimony in this General Rate Case proceeding (“GRC”) on July 15, 2014. ORA served its Report on March 6, 2015. Golden State served rebuttal testimony on May 1, 2015. Evidentiary hearings were held between May 26, 2015 and June 5, 2015. The Parties submitted opening briefs on July 17, 2015 and reply briefs on August 17, 2015.

- 2.2 On March 6, 2015 ORA filed a motion requesting that the Commission open a separate phase of this GRC proceeding to consider water quality issues in the City of Gardena. On April 12, 2015 Administrative Law Judge Lirag issued a Ruling Amending the Scoping Memo granting ORA’s motion and setting a schedule for a separate Phase II of the GRC, to address water quality issues in the City of Gardena.
- 2.3 On July 24, 2015 Golden State served its testimony addressing the Phase II issues—the direct testimony of Robert McVicker and Katherine Nutting, Phase II – Water Quality Issues in the City of Gardena (“Phase II Testimony”). Golden State’s Phase II Testimony includes a description of the history of water quality issues in the City of Gardena, including the recent January 2015 incidents, and explains the actions that Golden State has taken in response to these water quality issues over the course of the last several years. Golden State’s Phase II Testimony also includes a description of the water system infrastructure improvements that Golden State believes should be implemented for the purpose of improving the water quality in the City of Gardena.
- 2.4 ORA served its Phase II Rebuttal Testimony on August 24, 2015. ORA’s Phase II Rebuttal Testimony includes a description of the recent water quality incidents in the City of Gardena, Golden State’s response to these recent issues, and Golden State’s activities in response to the water quality issues in the City of Gardena generally. ORA also describes an investigation that it asserts has been initiated by the State Water Resources Control Board (“SWRCB”) Office of Enforcement into these water quality issues. In addition, ORA explains the actions taken by the SWRCB’s Division of Drinking Water (“DDW”) in response to these water quality issues, and attaches an August 18, 2015 letter from the DDW requesting that Golden State provide certain information and take certain actions

related to the water quality in the City of Gardena. As ORA notes, Golden State has the opportunity to provide comments to DDW's August 18, 2015 letter. As such, DDW's findings and requirements related to the water quality issues in the City of Gardena are not yet final. ORA also contests Golden State's testimony regarding the company's proposed water system infrastructure improvements for the water quality in the City of Gardena.

2.5 ORA makes the following two recommendations in its testimony: (1) the Commission should afford no weight to the pipeline replacement information submitted in Robert McVicker's Phase II testimony; and (2) the Commission should adopt reporting requirements that will facilitate the Commission's monitoring of Golden State's compliance with the SWRCB's directives and to help ensure that actions taken by Golden State are adequate and cost-effective in addressing water quality issues in the City of Gardena.

2.6 The Commission held a public comment session and an evidentiary hearing for Phase II on September 14, 2015 during which Golden State's Phase II Testimony and ORA's Rebuttal Testimony were received into evidence as Exhibits GAR-01 through GAR-08.

2.7 Pursuant to Rule 12.1 of the Commission's Rules of Practice and Procedure, the Parties held a duly noticed settlement conference on October 7, 2015.

### **III. TERMS AND CONDITIONS OF THE SETTLEMENT**

3.1 The Parties agree that this Settlement resolves the entirety of the Phase II issues relating to water quality in the City of Gardena, which the Parties believe is fair and reasonable in light of the evidentiary record and in the public interest.

**3.2 Golden State Reporting Requirements**

The Parties agree that this Paragraph 3.2 resolves the Phase II water quality issues and ORA's recommendation that the Commission should adopt reporting requirements that will facilitate the Commission's monitoring of Golden State's compliance with the SWRCB's directives and help ensure that actions taken by Golden State are adequate and cost-effective in addressing water quality issues in the City of Gardena.

**SWRCB Reporting.** Golden State shall provide the Commission's Division of Water and Audits and ORA's Water Branch with an electronic copy of any final SWRCB Inspection Report, Notice of Compliance or other similar final directive related to Golden State's Southwest District (collectively, "SWRCB Directives") within seven (7) days of receipt of such document by Golden State. Golden State shall also provide all substantive correspondence related to such SWRCB Directives (including periodic reports) within seven (7) days of Golden State's receipt/issuance of such correspondence. This SWRCB reporting requirement shall remain in effect through Golden State's next GRC cycle.

**GRC Reporting.** Golden State shall include the following information in its proposed application and application in its next GRC cycle:

- (1) Detailed description of actions taken in Golden State's Southwest District in response to any final SWRCB Directives, including a cost and benefit analysis of alternatives considered, justification for the actions taken, and estimated impact on rates in the Southwest District.
- (2) Detailed description of actions proposed to be taken in Golden State's Southwest District in response to any final SWRCB Directives, including a cost and benefit analysis of alternatives considered, justification

for the actions proposed, and estimated impact on rates in the Southwest District.

(3) Detailed description of actions taken in Golden State's Southwest District to address water quality issues that are not in direct response to a final SWRCB Directive, including a cost and benefit analysis of alternatives considered, justification for the actions taken, and estimated impact on rates in the Southwest District.

(4) Detailed description of actions proposed to be taken in Golden State's Southwest District to address water quality issues that are not in direct response to a final SWRCB Directive, including a cost and benefit analysis of alternatives considered, justification for the actions proposed, and estimated impact on rates in the Southwest District.

(5) Findings regarding options described in Golden State's Phase II Testimony by Ms. Nutting (Exhibit GAR-2) such as swabbing/pigging of existing pipelines and disinfection process enhancement at GSWC's wells.

(6) Status update on the recommendations set forth in the 2007 CH2MHILL Southwest System Water Quality Study in a similar format as in Table 2 of Exhibit GAR-8 (ORA's rebuttal testimony).

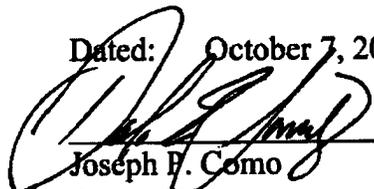
**3.3**

In light of the Parties' agreement that the Phase II water quality issues in the City of Gardena have been resolved through Golden State's agreement to comply with the reporting requirements recommended by ORA, Golden State does not contest ORA's additional recommendation that the Commission afford no weight to the pipeline replacement information submitted in Robert McVicker's Phase II Testimony.

**IV. CONCLUSION**

- 4.1** The Parties mutually agree that, based on the terms and conditions set forth above, this Settlement is reasonable, consistent with the law, and in the public interest.
- 4.2** Each signatory to this Settlement represents and warrants that they have the right, power and authority to bind the Parties they represent, and that his or her signature to this Settlement binds his or her respective Party to the terms of this Settlement.

Dated: October 7, 2015

 For Joseph P. Como.

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Dated: October 7, 2015

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**IV. CONCLUSION**

- 4.1** The Parties mutually agree that, based on the terms and conditions set forth above, this Settlement is reasonable, consistent with the law, and in the public interest.
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Dated: October 7, 2015

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