

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA



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In the matter of the Application of the Golden State Water Company (U133S) for an order authorizing it to increase rates for water service by \$2,911,400 or 29.9% in 2011 and by \$321,200 or 2.5% in 2012 in its Arden Cordova Service Area; to increase rates for water service by \$1,782,400 or 33.2% in 2011 and by -\$66,200 or -0.9% in 2012 in its Bay Point Service Area; to increase rates for water service by \$409,100 or 22.6% in 2011 and by \$23,300 or 1.0% in 2012 in its Clearlake Service Area; to increase rates for water service by \$1,467,000 or 48.5% in 2011 and by \$50,100 or 1.1% in 2012 in its Los Osos Service Area; to increase rates for water service by \$1,647,900 or 38.8% in 2011 and by \$343,200 or 5.9% in 2012 in its Ojai Service Area; to increase rates for water service by \$2,350,700 or 25.2% in 2011 and by \$363,200 or 3.1% in 2012 in its Santa Maria Service Area and; to increase rates for water service by \$799,500 or 6.5% in 2011 and by \$213,000 or 1.6% in 2012 in its Simi Valley Service Area.

Application 10-01-009
(Filed January 13, 2010)

**OPENING BRIEF
OF THE DIVISION OF RATEPAYER ADVOCATES**

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**OPENING BRIEF
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I. INTRODUCTION

Pursuant to Rule 13.11 of the Rules of Practice and Procedure of the California Public Utilities Commission and the procedural schedule established in the Assigned Commissioner and Administrative Law Judge Douglas Long's Scoping Memo and Ruling of March 11, 2010, the Division of Ratepayer Advocates ("DRA") hereby submits its opening brief in the above-captioned proceeding. In accordance with the direction of that ruling, DRA's Opening Brief will explain why the remaining capital projects in

dispute are not just and reasonable, and why GSWC can continue to provide its customers with reliable water service without them. In particular, DRA will explain why GSWC can provide superior water service without five wells, 30 pipelines, a backhoe, trailer, and dump truck, all of which will be discussed below in turn.

Pursuant to the Rate Case Plan, Decision 07-05-062, DRA and GSWC convened a settlement conference during the period June 14-18, 2010 to negotiate a settlement of the issues in this proceeding. GSWC and DRA settled on the vast majority of items at issue in this proceeding. Several items, however, remain unresolved and those issues are discussed in detail in this Opening Brief. Additionally, the rate case plan, Decision 07-05-062, and the Rules of Practice and Procedure places the burden of proof on GSWC to justify its request for authorization of its expenditures. In each and every instance, GSWC has failed to meet its requisite burden. The evidence demonstrates that GSWC's requests are unreasonable, unnecessary, and unjustified, and the Commission should disallow GSWC's requested expenditures as discussed in detail below.

II. BACKGROUND

On January 13, 2010, GSWC filed its application for an order authorizing it to increase rates for water service for the seven customer service areas within its Region 1, including Arden Cordova Service Area, Bay Point Service Area, Clearlake Service Area, Los Osos Service Area, Ojai Service Area, Santa Maria Service Area, and Simi Valley Service Area. GSWC filed an amended application on January 27, 2010, and DRA filed a timely protest on February 26, 2010, making DRA a party to this proceeding. The Commission held a pre-hearing conference March 3, 2010. After both parties propounded testimony, Administrative Law Judge Long presided over hearings on June 21 and 22, 2010.

III. DISCUSSION OF DISPUTED CAPITAL PROJECTS

A. GSWC's Requests to Drill and Equip Wells

1. Background

GSWC's current systems meet Maximum Day Demand ("MDD"), and are not required to meet MDD with the highest capacity source offline according to California Department of Public Health's interpretation of Title 22 of the California Code of Regulations Section 64554(c). That regulation provides that, "Community water systems using only groundwater shall have a minimum of two approved sources before being granted an initial permit. The system shall be capable of meeting maximum day demand ("MDD") with the highest-capacity source off line." California Department of Public Health, the agency responsible for enforcing Section 64554(c), agrees with DRA that Section 64554(c) applies to community water systems using only groundwater, and to those systems in the process of being granted an initial permit.¹ Moreover, in briefs for A.08-07-010, GSWC has already conceded that California Department of Public Health ("CDPH") interprets that regulation only to apply to community water systems that use solely groundwater, and only to water systems that are in the process of being granted an initial permit.² GSWC has further conceded that Section 64554(c) does not mandate that GSWC ensure that its groundwater only water systems have the capacity to meet MDD with the highest capacity source off-line.³

In this proceeding, all wells at issue are part of systems that have existing permits. Thus it is reasonable to conclude that none of these systems are among those that CDPH requires to have a backup well to meet MDD with the highest capacity source offline. Instead, consistent with CDPH's interpretation of Section 64554(c), DRA requests that

¹ Letter from Mr. Gary Yamamoto, California Department of Public Health Chief of Division of Drinking Water & Environmental Management, to Mr. Danilo Sanchez, DRA Program Manager, February 23, 2010.

² A.08-07-010, Supplemental Opening Brief of Golden State Water Company, Page 38.

³ Id.

the Commission consider whether the current capacity of each system in this proceeding meets MDD when determining whether disputed wells are necessary. Specifically DRA will now explain why the Commission should disallow Mutual Well #6 in the Ojai System; New Edna Road Well in the Los Osos' Edna Road System; Foxen Canyon Well #5 in Santa Maria's Sisquoc System; Vineyard Well #6 in Santa Maria's Lake Marie System; and Tanglewood Well #3 in Santa Maria's Tanglewood system.

2. Disputed Well Projects

a) Ojai CSA – Mutual Well #6 (Ojai System)

GSWC's proposal to drill Mutual Well #6 is not merited because the Ojai System is capable of meeting maximum day demand ("MDD") without it.

The Ojai system has five wells, three interconnections, and four booster pumps which provide a total capacity of 4,900 gpm, which is more than enough to meet total maximum day demand ("MDD") on the system of 3,459 gpm.⁴ Together, the five wells provide a total capacity of 2,730 gallons per minute ("gpm").⁵ When combined with the San Antonio Grand Interconnection, they discharge a capacity of 3,530 gpm into two booster pumps.⁶ Together, the two booster pumps⁷ have a discharge capacity of 3,000 gpm.⁸ In addition to this, the Montana Cuyama CMWD and Sierra-Cuyama CMWD Interconnections provide the system with an additional 1,900 gpm of capacity.

Mutual Well #5 ("Well #5"), one of the system's five wells, has a design capacity of 500 gpm.⁹ Well #5 has holes in its casing and liner, and its pump has been replaced in 2000, 2004, 2006, 2008, and 2009.¹⁰ Moreover, GSWC has identified the recorded

⁴ Exhibit G-12-A-6, Ojai Water Master Plan, September 2009, Table 5-5, Page 5-6.

⁵ Id at Page 5-7.

⁶ Id.

⁷ The two booster pumps are San Antonio Forebay Booster Pump A and San Antonio Forebay Booster Pump B.

⁸ Exhibit G-12-A-6, Ojai Water Master Plan, September 2009, Table 5-5, Page 5-6.

⁹ Id at Table 5-5, Page 5-6.

¹⁰ Rebuttal testimony of Adrian Combes at pages 2 and 3.

repair costs of Well #5 for years 2000, 2003, 2004, 2006, 2008 and 2009 as \$160,590, \$4,785, \$59,946, \$86, 505, \$44,133, and \$30,729 respectively.¹¹ If this well was necessary to meet MDD for the system, DRA would concede that its replacement is necessary to maintain reliable service.

However, even without this well, the Ojai system still maintains a capacity of 4,900 gpm, which is more than enough to meet MDD. The other four wells and San Antonio Grand Interconnection discharge a total of 3,030 gpm¹² into a forebay tank from which two booster pumps deliver water to the distribution system.¹³ However, both booster pumps together only have a capacity of only 3,000 gpm.¹⁴ The discharge capacity from the four remaining wells and the San Antonio interconnection still exceed the maximum discharge capacity of the two booster pumps. Therefore, even without Well #5, the booster pumps still provide their maximum capacity to the system of 3,000 gpm. Moreover, the system still receives an additional 1,900 gpm in capacity from Montana-Cuyama CMWD and Sierra-Cuyama CMWD Interconnections,¹⁵ resulting in the total system capacity of 4,900 gpm.

For all of these reasons, DRA requests that the Commission deny GSWC the funds to construct Well #6.

b) Los Osos CSA – New Edna Road Well (Edna Road System)

GSWC’s proposal to drill the New Edna Road Well should be rejected because the Los Osos System is capable of meeting MDD without it. The system consists of two existing wells, named Lewis Lane Well 3 (“Well 3”) and Lewis Lane Well 4 (“Well

¹¹ Exhibit D-14, Data Request BYU-02 and response at pages 8 and 9.

¹² Ojai System Water Master Plan, September 2009, Page 5-6, Table 5-5.

¹³ Id. at Page 5-7.

¹⁴ Id. at Page 5-6, Table 5-5, and Page 5-7.

¹⁵ Id. at Page 5-6, Table 5-5.

4”).¹⁶ The design capacity for each well is 500 gpm.¹⁷ However, MDD for the system is only 457 gpm.¹⁸

Although GSWC asserts in testimony that “the wells produce less than 450 gpm”,¹⁹ it has failed to provide complete well production data in the record to support this point. Instead, GSWC refers to Attachment 1 for well production data, and then only provides well production data for Well 3 for 2009.²⁰ This table shows that the monthly average production of Well 3 between January and September 2009 is between 330 and 360 gpm.²¹ In October, November and December of 2009, the well produced approximately 309, 271, and 265 gpm respectively.²²

As GSWC has not provided information on the record about Well #4, there is no information to support GSWC’s assertion that Well# 4 produces less than its design capacity of 500 gpm. Moreover, there is no evidence that Well #4 failed to produce at least the 192 gpm that would be necessary in December, 2009 for the system to meet the 457 gpm MDD.²³

Looking at the above production rates by month, GSWC’s assertion that production levels have been in a downward trend²⁴ is false in the case of Well 3, and unsupported by the record in the case of Well 4. Production levels of Well 3 have shown to fluctuate between 330 and 360 gpm for the first nine months of 2009, and show two

¹⁶ Edna System Water Master Plan, September 2009, Page 5-5, Table 5-5.

¹⁷ Id.

¹⁸ Id. at Page 5-5, Table 5-4.

¹⁹ Rebuttal Testimony of Ernest A. Gisler at Page 27.

²⁰ Rebuttal Testimony of Ernest A. Gisler, American States Water Efficiency Report (First Attachment), at Pages 1 through 17.

²¹ Id.

²² Id.

²³ DRA subtracted the 265 gpm produced from Well #3 in December, 2009 from the MDD of 457 gpm, to arrive at the number of 192 gpm that Well #4 would need to produce in December, 2009 to meet MDD.

²⁴ Id at Page 27.

outliers for the last two months of that year.²⁵ Two months of data at the end of the year do not constitute a trend and no 2010 data for Well 3 is on the record. Moreover, the last two months of a year are low demand periods for water systems. In addition, GSWC has not provided any data on the record for Well 4 to support the statement about a downward trend for production levels.

Moreover, by omitting the production capacity for Well 4 in the record, GSWC has failed to demonstrate several things essential to meet its burden to justify a new well. First, by omitting Well 4 production data, GSWC has failed to show that Well 4 does not meet its design capacity of 500 gpm. Second, GSWC cannot support its point in the record that the production levels of each well decrease when both wells run simultaneously. This is because GSWC has not provided means to compare the production rates of each well when both are running with the production rates of each well when it is the only one running.²⁶ Third, by omitting Well 4 production data, GSWC has failed to demonstrate that Well 3 does not meet its design capacity of 500 gpm as well. The record lacks any information about whether Well 4 was running at the same time as Well 3. DRA assumes both wells must be running when seeing the data for Well 3 because the production rate of Well 3 is not high enough to meet MDD. However, if Well 4 was not running at the same time as Well 3, GSWC cannot demonstrate that the production rates of Well 3 would not be greater than what is shown in Attachment 1, and perhaps even sufficient to meet MDD by itself.

For all of the reasons stated above, a new well is not merited in the Edna Road System.

²⁵ Rebuttal Testimony of Ernest A. Gisler, American States Water Efficiency Report (First Attachment), at Pages 1 through 17.

²⁶ Edna System Water Master Plan asserts that both wells produce less when they run simultaneously on P. 5-5, Table 5-5, footnote B.

c) Santa Maria CSA

Santa Maria CSA has three wells at issue, including Foxen Canyon Well #5 (“Foxen”), Vineyard Well #6 (“Vineyard”), and Tanglewood #3 (“Tanglewood”). These shall be discussed in turn.

i. Foxen Canyon Well #5 (Sisquoc System)

GSWC’s proposal to drill Foxen is not merited because the Sisquoc System is capable of meeting MDD without it.

Sisquoc System has one active well which produces 100 gpm and serves the entire system.²⁷ The system does not have a Water Master Plan. However, the County Public Health Department’s Environmental Health Services Division’s (“CPHD”) latest system inspection report on the Sisquoc system states, “Environmental Health Services finds that the sources, works and operations, as described in this report, are capable of supplying a safe, wholesome and potable water supply under all conditions and circumstances. The quality of the water served, as well as the facilities and methods of operation, adequately meet the State Department of Health Services’ standards.”²⁸

GSWC has stated that “Once this well needs downtime, the system will not be able to supply any potable water. . . .”²⁹ However, the fact that CPHD has stated that the Sisquoc system supplies a safe, wholesome and potable water supply under all conditions and circumstances suggests that the well does not currently need any downtime. Even if it did need downtime currently, the system has two storage tanks which provide a total 20,000 gallons of extra capacity.³⁰

In the event GSWC can provide adequate evidence that the well needs downtime at some future point, DRA’s witness identified several alternatives to building a new well

²⁷ DRA Report on the Results of Operations of Golden State Water Company, Region I Santa Maria District, Page 5-3; A.10-01-006 Reporter’s Transcripts, June 23, 2010, pages 358 and 359.

²⁸ DRA Report on the Results of Operations of Golden State Water Company, Region I Santa Maria District, Page 5-3; A.10-01-006 Reporter’s Transcripts, June 23, 2010, pages 364 and 365.

²⁹ Rebuttal Testimony of Adrian Combes at page 10.

³⁰ A.10-01-006 Reporter’s Transcripts, June 23, 2010, pages 357-359.

including trucking in water and storage.³¹ DRA is willing to evaluate the merits of any alternatives that GSWC proposes for the Sisquoc system once GSWC shows that Foxen Canyon well needs downtime.

DRA reiterates that GSWC has already conceded that CDPH has interpreted Section 64554(c) in such a way so that firm capacity is not required for systems with existing permits. Therefore, CDPH does not require firm capacity for the Sisquoc system because it has an existing permit.

Approving funds for Foxen is not merited.

ii. Vineyard Well #6 (Lake Marie System)

GSWC's proposal to drill Vineyard is not merited because the Lake Marie System is capable of meeting MDD without it. Lake Marie system has two operational wells which provide a total capacity of 560 gpm.³² However, the system only has a MDD of 350 gpm.³³ Vineyard Well 4, a well that is no longer operational, once complimented the existing active wells to give the Lake Marie System firm capacity.

GSWC confusingly argues that DRA is misusing the intent behind Section 64554(c) because DRA insists that the system is not required to meet firm capacity even though it once did.³⁴ However, as stated earlier, CDPH and GSWC have both agreed with DRA that Section 64554(c) does not apply to systems with existing permits. In taking these positions, none of these parties have identified an exception in which Section 64554(c) applies to systems with existing permits that once met firm capacity. Lake Marie system has an existing permit,³⁵ and so Section 64554(c) does not apply.

Moreover, when asked repeatedly under oath whether CDPH required GSWC to add a new well to Lake Marie system after Vineyard Well 4 was abandoned, the witness

³¹ A.10-01-006 Reporter's Transcripts, June 24, 2010, page 426.

³² Lake Marie System Water Master Plan, September 2009, Page 5-5, Table 5-5.

³³ Id. at Page 5-4, Table 5-4.

³⁴ Rebuttal Testimony of Adrian Combes, Page 14.

³⁵ A.10-01-006 Reporter's Transcripts, June 23, 2010, Page 349.

did not provide a definitive answer of yes.³⁶ Although the witness acknowledged that the latest CDPH report concluded that the Lake Marie system “is capable of producing a safe, wholesome and reliable water supply”,³⁷ he claimed to be unsure what that meant because the report acknowledged that Lake Marie system was considering adding an intertie or a new well at one point in time.³⁸ The CDPH report only recognized the Lake Marie system was considering options to expand capacity, but did not endorse either option. Instead, the report made the conclusion already stated.

GSWC identifies only one incident when the pump in Vineyard Well 5 failed, May 2008.³⁹ Moreover, the latest pump in Vineyard Well 5 has lasted two years and two months, and counting.⁴⁰ There is currently not enough evidence to show that the well is in jeopardy of failing.

Although GSWC claims a water shortage problem occurred in the Lake Marie system when Well 5 failed, it proposes no alternative solutions to a new well in this proceeding for DRA or the Commission to evaluate. In fact, GSWC acknowledges it trucked in water to the Lake Marie system and added it to the Lake Marie storage tank when Vineyard Well 5 failed.⁴¹ GSWC even recognizes a letter by CDPH which discusses adding an intertie to the Lake Marie system.⁴² However, GSWC has not proposed trucking, storage or other alternatives besides a new well that could address a water shortage in case the existing well should fail again. DRA would welcome such a proposal in the next GRC so that it may evaluate the merits of such alternatives. In the

³⁶ Id. at Pages 344-348.

³⁷ Id. at Page 348.

³⁸ Id.

³⁹ Rebuttal Testimony of Adrian Combes, Page 12.

⁴⁰ Rebuttal Testimony of Adrian Combes, Page 12, line 21.

⁴¹ Id.

⁴² Id. at Page 13.

meantime, the Commission and DRA have no means to compare the merits of a new well with other alternatives.

Funds for Vineyard are not merited.

iii. Tanglewood #3 (Tanglewood System)

GSWC's proposal to drill Tanglewood #3 is not merited because the Tanglewood System is capable of meeting MDD without it. Tanglewood system has two existing standby wells, Tanglewood Well 1 and Tanglewood Well 2, which produce 450 gpm and 800 gpm respectively, and an interconnection exists that produces 500 gpm.⁴³ The Tanglewood system uses the interconnection for its water for 50 weeks out of the year and the standby wells for the other two weeks while the interconnection has scheduled maintenance outages.⁴⁴ Tanglewood Well 1 has an ion-exchange unit,⁴⁵ and provides potable water.⁴⁶ Regardless of whether the system receives supply from the interconnection or Tanglewood Well 1, the system meets MDD, which is 226 gpm.⁴⁷ GSWC's interconnection remains a valid source of water to the Tanglewood system for several reasons. First, although GSWC's witness initially claimed that the purchased water from the interconnection is now needed elsewhere, in Orcutt,⁴⁸ that same witness acknowledged that there is no concrete date set for turning off the supply from the interconnection.⁴⁹ In other words, GSWC has failed to credibly establish that the supply from the interconnection will end. Even if it could establish this fact, GSWC cannot show how much water would stop flowing to the Tanglewood system through this

⁴³ Tanglewood System Water Master Plan September 2009, Page 5-5, Table 5-4.

⁴⁴ Id. at Page 2-2.

⁴⁵ Rebuttal Testimony of Adrian Combes, at Page 15.

⁴⁶ A.10-01-009 Reporter's Transcript, June 23, 2010, Page 267.

⁴⁷ Tanglewood System Water Master Plan September 2009, Page 5-6, Table 5-6.

⁴⁸ Rebuttal Testimony of Adrian Combes at page 15.

⁴⁹ A.10-01-009 Reporter's Transcript, June 23, 2010, Page 369.

interconnection. Second, even if GSWC built a new well, this would not necessarily mean turning off the interconnection.⁵⁰

DRA reiterates that GSWC has conceded and CDPH has agreed that systems with existing permits or non-groundwater sources of supply are not required to meet firm capacity. Tanglewood system has both an existing permit and a non-groundwater source of supply. Moreover, even though Tanglewood system need not meet firm capacity, it does anyway because either the interconnection or Tanglewood Well 1 produces enough water to meet MDD.

In the event that either the interconnection or Tanglewood Well 1 no longer produced water for the Tanglewood system, Tanglewood Well 2 could also be a valid source of water to the system. Although Tanglewood Well 2 is 50 years old,⁵¹ Tanglewood Well 1 is also 50 years old,⁵² and GSWC has acknowledged Tanglewood Well 1 still provides potable water with its ion-exchange unit.⁵³ GSWC has not provided any additional evidence to show that Tanglewood Well 2 is failing or producing less water than its 800 gpm design capacity. Moreover, GSWC has not proposed any alternatives proposing to treat the water coming from Tanglewood Well 2. Therefore, even if the Tanglewood system one day failed to meet MDD requirements, GSWC has not provided the Commission and DRA with a means to evaluate alternatives for supplying water to the system.

Thus, GSWC has failed to meet its burden of proof that Commission authorization of Tanglewood Well #3 is merited.

⁵⁰ A.10-01-009 Reporter's Transcript, June 23, 2010, Page 370.

⁵¹ Rebuttal Testimony of Adrian Combes at Page 15.

⁵² Id.

⁵³ A.10-01-009 Reporter's Transcript, June 23, 2010, Page 367.

B. GSWC's Request to Add or Replace Pipelines

1. Background

DRA supports spending rate payer money that is necessary to maintain a reliable system. In particular, DRA recognizes that some maintenance may be required as the system gets older. However, for reasons discussed in the background section below, GSWC has not done a defensible analysis to justify replacement of most pipelines in this proceeding for several reasons. Moreover, for reasons discussed in the disputed projects section below, DRA will show in the cases of most proposed replacement projects that although GSWC's Program appears rational, it usually lacks underlying data to justify the particular pipeline projects it proposes.

In the background section herein, DRA will provide several points to illustrate that GSWC has not shown whether their proposed improvements will enable them to maintain reliable service, or whether they should prioritize funding projects or maintenance elsewhere. First, DRA's proposed criteria for considering pipeline replacement achieve this goal, but any additional criteria proposed by GSWC's do not. In particular, in determining whether to replace or relocate a pipeline, DRA requests the Commission consider the factors of age, leak history, and life expectancy, but not risk and consequence, hydraulic deficiency, whether a pipeline is critical infrastructure, fire flow deficiency, or whether a pipe is located in a backyard or alley. As will be discussed in detail below, these additional factors are not relevant for a number of reasons.

Second, GSWC's Program erroneously focuses on pipeline replacement and relocation rather than considering maintenance as an option. Finally, GSWC requests an excessive amount of money for pipeline replacement, particularly when compared to recent historical expenditures.

In the disputed projects section below, DRA will show in the cases of most proposed replacement projects that although GSWC's Program appears rational, it usually lacks underlying data to justify the particular pipeline projects it proposes.

2. DRA’s Proposed Criteria: The Commission Should Only Consider Leak History, Age, and Life Expectancy of a Pipeline

DRA maintains its position that the factors of leak history within the past five years,⁵⁴ and whether the age of a pipeline has surpassed the expected life of the pipeline material⁵⁵ are the only ones that should be used when considering whether a pipeline’s replacement is justified. GSWC has mischaracterized DRA’s position by stating that “DRA simply bases their recommendation for denying all pipeline replacements on a single parameter utilized in assessing pipeline conditions, that is (sic) number of leaks within the last five years”.⁵⁶

In fact, these criteria are the only ones that provide verifiable data about the actual condition of the pipelines. Therefore, these criteria are the only ones proposed in this proceeding that truly inform whether a pipeline needs replacing. To use any additional criteria would risk replacing a pipeline before it is necessary, which would unnecessarily augment GSWC’s rate base, put an unnecessary burden on GSWC’s rate payers, and set the same bad precedent for future General Rate Cases.

In spite of GSWC’s mischaracterization, DRA has carefully considered additional factors introduced in GSWC’s Pipeline Replacement Program (“Program”), including “risk group”,⁵⁷ “hydraulic deficiency”, “critical infrastructure”, “fire flow”, and whether the pipeline is located in an alley or backyard.⁵⁸ DRA explains why the Commission should reject each of these criteria.

⁵⁴ See DRA’s Arden Cordova Results of Operations Report Page 5-10, Table 5-3 as an example of consideration of leak history.

⁵⁵ See DRA’s Arden Cordova Results of Operations Report Pages 5-10 and 5-11 for an example of comparing the age of an Asbestos Cement pipeline with the life expectancy of Asbestos Cement lines.

⁵⁶ Rebuttal Testimony of Ernest A. Gisler at Page 9.

⁵⁷ Rebuttal Testimony of Ernest Gisler identifies risk and consequence of failure as two different criteria. DRA addresses these both together because the Pipeline Replacement Program defines risk by looking at probability of a and consequences.

⁵⁸ See Rebuttal Testimony of Ernest A. Gisler at Page 10 for GSWC’s assertion that it has considered these additional factors in its pipeline replacement program. Also, see these factors identified in GSWC’s Pipeline Replacement Program Appendix N.

3. The Commission Should Ignore Other Factors
a) Risk and Consequence Factors Should Not Be Considered

DRA objects to the use of factors of risk and consequence of failure in the Program for several reasons. First and foremost, the Program assigns numerous subjective criteria to its “likelihood” and “consequence” matrices, including “public confidence”.⁵⁹ As another example, the Program appears to subjectively assign weights to the different risk factors with no apparent explanation.⁶⁰ (These last two points are the most germane, i.e., the program is unsupported and arbitrary and appears to be rationale but lacks underlying data.)

Second, the Program identifies the reduction of risk associated with a pipeline replacement, but fails to consider whether the risk reduction is maximized given the cost of replacement. In other words, GSWC has proposed the cost of replacing each pipeline, but has not systematically prioritized the projects that achieve the greatest reduction of risk for each dollar spent. Failure to do this gives DRA no means to evaluate whether ratepayer money is spent as effectively as possible.

Third, the Program actually defines a significant part of risk by considering the physical condition, newness, number of defects, maintenance history and history of leaks for a pipeline.⁶¹ In other words, GSWC, like DRA, is using criteria such as the age and life expectancy of the pipeline as well as history of leaks, but including these factors in the definition of “risk”.⁶² GSWC already singles out these factors in Appendix N, so to include them as part of risk is redundant.

For all of these reasons, DRA objects to the use of the risk and consequence of failure criterion in this proceeding.

⁵⁹ See Program, Page 4-7, Table 4-4.

⁶⁰ See Program Pages 5-2 and 5-3.

⁶¹ In fact, 75% of the “Likelihood” table is weighted by the physical condition and reliability history of a pipeline.

⁶² See Program Page 4-9, Table 4-5.

b) Hydraulic Deficiency Should Not Be Considered

GSWC determines whether a pipeline has hydraulic deficiency using a number of design criteria, including water supply and storage, system pressure, metropolitan supply requirements, pressure reducing valves, booster station, fire flow requirements, and piping hydraulics,⁶³ which in turn considers pressure, flow velocity and energy losses.⁶⁴ It is DRA's understanding that if any of these factors are not met, then GSWC considers a pipeline hydraulically deficient.

Although GSWC proposes hydraulic deficiency as a factor to consider when replacing pipelines,⁶⁵ hydraulic deficiency should not be such a criterion for several reasons. First, GSWC does not refer to any law or Commission regulation that requires it to replace an existing pipeline due to hydraulic deficiency. Instead, GSWC's Program merely refers to guidelines meant for design and installation of new pipelines.⁶⁶ Second, the company's Program emphasizes replacing newer lines with no leaks rather than first considering whether maintaining and rehabilitating older leaking lines will minimize water loss.⁶⁷ If allowed to upgrade existing lines based upon hydraulic recommendations, rates will increase substantially, to the detriment of customers.⁶⁸

For these reasons hydraulic deficiency should not be a factor in determining whether to replace existing pipelines.

⁶³ GSWC Program, Appendix A, Pages 3 and 4.

⁶⁴ Id. at Page 7.

⁶⁵ GSWC Program Appendix N.

⁶⁶ For example, see Arden System Water Master Plan, Piping Hydraulics, Page 6-3, which refers to AWWA Manual M32 – Computer Modeling of Water Distribution Systems.

⁶⁷ See Program Appendix N in its entirety.

⁶⁸ For example, customers in the Arden Cordova consistently voiced their concerns that GSWC has the highest rate in the Sacramento area. (See transcript from Arden Cordova Public Participation Hearing, Page 16 Lines 3-5, 14-15, and 17-18. In addition, in D. 10-06-031, Pages 5 and 6, the Commission recognized Contra Costa County Supervisor Federal Glover's concern about raising rates in Bay Point, where he said, "Bay Point is one of the poorest communities in the county. One-third of its residents are at, or below, the poverty levels and more than half of the children are eligible for the free lunch program. Yet, Bay Point residents are being asked to pay dramatically more for their water than neighboring communities, including the high-income communities of Orinda, Lafayette, and Walnut Creek.

c) Critical Infrastructure Does Not Figure Into This Proceeding

GSWC defined critical infrastructure as “customers who required continual service of water such as dialysis centers and hospitals.”⁶⁹ According to GSWC, “A project with both hydraulic and fire flow deficiencies in a system with critical infrastructure would receive a (highest) score of 10.”⁷⁰ DRA does not dispute the importance of providing a reliable and adequate water supply to such customers. However, the burden rests with GSWC to demonstrate that a new pipeline would meet such an objective better than the existing one. It has not met such a burden in this case. Moreover, of all the pipeline replacements proposed by GSWC in this proceeding, only one is identified as critical infrastructure.⁷¹ In the pipelines section of this brief, DRA will demonstrate that GSWC has not shown it can meet this objective.

d) Fire Flow Is Irrelevant When Considering Whether to Replace an Existing Pipeline

General Order 103A does not require GSWC to modify or replace existing pipelines, which are otherwise adequate, in order to meet new fire flow standards that became effective after the pipeline was initially built.⁷² However, when a main requires replacement for other reasons, the new main, if used or useful for fire protection purposes, shall be sized to accommodate the governing fire flow standard.⁷³ This means that any changes in fire flow standards apply to a pipeline only after the decision is made to replace an existing pipe, but not in determining whether to replace that pipe.

⁶⁹ See Program Pages 5-2 and 5-3.

⁷⁰ See Program Pages 5-2 and 5-3.

⁷¹ Appendix N identifies only Ojai Improvement 1.026.1 as critical infrastructure.

⁷² General Order 103A Section VI.3.A.

⁷³ General Order 103A Section VI.3.B.

Therefore, the criterion in Appendix N that determines whether an existing pipeline meets fire flow requirements is irrelevant.⁷⁴

e) Location of a Pipeline in an Alley or Backyard Is Not Relevant

The factor of location is discussed in Appendix N of the Program, which has a row identifying whether a pipeline is located in an alley or backyard. However, there is no discussion anywhere in the Program that explains whether location of a pipeline in a backyard should be a factor or why. DRA has no means to evaluate a factor that is given no explanation. Moreover, the Program evaluates the merits of location of a pipeline in an alley in one matrix, but then gives 0% weight to that as a factor.⁷⁵ Apparently, GSWC believes this factor is not important in spite of its statement in testimony that it should be considered.

With one exception,⁷⁶ the remaining criteria for evaluating whether to authorize pipeline replacement include leak history over the last five years, age of a pipeline, and life expectancy of a pipeline given its material. DRA applies those criteria below when explaining that each particular pipeline should be disallowed.⁷⁷

⁷⁴ DRA assumes that all of GSWC's existing pipelines met existing fire flow standards when they were installed. DRA also recognizes that GO 103A Section VI.1.A provides that standards of local fire agencies govern the kind of pipeline necessary. However, this Section of GO 103A could only apply in this case if a local fire agency code mandated that existing pipeline be upgraded or replaced, rather than simply changing the new fire flow codes. GSWC has provided no evidence of any local fire agency code mandating the upgrading or replacement of an existing pipeline.

⁷⁵ See Program Page 5-4 Table 5.1, "Project Prioritization Scoring Matrix".

⁷⁶ The exception to this point is GSWC's point about critical infrastructure, and GSWC asserts this point applies to only one proposed replacement. DRA shall discuss this point below.

⁷⁷ DRA shall also point out flaws in GSWC's applied criteria where relevant in the event that the Commission chooses to consider any of these criteria in determining whether to authorize a particular pipeline.

4. GSWC's Program Erroneously Focuses on Pipeline Replacement and Relocation Rather than Considering Maintenance as an Option

GSWC's Program emphasizes replacement rather than maintenance. In most cases, GSWC is proposing to replace lines that have no leak history.⁷⁸ In many cases, GSWC is also proposing to replace pipelines that have not reached their life expectancy. GSWC could propose to maintain these lines when leaks are discovered, but has not.

5. GSWC Requests an Excessive Amount of Money for Pipeline Replacement

For at least several customer service areas, GSWC requests amounts for each year in this rate case cycle that exceed the average amount it has spent on pipeline replacements over the past five years.⁷⁹ To use the Arden Cordova customer service area as one example, GSWC requests \$1,627,800 for 2010; \$1,026,000 for 2011; and \$1,256,500 for 2012.⁸⁰ In stark contrast, GSWC only spent an annual average of \$239,476 in Arden Cordova over the last five years.⁸¹ To use the Clearlake customer service area as another example, GSWC asks for \$224,500 in 2010; \$305,900 in 2011; and \$195,700 in 2012,⁸² but only spent an annual average of \$59,594 over the last five years.⁸³ If the Commission authorizes any pipeline replacements, the authorization

⁷⁸ Appendix N of the program identifies all proposed pipelines in this proceeding except for one as having zero leaks in the past five years.

⁷⁹ Exhibit D-11 provides GSWC's data response to Data Request JAU-08. This is Golden State's account of pipeline project expenditures for 2005-2009 in Arden Cordova, Baypoint, and Clearlake CSA's. This Data Response breaks down expenditures for each pipeline within the district. DRA then added the pipeline expenditures together to calculate the total expenditures for each of the Arden Cordova, Bay Point, and Clearlake Districts from 2005 through 2009.

⁸⁰ Exhibit G-25-W, Arden-Cordova, Workpapers Volume 2, Ratebase Section, Sheet Number 19.

⁸¹ DRA arrived at this number by using Exhibit D-11 GSWC's response to DRA Data Request JAU-08, which provides the annual pipeline expenditures in Arden Cordova from 2005 through 2009, and averaging these expenditures.

⁸² Exhibit G-32-W, Clearlake-Workpapers Volume 2, Ratebase Section, Sheet Number 19.

⁸³ DRA arrived at this number by using Exhibit D-11 GSWC's response to DRA Data Request JAU-08, which provides the annual pipeline expenditures in Arden Cordova from 2005 through 2009, and

amount should be consistent with GSWC's average expenditures in each customer service area over the past five years.

6. Disputed Projects

DRA explains below that the Commission should disallow most pipeline projects currently in dispute. In order, DRA addresses projects that have no history of leaks in the last five years, projects that are not included within Appendix N of GSWC's Program, and other disputed projects. Within the section that discusses projects that have no history of leaks within the past five years, DRA first explains why GSWC's backyard main relocation projects in the Arden Cordova Customer Service Area are not justified.

DRA recommends the Commission disallow most of these pipeline projects because GSWC has usually not provided adequate data to justify them. In particular, GSWC's data usually shows that most of the pipelines it has requested have not yet reached their life expectancy, and have a history with no leaks.

Finally, DRA explains why the Commission should disallow a backhoe, trailer, and dump truck in dispute.

a) Pipelines With No History of Leaks in Last Five Years

i. Arden Cordova CSA

As most of the pipelines replacements within Arden Cordova CSA are relocations of backyard mains, DRA first provides several reasons why none of the backyard main relocation projects should be authorized. Then, DRA will provide reasons why certain particular lines should also not be authorized.

No backyard main relocation projects should be authorized for several reasons. First, in spite of GSWC's claim that its program to relocate mains from customers' backyard to the front in order to install meters on the services is cost effective and

averaging these expenditures.

prudent,⁸⁴ DRA has shown that the company's program is wasteful and costly for ratepayers. The company is requesting approximately \$1.499 million⁸⁵ to replace lines that are relatively new⁸⁶ and have no history of leaks⁸⁷ in a system with a water loss rate of less than 3%.⁸⁸

Second, in spite of GSWC's claim, DRA has actually shown that it is less intrusive and more cost effective to install meters on existing service lines rather than relocating lines to install meters. For example, GSWC claims that having mains in customers' backyards poses operational problems for the company such as access for repair and meter reading. However, DRA has said that the company could use technologies such as Automatic Meter Reading to read meters remotely, thereby eliminating access problems to them.⁸⁹

Third, GSWC claims that the task of installing meters on existing lines is strenuous due to the difficulty in locating existing mains. The company expects the Commission to believe that the task of excavating and installing new water lines (both mains and service lines)⁹⁰ is less strenuous, less disruptive, and more prudent than locating existing lines with current ground penetrating radar technology,⁹¹ and then installing the meters on those same lines. However, the company has not provided any

⁸⁴ Rebuttal Testimony of Ernest A. Gisler at Page 14, lines 14 through 16.

⁸⁵ DRA arrived at this dollar amount by adding the cost of all of the Backyard main relocation projects listed in its Results of Operations Report for Arden Cordova, Page 5-10, Table 5-3.

⁸⁶ DRA Results of Operations Report for Arden Cordova District at page 5-10, Table 5-3 shows that all proposed backyard mains have not reached their life expectancy except for one, and that loan project is 49 years with a life expectancy of between 40 and 140 years.

⁸⁷ Id.

⁸⁸ DRA Results of Operations Report for Arden Cordova at Page 2-3, lines 13 through 15.

⁸⁹ DRA Results of Operations Report for Arden Cordova at Page 5-11. Ms. Jenny Au corrected this report to suggest AMR technology could be used rather than AMI technology for meter reading. For this correction, please see Reporter's Transcript June 24, 2010 at Page 397.

⁹⁰ Rebuttal Testimony of Ernest Gisler at Pages 14 and 15.

⁹¹ DRA could not discuss this technology in its Results of Operations Report or elsewhere in the record because GSWC raised concern of excavating backyards to find mains for the first time in the Rebuttal Testimony of Ernest Gisler at Page 14.

supporting data to show that it is infeasible to install meters on existing service lines without moving the mains to the customers' front yards. Moreover, although the company proposes to install the water main in the front yard and install the meters simultaneously,⁹² it has also failed to provide supporting data to show it is less costly to do this than to simply attach a meter onto existing mains.

Finally, in the event that installing meters in the front yard would require customers to pay to connect their house plumbing to front yard meters, GSWC has failed to notify those customers about such costs and necessary connections.

DRA will now explain, line by line, why each proposed replacement in the Arden Cordova System with no history of leaks in the last five years is not justified.

(A) 1.024.1 (Backyard Main),

(B) 1.028.1 (Backyard Main)

These lines have experienced no leaks in the last five years,⁹³ and are 39 year old Asbestos Concrete pipes.⁹⁴ Asbestos Concrete pipes last between 40 and 140 years.⁹⁵ Optimistically, 100% of such pipes last 60 to 70 years.⁹⁶ Hence, neither the leak history nor the age of this pipeline merits relocation.

Although DRA disagrees with using any other criteria from its Program to determine whether this pipeline should be relocated, DRA will entertain the other criteria proposed by GSWC here. These pipelines have no hydraulic deficiency, are not critical infrastructure, have no fire flow deficiency, and have a relatively low risk group score. The only parameter in their favor is that they are located in a backyard, which does not justify a replacement for reasons already mentioned.

⁹² A.10-01-009 Reporters Transcript June 23, 2010, Page 325.

⁹³ DRA Results of Operations Report for Arden-Cordova, Page 5-10, Table 5-3.

⁹⁴ Id.

⁹⁵ GSWC Program, Page 4-7, Table 4-4.

⁹⁶ Id.

(C) 1.026.1 (Backyard Main)

(D) 1.027.1 (Backyard Main)

GSWC proposes to replace and relocate these backyard mains.⁹⁷ However, GSWC has stated that the age of the existing lines is zero years, that they have zero leaks in the last five years, that the pipe material is new, that they do not have hydraulic or fire flow deficiencies, that they are not critical infrastructure, and that they are in a relatively low risk group.⁹⁸ Given that a line cannot have a five year history if it is brand new, and that GSWC would not likely propose relocating a brand new main, DRA believes this information may be inaccurate. GSWC should provide accurate information about an existing pipeline before a replacement is authorized. For reasons already stated, the location of a line in a backyard is not justification to move it. Moreover, whether the Commission uses DRA's or GSWC's criteria, there is no justification to authorize these projects. DRA maintains they should be disallowed.

(E) 1.029.1 (Backyard Main)

(F) 1.030.1 (Backyard Main)

(G) 1.031.1 (Backyard Main)

These lines share the same attributes as those describing backyard mains (A) 1.024.1 and (B) 1.028.1. Therefore, DRA refers to its argument for those lines to apply to these lines as well.

(H) 1.013.1

GSWC proposes to install a new line as part of its pipeline replacement project.⁹⁹ Moreover, GSWC identifies the existing line to replace as having hydraulic deficiency and fire flow deficiency.¹⁰⁰ However, GSWC identifies the existing line as having zero

⁹⁷ GSWC Program Appendix N.

⁹⁸ Id.

⁹⁹ Exhibit G-24-W, Arden Cordova Workpapers (Volume 2), Sheet 42.

¹⁰⁰ GSWC Program Appendix N.

leaks within the past five years, being zero years old, and being new pipe material.¹⁰¹

DRA extends GSWC the benefit of the doubt that it is not proposing to replace a new line. However, the information provided regarding leaks, age and pipeline material do not justify a replacement. Moreover, this pipeline is not in a high risk group, is not critical infrastructure, and is not located in a backyard or alley.¹⁰² For reasons already stated, fire flow requirements and hydraulic deficiency concerns are only relevant for decisions about what kind of new pipe to install, but not for decisions about whether to replace existing pipes. The Commission should disallow replacement.

(I) 1.014.1

GSWC proposes to install a new line to replace a 49 year old asbestos concrete line with zero leaks in the past five years.¹⁰³ Asbestos Concrete pipes last between 40 and 140 years.¹⁰⁴ Optimistically, 100% of such pipes last 60 to 70 years.¹⁰⁵ The fact that this pipe has not leaked recently suggests it is in good condition and has not yet reached its life expectancy. Moreover, GSWC has not identified this pipeline as a high risk group or critical infrastructure.¹⁰⁶ Although this pipeline is identified as hydraulically deficient, not meeting current fire flow standards,¹⁰⁷ those factors are irrelevant when deciding whether to replace existing pipes for reasons already mentioned. Although this pipeline is located within a backyard,¹⁰⁸ that should not be considered as a factor either as explained above. However, even if the Commission chose to consider risk group, hydraulic deficiency, fire flow, and location of a pipe within

¹⁰¹ GSWC Program Appendix N.

¹⁰² GSWC Program Appendix N.

¹⁰³ GSWC Program Appendix N; DRA Results of Operations Report Page 5-10, Table 5-3.

¹⁰⁴ GSWC Program, Page 4-7, Table 4-4.

¹⁰⁵ Id.

¹⁰⁶ GSWC Program Appendix N.

¹⁰⁷ Id.

¹⁰⁸ Id.

a backyard, those criteria by themselves would not merit replacement because of the fact that the pipeline is in good condition and is water tight.

Moreover, this project is proposed in combination with Arden Cordova Project ID 1.013.1,¹⁰⁹ which has inadequate information to be justified for reasons explained above. GSWC should provide proper justification for both pipelines before either is approved. This pipe does not merit replacement.

(J) 1.015.1

GSWC proposes to install a new line to replace the existing one, which is a 15 years old, asbestos concrete pipe, that has not experience any leaks in the past five years.¹¹⁰ Therefore, the existing line has not reached its life expectancy and is in good condition. Although GSWC claims it does not meet fire flow standards and has a hydraulic deficiency, it is not located in a backyard.¹¹¹ These factors do not merit replacement for reasons already mentioned. Even if the Commission chose to consider fire flow and hydraulic deficiency factors, they do not justify replacing a pipe that is close to new and in good condition. The Commission should not authorize replacement of this pipeline.

**(K) 1.998.1 (Chardonnay Drive)
(Backyard Main)**

GSWC has provided no information about its leak history, age, material type, or any other factor it suggests to be considered. Nonetheless, GSWC requests \$1,010,500 to replace this main,¹¹² which is more than twice the amount it requests to relocate any other backyard main.¹¹³ Although GSWC requests more than twice as much money as

¹⁰⁹ Exhibit G-24-W, Workpapers: Arden Cordova (Volume 2), Sheet 43.

¹¹⁰ Id.

¹¹¹ GSWC Program Appendix N.

¹¹² DRA Results of Operations Report Page 5-10, Table 5-3.

¹¹³ Id.

other pipelines, it provides less than half as much information as other pipelines. Unlike the previously described pipeline projects, this project is not included in Appendix N of the Program. Moreover, the Project Cost Estimate for this project does not discuss risk, hydraulic deficiency, critical infrastructure, fire flow requirements, pipe material, or historic number of leaks.¹¹⁴ To address age of pipeline, the Project Cost Estimate merely characterizes the pipeline as old without disclosing the exact age of it.¹¹⁵ Finally, the Cordova System Water Master Plan does not identify this pipeline for replacement in its conditional assessment of the system.¹¹⁶ For reasons already stated, backyard mains in this proceeding do not merit relocation. GSWC provides insufficient information to meet its burden for the Commission to authorize relocating this pipeline, particularly in light of the amount it is requesting.

(ii) Bay Point CSA (1.003.1)

GSWC proposes to replace this 49 year old steel pipeline which has experienced no leaks in the last five years.¹¹⁷ From an optimistic industry perspective, 50% of steel pipes last 50 to 60 years.¹¹⁸ Optimistically, 10% of steel pipes last 80 years.¹¹⁹ Given the lack of leaks, the pipeline is still in good condition, and has not reached its life expectancy. However, DRA would consider a request for a replacement soon in a future General Rate Case if the condition of the pipeline changed.

The pipeline is not identified as a high risk or in a backyard or alley, but is identified as having hydraulic deficiency and not meeting fire flow requirements. For reasons already mentioned, hydraulic deficiency and fire flow do not apply to decisions

¹¹⁴ Exhibit G-25-W, Updated Workpapers: Arden Cordova (Volume 2) Ratebase Section, Sheet 99.

¹¹⁵ Id.

¹¹⁶ GSWC Cordova System Water Master Plan, September 2009, Pages 8-3 to 8-6.

¹¹⁷ GSWC Program, Appendix N; DRA Results of Operations Report for Bay Point, Page 5-4.

¹¹⁸ GSWC Program, Page 4-7, Table 4.4.

¹¹⁹ Id.

about whether to replace existing lines. Even if they did, these two things would not justify replacing a line that is still in good condition. This line should not be authorized.

(iii) Clearlake CSA (1.016.1)

GSWC proposes to realign this 49 year old asbestos concrete line which has leaked once in the last five years.¹²⁰ Although the pipeline has leaked once, it is not in a backyard, and not identified as having hydraulic deficiency, being critical infrastructure, or having fire flow deficiency.¹²¹

Although DRA insists risk should not be considered a factor in this proceeding for reasons mentioned above, GSWC has identified this pipeline as a high risk pipeline. This line is on private property.¹²² GSWC proposes to relocate the line to public right-of-way, claiming it is proactively avoiding future property damage claims.¹²³ However, the line has no history of breaks.¹²⁴ Moreover, GSWC has not needed to service this line in the past five years, and has provided no information that the sole leak caused property damage. DRA's witness concedes that she does not know about whether GSWC's insurance policies or whether the company would be indifferent to damage of different kinds of property and ensuing claims.¹²⁵ However, this does not change the fact that the company has not shown why this line is high risk. The Commission should not authorize this realignment. However, DRA would consider a request to realign this pipeline in a General Rate Case if its condition changed.

¹²⁰ GSWC Program, Appendix N.

¹²¹ Id.

¹²² DRA Results of Operations Report for Clearlake at Page 5-4.

¹²³ Id.

¹²⁴ Id.

¹²⁵ A.10-09-109, Hearing Transcript at Pages 420 through 421.

(iv) Ojai CSA

(A) 1.007.1

GSWC proposes replacing this 48 year old Cast Iron pipe even though it has not leaked in the last five years.¹²⁶ Optimistically, 50% of Cast Iron pipes last from 70 to 80 years.¹²⁷ Moreover, this pipeline is not identified as one of the pipelines in the Ojai system that needs replacement as a result of excessive leaks.¹²⁸ This pipeline is still in good condition, suggesting it has not reached its life expectancy yet.

This four-inch pipeline is listed as having hydraulic and fire flow deficiencies.¹²⁹ DRA has shown above why these factors do not figure into whether to replace existing pipes. However, even if the Commission considers those factors, they are not enough to merit replacement given the good condition of the pipeline. The Commission should not authorize this pipeline.

(B) 1.026.1

GSWC proposes replacing this 49 year old six-inch steel pipeline with an eight-inch steel pipeline.¹³⁰ The pipeline has zero leaks in the last five years.¹³¹ From an optimistic industry perspective, 50% of steel pipes last 50 to 60 years.¹³² Optimistically, 10% of steel pipes last 80 years.¹³³ Moreover, this pipeline is not identified as one of the

¹²⁶ GSWC Program Appendix N.

¹²⁷ GSWC's Program, Page 4-7, Table 4.4

¹²⁸ Ojai System Water Master Plan, September 2009, Page 8-4, Table 8-2.

¹²⁹ GSWC's Program Appendix N.

¹³⁰ Id.

¹³¹ Id.; DRA Results of Operations Report for Ojai, Page 5-9. This project ID is identified with the subheading "Fairview Road – Fairview Plant to Fairview Court".

¹³² GSWC Program, Page 4-7, Table 4.4.

¹³³ Id.

pipelines in the Ojai system that need replacement as a result of excessive leaks.¹³⁴ Given the lack of leaks, the pipeline is still in good condition, and has not reached its life expectancy.

GSWC has said this pipeline as high risk, hydraulically deficient, and critical infrastructure.¹³⁵ For reasons already mentioned hydraulic deficiency is not a factor to use for replacing a pipe. Moreover, GSWC has not given any facts to show why this pipeline is high risk, hydraulically deficient or critical infrastructure.¹³⁶ The Commission should not authorize this pipeline.

(v) Santa Maria CSA

(A) 1.032.1

(B) 1.033.1

(C) 1.034.1

GSWC proposes to replace each of these pipelines, which are 59 years old, steel, and have not leaked in the last five years.¹³⁷ From an optimistic industry perspective, 50% of steel pipes last 50 to 60 years.¹³⁸ Optimistically, 10% of steel pipes last 80 years.¹³⁹ Although the pipeline currently has no leaks, DRA would consider a request to replace it in a future General Rate Case if the condition of the pipeline deteriorated.

These pipelines are identified as low risk groups and hydraulically deficient. As stated earlier, these criteria are irrelevant for determining pipeline replacement. Moreover, GSWC provides no additional information to show why the project is a certain

¹³⁴ Ojai System Water Master Plan, September 2009, Page 8-4, Table 8-2.

¹³⁵ GSWC Program Appendix N.

¹³⁶ DRA reviewed GSWC's Program, Project Cost Estimate, and reference to the Ojai System Water Master Plan in order to make this statement.

¹³⁷ GSWC Program Appendix N.

¹³⁸ GSWC Program, Page 4-7, Table 4-4.

¹³⁹ Id.

risk level or hydraulically deficient.¹⁴⁰ DRA maintains its recommendation that the Commission disallow these projects.

(D) 1.003.1

GSWC proposes replacement of this 47 year old asbestos concrete line that has zero leaks.¹⁴¹ Asbestos Concrete pipes last between 40 and 140 years.¹⁴² From a pessimistic viewpoint, 100% of such pipes last at least 40 years.¹⁴³ Optimistically, 100% of such pipes last 60 to 70 years.¹⁴⁴ Given the fact this pipeline has zero leaks identified in the last five years, it is still in good condition and has not reached its life expectancy yet.

GSWC says this line is low-risk, hydraulically deficient, and does not meet fire flow requirements.¹⁴⁵ DRA maintains that none of these criteria are relevant in determining whether to replace the pipeline for reasons already mentioned. However, even if they were considered, these factors by themselves do not merit replacing a line that is otherwise in good condition. DRA stands by its recommendation to disallow this replacement, but would consider replacement of this pipeline in a future General Rate Case if the condition changes.

¹⁴⁰ DRA reviewed GSWC's Program, Project Cost Estimates, and the Orcutt System Water Master Plan to support this statement. Although GSWC identifies these projects on Page 8-4 of the Water Master Plan as "short-term", GSWC gives no more information justifying why these projects should be replaced.

¹⁴¹ GSWC Program Appendix N.

¹⁴² GSWC Program, Page 4-7, Table 4-4.

¹⁴³ Id.

¹⁴⁴ Id.

¹⁴⁵ GSWC Program Appendix N.

b) Projects Without Information in GSWC's Pipeline Replacement Program Report, Appendix N

(i) Arden Cordova CSA:

(A) 1.998.1 (Chardonnay Dr.)

DRA has provided all of its arguments for why the Commission should disallow this project on in Section 4(a)(i)(K) of this brief.

(ii) Los Osos CSA:

(A) 1.032.1

(B) 1.033.1

(C) 1.034.1

(D) 1.035.1

(E) 1.036.1

GSWC proposes installing these five pipelines, and claims they eliminate a dead-end and enclose a loop.¹⁴⁶ However, GSWC does not provide any justification whatsoever for any of these projects. The only information that Appendix N provides is that these pipelines are zero years old.¹⁴⁷ Moreover, although each Project Cost Estimate refers to the Los Osos Master Plan Table 8-1 for further justification,¹⁴⁸ Table 8-1 merely states that each project is necessary without providing any additional data to explain why.¹⁴⁹ GSWC has failed to meet its burden to justify replacing any of these pipelines, and DRA recommends disallowing them.

¹⁴⁶ Exhibit G-36-W, Workpapers: Los Osos (Volume 2), Sheet numbers 57 through 59.

¹⁴⁷ GSWC Program Appendix N.

¹⁴⁸ Exhibit G-36-W, Workpapers: Los Osos (Volume 2).

¹⁴⁹ Los Osos System Water Master Plan September 2009, Page 8-4, Table 8-1.

(iii) Santa Maria CSA

(A) Depot Road, Foxen Canyon Road and Dome Street (1.001.1)

GSWC proposes replacing this pipeline,¹⁵⁰ but fails to provide any information to justify that. In addition to being absent from GSWC’s Program Appendix N, the sole line in the Project Cost Estimate refers to “Conditional Assessments” without any additional reference information about where these are.¹⁵¹ Moreover, unlike with other systems, this pipeline is in the Sisquoc system, which lacks a Water Master Plan. For every other system, the Water Master Plan provides “Conditional Assessments”. Therefore, GSWC has provided no criteria about the condition of this pipeline to justify its replacement. Moreover, DRA has no means of reviewing these alleged “Conditional Assessments”, and questions whether they were provided. GSWC’s justification for this pipeline is grossly deficient, and DRA maintains its recommendation that the Commission disallow this project.

(iv) Simi Valley CSA

(A) 1.025.1

(B) 1.026.1

(C) 1.027.1

(D) 1.028.1

GSWC proposes replacing these pipelines. In addition to being absent from GSWC’s Program Appendix N, the project cost estimates only say the replacement is needed “due to material type and age”, but does not specify the age of these pipes or the kind of material.¹⁵² Moreover, these pipelines are absent from the Simi Valley Water

¹⁵⁰ Exhibit G-45-W, Workpapers, Santa Maria (Volume 2), Ratebase Section, Sheets 54 through 56.

¹⁵¹ Exhibit G-45-W, Workpapers: Santa Maria (Volume 2), Ratebase, Sheets 54 through 56.

¹⁵² Exhibit G-49-W, Workpapers: Simi Valley (Volume 2), Ratebase Section, Sheets 44 through 55.

Plan System Condition Assessment chapter,¹⁵³ which shows the projects GSWC believes need replacement. In short, GSWC's justification for these pipelines is grossly deficient, and DRA maintains its recommendation that the Commission disallow them.

c) Other Contested Projects

(i) Arden Cordova CSA:

(A) 1.005.1

This is a 28 year old asbestos concrete pipeline that has not leaked in the past five years in the Cordova System. GSWC claims this pipeline has a hydraulic deficiency,¹⁵⁴ and that the project is needed to improve pipe velocities in the system. However, GSWC is using velocity criteria specified in Manual M32, which are "recommended design guidelines" for new pipelines rather than requirements for existing pipelines. Moreover, DRA's testimony suggests that even with the proposed upgrade, the new line would not address the hydraulic deficiency to the level suggested by the recommended design guidelines.¹⁵⁵

Even if the Commission agreed hydraulic deficiency was a valid reason to replace a pipeline, GSWC's has not shown the replacement would correct the deficiency. Therefore, this pipeline is not merited.

(B) 1.016.1

GSWC proposes installing this new pipeline to address hydraulic and fire flow deficiencies.¹⁵⁶ For reasons discussed in the backyard relocation subsection at the beginning of this section, the Commission should disallow this replacement.

¹⁵³ Exhibit G-12-A-11, Simi Valley System Water Master Plan, September 2009, Pages 8-3 and 8-2, Table 8-1.

¹⁵⁴ GSWC Program Appendix N.

¹⁵⁵ DRA Results of Operations Report for Arden Cordova at Page 5-13, lines 20-23.

¹⁵⁶ Exhibit G-24-W, Workpapers: Arden Cordova (Volume 2).

C. Santa Maria CSA – Replace Backhoe, Trailer and Dump Truck

GSWC requests \$85,000, \$50,000, and \$120,000 in 2010 to replace a backhoe, trailer and dump truck respectively.¹⁵⁷ GSWC claims the existing backhoe is undersized to perform the duties and required a major overhaul of the hydraulic system to the tune of about \$10,000.¹⁵⁸ However, the hydraulic system overhaul leaves it with a new hydraulic system, and GSWC has not shown anything else wrong with the backhoe. Even if the backhoe needs replacing, GSWC does not show why the existing trailer could not be used with a new backhoe. Although the dump truck needed a new transmission, it has now lasted without additional problems for three years,¹⁵⁹ and GSWC has not documented the need for any other maintenance on this vehicle. Moreover, GSWC conceded that the dump truck is currently operational, and has only 29,400 miles on it.¹⁶⁰ For these reasons, the backhoe, trailer, and dump truck should be disallowed.

IV. CONCLUSION

DRA has shown in this Opening Brief that GSWC can provide safe and reliable service without the five wells, 30 pipeline relocations or installations, backhoe, trailer, and dump truck it requests. Therefore, including these items in GSWC's rate base is neither just nor reasonable for customers. For these reasons, the Commission should disallow each of these items.

¹⁵⁷ Id.

¹⁵⁸ Rebuttal Testimony of Adrian Combes at Page 17, Lines 10 through 15.

¹⁵⁹ Id. at page 18, lines 8 through 13.

¹⁶⁰ Id.

Respectfully submitted,

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August 4, 2010

CERTIFICATE OF SERVICE

I hereby certify that I have this day served a copy of **OPENING BRIEF OF THE DIVISION OF RATEPAYER ADVOCATES** to the official service list in **A.10-01-009** by using the following service:

E-Mail Service: sending the entire document as an attachment to all known parties of record who provided electronic mail addresses.

U.S. Mail Service: mailing by first-class mail with postage prepaid to all known parties of record who did not provide electronic mail addresses.

Executed on **August 4, 2010** at San Francisco, California.

/s/ ALBERT HILL
ALBERT HILL

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