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Attachment H

2009 GRC

Explanation of Primary Cost Increases by District

A0907001

California Water Service Company

July 1, 2009

Antelope Valley

1. Increase in Rate Base [\$739 thousand revenue requirement]

Cal Water's capital investment program will add \$2.3 million in utility plant between the last adopted and the proposed test year. Most of the improvements are to upgrade aging infrastructure and add supply. Chapter 8 and the Budget Report describe Cal Water's budgeted capital improvements in detail.

2. Direct District Payroll [\$121 thousand revenue requirement]

The Antelope Valley District payroll is increasing due to additional demands of new customers and regulations.

3. Other O&M [\$83 thousand revenue requirement]

This category includes several areas where the Company has experienced or is projecting various cost increases. This category includes conservation expenses, where Cal Water has projected to spend 1.5% of revenue for conservation in accordance with the RCP. It also includes transportation expenses, contracted maintenance, and other miscellaneous items.

4. Increased Allocated Company Benefits [\$33 thousand revenue requirement]

Cal Water accounts for employee benefits through general operations. These costs are allocated to districts based on the four-factor method. Benefits costs for health care, pension, and retiree health care have increased faster than general inflation during recent years. Further details on Company benefit costs are in the General Report.

5. Uncollectibles [\$22 thousand revenue requirement]

Uncollectibles represent charges to customers that are billed through customer accounts receivable. For various reasons, these accounts have become uncollectible. Some of these uncollectibles are generated from foreclosed homes where the customer has walked away from their liabilities and not provided forwarding information. Others represent bankruptcies and other financial problems where the customer has not been able to pay. Cal Water has increased its efforts to collect from these accounts with varying levels of success.

Bakersfield

1. Other O&M [\$2.2 million revenue requirement]

This category includes several areas where the Company has experienced or is projecting various cost increases. This category includes conservation expenses, where Cal Water has projected to spend 1.5% of revenue for conservation in accordance with the Rate Case Plan. In Bakersfield, this also reflects the plans to complete the rehabilitation of two wells. It also includes transportation expenses, contracted maintenance, and other miscellaneous items.

2. Increase in Rate Base [\$1.4 million revenue requirement]

Cal Water's capital investment program will add utility plant between the last test year and the proposed test year. Most of the improvements are to upgrade aging infrastructure and add supply. Chapter 8 and the Budget Report describe Cal Water's budgeted capital improvements in detail.

3. Increased Allocated Company Benefits Costs [\$1.2 million]

Cal Water accounts for employee benefits through general operations. These costs are allocated to districts based on the four-factor method. Benefits costs for health care, pension, and retiree health care have increased faster than general inflation during recent years. Further details on company benefits costs are in the General Report.

4. Increased Allocated General Payroll Expense [\$1.1 million revenue requirement]

General payroll allocation includes the expensed payroll of the corporate office administrative staff in general operations, including experts in water quality, operations, information systems, accounting and finance, engineering, purchasing, field maintenance, regulatory compliance, and administration. In addition, various programs with company-wide application are implemented as general expenses and allocated. As described in the General Report, Cal Water plans to hire additional staff in all functional areas to improve operations and support the districts. Major programs are described in the General Report.

5. Uncollectibles [\$679 thousand revenue requirement]

Uncollectibles represent charges to customers that are billed through customer accounts receivable. For various reasons, these accounts have become uncollectible. Some of these uncollectibles are generated from foreclosed homes where the customer has walked away from their liabilities and not provided forwarding information. Others represent bankruptcies and other financial problems where the customer has not been able to pay. Cal Water has increased its efforts to collect from these accounts with varying levels of success.

Bear Gulch

1. Increase in Rate Base [\$2.8 million revenue requirement]

Cal Water's capital investment program will add utility plant between the last test year and the proposed test year. Most of the improvements are to upgrade aging infrastructure. Chapter 8 and the Budget Report describe Cal Water's budgeted capital improvements in detail.

2. Increased Conservation Budget [\$544.5 thousand revenue requirement]

Cal Water's conservation expenses are increasing from the last test year to the proposed 2011 test year due to government mandates to decrease water consumption.

3. Other O&M [\$492.9 thousand revenue requirement]

This category includes several areas where the Company has experienced or is projecting various cost increases. This category includes conservation expenses, where Cal Water has projected to spend 1.5% of revenue for conservation in accordance with the Rate Case Plan. It also includes transportation expenses, contracted maintenance, and other miscellaneous items.

4. Increased Allocated General Payroll Expense [\$385.3 thousand revenue requirement]

General payroll allocation includes the expensed payroll of the corporate office administrative staff in general operations, including experts in water quality, operations, information systems, accounting and finance, engineering, purchasing, field maintenance, regulatory compliance, and administration. In addition, various programs with Company-wide application are implemented as general expenses and allocated. As described in the General Report, Cal Water plans to hire additional staff in all functional areas to improve operations and support the districts. Major programs are described in the General Report.

5. Increased Allocated Company Benefits [\$313.4 thousand revenue requirement]

Cal Water accounts for employee benefits through general operations. These costs are allocated to districts based on the four-factor method. Benefits costs for health care, pension, and retiree health care have increased faster than general inflation during recent years. Further details on company benefits costs are in the General Report.

Chico

1. Increase in Rate Base [\$1.8 million revenue requirement]

Cal Water's capital investment program will add utility plant between the last test year and the proposed test year. Most of the improvements are to upgrade aging infrastructure and add supply. Chapter 8 and the Budget Report describe Cal Water's budgeted capital improvements in detail.

2. Increased Other O&M [\$519 thousand revenue requirement]

This category includes several areas where the company has experienced or is projecting various cost increases. This category includes transportation expenses, contracted maintenance, and other miscellaneous items.

3. Increased Other Prorated GO Expenses [\$386 thousand revenue requirement]

This category includes increases in the GO allocation exclusive of payroll, benefits, ad valorem taxes, and payroll taxes.

4. Increased Allocated General Payroll Expense [\$288 thousand revenue requirement]

General payroll allocation includes the expensed payroll of the corporate office administrative staff in general operations, including experts in water quality, operations, information systems, accounting and finance, engineering, purchasing, field maintenance, regulatory compliance, and administration. In addition, various programs with company-wide application are implemented as general expenses and allocated. As described in the General Report, Cal Water plans to hire additional staff in all functional areas to improve operations and support the districts. Major programs are described in the General Report.

5. Increased Allocated Company Benefits Costs [\$266 thousand revenue requirement]

Cal Water accounts for employee benefits through general operations. These costs are allocated to districts based on the four-factor method. Benefits costs for health care, pension, and retiree health care have increased faster than general inflation during recent years. Further details on Company benefits costs are in the General Report.

Dixon

1. Increase in Rate Base [\$2.8 million revenue requirement]

Cal Water's capital investment program will add significant utility plant between the last test year and the proposed test year. Most of the improvements are to upgrade aging infrastructure and add supply. Chapter 8 and the Budget Report describe Cal Water's budgeted capital improvements in detail.

2. Increased Conservation Budget [\$122.3 thousand]

Cal Water's conservation expenses are increasing from the last test year to the 2011 test year due to government mandates to decrease water consumption.

3. Increased Direct District Payroll [\$56.1 thousand revenue requirement]

The Dixon District payroll is increasing due to additional demands of new customers and regulations.

4. Other O&M [\$54.8 thousand revenue requirement]

This category includes several areas where the company has experienced or is projecting various cost increases. This category includes conservation expenses, where Cal Water has projected to spend 1.5% of revenue for conservation consistent with prior Commission Decisions. It also includes transportation expenses, contracted maintenance, and other misc. items.

5. Increased Allocated General Payroll Expense [\$31.5 thousand revenue requirement]

General payroll allocation includes the expensed payroll of the corporate office administrative staff in general operations, including experts in water quality, operations, information systems, accounting and finance, engineering, purchasing, field maintenance, regulatory compliance, and administration. In addition, various programs with Company-wide application are implemented as general expenses and allocated. As described in the General Report, Cal Water plans to hire additional staff in all functional areas to improve operations and support the districts. Major programs are described in the General Report.

Dominguez

1. Increased Direct District Payroll [\$828 thousand revenue requirement]

The Dominguez-South Bay District payroll is increasing due to additional demands of new customers and regulations.

2. Increased Other O&M [\$721 thousand revenue requirement]

This category includes several areas where the company has experienced or is projecting various cost increases. This category includes transportation expenses, contracted maintenance, and other miscellaneous items.

3. Increase in Rate Base [\$640 thousand revenue requirement]

Cal Water's capital investment program will add utility plant between the last test year and the proposed test year. Most of the improvements are to upgrade aging infrastructure and add supply. Chapter 8 and the Budget Report describe Cal Water's budgeted capital improvements in detail.

4. Increased Other GO Prorated Expenses [\$460 thousand revenue requirement]

This category includes increases in the GO allocation exclusive of payroll, benefits, ad valorem taxes, and payroll taxes.

5. Increased Allocated Company Benefits Costs [\$410 thousand revenue requirement]

Cal Water accounts for employee benefits through general operations. These costs are allocated to districts based on the four-factor method. Benefits costs for health care, pension, and retiree health care have increased faster than general inflation during recent years. Further details on company benefits costs are in the General Report.

East Los Angeles

1. Increase in Rate Base [\$1.7 million revenue requirement]

Cal Water's capital investment program will add significant utility plant between the last test year and the proposed test year. Most of the improvements are to upgrade aging infrastructure and supply. Chapter 8 and the Budget Report describe Cal Water's budgeted capital improvements in detail.

2. Increased Conservation Budget [\$1.0 million revenue requirement]

Cal Water's conservation expenses are increasing from the last test year to the proposed 2011 test year due to government mandates to decrease water consumption.

3. Increased Direct District Payroll [\$638 thousand revenue requirement]

The East Los Angeles District payroll is increasing due to additional demands of new customers and regulations.

4. Increased District Payroll Expenses [\$612 thousand revenue requirement]

This category includes increases in the allocation of benefits specific to the district labor.

5. Increased General Payroll Expense [\$487 thousand revenue requirement]

General payroll allocation includes the expensed payroll of the corporate office administrative staff in general operations, including experts in water quality, operations, information systems, accounting and finance, engineering, purchasing, field maintenance, regulatory compliance, and administration. In addition, various programs with company-wide application are implemented as general expenses and allocated. As described in the General Report, Cal Water plans to hire additional staff in all functional areas to improve operations and support the districts. Major programs are described in the General Report

Hermosa-Redondo

1. Increased Other O&M [\$769 thousand revenue requirement]

This category includes several areas where the company has experienced or is projecting various cost increases. This category includes conservation expenses, where Cal Water has projected to spend 1.5% of revenue for conservation in accordance with the Rate Case Plan. It also includes transportation expenses, contracted maintenance, and other miscellaneous items.

2. Increase in Rate Base [\$813 thousand revenue requirement]

Cal Water's capital investment program will add utility plant between the last test year and the proposed test year. Most of the improvements are to upgrade aging infrastructure and add supply. Chapter 8 and the Budget Report describe Cal Water's budgeted capital improvements in detail.

3. Increased Direct District Payroll [\$503 thousand revenue requirement]

The Hermosa-Redondo District payroll is increasing due to additional demands of new customers and regulations.

4. Increased Allocated Company Benefits Costs [\$234 thousand revenue requirement]

Cal Water accounts for employee benefits through general operations. These costs are allocated to districts based on the four-factor method. Benefits costs for health care, pension, and retiree health care have increased faster than general inflation during recent years. Further details on company benefits costs are in the General Report.

5. Increased Allocated General Payroll Expense [\$288 thousand revenue requirement]

General payroll allocation includes the expensed payroll of the corporate office administrative staff in general operations, including experts in water quality, operations, information systems, accounting and finance, engineering, purchasing, field maintenance, regulatory compliance, and administration. In addition, various programs with company-wide application are implemented as general expenses and allocated. As described in the General Report, Cal Water plans to hire additional staff in all functional areas to improve operations and support the districts. Major programs are described in the General Report.

Kern River Valley

1. Increase in Rate Base [\$640 thousand revenue requirement]

Cal Water's capital investment program will add utility plant between the last test year and the proposed test year. Most of the improvements are to upgrade aging infrastructure and add supply. Chapter 8 and the Budget Report describe Cal Water's budgeted capital improvements in detail.

2. Increased Other O&M [\$215 thousand revenue requirement]

This category includes several areas where the company has experienced or is projecting various cost increases. This category includes transportation expenses, contracted maintenance, and other miscellaneous items.

3. Increased Allocated Company Benefits Costs [\$129 thousand revenue requirement]

Cal Water accounts for employee benefits through general operations. These costs are allocated to districts based on the four-factor method. Benefits costs for health care, pension, and retiree health care have increased faster than general inflation during recent years. Further details on company benefits costs are in the General Report.

4. Increased Direct District Payroll [\$80 thousand revenue requirement]

The Kern River Valley District payroll is increasing due to additional demands of new customers and regulations.

5. Increased Allocated General Payroll Expense [\$76 thousand revenue requirement]

General payroll allocation includes the expensed payroll of the corporate office administrative staff in general operations, including experts in water quality, operations, information systems, accounting and finance, engineering, purchasing, field maintenance, regulatory compliance, and administration. In addition, various programs with company-wide application are implemented as general expenses and allocated. As described in the General Report, Cal Water plans to hire additional staff in all functional areas to improve operations and support the districts. Major programs are described in the General Report.

King City

1. Increase in Rate Base [\$489 thousand revenue requirement]

Cal Water's capital investment program will add utility plant between the last test year and the proposed test year. Most of the improvements are to upgrade aging infrastructure and add supply. Chapter 8 and the Budget Report describe Cal Water's budgeted capital improvements in detail.

2. Increased Direct District Payroll [\$86 thousand revenue requirement]

The King City District payroll is increasing due to additional demands of new regulations.

3. Increased Conservation Budget [\$64 thousand revenue requirement]

Cal Water's conservation expenses are increasing from the last test year to the proposed 2011 test year due to government mandates to decrease water consumption.

4. Increased Allocated General Payroll Expense [\$56 thousand revenue requirement]

General payroll allocation includes the expensed payroll of the corporate office administrative staff in general operations, including experts in water quality, operations, information systems, accounting and finance, engineering, purchasing, field maintenance, regulatory compliance, and administration. In addition, various programs with company-wide application are implemented as general expenses and allocated. As described in the General Report, Cal Water plans to hire additional staff in all functional areas to improve operations and support the districts. Major programs are described in the General Report.

5. Increased Purchased Chemical Expenses [\$44 thousand revenue requirement]

This category includes increases in the water treatment chemicals such as chlorine, ammonia, de-chlorination products, and other chemicals used in the water treatment process such as various acids and reagents.

Livermore

1. Increase in Rate Base [\$1.6 million revenue requirement]

Cal Water's capital investment program will add significant utility plant between the last test year and the proposed test year. Most of the improvements are to upgrade aging infrastructure and add supply. Chapter 8 and the Budget Report describe Cal Water's budgeted capital improvements in detail.

2. Increased Conservation Budget [\$611.9 thousand]

Cal Water's conservation expenses are increasing from the last test year to the proposed 2011 test year due to government mandates to decrease water consumption.

3. Purchased Water Costs [\$532.3 thousand revenue requirement]

The Livermore District purchases the majority of its supply from Alameda County Zone 7. This increase reflects a change in the overall mix of the supply percentages.

4. Increased Allocated General Payroll Expense [\$242.7 thousand revenue requirement]

General payroll allocation includes the expensed payroll of the corporate office administrative staff in general operations, including experts in water quality, operations, information systems, accounting and finance, engineering, purchasing, field maintenance, regulatory compliance, and administration. In addition, various programs with Company-wide application are implemented as general expenses and allocated. As described in the General Report, Cal Water plans to hire additional staff in all functional areas to improve operations and support the districts. Major programs are described in the General Report.

5. Increased Allocated Company Benefits Costs [\$232.9 thousand revenue requirement]

Cal Water accounts for employee benefits through general operations. These costs are allocated to districts based on the four-factor method. Benefits costs for health care, pension, and retiree health care have increased faster than general inflation during recent years. Further details on company benefits costs are in the General Report.

Los Altos

1. Increase in Groundwater Extraction Charges [\$1.2 million revenue requirement]

The groundwater basin from which Cal Water extracts groundwater supplies is regulated by the Santa Clara Valley Water District (SCVWD) will be increasing their extraction charge significantly in the proposed test year.

2. Increase in Rate Base [\$1.0 million revenue requirement]

Cal Water's capital investment program will add utility plant between the last test year and the proposed test year. Most of the improvements are to upgrade aging infrastructure. Chapter 8 and the Budget Report describe Cal Water's budgeted capital improvements in detail.

3. Increased Conservation Budget [\$122.3 thousand]

Cal Water's conservation expenses are increasing from the last test year to the proposed 2011 test year due to government mandates to decrease water consumption.

4. Increased Purchased Power Costs [\$359 thousand revenue requirement]

The Los Altos District is anticipating a change in the baseline quantity of purchased electrical power from Pacific Gas and Electric Company in order to meet water production and treatment capability requirements.

5. Increased Allocated General Payroll Expense [\$294 thousand revenue requirement]

General payroll allocation includes the expensed payroll of the corporate office administrative staff in general operations, including experts in water quality, operations, information systems, accounting and finance, engineering, purchasing, field maintenance, regulatory compliance, and administration. In addition, various programs with company-wide application are implemented as general expenses and allocated. As described in the General Report, Cal Water plans to hire additional staff in all functional areas to improve operations and support the districts. Major programs are described in the General Report.

Marysville

1. Increased Other O&M [\$519 thousand revenue requirement]

This category includes several areas where the Company has experienced or is projecting various cost increases. It includes transportation expenses, contracted maintenance, and other miscellaneous items.

2. Increase in Rate Base [\$478 thousand revenue requirement]

Cal Water's capital investment program will add utility plant between the last test year and the proposed test year. Most of the improvements are to upgrade aging infrastructure and add supply. Chapter 8 and the Budget Report describe Cal Water's budgeted capital improvements in detail.

3. Increased Other General Expenses [\$386 thousand revenue requirement]

In addition to administrative salaries and company benefits, general costs of operation have increased since the last adopted test year. Included among these costs are increased auditing and administration to comply with the Sarbanes-Oxley Act of 2002 and increased expenses for workers' compensation insurance.

4. Increased Allocated General Payroll Expense [\$351 thousand revenue requirement]

General payroll allocation includes the expensed payroll of the corporate office administrative staff in general operations, including experts in water quality, operations, information systems, accounting and finance, engineering, purchasing, field maintenance, regulatory compliance, and administration. In addition, various programs with company-wide application are implemented as general expenses and allocated. As described in the General Report, Cal Water plans to hire additional staff in all functional areas to improve operations and support the districts. Major programs are described in the General Report.

5. Increased Allocated Company Benefits Costs [\$288 thousand]

Cal Water accounts for employee benefits through general operations. These costs are allocated to districts based on the four-factor method. Benefits costs for health care, pension, and retiree health care have increased faster than general inflation during recent years. Further details on company benefits costs are in the General Report.

Mid-Peninsula

1. Increase in Rate Base [\$3.6 million revenue requirement]

Cal Water's capital investment program will add utility plant between the last test year and the proposed test year. Most of the improvements are to upgrade aging infrastructure and add supply. Chapter 8 and the Budget Report describe Cal Water's budgeted capital improvements in detail.

2. Increased Conservation Budget [\$1.5 million revenue requirement]

Cal Water's conservation expenses are increasing from the last test year to the proposed 2011 test year due to government mandates to decrease water consumption.

3. Increased Allocated Company Benefits Costs [\$387 thousand revenue requirement]

Cal Water accounts for employee benefits through general operations. These costs are allocated to districts based on the four-factor method. Benefits costs for health care, pension, and retiree health care have increased faster than general inflation during recent years. Further details on company benefits costs are in the General Report.

4. Increased Other GO Prorated Expenses [\$330 thousand revenue requirement]

This category includes increases in the GO allocation exclusive of payroll, benefits, ad valorem taxes, and payroll taxes.

5. Increased District Payroll [\$353 thousand revenue requirement]

The Mid Peninsula District payroll is increasing due to additional demands of new customers and regulations.

Oroville

1. Increase in Rate Base [\$278 thousand revenue requirement]

Cal Water's capital investment program will add utility plant between the last test year and the proposed test year. Most of the improvements are to upgrade aging infrastructure and add supply. Chapter 8 and the Budget Report describe Cal Water's budgeted capital improvements in detail.

2. Increased District Benefits Costs [\$191 thousand revenue requirement]

Cal Water accounts for employee benefits through general operations. These costs are allocated to districts based on the four-factor method. Benefits costs for health care, pension, and retiree health care have increased faster than general inflation during recent years. Further details on company benefits costs are in the General Report.

3. Increased Conservation Budget [\$123 thousand revenue requirement]

Cal Water's conservation expenses are increasing from the last test year to the proposed 2011 test year due to government mandates to decrease water consumption.

4. Increased Direct District Payroll [\$84 thousand revenue requirement]

The Oroville District payroll is increasing due to additional demands of new customers and regulations.

5. Increased Allocated Company Benefits Costs [\$64 thousand revenue requirement]

Cal Water accounts for employee benefits through general operations. These costs are allocated to districts based on the four-factor method. Benefits costs for health care, pension, and retiree health care have increased faster than general inflation during recent years. Further details on company benefits costs are in the General Report.

Palos Verdes

1. Increase in Rate Base [\$1.2 million revenue requirement]

Cal Water's capital investment program will add utility plant between the last test year and the proposed test year. Most of the improvements are to upgrade aging infrastructure and improve operations. Chapter 8 and the Budget Report describe Cal Water's budgeted capital improvements in detail.

2. Increased Other O&M [\$655 thousand revenue requirement]

This category includes several areas where the company has experienced or is projecting various cost increases. This category includes conservation expenses, where Cal Water has projected to spend 1.5% of revenue for conservation in accordance with the Rate Case Plan. It also includes transportation expenses, contracted maintenance, and other miscellaneous items.

3. Increased Direct District Payroll [\$501 thousand revenue requirement]

The Palos Verdes District payroll is increasing due to additional demands of new customers and regulations.

4. Increased Allocated Company Benefits Costs [\$404 thousand revenue requirement]

Cal Water accounts for employee benefits through general operations. These costs are allocated to districts based on the four-factor method. Benefits costs for health care, pension, and retiree health care have increased faster than general inflation during recent years. Further details on company benefits costs are in the General Report.

5. Increased Purchased Power Costs [\$362 thousand revenue requirement]

The Palos Verdes District is anticipating a change in the baseline quantity of purchased electrical power from Edison in order to meet water production and capability requirements.

Redwood Valley

1. Increase in Rate Base [\$390 thousand revenue requirement]

Cal Water's capital investment program will add utility plant between the last test year and the proposed test year. Most of the improvements are to upgrade aging infrastructure and add supply. Chapter 8 and the Budget Report describe Cal Water's budgeted capital improvements in detail.

2. Increased Allocated Company Benefits Costs [\$199 thousand revenue requirement]

Cal Water accounts for employee benefits through general operations. These costs are allocated to districts based on the four-factor method. Benefits costs for health care, pension, and retiree health care have increased faster than general inflation during recent years. Further details on company benefits costs are in the General Report.

3. Increased Other O&M [\$179 thousand revenue requirement]

This category includes several areas where the company has experienced or is projecting various cost increases. This category includes transportation expenses, contracted maintenance, and other miscellaneous items.

4. Increased Other GO Prorated Expenses [\$111 thousand revenue requirement]

This category includes increases in the GO allocation exclusive of payroll, benefits, ad valorem taxes, and payroll taxes.

5. Increased uncollectibles [\$83 thousand revenue requirement]

Uncollectibles represent charges to customers that are billed through customer accounts receivable. For various reasons, these accounts have become uncollectible. Some of these uncollectibles are generated from foreclosed homes where the customer has walked away from their liabilities and not provided forwarding information. Others represent bankruptcies and other financial problems where the customer has not been able to pay. Cal Water has increased our efforts to collect from these accounts with varying levels of success.

Salinas

1. Increased Other GO Prorated Expenses [\$638 thousand revenue requirement]

This category includes increases in the GO allocation exclusive of payroll, benefits, ad valorem taxes, and payroll taxes.

2. Increased Allocated General Payroll Expense [\$609 thousand revenue requirement]

General payroll allocation includes the expensed payroll of the corporate office administrative staff in general operations, including experts in water quality, operations, information systems, accounting and finance, engineering, purchasing, field maintenance, regulatory compliance, and administration. In addition, various programs with company-wide application are implemented as general expenses and allocated. As described in the General Report, Cal Water plans to hire additional staff in all functional areas to improve operations and support the districts. Major programs are described in the General Report.

3. Increased Allocated Company Benefits Costs [\$562 thousand revenue requirement]

Cal Water accounts for employee benefits through general operations. These costs are allocated to districts based on the four-factor method. Benefits costs for health care, pension, and retiree health care have increased faster than general inflation during recent years. Further details on Company benefits costs are in the General Report.

4. Increased Other O&M [\$203 thousand revenue requirement]

This category includes several areas where the Company has experienced or is projecting various cost increases. It includes transportation expenses, contracted maintenance, and other miscellaneous items.

5. Increased Purchased Water Costs [\$411 thousand revenue requirement]

The Salinas District uses leased packaged ion-exchange water treatment plants to remove nitrates from well water. The cost of these leases is categorized as purchased water. This requested increase reflects the increased use of these units to treat the drinking water supply.

Selma

1. Increase in Rate Base [\$4.7 million in revenue requirement]

Cal Water's capital investment program will add utility plant between the last test year and the proposed test year. Most of the improvements are to upgrade aging infrastructure, government mandates and improving operations. Chapter 8 and the Budget Report describe Cal Water's budgeted capital improvements in detail.

2. Increased Conservation Budget [\$290.5 thousand revenue requirement]

Cal Water's conservation expenses are increasing from the last test year to the proposed 2011 test year due to government mandates to decrease water consumption.

3. Increased Other GO Prorated Expenses [\$288.3 thousand revenue requirement]

This category includes increases in the GO allocation exclusive of payroll, benefits, ad valorem taxes, and payroll taxes.

4. Increased Allocated Company Benefits Costs [\$142.6 thousand revenue requirement]

Cal Water accounts for employee benefits through general operations. These costs are allocated to districts based on the four-factor method. Benefits costs for health care, pension, and retiree health care have increased faster than general inflation during recent years. Further details on company benefits costs are in the General Report.

5. Direct District Payroll [\$58.4 thousand revenue requirement]

The Selma District payroll is increasing due to additional demands of new customers and regulations.

South San Francisco

1. Increase in Rate Base [\$966.6 thousand revenue requirement]

Cal Water's capital investment program will add utility plant between the last test year and the proposed test year. Most of the improvements are to upgrade aging infrastructure and add supply. Chapter 8 and the Budget Report describe Cal Water's budgeted capital improvements in detail.

2. Increased Conservation Budget [\$657.4 thousand revenue requirement]

Cal Water's conservation expenses are increasing from the last test year to the proposed 2011 test year due to government mandates to decrease water consumption.

3. Increased Allocated Company Benefits Costs [\$206.7 thousand revenue requirement]

Cal Water accounts for employee benefits through general operations. These costs are allocated to districts based on the four-factor method. Benefits costs for health care, pension, and retiree health care have increased faster than general inflation during recent years. Further details on company benefits costs are in the General Report.

4. Increased Other GO Prorated Expenses [\$189.6 thousand revenue requirement]

This category includes increases in the GO allocation exclusive of payroll, benefits, ad valorem taxes, and payroll taxes.

5. Increased Allocated General Payroll Expense [\$186.2 thousand revenue requirement]

General payroll allocation includes the expensed payroll of the corporate office administrative staff in general operations, including experts in water quality, operations, information systems, accounting and finance, engineering, purchasing, field maintenance, regulatory compliance, and administration. In addition, various programs with Company-wide application are implemented as general expenses and allocated. As described in the General Report, Cal Water plans to hire additional personnel in all functional areas to improve operations and support the districts. Major programs are described in the General Report.

Stockton

1. Increase in Rate Base [\$1.8 million revenue requirement]

Cal Water's capital investment program will add utility plant between the last test year and the proposed test year. Most of the improvements are to upgrade aging infrastructure and add supply. Chapter 8 and the Budget Report describe Cal Water's budgeted capital improvements in detail.

2. Increased Allocated Company Benefits Costs [\$635 thousand revenue requirement]

Cal Water accounts for employee benefits through general operations. These costs are allocated to districts based on the four-factor method. Benefits costs for health care, pension, and retiree health care have increased faster than general inflation during recent years. Further details on Company benefits costs are in the General Report.

3. Increased Other O&M [\$428 thousand revenue requirement]

This category includes several areas where the Company has experienced or is projecting various cost increases. This category transportation expenses, contracted maintenance, and other miscellaneous items.

4. Increased Allocated General Payroll Expense [\$397 thousand revenue requirement]

General payroll allocation includes the expensed payroll of the corporate office administrative staff in general operations, including experts in water quality, operations, information systems, accounting and finance, engineering, purchasing, field maintenance, regulatory compliance, and administration. In addition, various programs with Company-wide application are implemented as general expenses and allocated. As described in the General Report, Cal Water plans to hire additional personnel in all functional areas to improve operations and support the districts. Major programs are described in the General Report.

5. Increased Other General Expenses [\$351 thousand revenue requirement]

In addition to administrative salaries and Company benefits, general costs of operation have increased since the last adopted test year. Included among these costs are increased auditing and administration to comply with the Sarbanes-Oxley Act of 2002 and increased expenses for workers' compensation insurance.

Visalia

1. Increase in Rate Base [\$4.3 million revenue requirement]

Cal Water's capital investment program will add utility plant between the last test year and the proposed test year. Most of the improvements are to upgrade aging infrastructure and add supply. Chapter 8 and the Budget Report describe Cal Water's budgeted capital improvements in detail.

2. Increased Allocated General Payroll Expense [\$1.4 million revenue requirement]

General payroll allocation includes the expensed payroll of the corporate office administrative staff in general operations, including experts in water quality, operations, information systems, accounting and finance, engineering, purchasing, field maintenance, regulatory compliance, and administration. In addition, various programs with Company-wide application are implemented as general expenses and allocated. As described in the General Report, Cal Water plans to hire additional staff in all functional areas to improve operations and support the districts. Major programs are described in the General Report.

3. Increased District Benefits Costs [\$753 thousand revenue requirement]

Cal Water accounts for employee benefits through general operations. These costs are directly based on district payroll. Benefits costs for health care, pension, and retiree health care have increased faster than general inflation during recent years. Further details on company benefits costs are in the General Report.

4. Increased Other GO Prorated Expenses [\$398 thousand revenue requirement]

This category includes increases in the GO allocation exclusive of payroll, benefits, ad valorem taxes, and payroll taxes.

5. Increased Conservation Budget [\$374 thousand revenue requirement]

Cal Water's conservation expenses are increasing from the last test year to the proposed 2011 test year due to government mandates to decrease water consumption.

Westlake

1. Increase in Rate Base [\$2.8 million revenue requirement]

Cal Water's capital investment program will add utility plant between the last test year and the proposed test year. Most of the improvements are to upgrade aging infrastructure. Chapter 8 and the Budget Report describe Cal Water's budgeted capital improvements in detail.

2. Increased Conservation Budget [\$441.6 thousand revenue requirement]

Cal Water's conservation expenses are increasing from the last test year to the proposed 2011 test year due to government mandates to decrease water consumption.

3. Increased Allocated General Payroll Expense [\$303.5 thousand revenue requirement]

General payroll allocation includes the expensed payroll of the corporate office administrative staff in general operations, including experts in water quality, operations, information systems, accounting and finance, engineering, purchasing, field maintenance, regulatory compliance, and administration. In addition, various programs with Company-wide application are implemented as general expenses and allocated. As described in the General Report, Cal Water plans to hire additional staff in all functional areas to improve operations and support the districts. Major programs are described in the General Report.

4. Increased Purchased Water Costs [\$277.4 thousand revenue requirement]

The Westlake District is currently 100% reliant on purchased imported water. Unit costs have increased.

5. Increased Allocated Company Benefits [\$214.9 thousand revenue requirement]

Cal Water accounts for employee benefits through general operations. These costs are allocated to districts based on the four-factor method. Benefits costs for health care, pension, and retiree health care have increased faster than general inflation during recent years. Further details on company benefits costs are in the General Report.

Willows

1. Increase in Rate Base [\$448.8 thousand revenue requirement]

Cal Water's capital investment program will add utility plant between the last test year and the proposed test year. Most of the improvements are to upgrade aging infrastructure. Chapter 8 and the Budget Report describe Cal Water's budgeted capital improvements in detail.

2. Increased District Benefits [\$98.6 thousand revenue requirement]

Cal Water accounts for employee benefits through general operations. Benefits costs for health care, pension, and retiree health care have increased faster than general inflation during recent years. Further details on district benefits costs are in the General Report.

3. Increased Other O&M [\$89.3 thousand revenue requirement]

This category includes several areas where the company has experienced or is projecting various cost increases. It also includes transportation expenses, contracted maintenance, and other miscellaneous items.

4. Direct District Payroll [\$60.4 thousand revenue requirement]

The Willows District payroll is increasing due to additional demands of new customers and regulations.

5. Increased Conservation Budget [\$122.3 thousand revenue requirement]]

Cal Water's conservation expenses are increasing from the last test year to the proposed 2011 test year due to government mandates to decrease water consumption.