ATTACHMENT C

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

In the matter of the application of CALIFORNIA WATER SERVICE COMPANY, (U-60-W), a California corporation, for an order 1) authorizing it to increase rates for water service by $70,592,000 or 16.75% in test year 2011, 2) authorizing it to increase rates on January 1, 2012, by $24,777,000 or 5.04% and January 1, 2013, by $24,777,000 or 4.79% in accordance with the Rate Case Plan, and 3) adopting other related rulings and relief necessary to implement the Commission's ratemaking policies.	Application 09-07-001 (Filed July 2, 2009)

FURTHER AMENDED SETTLEMENT OF CALIFORNIA WATER SERVICE COMPANY (U-60-W), THE DIVISION OF RATEPAYER ADVOCATES, MR. JEFFREY YOUNG, MR. JACK CHACANACA, AND THE LEONA VALLEY TOWN COUNCIL.

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1.0 GENERAL

The Parties to this Settlement before the California Public Utilities Commission ("Commission") are California Water Service Company ("Cal Water"), the Division of Ratepayer Advocates ("DRA"), Mr. Jeffrey Young, Jack Chacanaca, and the Leona Valley Town Council. All Parties participated in the settlement discussions and hearings. Cal Water and DRA reached a full settlement on nearly all revenue requirement items in the General Rate Case ("GRC") with DRA and reserve only one special request as not settled. Cal Water and Mr. Young reached an agreement for all issues except for one. Cal Water and the Leona Valley Town Council reached an agreement for all issues except for two.

Since this Settlement represents a compromise by them, the Parties have entered into the Settlement on the basis that any Party regarding any fact or matter of law in dispute in this proceeding not construe its approval by the Commission as an admission or concession. Furthermore, the Parties intend that the approval of this Settlement by the Commission not be construed as a precedent or statement of policy of any kind except as it relates to the current and future proceedings addressed in the Settlement. (Rule 12.5, Commission Rules of Practice and Procedure.) Consistent with the Assigned Commissioner's October 2, 2009, Scoping Memo, the Settlement does not include specific rates or tariffs.[1]

Open Issues Between the Parties - Between Cal Water and DRA, the only open issue that is not addressed in this Settlement is Special Request # 27 relating to Cal Water's request for an approval mechanism for unanticipated "green" projects. In addition, Cal Water and Mr. Young did not reach agreement on whether to impute a higher level of State Revolving Fund ("SRF") financing for the Coast Springs rate area in the Redwood Valley District. Mr. Young also recommends changes to how costs are allocated from General Office to the

[1] Assigned Commissioner's Scoping Memo and Ruling (Oct. 2, 2009) ("Scoping Memo") at 4, note 2. In comments on the proposed decision in this proceeding, the Parties will jointly submit rates and tariffs based upon the revenue requirement adopted in the proposed decision. *Id.*

Redwood Valley District (for example, use of a 2-factor approach rather than a 4-factor[2] approach, and/or combining the areas within the district to calculate the appropriate GO allocation). Cal Water, Jack Chacanaca, and the Leona Valley Town Council did not reach an agreement on the addition of a second well in the Fremont Valley service area, and on the unit costs of hydrants, valves, and service connections, in the Antelope Valley District.

[2] As authorized in D. 07-05-062, Cal Water requests that the adopted general operations costs in this proceeding be applied to all districts concurrently on the effective date of the decision in this application. Cal Water requests that these expenses and rate base be incorporated into revenue requirements and rates for all of its operating districts. The factors used in the four-factor calculation includes payroll, number of services, operations and maintenance expenses, and weighted utility plant in service.

2.0 SALES AND SERVICES

2.1 SALES

ISSUE: While both the DRA and Cal Water claim to use the New Committee Method to develop sales analyses, DRA disputed a number of the model results Cal Water used and objected to the methodology of including the projection of normalized sales to the last recorded year and the imputation of a 1.5% per year sales reduction for conservation. In some cases, DRA proposed alternative model runs and other forecasts, and DRA forecast normalized sales to the test year. DRA's general approach to the forecasts is generally in agreement with the approach taken by Cal Water.

RESOLUTION: Parties settled on the Test Year sales but not on the methodology for arriving at the agreed-upon sales. Parties agreed to use DRA's sales estimates in all districts except for the Antelope Valley District. In the Antelope Valley District, Parties agreed to use Cal Water's sales estimate. The table below summarizes the Settlement position for total sales in Cal Water's districts. Parties agree to use the sales per customer settled for the test year in accordance with the Rate Case Plan[3] for sales estimates in 2012 and 2013

[3] Rate Case Plan D-07-05-062, Appendix A, p. A-20

1 Total Metered Sales in KCcf

2 Test Year 2011

	Sales Estimated for 2011 (KCcf.)			
District	Cal Water Direct	DRA Report	Difference	Settlement
Antelope Valley	516	441	75	516
Bakersfield	20,005	19,800	205	19,800
Bear Gulch	6,339	6,011	328	6,185
Chico-Hamilton	9,373	9,704	(331)	9,704
Dixon	710	688	22	688
Dominguez-South Bay	18,573	17,727	846	17,727
East Los Angeles	8,175	8,304	(129)	8,304
Hermosa-Redondo	6,048	6,014	34	6,014
King City	814	834	(20)	834
Kern River Valley	525	444	81	444
Livermore	5,169	5,239	(70)	5,239
Los Altos	6,320	6,379	(60)	6,379
Marysville	765	699	66	699
Mid-Peninsula	7,481	7,466	15	7,466
Oroville	1,473	1,473	-	1,473
Palos Verdes	9,819	9,908	(89)	9,908
Redwood Valley - Coast Springs	8	8	-	8
Redwood Valley - Lucerne	133	133	-	133
Redwood Valley - Unified	38	38	-	38
Salinas	7,701	7,562	139	7,562
Selma	1,711	1,750	(40)	1,750
South San Francisco	4,017	3,988	29	3,988
Stockton	13,110	13,153	(43)	13,153
Visalia	13,621	11,853	1,768	13,398
Westlake	4,191	4,126	65	4,126
Willows	555	574	(19)	574
Total	147,188	144,316	2,872	144,391

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2.2 SERVICES

ISSUE: Cal Water forecasts customers using a five-year average of the change in the number of customers by customer class. Should an unusual event occur, or expected to occur, such as the implementation or removal of a limitation on the number of customers, then an adjustment to the five-year average will be made and noted in a district.

Test year customers were forecast by multiplying the estimated annual change by the years between the last recorded year and the test year. In some cases, there were significant customer reclassifications prior to implementing increasing-block residential quantity rates in July 2008. Cal Water directed its district's Customer Service Departments to verify the data to ensure accuracy and fairness for individual customers. Often these were cases where Cal Water incorrectly classified a multi-family unit as a single-family unit. Where this effort had significant impact on customer forecasts, Cal Water noted this in its workpapers. DRA generally follows the same method. The differences between DRA and Cal Water's number of customers arise from calculation corrections. For example, the largest differences shown in the Visalia and Bakersfield districts result in part from using average number of customers to forecast number of customers, consistent with the rest of the districts, rather than using end of year number of customers, as Cal Water originally proposed. For the flat-rate districts, including the Bakersfield, Chico, and Visalia Districts, the variance in DRA and Cal Water's estimates was from adjustments made for the flat-to-meter conversion.

For the Visalia District specifically, DRA's workpapers did not reflect the correct number of customers as it relates to DRA's approval of Cal Water's accelerated Flat-to-Meter conversion project schedule. In Settlement, DRA clarified that the workpapers to reflect the number of customers according to the accelerated Flat-to-Meter conversion project schedule should be updated.

RESOLUTION: Parties reached a joint consensus on the estimate for the number of services. In some districts, Parties accepted Cal Water estimates, while in other districts, Parties agreed to use DRA estimates. Below is a summary table for the number of customers in Cal Water's districts for 2011. For 2012 and 2013, Parties agree to use the same growth rate from the 2011 test year.

Total Number of Customers - (Including Fire Protection & Flat-rate) Test Year 2011				
District	Cal Water Direct	DRA Report	Difference	Settlement
Antelope Valley	1,379	1,379	-	1,379
Bakersfield	64,491	67,079	(2,588)	67,079
Bear Gulch	18,769	18,213	-	18,769
Chico-Hamilton	28,165	28,744	(579)	28,744
Dixon	2,862	2,854	8	2,854
Dominguez-South Bay	33,879	33,898	(19)	33,898
East Los Angeles	26,665	26,673	(8)	26,673
Hermosa-Redondo	26,744	26,722	22	26,722
King City	2,630	2,630	-	2,630
Kern River Valley	4,322	4,322	-	4,322
Livermore	18,368	18,611	(243)	18,611
Los Altos	18,702	18,712	(10)	18,712
Marysville	3,679	3,702	(23)	3,702
Mid-Peninsula	36,280	36,260	20	36,260
Oroville	3,639	3,589	51	3,589
Palos Verdes	24,077	24,063	14	24,063
Redwood Valley - Coast Springs	254	254	-	254
Redwood Valley - Lucerne	1,279	1,279	-	1,279
Redwood Valley - Unified	426	423	3	423
Salinas	27,620	27,770	(150)	27,770
Selma	6,119	6,184	(65)	6,184
South San Francisco	17,104	17,104	-	17,104
Stockton	41,619	41,616	3	41,616
Visalia	40,089	42,728	(2,639)	42,728
Westlake	7,105	7,075	30	7,075
Willows	2,431	2,403	28	2,403

3.0 GENERAL EXPENSES – DISTRICTS

There was little difference between many of the Parties' estimates of general expenses. Parties agree to all expense estimates at Cal Water's proposed amounts except for those discussed herein.

3.1 OPERATIONS AND MAINTENANCE EXPENSES

3.1.1 PURCHASED WATER

ISSUE: Cal Water estimates purchased water costs based on its estimate of total water supply needs and availability from each source. DRA agrees with Cal Water's methodology for estimating purchased water expenses. The divergence in the total expense is due to differences in the sales estimates.

In its Application, Cal Water included costs associated with the ion exchange treatment facilities as a purchased water expense. DRA disagrees with this classification and contends that it should be considered as water treatment expense. Cal Water's treatment of these contracts as purchased water is consistent with the definition contained in the PUC's Uniform System of Accounts ("USOA"), which defines purchased water expense as "the cost at the point of delivery of water purchased for resale. This includes charges for readiness to serve …." (USOA, Section 704.) Each contract is comprised of a fixed charge and unit costs for water delivered.

At issue is the classification of this expense in all districts with an ion exchange treatment facility. In addition, DRA's estimates for purchased water as it relates to the ion exchange treatment costs in the Salinas District are at issue because DRA's estimates did not include the variable cost component.

For the Visalia District, in Cal Water's Application, there was an error in the fixed costs calculations for the ion exchange treatment units. The fixed charge fee is a monthly fee; however, in its workpapers, Cal Water erroneously calculated the charge as an annual fee.

RESOLUTION: DRA accepts Cal Water's methodology for estimating purchased water costs in all of its districts However, Cal Water agrees to use DRA's sales estimates to calculate the total expenses for purchased water. For the districts with the ion exchange treatment facilities, Parties agree to classify the costs associated with the leased ion exchange treatment units as water treatment expenses. DRA agrees to use a higher cost estimate for the Salinas District because it is based on eight (8) actual months of expenses annualized. The annualized cost for the Salinas District based on eight months of actual invoices comes to approximately $1,350,000. For the Visalia District, DRA accepts Cal Water's estimate and allows a higher expense estimate to properly account for the fixed charge cost.

Ion Exchange Water Treatment Expense
Test Year 2011

	Cal Water Direct	DRA Report	Cal Water Rebuttal	Difference	Settlement
Salinas	$1,929,900	$855,564	$1,713,639	($858,075)	$1,350,000
Visalia	$125,592	$125,592	$266,000	($140,408)	$266,000

3.1.2 PAYROLL

ISSUE: Cal Water requested an additional seventy-five (75) positions for its districts in its Application. DRA recommended zero (0) personnel additions in its Payroll Report citing Cal Water's perceived inability to timely hire approved positions. Cal Water's Rebuttal Testimony alleged that the number of employees hired from those approved in the prior GRC does not accurately depict the hiring activity. Previously, Cal Water's Human Resource Department was staffed to handle a work environment where employees retire with the Company after many years of service. However, in recent years, this has not been the case. The employee turnover rate has increased due to the changing work environment in the Silicon Valley. Cal Water's Human Resource Department has not had the resources to address this change. Starting in 2008, Cal Water made significant

changes to its Human Resource Department to help with this effort. Cal Water asserted that the result of this change is an increase in the number of employees hired in 2008 and again in 2009, which addressed DRA's concern with Cal Water's inability to hire new personnel timely. Cal Water provided this information in its Rebuttal Testimony and in Settlement. With this information, DRA and Cal Water reached a compromise position.

RESOLUTION: The Parties reached a compromise position for the addition of twenty-nine (29)[4] new district employees in the test year. This includes 11 employees carried over from the prior GRCs, and 18 employees requested for the test year, six (6) of which Cal Water designates for the Cross-Connection Control Program. Parties did not identify specifically which twelve (12) newly requested positions to include in the test year (18 less the six (6) for cross-connection). Cal Water intends on filling twenty-three (total of twenty-nine less the six (6) cross-connection) of the authorized positions from the list of those originally proposed in the Application as shown below in the table titled District Payroll Summary Test Year 2011. As explained further below, this number of employees (23) does not include positions related to the Flat-to-Meter conversion programs, the South Bakersfield Treatment Plant, the four collectors in Bakersfield, or those for the Cross-Connection Control Program, which is discussed in detail separately in Section 6.0 of this Settlement.

Specifically, Cal Water agrees to remove its request for the following positions from this GRC:

1. The nine (9) positions Cal Water requested for the proposed SBTP, which will be addressed in the separate application to be filed at a later date seeking approval of the new plant;
2. The six (6) new meter reader positions it requested related to the Flat-to-Meter conversion projects. After the Flat-to-Metered conversions are

[4] In addition, Cal Water is allowed the cost of converting two (2) temporary employees to permanent positions.

completed each year, Cal Water should be allowed to request by advice letter the additional meter reading resources, along with the capped capital expenditures, related to the conversions of flat to metered services. An additional meter reader will generally be required for every 8,000 new meters installed. This varies by district and the Parties agree that when the additional workload due to the new meters adds more than the equivalent of half of a full-time employee in a particular district, the Company will hire an additional employee for meter reading purposes and it will file an Advice Letter with the Commission. The Company would hire its next incremental meter reading employee in that district when the workload due to the new meters adds more than the equivalent of one and a half full-time employees. This pattern would continue through the life of the Flat-to-Meter program.

The costs for the incremental meter reading resources would be based on the average cost of all district employees ($52,700) escalated from Base Year 2008 to Test Year 2011 at 7.15% for those hired in 2011, plus benefits at the burden rate of 56%, and the revenue requirement of a light-duty truck, which would be purchased for $30,250 including overhead.

3. The four (4) collectors for Bakersfield because Cal Water expects that the new positions will pay for themselves in reductions for the uncollectibles in that district.

ISSUE: The Leona Valley Town Council and DRA disagreed with Cal Water on the addition of one additional service person in the Antelope Valley District.

RESOLUTION: DRA, Leona Valley Town Council, and Cal Water reached a settlement on payroll to include half of the payroll dollars for the service person requested in Antelope Valley. Additionally, Parties agree to remove 10%, or $500, of overtime payroll and $5,000 from contracted maintenance expense per

year since this is the cost that may be avoided from the addition of half of the service person. The twenty-nine (29) positions noted above include this addition.

ISSUE: Cal Water requested annual wage increases of 4.7% based upon the recommendation of its consultant. DRA used the May 2009 forecasts of inflation based upon DRA forecasts. In Rebuttal, Cal Water stated that it had negotiated new union contracts for 2010 and 2011.

RESOLUTION: Parties agree to adjust wages for the new union contract's one percent (1%) and three percent (3%) union wages increases effective 1/1/2010 and 1/1/2011, respectively.

ISSUE: Cal Water requested wage levels for new employees at the top of each pay grade because the Company asserts that it has to offer vacancies to existing employees before publicly advertising the vacancy. DRA recommended estimating the cost of new positions at the entry level for each position because Cal Water did not demonstrate that it could not attract qualified employees at the entry pay level.

RESOLUTION: The Parties agree that the salary levels of the new positions will be estimated using the average cost of all district employees ($52,700) escalated from Base Year 2008 to Test Year 2011 at 7.15%[5] ($56,500).

ISSUE: DRA recommended that, to the extent the Commission approves any of CWS' requested new positions, the Commission should allow CWS to recover new position costs only after CWS hires these employees and CWS files Advice Letters. DRA noted a pattern of CWS' not timely filling new positions after the Commission had authorized the recovery of their costs in rates.
CWS included the costs of all requested new positions in Test Year 2011 expenses. CWS presented Rebuttal Testimony alleging that its hiring practices

[5] (1.03x1.01x1.03)

have improved and that it was filling vacant positions more promptly than historically.

RESOLUTION: Parties agree that Cal Water should be allowed to include the payroll expenses for twenty-three (23) of new district positions adopted by this Settlement, but exclude those related to the CCCP. For the six (6) employees to be hired for the CCCP, CWS shall file one Advice Letter each year. Cal Water should be allowed to include in the step increase Advice Letter filing each October the costs of any newly filled CCCP position. Cal Water will be allowed to recover the salary, benefits, payroll taxes, and the vehicle costs as appropriate for the position, at an average cost of $30,250 per vehicle.

ISSUE: For conservation reasons, Cal Water is moving forward with a plan to install meters on all of its un-metered service connections in compliance with the State of California as established in AB-2572. The Company originally planned to use internal personnel resources to perform this work; however, the Company later realized that this was a larger than anticipated program and it needed to hire additional labor outside of the GRC to complete this capital program for its seven affected districts. The Company determined it could not use contracted labor to perform this work because of agreements it has in effect with its labor union. There is an exception pertaining to the Visalia District, where the City of Visalia requested an aggressive flat-to-meter conversion program. In that district, Cal Water will use contracted labor.

The Company proposed treating flat-to-meter work as capitalized items in this GRC and it established annual capital projects in each of the seven affected districts. This program includes conversions in the three large districts of Bakersfield, Visalia, and Chico. It also includes conversions in four small districts consisting of Selma, Willows, Oroville, and Marysville. The capital program to install the new meters on the flat services was not controversial, and the Parties

recommended several annual Advice Letters to ensure that the correct number of services at the most reasonable costs were included in this program.

After several iterations, the Parties agreed on a total number of new district employees in the GRC. However, this number excluded new employees for the flat-to-meter program because these projects would be addressed via the Advice Letter process. Cal Water has been moving forward with hiring dedicated people for the capital program. The Parties became aware of a potential issue that could occur with this situation. There is some concern that this program could cause the Cal Water projected payroll expenses in the 2011 test year to be inaccurate because the labor could be “double counted” by treating some of the projected expensed labor as capital. This did not appear to be a large issue, because dedicated resources were already put in place in the three large districts to handle the large volume of work. However, in the four small districts, the work could conceivably be accomplished by reassigned existing staff.

RESOLUTION: The Parties agreed that there should be some protection for ratepayers if the Company simply shifts labor from expense to capital. The Parties further agreed that since the Company would be filing annual Advice Letters with actual counts and construction costs for the flat-to-meter program, the Company would also include detailed breakdowns of employees that charged time to the capital project. The Company would then file Advice Letters for the entire capital costs associated with the program annually for each of these seven districts.

The Parties agreed that as part of the annual Advice Letter filings, the Company would create a credit to ratepayers in the form of a 12-month surcredit on the quantity charge for all components of an employee’s time, overhead, and benefits that were included in the expense projection that subsequently charged their time to the flat-to-meter program project. This would not include any sur-credit for employees that were considered a resource dedicated to the program.

The Company will submit appropriate organization charts for the seven districts with the Advice Letters, highlighting the employees who were dedicated to the flat-to-meter program. The Company will also substantiate any employee that had a classification change mid-year to reflect their status for the program.

The Parties agreed that this surcredit would not apply to supervisory employees that charge some routine oversight to the project. It would also not apply to existing employees performing the flat-to-meter conversion on overtime, as this would not represent a lowering of the expenses for a particular district. The Company will create detailed accounting reports to be submitted with the Advice Letter filings.

The Parties agreed that in the next GRC, the Company would not include any projected expenses for the component of employee time spent working on the flat-to-meter program. The Parties also agreed that the dedicated employees of the program would not simply be added to the Company complement in the form of additional expense once the Company completed the flat-to-meter program. Rather, the Company would either include justification in a future GRC for increased labor needs, or eliminate these positions through attrition as applicable.

Shown below is a summary of the agreed-upon personnel additions for the Test Year 2011.

District Payroll Summary

Test Year 2011

New Additions

District	Positions	Count	Salary
AV	Serviceperson / Inspector	0.5	28.3
BK	Certified Pump Operator	1	56.5
BK	Certified Pump Operator	1	56.5
Rancho	Assistant District Manager	1	56.5
Rancho	Construction & Operations Foreman	1	56.5
Rancho	Foreman - Fire Hydrants Maintenance	1	56.5
Rancho	Inspector (Fire Service Inspections)	1	56.5
Rancho	Pump Operator / Operations Clerk (Graveyard)	1	56.5
Rancho	Pump Operator / Operations Clerk (Swing)	1	56.5
Rancho	Superintendent	1	56.5
MRL	Customer Service Representative 5 (PT)	0.5	28.3
SLN	Customer Service Rep 5	1	56.5
VIS	Certified Pump Operator	1	56.5
TOTAL		12	678.1

Carryover

District	Positions	Count	Salary
BG	Treatment Plant Operator	1	57.5
BG	Treatment Plant Operator / Sampler	1	55.0
CH	CSR 3	1	53.9
CH	UW/Relief CPO	1	56.1
ELA	Administrative Assistant	1	58.6
ELA	Certified Pump Operator	1	60.5
ELA	Service-person/Inspector	1	58.2
VIS	Customer Service Rep 3	1	35.0
VIS	Customer Service Rep 3	1	35.0
VIS	Customer Service Supervisor	1	32.5
VIS	Operations & Maintenance Worker	1	54.7
		11	556.9 [6]

Temp to perm

District	Positions	Count	Salary
VIS	CSR 5	1	0.0
VIS	CSR 5	1	0.0
		2	0.0 [7]

[6] The eleven (11) positions noted in this section are those approved from the previous GRCs. The salary for Customer Service Representative level 3 position are not shown at 100%. The payroll for these are adjusted out for costs associated with the City of Visalia billing contract

[7] The two Customer Service Representative level 5 positions reflect payroll dollars of $0 since there are no incremental payroll expenses to convert temporary positions to permanent. The accounting for these two additional positions is to recognize employee benefit costs.

3.1.3 PURCHASED CHEMICALS

ISSUE: Cal Water's Application and DRA's Report differed in their methodologies in estimating purchased chemical expenses. Both Cal Water and DRA used an average of the per-unit cost for chemicals to estimate expenses in the test year, but the Parties differ in the years used to calculate the average.

RESOLUTION: Cal Water agreed to use DRA's methodology for estimating purchased chemical expenses for all districts except for the Kern River Valley, King City, and East Los Angeles Districts. In Settlement, Cal Water presented information indicating that the current trend of prudent expenses for purchased chemicals in these districts was higher than DRA's expense estimate. The exception was in Kern River Valley where the recorded 2009 expenses were lower than both Cal Water and DRA's estimates. Parties agreed on a compromise position by incorporating recorded costs for 2009 to estimate 2011 expenses.

Purchased Chemical Expense
Test Year 2011

	Cal Water Direct	DRA Report	Cal Water Rebuttal	Difference	Settlement
Kern River Valley	$ 61,600.0	$ 48,600.0	$ 61,600.0	$ 13,000.0	$ 42,300.0
King City	$ 73,300.0	$ 61,700.0	$ 73,300.0	$ 11,600.0	$ 62,500.0
East Los Angeles	$ 71,600.0	$ 57,900.0	$ 71,600.0	$ 13,700.0	$ 64,500.0

3.1.4 OPERATIONS TRANSPORTATION

ISSUE: Cal Water used the last recorded year's expense, 2008, to estimate transportation expenses in the test year. DRA recommended using a five-year average for this expense category.

RESOLUTION: As part of the overall negotiations for this case, Parties agreed to use DRA's five-year average to estimate transportation expenses.

3.1.5 WATER TREATMENT

ISSUE: Cal Water and DRA reached an agreeable position for water treatment expense in most of Cal Water's districts. In some districts, Cal Water agreed to DRA estimates, while in others, DRA accepted Cal Water's estimates.
As discussed in Section 3.1.1 regarding purchased water, one area of contention is in the classification of the expenses related to the leased facilities for ion exchange treatment. Cal Water and DRA initially differed in the classification of the expenses for these facilities. The Commission's Uniform System of Accounts provides support for both Cal Water's and DRA's positions. There are no Generally Accepted Accounting Principles ("GAAP") standards that govern this classification from a financial perspective. Cal Water accepts DRA's proposal to reclassify this expense to water treatment and at the estimates agreed to by both Parties, as noted in Section 3.1.1, above. The expenses associated with the ion treatment facilities are ***additive*** to the standard estimate for water treatment expense.

RESOLUTION: Cal Water agrees to DRA's reclassification of the ion treatment expenses to water treatment expense from purchased water expense. Cal Water and DRA came to a compromise position for the water treatment expense for all of Cal Water's districts.

3.1.6 CUSTOMER ACCOUNTING

ISSUE: There were no differences between the estimates of Cal Water and DRA for customer accounting except for the Salinas District where DRA proposed a lower expense for the customer accounting expense.

RESOLUTION: In Settlement, Cal Water presented information indicating that the current trend of prudent expenses for customer accounting expenses in the Salinas District is higher than DRA's expense estimate. Parties agreed to test year expense estimates at the midpoint between the two positions.

3.1.7 CONSERVATION

For a detailed discussion, please see Section 5.0 of this Settlement.

3.1.8 MAINTENANCE TRANSPORTATION

ISSUE: Cal Water used the last recorded year's expense, 2008, to estimate transportation expenses in the test year. DRA recommended using a five-year average for this expense category. Transportation expense for additional vehicles purchased in the test year will be adjusted.

RESOLUTION: In Settlement, Parties agreed to use DRA's five-year average to estimate transportation expenses.

3.1.9 CONTRACTED MAINTENANCE

ISSUE: DRA and Cal Water differ on a few items related to Contracted Maintenance expenses. Cal Water and DRA diverge in the number of carbon change-outs for the Chico District, and the number of well rehabilitations for the Salinas and Visalia Districts.

Cal Water requested four carbon change-outs per year in the Chico District. DRA recommended only two carbon change-outs per year citing historical performance. Cal Water provided Rebuttal Testimony on new treatment vessels that would affect the total number of change-outs required per year. Each treatment vessel requires at least one change-out per year, and prior to 2009, the Chico District only had two vessels, requiring two change-outs per annum. In 2009, the Chico District added two new treatment vessels, thus increasing the number of change-outs required to four per year.

In the Salinas District, Cal Water proposed four well rehabilitations in the test year. DRA's Report recommended two well rehabilitations. In-between the time of the Application and the issuance of DRA's Report, one of the wells that DRA proposed to disallow required rehabilitation. Cal Water went forward with this

rehabilitation in 2009. In its Rebuttal Testimony, Cal Water reassessed its future well rehabilitation needs and determined that it needs only three of the four rehabilitations originally requested.

For the Visalia District, Cal Water proposed two well rehabilitations in the test year. In its Rebuttal Testimony, Cal Water reassessed the need for the well rehabilitations and provided testimony that one of two well rehabilitations is appropriate for the Visalia District.

RESOLUTION: Parties accepted Cal Water's rebuttal proposal to perform four carbon change-outs per year in the Chico District. Parties also agreed on two well rehabilitations for the Salinas District and a well rehabilitation for the Visalia District in the test year.

ISSUE: The Leona Valley Town Council and DRA disagreed on the addition of a service person in the Antelope Valley District. Parties reached a compromised position to include the addition of some payroll for the service person.

RESOLUTION: Parties settled on the addition of half of the payroll for the service person and adjusting out $5,000 for contracted maintenance expense per year.

3.2 ADMINISTRATIVE AND GENERAL EXPENSES

3.2.1 PAYROLL

District Payroll is done on a consolidated basis and is not separated for operations, maintenance, or administrative functions. Please see Section 3.1.2 for a detailed discussion.

3.2.2 TRANSPORTATION

ISSUE: Cal Water used the last recorded year's expense, 2008, to estimate transportation expenses in the test year. DRA recommended using a five-year average for this expense category.

RESOLUTION: In Settlement, Parties agreed to use DRA's five-year average to estimate transportation expenses.

3.2.3 INJURIES AND DAMAGES (WORKERS' COMPENSATION)

ISSUE: Workers' Compensation was estimated on a total Company level. A detailed discussion is included in the General Office Expense discussion in Section 4.2.

RESOLUTION: Parties reached a compromise position on the estimate for total Workers' Compensation expense. A detailed discussion is included in the General Office Expense discussion in Section 4.2.

3.2.4 NON-SPECIFICS

ISSUE: Cal Water and DRA differ in the inclusion of miscellaneous general expenses in rates. Cal Water posits that meal expenses at Cal Water should be allowed because working lunches increase productivity. DRA, however, disagrees in meal expenses for events other than meetings. Cal Water believes that these expenses do provide benefits to ratepayers. First, Cal Water's expenses for employee events, including subsidizing retirement Parties, are not excessive. Cal Water uses these events to provide a sense of belonging and enhanced camaraderie among its employees. Cal Water management believes it is in the ratepayers' interest to value employees and honor them on their retirement, which contributes to good morale and loyalty among employees. This, in turn, benefits ratepayers by reducing employee turnover and improving

employee productivity. An employee who feels valued by his or her employer is more likely to stay with the company and will be more productive.

RESOLUTION: Because of the small overall difference in their positions, Parties agreed a reasonable revenue requirement estimate was the midpoint between the estimates of the two Parties. Please see the Summary of Earnings comparison tables for details.

4.0 GENERAL OFFICE

4.1 PAYROLL

ISSUE: Cal Water requested forty-two (42) additional positions in the test year 2011, five (5) positions in the escalation year 2012, and the inclusion of labor costs in recorded expenses for fifteen (15) positions approved from the 2007 GRC that had not been filled as of the date of the Application. DRA recommended eleven (11) positions in its Report citing Cal Water's perceived inability to timely hire approved positions. Cal Water's Rebuttal Testimony supported the original number of employees requested in its Direct Testimony. Cal Water stated the number of employees hired out of those approved in the prior GRC does not accurately depict the total scope of hiring activity. Cal Water's Human Resource Department was only staffed to handle a work environment where employees retire with the company after many years of service. However, in recent years, this has not been the case. The employee turnover rate has increased due to the changing work environment in the Silicon Valley. Cal Water's Human Resource Department has not had the resources to address this change. Starting in 2008, Cal Water made significant changes to the Human Resource Department to help with this effort. The result of this change is an increase in the number of employees hired in 2008 and again in 2009. This addressed DRA's concern with Cal Water's inability to timely hire new personnel. Cal Water provided this information in its Rebuttal Testimony and in Settlement discussions. With this information, DRA and Cal Water reached a compromise position.

RESOLUTION: In Settlement, DRA reviewed Cal Water's personnel needs and human resource hiring activity and agreed to allow thirty-four (34) additional employees in the test year in the General Office. These additional thirty-four (34) positions include eight carried-over from the 2007 GRC. Therefore, seven (7) of the fifteen (15) positions approved in the 2007 GRC are considered to no longer

be approved. Cal Water accepts DRA's proposal for the allowance of thirty-four (34) positions. Below is a summary of the allowed positions, all of which are expected to be hired in 2011.

Title	Department	Year	Settlement position	Salary
Senior Account Payable Clerk	Accounting	2011	1	$ 67,222
Audit Coordinator	Accounting	2011	1	$ 79,722
Construction Accounting Analyst	Accounting	2011	1	$ 79,722
Pension/Trust Financial Analyst	Accounting	2011	1	$ 93,153
Administrative Assistant	Engineering	2011	1	$ 66,201
Communications Technician	Engineering	2011	1	$ 85,896
GIS Anaylist	Engineering	2011	1	$ 80,972
Operations Engineer	Engineering	2011	1	$ 93,549
Operations Technician	Engineering	2011	1	$ 80,972
Maintenance Engineer	Engineering	2011	1	$ 85,896
CMMS Supervisor	Engineering	2011	1	$ 100,981
EMT	Engineering	2011	1	$ 83,000
EMT	Engineering	2011	1	$ 83,000
Instrument Technician	Engineering	2011	1	$ 83,000
Health Care Claims Supervisor	Human Resources	2011	1	$ 85,037
Senior HR Analyst - employee relations & Comp	Human Resources	2011	1	$ 95,666
Senior HR Analyst - staffing & employee dev	Human Resources	2011	1	$ 95,666
HR Analyst	Human Resources	2011	1	$ 74,407
HR Analyst	Human Resources	2011	1	$ 63,778
Developer - Mobile Workforce	IT	2011	1	$ 85,037
Senior Developer - Business Intelligence	IT	2011	1	$ 100,981
Major Construction Contracts Manager	Operations	2011	1	$ 90,352
Associate Corporate Counsel Real Estate / Land	Administrative	2011	1	$ 159,444
Water Quality Project Manager	WQ	2011	1	$ 65,000
Environmental Affairs Project Manager	WQ	2011	1	$ 65,000
Laboratory Technician	WQ	2011	1	$ 72,209
Director of Finance	Accounting	2007 GRC	1	$ 170,074
Senior Tax Accountant	Accounting	2007 GRC	1	$ 80,000
Diversity Supplier Manager	Purchasing	2007 GRC	1	$ 75,000
Management Trainee	Human Resources	2007 GRC	1	$ 12,467
Mobile Telecommunication Specialist	IT	2007 GRC	1	$ 60,000
Budget Analyst	Accounting	2007 GRC	1	$ 64,000
Corporate Cashier	Accounting	2007 GRC	1	$ 54,500
Senior IT Auditor	Accounting	2007 GRC	1	$ 85,000
Total			**34**	**$ 2,816,904**

4.2 PENSION & BENEFITS

ISSUE: Cal Water hired an outside firm, Milliman Group, to estimate Pension and Benefits. The Milliman Group calculated the cost per employee for Pension and Benefits. Cal Water used this per employee cost and multiplied by the total number of allowed employees agreed upon in Settlement to arrive at the total Pension and Benefits expense for the company. Prior to the 2009 GRC, Cal Water captured this expense at the General Office level and then allocated the expenses to the district using a four-factor allocation methodology. In this GRC, Cal Water proposed to put the direct expenses for benefits in district specific expenses.

RESOLUTION: In settlement, Parties agreed to using the Milliman cost per employee as well as changing the methodology for capturing Pension and Benefits expenses. The escalation for the Pension and Benefits for 2012 is discussed in detail in the Special Request section.

4.3 INJURIES & DAMAGES

ISSUE: Cal Water hired an outside firm, Milliman Group, to estimate Workers' Compensation costs for the test year. The Milliman Group estimated the costs based on a cash basis, or pay-as-you-go, which represented the payments Cal Water expected to make in each calendar year. Workers' Compensation costs were estimated for the total Company. The costs to each district are allocated based on gross payroll dollars. In prior rate cases, Cal Water accounted for Workers' Compensation costs in the General Office for rate-making and actual bookings for financial reporting. In this GRC, Cal Water has proposed including the costs at the district level for the direct expenses related to district operations to account for the costs. Workers' compensation expenses are now added to the district Administrative and General Expense category.

RESOLUTION: DRA's review of Cal Water's Workers' Compensation expenses misinterpreted Cal Water's methodology, and thus proposed a much lower amount for Workers' Compensation in its Report. DRA reviewed the charges from the most recent five years and averaged the amounts booked to the Workers' Compensation account to estimate the test year. In Settlement, DRA agreed that the methodology Cal Water used is in line with the Commission's Rate Case Plan and with the pay-as-you-go method. Milliman's forecast at the time of the Application included estimates for 2009. The recorded 2009 costs for Workers' Compensation in 2009 were slightly less than Milliman's projection. Based on the initial pay-as-you-go estimate and considering the updated recorded information available in settlement discussions, DRA and Cal Water agree to a compromise shown in the table below.

Workers' Compensation Expense
Test Year 2011

	Cal Water Direct	DRA Report	Cal Water Rebuttal	Difference	Settlement
Total Company	$ 2,777,000	$ 1,493,900	$ 2,777,000	$ (1,283,100)	$ 2,350,000

4.4 OTHER OFFICE SUPPLIES

ISSUE: Prior to 2007, Cal Water booked telephone leased-line expenses in the sub-account 774204, under the "customer accounting" parent account, which is part of the Operations & Maintenance ("O&M") expense. Starting in 2007, Cal Water began booking telephone leased-line expenses in the sub-account 792304, under the "other office supplies" parent account, which is part of Administrative & General ("A&G"). Cal Water does not develop revenue requirement forecasts on the sub-account level. Cal Water estimates expenses by account, or on the "customer accounting" and "other office supplies" level. Cal Water estimated expenses for these accounts using the most recent five-year average. Because the estimates are made on the parent account level for

"customer accounting," this includes the average of the historical costs for the sub account 774204 of $150,600. In DRA's Report, DRA removed the five-year average from sub-account 774204 in estimating expenses for "customer accounting" under the "O&M" family citing that charges are no longer booked to that account. Cal Water provided Rebuttal testimony contending that the five-year average for sub-account 774204 should be transferred to the sub-account 792304 where the telephone leased-line expense is now rather than remove it completely.

RESOLUTION: DRA accepts Cal Water's recommendation to transfer $150,600 O&M expenses to A&G for expenses in the customer accounting and other office supplies categories.

Office Supplies Expense
Test Year 2011

	Cal Water Direct	DRA Report	Cal Water Rebuttal	Difference	Settlement
General office	$3,594,700	$3,485,800	$3,636,400	($150,600)	$3,636,400

4.5 INSURANCE EXPENSES

ISSUE: DRA recommended escalating the insurance quotation from Marsh Risk and Insurance by the CPI-U to get the estimated expenses for the test year. In D.04-06-018, the Commission adopted the use of CPI-U to estimate expenses for the escalation year; however, there is no language directing the use of CPI-U to arrive at the test year expenses. DRA's recommendation for using the recent quote and escalating that by CPI-U to arrive at the test year expense is an incorrect interpretation of D.04-06-018. There are no restrictions limiting test year projections to the use of CPI-U. It is reasonable then to use the recent quote and rates recommended by Marsh, Cal Water's insurance agent, to estimate insurance expense in 2011.

RESOLUTION: DRA accepts Cal Water's recommendation to use the insurance expense estimates from Cal Water's insurance provider.

Insurance Expense
Test Year 2011

	Cal Water Direct	DRA Report	Cal Water Rebuttal	Difference	Settlement
General office	$ 277,600	$ 228,800	$ 277,600	$ (48,800)	$ 277,600

4.6 OUTSIDE SERVICES

ISSUE: Outside services expense includes a legacy synergy adjustment from the Dominguez Merger authorized in D.06-08-011 in the amount of $845,100. DRA allowed this adjustment to the expense estimates for Outside Services. At issue is the method for estimating the test year expense and not the inclusion of the synergy adjustments. For the test year, DRA recommended using a five-year average to estimate expenses for this category based on the responses from Data Request PAK-012. Cal Water proposes using a two-year average based on 2007 and 2008 recorded expenses because it is more reflective of the costs associated with the increasingly complex auditing and regulatory environment. In addition, while DRA's Data Request in PAK-012 inquired about the detailed entries that make up the expenses in outside services, Cal Water only provided the accounts payable ("AP") entries in its response. AP entries do not make up the entire expenses in this account. To capture the full nature of expenses in outside services, pre-paid expenses and other liabilities must be included in addition to AP charges.

RESOLUTION: DRA agreed that all charges should be included in the test year estimate. Parties agreed to split the differences of a two-year and five-year average and include the synergy adjustment of $845,100.

Outside Services Expense
Test Year 2011

	Cal Water Direct	DRA Report	Cal Water Rebuttal	Difference	Settlement
General office	$5,175,565	$2,956,500	$4,664,500	$ (1,708,000)	$4,462,000

4.7 COMPARISON TABLES – GENERAL OFFICE EXPENSE

CALIFORNIA WATER SERVICE CO.
GENERAL OPERATIONS
OPERATIONS & MAINTENANCE EXPENSES
TEST YEAR 2011
(DOLLARS IN THOUSANDS)

	Cal Water Direct	DRA Report	Settlement	Difference
OPERATION EXPENSES				
PAYROLL	4,146.3	2,807.2	3,269.8	876.5
TRANSPORTATION	170.2	121.4	121.4	48.8
PURCHASED SERVICES				
SOURCE OF SUPPLY	0.4	0.1	0.1	0.3
PUMPING	2.3	2.3	2.3	0.0
WATER TREATMENT	394.8	370.1	370.1	24.7
T&D	140.7	83.9	83.9	56.8
CUSTOMER ACCTG	347.2	191.7	191.7	155.5
-CONSERVATION	63.5	0.0	0.0	63.5
TOTAL	5,265.4	3,576.7	4,039.3	1,226.1
MAINTENANCE EXPENSES				
PAYROLL	390.6	266.6	308.1	82.5
TRANSPORTATION	40.8	40.8	40.8	0.0
STORES	0.0	0.0	0.0	0.0
PURCHASED SERVICES	832.8	160.9	160.9	671.9
TOTAL	1,264.2	468.3	509.8	754.4
TOTAL O&M EXPENSES				
PAYROLL	4,536.9	3,073.8	3,577.9	959.0
TRANSPORTATION	211.0	162.2	162.3	48.8
OTHER	1,781.6	809.0	809.0	972.7
TOTAL O&M EXPENSES*	6,529.6	4,045.0	4,549.1	1,980.4

*EXCLUSIVE OF ADMINISTRATIVE AND GENERAL EXPENSES, MISCELLANEOUS EXPENSES, DEPRECIATION AND TAXES.

CALIFORNIA WATER SERVICE CO.
GENERAL OPERATIONS
OPERATIONS & MAINTENANCE EXPENSES
TEST YEAR 2011

	Cal Water Direct	DRA Report	Settlement	Difference	
A&G AND MISC. EXPENSES					
PAYROLL	18,644.9	12,608.9	14,703.7	3,941.2	
TRANSPORTATION	440.5	330.5	330.5	110.0	
EXP EXCL P/R & TRANS					
791 A&G SALARIES	217.2	122.1	122.1	95.1	
792 OFFICE SUPPLIES	3,594.7	3,485.8	3,591.8	2.9	
793 PROPERTY INSURANCE	277.6	228.8	277.6	(0.0)	
794 INJURIES AND DAMAGES	3,288.9	2,127.3	3,127.9	161.0	
795 PENSIONS AND BENEFITS	16,960.0	12,729.8	14,507.8	2,452.1	(1)
796 FRANCHISE REQUIREMENTS	6.0	6.0	6.0	(0.0)	
797 REGULATORY COM EXP	347.8	347.8	347.8	0.0	
798 OUTSIDE SERVICES	3,878.0	2,956.5	4,462.0	(584.1)	
799 MISC. GENERAL EXPENSES	2,092.0	1,932.4	1,932.4	159.6	
805 MAINT OF GENERAL PLANT	300.2	288.5	288.5	11.7	
811 RENT	125.0	125.0	125.0	(0.0)	
812 ADMIN CHARGES	(39.7)	(39.7)	(39.7)	(0.0)	
504 AMORT OF LIMITED TERM INVEST	27.1	27.1	27.1	0.0	
DUES AND DONATIONS ADJUST	(229.1)	(271.4)	(271.4)	42.3	
SYNERGY ADJUSTMENTS					
Cost of Financing	0	550.0	549.95	(550.0)	(2)
10% excess of synergy savings	(354)	(354)	(354)	0.0	(3)
TOTAL A&G EXPENSES	49,576.6	37,201.1	43,734.8	5,841.8	

	Cal Water	DRA Report	Settlement	Difference
(1) Rate-making: allocated benefits to districts	28,034.4	22,980.4	25,830.0	2,204.4

For rate making adjustment purposes, benefits is allocated to districts, this workpaper only contains GO specific benefits

(2) From page 48 of D.06-08-011

(3) 10% synergy savings in the amount of $3,542 to ratepayers from Settlement workpapers in the 2007 GRC

5.0 CONSERVATION PROGRAM

ISSUES: Cal Water and DRA both used a targeted-approach to conservation funding for each district in this GRC. With multiple regulatory and legal requirements to reduce consumption, both Parties agree that it is prudent for Cal Water to have a program in this GRC cycle to reduce water use that will enable compliance with Senate BillX7 7. Parties also used methodologies that generally result in the most cost-effective best management practices emphasized, while creating comprehensive opportunities for all customer classes. Cal Water and DRA originally differed on the effect of customer information programs and increasing water rates on sales. These two items accounted for nearly all the difference between the Parties' positions. Other smaller differences related to 1) conservation staff, 2) cost for certain measures, and 3) the need to meet targets defined by SBX7 7 in each district, and 4) program flexibility.

RESOLUTION

Summary of resolution

The Parties worked together to develop a three-year conservation program that establishes overall district budgets, criteria for the flexible use of conservation funding, a one-way balancing account to ensure ratepayers are receiving benefits from conservation programs, and annual as well as GRC reporting mechanisms. The Settlement also includes an agreement that Cal Water will not pursue Special Request 26 (rate base treatment for conservation devices) until its next general rate case unless the Commission includes the subject in an Investigation of Rulemaking proceeding prior to Cal Water's next GRC. Finally, the Parties agree to fund two additional conservation staff out of the program budget to help implement and measure the success of programs.

Three-year Program

The Parties agree that it is important from a program-planning standpoint that they have certainty on the program budget in each test and attrition year. Therefore, the Parties propose to exclude the conservation budget from escalation and instead use the enumerated amounts referenced herein in calculating the allowed revenue requirement for test year 2011, escalation year 2012, and attrition year 2013. The Rate Case Plan expressly allows this deviation, which requires significant one-time or nonrecurring items to be removed from escalation. The conservation budgets are specially calculated to meet water reduction targets in each district in each year and the Parties consider it to fall within the definition of non-recurring or significant expenses excludable from escalation in accordance with procedures outlined in Step 4 on page A-19 of D.07-05-062. The Parties replace this escalation variability with certain budgets for this item in each district.

Adopted Budget

The Parties recommend adoption of a conservation budget of $9,703,600 for 2011, and $9,676,200 each year for 2012 and 2013. These budgets are specific to each year and are not subject to escalation. The separate budgets for each district are shown in Table 5.1. Funds are not transferable across districts. The Parties agree to funds that correspond to conservation programs that are consistent with targets adopted in D.08-02-036, the adoption of SBX7 7, and the California Urban Water Conservation Council's ("CUWCC") GPCD compliance option.

	TABLE 5.1: CAL WATER/DRA PROPOSED CONSERVATION SETTLEMENT ($000)		
DISTRICT	**2011**	**2012**	**2013**
AV	$50.0	$33.0	$33.0
BK	$725.0	$725.0	$725.0
BG	$619.0	$619.0	$619.0
CH	$250.0	$250.0	$250.0
DOM	$1,000.0	$1,000.0	$1,000.0
DIX	$50.0	$50.0	$50.0
ELA	$700.0	$700.0	$700.0
HR	$700.0	$700.0	$700.0
KC	$36.0	$36.0	$36.0
KRV	$50.0	$39.6	$39.6
LIV	$525.0	$525.0	$525.0
LAS	$635.0	$635.0	$635.0
MPS	$800.0	$800.0	$800.0
MRL	$41.1	$41.1	$41.1
ORO	$55.0	$55.0	$55.0
PV	$675.0	$675.0	$675.0
RWV	$16.5	$16.5	$16.5
SLN	$675.0	$675.0	$675.0
SEL	$175.0	$175.0	$175.0
SSF	$425.0	$425.0	$425.0
STK	$700.0	$700.0	$700.0
VIS	$475.0	$475.0	$475.0
WIL	$26.0	$26.0	$26.0
WLK	$300.0	$300.0	$300.0
Total	**$9,703.6**	**$9,676.2**	**$9,676.2**

The Parties have agreed to a degree of flexibility across programs, explained below, which will enable Cal Water to take advantage of opportunities across sectors and types of conservation programming while ensuring program diversity. To ensure that ratepayers only pay for programs implemented, each district's budget is subject to a one-way balancing account. The Parties also agree to comprehensive reporting requirements.

One-Way Balancing Account:

The Parties agree that Cal Water will track its authorized conservation expenses in each district in a separate, one-way balancing account subject to refund so that any unspent funds to ratepayers at the end of the rate case cycle will be refunded. Cal Water will collect the authorized conservation budget through rates. The Parties agree that settlement of the conservation expenses is contingent upon the authorization and establishment of this one-way balancing account.

The one-way balancing account will go into effect on the effective date of new rates adopted in this Settlement. The Parties agree that the amount authorized in rates will be a ceiling. For each district, the one-way balancing account will track the difference between total actual conservation expenses and total authorized conservation expenses. Within a rate case cycle, funds not used in one year may be used in subsequent years.

Commercial paper rate interest will accrue on any unspent funds after the end of each annual period (see Cal Water Preliminary Statement N for reference). For purposes of the account, unspent is the difference between authorized conservation expense and conservation expense recorded in Cal Water's books of account in each year, after accounting for unspent funds from the prior authorized year.

Within 90 days of the effective date of new rates for this GRC, Cal Water will file an Advice Letter demonstrating the authorized and actual conservation expenses

from the last GRC. In the event of under-spending, Cal Water will include a methodology in the Advice Letter for refunding customers the unexpended funds and interest accrued in the balancing account. At the same time, Cal Water will file an Advice Letter to amortize the balance in any existing conservation memorandum accounts. These memorandum accounts will be closed as of the effective date of new rates under this GRC.

Within 90 days of the effective date of new rates under the *next* GRC, Cal Water will file an Advice Letter demonstrating the authorized and actual conservation expenses from this GRC and refunds to customers of any unspent funds and interest accrued in the balancing account through a flat 12-month surcredit on the service charge. If any changes to Cal Water's WRAM/MCBA are made, the Parties agree to re-visit the one-way conservation expenses balancing account to ensure that the appropriate funds are tracked.

Flexibility and spending limits for conservation programs

The Parties agree that each district's conservation budget will have four internal spending caps: one for Residential expenses; one for Commercial, Industrial, and Institutional ("CII") expenses; one for Public Information and School Education expenses; and one for Administrative & Research expenses.

The caps for the Residential and CII categories are designed such that the percentage available in either category is likely not to fall below half of the originally proposed percentage at the expense of increased spending in another category. Expenses in these categories include, but are not limited to, those associated with financial incentive programs such as rebates, device distribution, surveys, and other measures consistent with the Flex Track Menu included in the CUWCC MOU. Any measures or programs that Cal Water implements in the Residential and CII categories that are not specifically included in A.09-07-001 must be cost-effective or at least as cost-effective as the least cost-effective devices included in Cal Water's program mix presented in A.09-07-001 for the

implementing district. Cal Water will submit documentation of the cost - effectiveness of such measures in its annual reports.

The caps on Public Information and School Education are designed to not exceed 150% of Cal Water's original budget request in these categories. For districts where this figure falls below 10% of the total budget, the Parties agree to establish a 10% cap. For districts where the figure is greater than 20% of the budget, the Parties agree on a 20% cap. The Parties agree that Cal Water will make every reasonable effort to collaborate with gas and electric utilities in the continued adoption of programs provided by Resource Action Programs, so as to bring down per-student costs for these programs. Cal Water is currently collaborating in all districts where available. Where Cal Water is able to partner with other utilities, per-student costs for school education programs offered by Resource Action Programs will be approximately $24 or less; where Cal Water is unable to partner, per-student costs for school education programs offered by Resource Action Programs will be $36 or less.

The caps on Research and Administration are based on expected spending on salaries and benefits, dues, travel, research projects, and other miscellaneous administrative expenses.

The caps for each category shall apply over the 3-year rate case cycle such that unspent funds in one year can be used in an alternate year, even if that would exceed the alternate year's cap, as long as funds spent over the course of three years in any given category do not exceed the total 3-year cap for that category.

Table 5.2 shows the cap for each category in each district.

Table 5.2

	ADMINISTRATIVE & RESEARCH			PUBLIC INFORMATION & SCHOOL EDUCATION			RESIDENTIAL			CII		
DISTRICT	2011	2012	2013	2011	2012	2013	2011	2012	2013	2011	2012	2013
AV	$6.2	$4.1	$4.1	$5.0	$3.9	$3.9	$34.3	$24.9	$24.9	$39.8	$23.8	$23.8
BK	$89.8	$90.0	$90.0	$145.0	$145.0	$145.0	$544.7	$544.7	$544.7	$492.3	$492.3	$492.3
BG	$76.6	$76.9	$76.9	$61.9	$61.9	$61.9	$452.0	$452.0	$452.0	$461.5	$461.5	$461.5
CH	$31.0	$31.0	$31.0	$50.0	$50.0	$50.0	$215.4	$215.4	$215.4	$139.9	$139.9	$139.9
DOM	$123.8	$124.2	$124.2	$122.9	$122.9	$122.9	$651.0	$651.0	$651.0	$828.0	$828.0	$828.0
DIX	$6.2	$6.2	$6.2	$9.0	$9.0	$9.0	$34.4	$36.4	$36.4	$38.9	$36.7	$36.7
ELA	$86.7	$86.9	$86.9	$114.6	$114.6	$114.6	$445.5	$445.5	$445.5	$580.9	$580.9	$580.9
HR	$86.7	$86.9	$86.9	$88.7	$88.7	$88.7	$489.2	$490.8	$490.8	$540.4	$538.5	$538.5
KC	$4.5	$4.5	$4.5	$7.2	$7.2	$7.2	$22.1	$22.1	$22.1	$29.7	$29.7	$29.7
KRV	$6.2	$4.9	$4.9	$9.8	$7.9	$7.9	$32.3	$27.5	$27.5	$40.0	$29.1	$29.1
LIV	$65.0	$65.2	$65.2	$55.8	$55.8	$55.8	$353.2	$354.9	$354.9	$420.8	$418.8	$418.8
LAS	$78.6	$78.8	$78.8	$63.5	$63.5	$63.5	$482.3	$482.3	$482.3	$454.9	$454.9	$454.9
MPS	$99.1	$99.3	$99.3	$116.9	$116.9	$116.9	$502.6	$504.1	$504.1	$676.4	$674.7	$674.7
MRL	$5.1	$5.1	$5.1	$8.2	$8.2	$8.2	$31.9	$31.9	$31.9	$26.0	$26.0	$26.0
ORO	$6.8	$6.8	$6.8	$10.5	$10.5	$10.5	$36.2	$36.2	$36.2	$43.8	$43.8	$43.8
PV	$83.6	$83.8	$83.8	$72.5	$72.5	$72.5	$550.5	$555.5	$555.5	$442.5	$437.0	$437.0
RWV	$2.0	$2.0	$2.0	$3.3	$3.3	$3.3	$13.8	$13.8	$13.8	$9.4	$9.4	$9.4
SLN	$83.6	$83.8	$83.8	$104.3	$104.3	$104.3	$465.3	$466.5	$466.5	$526.7	$525.3	$525.3
SEL	$21.7	$21.7	$21.7	$21.5	$21.5	$21.5	$121.0	$121.0	$121.0	$137.4	$137.4	$137.4
SSF	$52.6	$52.8	$52.8	$54.0	$54.0	$54.0	$300.2	$302.1	$302.1	$323.6	$321.5	$321.5
STK	$86.7	$86.9	$86.9	$140.0	$140.0	$140.0	$505.5	$505.5	$505.5	$524.0	$524.0	$524.0
VIS	$58.8	$59.0	$59.0	$95.0	$95.0	$95.0	$348.2	$348.2	$348.2	$334.3	$334.3	$334.3
WIL	$3.2	$3.2	$3.2	$5.2	$5.2	$5.2	$19.8	$19.8	$19.8	$17.3	$17.3	$17.3
WLK	$37.1	$37.3	$37.3	$30.0	$30.0	$30.0	$206.8	$212.0	$212.0	$238.1	$232.5	$232.5

Annual Reporting Requirement

Cal Water agrees to file an annual report with the Division of Water & Audits and DRA by May 1 of each year summarizing conservation activities and expenses. The reporting elements for each district shown in Table 5.3 will take effect with

the May 1, 2012, annual report. Cal Water's current reporting requirements will remain in effect for the May 1, 2011, annual report.

The reports in the Advice Letters to be filed will show the internal spending caps for each district compared to actual expenses in each of the four (4) categories (with greater detail, as shown in Table 5.3). Refunds will be applied generally to all customers, regardless of sector and in which categories funds were under-spent. This would pertain to all categories, including Public Information, School Education, and Administrative & Research.

TABLE 5.3: Cal Water/DRA PROPOSED ANNUAL REPORTING REQUIREMENT		
ELEMENT	SHORT DESCRIPTION	DETAILED DESCRIPTION
a	Residential Surveys	
a (i)	Cost of each survey	Cal Water will provide a schedule of survey costs and will provide the total cost of the program by district
a (ii)	Description of survey	Cal Water will provide a description of survey components
a (iii)	Estimated annual water savings	Cal Water will provide the aggregate amount of potential water savings identified by completed surveys
b	Rebates	
b (i)	Type of appliance	Cal Water will provide a description of rebate programs with a description of qualifying products
b (ii)	Dollar amount of rebate	Cal Water will provide a schedule of rebate amounts for each rebate program. For rebate programs with customized incentives, Cal Water will provide information by customer and incentive received.
b (iii)	Estimated annual water savings for each rebate	Cal Water will provide an aggregate amount of estimated water savings by rebate program

b (iv)	Third Parties	Where rebates are provided through a third party such as CUWCC Smart Rebates, Cal Water will indicate how much of the funds transferred to the third party were used to provide rebates to customers during the year for which the report is submitted, and how much has yet to be disbursed by the third party.
c	Public Information/School Education	
c (i)	Description of activity	Cal Water will provide a description of types of activities administered
c (ii)	Dollar amount for each activity	Cal Water will provide dollar amounts spent by type of activity. School education spending will be provided on a per-student basis, where applicable.
c (iii)	Estimated water savings, if devices are distributed	Cal Water will provide an aggregate amount of estimated water savings for programs where water-saving devices are distributed
d	General	
d (i)	Aggregate spending	Cal Water will provide total expenditures
d (ii)	Estimated savings	Cal Water will provide an aggregate amount of estimated water savings from all programs
d (iii)	($/AF)	Cal Water will provide a calculation of amount spent per estimated AF saved

Cal Water further agrees to provide the Division of Water & Audits and DRA with a copy of its California Urban Water Conservation Council Gallons per Capita per Day ("CUWCC GPCD") compliance reporting. If such reporting does not coincide with the conclusion of the rate case cycle, Cal Water will discuss progress that has been made towards the goals adopted by D.08-02-036, the CUWCC's GPCD compliance option, and SBX7 7 in its final report filed at the conclusion of the rate case cycle.

Conservation Positions

The Parties agree to the addition of the two new requested positions - a conservation coordinator and a conservation analyst. The costs associated with these positions are embedded in the conservation budget under the Administrative and Research category and cap.

6.0 CROSS-CONNECTION CONTROL PROGRAM

ISSUE: Cal Water originally requested twenty-five (25) cross-connection control inspectors as part of its implementation of the Cross-Connection Control Program ("CCCP"). Cal Water asserted that it developed this program in response to the changes in interpretation and emphasis of the current regulations by the California Department of Public Health ("DPH"), and to the resulting anticipated changes to Title 22 of the California Code of Regulations. Cal Water believes that its request for new CCCP positions is consistent with the DPH's shift in interpretation, and will enable the Company to pursue compliance with new requirements. In its Report, DRA disagreed with the need for the program at this time and recommended disallowance of all requested positions, stating that DRA believes that Cal Water's request for new CCCP positions is premature and not needed to comply with existing regulations. In Rebuttal, Cal Water argued that all twenty-five (25) employees should be allowed now based upon its perceived policy trend on this health and safety issue., Cal Water also argued that it needed the new positions in order to be able to adapt to changing interpretations of existing regulations.

RESOLUTION: DRA supports the Company complying with all current and future applicable DPH regulations and rules. The Parties agree to add six (6) positions, which Cal Water will designate as CCCP inspectors. Cal Water intends to assign the new positions to districts where they will be most needed,

i.e., in the districts that have large numbers of commercial and industrial services. These include the Bakersfield, Chico, Dominguez, East Los Angeles, Stockton, and Visalia Districts. For the six (6) employees to be hired for the CCCP, CWS shall file one Advice Letter each year. Cal Water should be allowed to include in the step increase Advice Letter filing each October the costs of any newly filled CCCP position. Cal Water will be allowed to recover the salary, benefits, payroll taxes, and the vehicle costs as appropriate for the position. The CCCP employees are specialized employees with multiple certification levels required. These positions are recognized in the collective bargaining agreement between Cal Water and Utility Workers Union as Group 12 employees, which is consistent with their level of expertise. The costs used to file the advice letter for these employees would be based on the average cost of all district employees ($52,700) escalated from Base Year 2008 to Test Year 2011 at 7.15% for those hired in 2011, plus benefits at the burden rate of 56%, and the revenue requirement of a light-duty truck, which is purchased for $30,250 including overhead.

Cal Water will re-evaluate and report on the program as part of its 2012 GRC.

7.0 TAXES

7.1.1 CALCULATION OF INTEREST EXPENSE DEDUCTION FOR INCOME TAX CALCULATION

ISSUE: Cal Water and DRA differed in their basis in calculating interest expense as a deduction for income tax calculation. Cal Water used rate base excluding working cash whereas DRA used rate base including working cash.

RESOLUTION: The Parties agree to use the methodology set forth in the provisions of Standard Practice U-26, which specifically states, "The calculation should be based on the product of weighted cost of debt times weighted average net rate base for interest. The weighted average net rate base for interest equals total average rate base less working cash…"[8]

7.1.2 CALCULATION OF DOMESTIC PRODUCTION ACTIVITIES DEDUCTION (DPAD)

ISSUE: Cal Water and DRA used different methodologies in calculating the Domestic Production Activities Deduction. Cal Water calculated the deduction by multiplying the statutory rate (9% starting in 2010) by the net revenue assuming all income is from qualified production activities. DRA recommended a change in the calculation methodology by multiplying the statutory rate by the income from qualified production activities determined by taking the percentage of water production versus purchased water.

RESOLUTION: The Parties agree to use DRA's methodology of calculating the Domestic Production Activities Deduction.

[8] California Public Utilities Commission, Adjusting and Estimating Operating Expenses of Water Utilities (Exclusive of Taxes and Depreciation) Standard Practice No. U-26. July 2002. Appendix B, Page 17.

7.1.3 BASIS OF CCFT FOR FEDERAL INCOME TAX DEDUCTION

ISSUE: Cal Water used the prior year's California Corporate Franchise Tax (CCFT) as a deduction for federal income tax deduction whereas DRA proposed using the current year's CCFT as a deduction for federal income tax deduction. In its Rebuttal testimony, Cal Water stated that such a change will have a working cash issue related to the timing of the CCFT deduction.

RESOLUTION: The Parties agree to a $77,000 expense adjustment for this GRC. Cal Water agreed to update the lead-lag study for the next GRC to update the lag days for state and federal income taxes. Notwithstanding any subsequent Commission decision which may provide precedential guidance on this issue, Cal Water has agreed to DRA's recommendation to use the current year's CCFT as a deduction for the federal income tax deduction in the current GRC. The Parties also agree that in the next GRC, they will consider potential Commission precedents in this subject area as may result from a decision in A. 09-01-013 (Cal-Am's Sacramento, Larkfield, and Los Angeles General Rate Case).

7.1.3 PAYROLL TAX CALCULATION

ISSUE: In general, DRA accepts the methodology Cal Water used to estimate future payroll taxes. However, DRA adjusted the imputed Federal Insurance Contribution Act Tax ("FICA") percentage used by Cal Water in cases where it exceeded the statutory limits of 7.65% in some districts.

RESOLUTION: The Parties agree to use the statutory rate of 7.65% for the districts that were higher than the statutory limit. Cal Water agreed to provide a detailed calculation of payroll taxes based on the employee's home department

for the next GRC. Home department is the district where the employee was hired.

8.0 DEPRECIATION

ISSUE: DRA recommended that the Depreciation Study should use a 0% salvage value for small mains (<6" in diameter). DRA stated that this recommendation is consistent with the procedure that Cal Water uses to replace these small mains, abandoning the old main in place, when it is replaced. (For example, as shown in Tab 55 of the 2009 Bakersfield District Project Justifications, the estimated cost of abandonment of 4" main is $0.) In its Rebuttal Testimony, Cal Water explained that depreciation is based upon the results of a professional depreciation study. Therefore, on a scheduled periodic basis, an outside depreciation professional performs depreciation studies as well as annually performs technical updates of the proposed depreciation study parameters to reflect the latest investments and recovery levels for each of the applicable property groups. Cal Water further explained that "Mains" is one category in the studies. However, plant-in-service records specifically identify mains by type and size (and the depreciation study estimates differing lives for each the various grouped categories). That is, in performing the depreciation analysis and development of depreciation rates, the individual types and sizes of pipe (mains and services) are analyzed to determine applicable lives for each property type. The results are then composited via a dollar weighting of the surviving investments into a total account depreciation rate.

RESOLUTION: The Parties agree to defer this issue to the next GRC. DRA also recommended an audit of depreciation in the next general rate case and made recommendations on an aspect of the depreciation study Cal Water will present in the next case. Cal Water acknowledges that DRA had the liberty to audit Cal Water's books and records in connection with any relevant proceeding. Cal Water agrees to provide the details of the cost to remove and salvage by size of main to the extent that the system allows.

9.0 RATE BASE

9.1 GLOBAL

9.1.1 CONDITION-BASED ASSESSMENT

ISSUE: DRA contends that Cal Water is not able to effectively prioritize its specific hydrant, main and service replacement projects based upon actual conditions of the pipe and did not use tools such as American Water Works Association's (AWWA) "Decision Support System for Distribution System Piping Renewal," which has been available since 2002. DRA notes that other utilities, such as California American Water Company, routinely prepare a "Condition Based Assessment" (CBA) document prepared by a licensed professional engineer to assess the condition of their transmission and distribution systems in each district to identify and prioritize investment in transmission and distribution infrastructure. In their Results of Operations Reports, DRA noted multiple benefits to performing such an assessment. Because Cal Water did not perform a CBA, DRA recommended disallowing a large portion of the Company's proposed capital improvement program related to its specific main replacement program projects. DRA also recommended that the Commission direct Cal Water to develop a CBA prepared by a licensed professional engineer including at a minimum, a prioritization plan, a comparison of the cost to repair versus replacement, and an analysis of leaks/100 miles to justify its main replacement programs in future rate cases.

In Rebuttal, Cal Water indicated that it believed that CBAs for pipelines and related facilities are potentially tools that may allow Cal Water to target specifically replacements of assets that have the highest probability for failure in any specific district within a range of years. However, Cal Water argued that CBAs are not a requirement of the Rate Case Plan and the Commission had not ordered Cal Water to use a CBA program to determine its proposed

infrastructure replacements. Cal Water noted that it uses a variety of tools and methods to establish its targeted capital improvements.
Cal Water acknowledged that it would be receptive to a pilot program to determine what should be included in a CBA. Cal Water indicated that it would be interested in working with DRA and the Commission to select logical parameters for a pilot program. Cal Water acknowledged the potential usefulness of this tool/resource, but also noted that it should not be the only criteria on which to base important decisions relative to infrastructure replacements.

RESOLUTION: In Settlement, the Parties agree that it is in the best interest of the Ratepayer to have an efficiently run CBA program to match targeted asset replacements to pre-defined asset performance criteria in order to achieve the most cost-effective capital replacement strategy. The CBA will assist the Commission in a programmatic evaluation of the plant additions proposed in Cal Water's next GRC. It will also provide Cal Water confidence that the Commission will apply consistent principles in its review of the proposed plant additions. The Parties acknowledged that they will work together to develop, by December 31, 2011, the criteria Cal Water will use in preparing a CBA. Cal Water chose the Los Altos and Stockton Districts in which to perform a pilot Condition-Based Assessment for use in determining the proposed replacements in those two districts in its 2012 GRC filing. These districts were chosen because their size, the age of their facilities, and the different conditions to which the facilities are exposed.

9.1.2 NON-SPECIFIC BUDGETS

Cal Water and DRA address this issue in district capital budget Settlements.

9.1.3 ENERGY MONITORING

ISSUE: Cal Water proposed installing equipment and implementing a power monitoring program throughout the Company in 2010 and 2011. Cal Water contends that adding power monitoring equipment will maximize overall system management in daily operations by automatically tracking energy consumption, well levels, and water flow from zone to zone, therefore minimizing manual data collection and providing real-time decision-making information to the operators. The power monitoring equipment is also critical in protecting the motors and other sensitive electrical equipment in the pumping plants.

DRA had concerns with implementation of this project Company-wide until Cal Water could provide an appropriate cost-benefit analysis. Therefore, DRA recommended deferring these projects to a future GRC subject to the results of a pilot program and the accompanying cost-benefit analysis.

In Rebuttal, Cal Water noted that it had already started to include energy monitoring equipment in all new pump stations, and that the majority of the equipment requested in this GRC was included along with pump replacement projects. Cal Water also noted that equipment such as power meters is critical in protecting the motors and other sensitive equipment such as control transformers, instrumentation and communication equipment from unexpected poor quality power from various electric companies.

RESOLUTION: The Parties agree that Cal Water will defer its Company-wide implementation of the energy-monitoring program pending the results of pilot programs in two different districts. Cal Water agrees to prepare a cost-benefit analysis based on the results of the pilot programs. The Parties agree on two programs so that information from two separate types of distribution system characteristics can be gathered to provide a broader evaluation of the equipment. The pilot programs will be in the Marysville and Mid-Peninsula Districts.

9.1.4 STORAGE

ISSUE: As required by the Rate Case Plan, Cal Water prepared Water Supply and Facilities Master Plans ("WS&FMP") for each of its districts. The Rate Case Plan states, "Any water utility filing a GRC on or after July 1, 2008, must submit a long-term, 6-10 year Water Supply and Facilities Master Plan to identify and address aging infrastructure needs. The Plan should be consistent with recommendations and elements of comprehensive asset management identified in the General Account Office's March 2004 Report, GAO 04-461." [9]

Based in part on recommendations in the WS&FMPs, Cal Water prepared and submitted capital budgets as a part of this GRC. Some of these individual capital projects were for water storage tanks to enable Cal Water to address the recommendations noted in the WS&FMPs.

To determine the amount of water storage required for each district, Cal Water used a methodology that included provisions for fire storage, operational storage, and emergency storage components. The Parties agreed on the rationale for the fire and operational storage components. However, there is a large difference in the factors used for the emergency storage component. Cal Water used 24 hours of average daily demand as the basis for the calculations of the emergency storage volume. DRA indicated that there is not an industry standard for this component, and it did not believe it should be larger than approximately 4 hours of average daily demand.

RESOLUTION: The Parties did not agree on a specific factor to use for the emergency storage component of the total water storage needs for all districts. The Parties agreed to review each project on an individual basis. Some individual storage projects were agreed to be based on other factors such as the condition of existing facility. The Parties agreed to defer some individual storage

[9] D.07-05-062

projects as part of the overall plant settlement for that district. The Parties agree to meet and confer after the GRC to attempt to come to a resolution on the issues associated with storage-sizing components.

9.1.5 CARRYOVERS

ISSUE: Cal Water proposes capital additions to Utility Plant over multiple years as part of General Rate Case filings. Cal Water prepares capital project budgets for the year immediately preceding the test year along with the two years after. However, Cal Water also typically works on projects approved in previous rate cases that for a variety of reasons have not been completed and booked to recorded plant. Cal Water makes every effort to complete approved projects in the year that they are projected for completion, but delays associated with receiving needed permits, property acquisitions, etc., result in projects not always completed in the year anticipated. These are Carryover projects. In order to calculate test year revenue requirements in its application, Cal Water must specify a point in time for the beginning balance of plant in service. This is typically the year-ending that precedes the filing date. For example, for the 2009 GRC filed in July, the beginning plant balances for the districts and General Office are the end-of-year recorded dollars for 2008. For capital projects that were not completed and booked to plant, Cal Water projects when these Carryover projects will be completed and in service. If the project has experienced little progress, Cal Water does not consider the project a Carryover, but instead it may be cancelled and/or its budget moved to a future year. However, projects that have substantial progress and expenditures but are not closed to Utility Plant before the Company files the next GRC can be excluded from Utility Plant until the next GRC, which effectively penalizes the Company unless the project has Advice Letter status.

To remedy this situation, Cal Water created a list of Carryover projects. These projects were approved in a previous GRC, either with or without Advice Letter treatment. The list includes pertinent details such as anticipated project closing date. Cal Water adds these project dollars to the other budgeted projects for the in-service year for the non-Advice Letter status projects. In this GRC, Cal Water created this type of list for each district and provided opportunity for DRA review.

RESOLUTION: The Parties reached agreement on the Carryover projects for each district and General Office to be included in Utility Plant in the year indicated in the discussion of district plant.

9.1.6 ADJUSTMENTS TO BEGINNING PLANT BALANCE

BAKERSFIELD DISTRICT

ISSUE: DRA proposed to remove $16.3 million from Utility Plant beginning balance for 2009 because recorded plant additions exceeded the adopted plant additions for the Bakersfield District for the previous GRC. Cal Water explained in its Rebuttal Testimony that there were two projects (PIDs 9392 and 9394) approved for Advice Letter treatment in the 2006 GRC that Cal Water completed and included in their utility plant beginning balance for 2009. Advice Letter 1926 was filed on May 20, 2009, requesting recovery of costs related to infrastructure improvements for the Northwest Treatment Plant in the Bakersfield District in compliance with the approved Settlement agreement of D. 07-12-05510. Therefore, it is appropriate to include these Commission-authorized and completed projects in the "adopted" plant additions to compare to the actual recorded plant additions.

Cal Water further explained that it had already adjusted recorded plant additions for PID 9392 and PID 9394 for $6,776,754 for the 50% share of the City of Bakersfield's ("CBK") portion for the Northwest Bakersfield Water Treatment Plant ("NWBKTP"). Attachment 1 of D. 07-12-055 states, "Cal Water budgeted $13,242,500 for a new surface water treatment plant serving the northwest area of Bakersfield. Cal Water and the City of Bakersfield ("City") have a contract, which obligates the City to pay for 50% of the facility in exchange for 50% of the water produced." Cal Water booked $13,553,508 to utility plant in December 2007. Therefore, an adjustment of $6,776,754 was made to reduce utility plant for the City's 50% share.

[10] Attachment 1 of D. 07-12-055, page 8

Another adjustment for $880,000 to account for CBK's share in the cost of the Northeast Bakersfield Water Treatment Plant ("NEBKTP") Raw Water Pumping Plant (PIDs 3163, 3165, and 3166) was made. Cal Water and the City of Bakersfield ("City") have a contract that obligates the City to pay $880,000 as their share of the construction costs of the pumping facilities.

Cal Water further explained that recorded plant additions also included contributions and advances, which may not have been clearly explained in Cal Water's response to data request NKS-007.

RESOLUTION: The Parties agree to allow the $16.3 million in the utility plant beginning balance for 2009 for the Bakersfield District.

BEAR GULCH

ISSUE: DRA proposed to remove $4.2 million from the utility plant beginning balance for 2009 because recorded plant additions exceeded the adopted plant additions for the Bear Gulch District. Cal Water explained in its Rebuttal Testimony that PID 4288 was an Advice Letter project (AL 1938 was filed for recovery of rate base offset) that was not included in the adopted plant additions. The estimated costs for Advice Letter projects do not get included in the adopted plant additions until after the Advice Letter is filed and approved. Cal Water further explained that the biggest reason for the difference was due to the main installations at Valparaiso. The San Mateo County and Town of Atherton street reconstruction projects required Cal Water to relocate and upgrade facilities. By doing these projects (PID14553 for $1,673,609 and PID 14073 for $400,681) in conjunction with the street reconstruction, the district did not have to pay for paving and no trench cut fees were assessed. This also provided a much needed 12-inch loop in the heart of the low zone. The costs would have been prohibitively expensive if the work had been done after the street reconstructions. In order to complete this project, the Atherton Avenue slipline project was

delayed to 2008. This project would have been included in the Bear Gulch's 2008 GRC, but this GRC was not filed because of changes to the filing timing in the Rate Case Plan.

RESOLUTION: The Parties agree to the inclusion of the $4.2 million in the utility plant beginning balance for 2009.

KERN RIVER VALLEY

ISSUE: DRA proposed to remove $2,573,500 from the utility plant beginning balance for 2009 because the total amount booked to plant for AL 1862 exceeded the Advice Letter cap authorized in D. 08-06-011. DRA believed that while the Advice Letter provided information on the total cost of the three projects included in the Advice letter filing, it did not provide justification as to why the projects were completed $2,573,500 over the capped budget. According to Cal Water, AL 1862 became effective July 1, 2008. DRA verified that AL 1862 was approved. Due to insufficient justification for the increase from $5,510,000 to $8,083,500, DRA recommends disallowance of the $2,573,500 cost overrun associated with projects 12299, 12300, and 12301. DRA removes $2,573,500 from Cal Water's Beginning of Year 2009 Plant-in-Service balance. Cal Water explained in its Rebuttal Testimony that adopted plant additions result from settlements, which represent compromises between Parties. As a result of the compromise in the Settlement adopted in D.06-08-011, Cal Water agreed to $5,500,000 for the purpose of the Advice Letter cap.

RESOLUTION: The Parties agree to phase-in the addition of $2,573,500 to utility plant over three years - $800,000 in 2010, $800,000 in 2011 and $973,500 in 2012.

MARYSVILLE

ISSUE: DRA proposed to remove $2,112,700 from the utility plant beginning balance for 2009 in the Marysville District because recorded plant additions exceeded the Commission authorized gross plant additions. Cal Water explained in its Rebuttal Testimony that the 2005 plant additions of $1,120,500 adopted in D. 06-08-011 were inadvertently omitted in the response to data request MD7-001. Cal Water further explained that there were two projects that attributed to the difference between adopted and recorded plant additions. PID 13316 for the purchase of property for a new customer service center was approved as an Advice Letter project and therefore was not included in the adopted plant additions. Advice Letter 1941 was filed May 28, 2009, requesting recovery of the capped amount of $243,000. The total cost of the project was $290,900. The other project was PID 5114, a Carryover project approved in the 2001 GRC for a greensand filtration treatment in Station 15-01. The project was closed to plant in November 2006.

RESOLUTION: The Parties agree to allow the inclusion of $2.1 million in the utility plant beginning balance for 2009.

SALINAS

ISSUE: DRA recommended removing $219,000 from the beginning balance of utility plant for 2009 and for it to be tracked in an MtBE memo account to be addressed in A. 09-07-011. In its Rebuttal Testimony, Cal Water agreed to remove MtBE- related capitalized costs.

RESOLUTION: The Parties agree to remove MtBE-related capital costs from the utility plant beginning balance for 2009 along with the related depreciation reserve and deferred taxes.

COAST SPRINGS

ISSUE: DRA proposed to remove $895,300 from the utility plant beginning balance for 2009 due to budgetary overruns in several projects. In its Rebuttal Testimony, Cal Water explained that one contributing factor for the overruns was that capitalized interest was not factored into the original project cost estimates. However, the major cost overrun was in the construction of the Coast Springs Treatment Plant. The other contributing cost overruns occurred in the replacement of 500 feet of undersized and degraded mains (PID 12499) that crossed through a creek; PID 12561 that was a project to construct a hydraulic model for the entire Redwood Valley District, but only the model for Lucerne was constructed; and PID 8087 in which capitalized interest was incorrectly charged.

RESOLUTION: The Parties, and Mr. Young, agree to adjust the cost of PID 12499 to $83,000. The Parties agree to reduce the cost of the Coast Springs Treatment Plant by $510,000 and reclassify $189,000 of the treatment plant project (included in the $510,000 reduction) to construction overhead for allocation to future capital projects. The Parties agree to exclude PID 12561 from plant and correct the capitalized interest entry for PID 8087 to the correct amount of $25,126.

LUCERNE

ISSUE: DRA proposed to remove $383,900 from the utility plant beginning balance for 2009 due to a budgetary overrun in the construction of the Lucerne Treatment Plant. Cal Water explained in its Rebuttal Testimony that capitalized interest was not included in the original project cost.

RESOLUTION: The Parties agree to allow the inclusion of $383,900 in the utility plant beginning balance for 2009. However, Cal Water agreed to permanently remove completed PID 20320 from plant for $229,676 for rate making as part of an overall settlement plan.

9.2 DISTRICT SPECIFIC PLANT ADDITIONS

At the beginning of many of the district plant Settlement discussions, and the General Office plant Settlement, Advice Letters requests are discussed. At the end of each paragraph discussing the particular Advice Letter request is the statement "Parties acknowledge that this cap is for advice letter purposes only and that the Commission will review final project costs in the next general rate case." The purpose of this statement is to acknowledge that final cost of a project may exceed the capped amount agreed to in this proposed Settlement for the purpose of filing an Advice Letter. Cal Water books to plant the actual cost of the project. If the final cost exceeds the capped amount, Cal Water will submit for review the amount and the reason for the exceedance for the Commission to review for inclusion in the gross plant balance for the next GRC.

9.2.1 Antelope Valley District Plant Settlement

Summary of Settlement and requests to the Commission:

The Parties request the Commission approve the Settlement plant values established herein under the conditions specified. Leona Valley Town Council objects to certain parts of the settlement as noted below.

The Parties request that the Commission allow Cal Water to file an offset Advice Letter for Project 17663 at any time until the effective date of rates in the next general rate case with a capital project cap of $288,800 excluding interest during construction. Project 17663 is budgeted to construct a 150,000-gallon storage tank in the Leona Valley service area. The Parties anticipate the Advice Letter will be filed in 2011. Parties acknowledge that this cap is for advice letter purposes only and that the Commission will review final project costs in the next general rate case.

The Parties request that the Commission allow Cal Water to file an offset Advice Letter for Project 10391 at any time until the effective date of rates in the next general rate case with a capital project cap of $810,000 excluding interest during

construction. Project 10391 is budgeted to install a purchased water connection with AVEK, along with the related transmission main, in the Lancaster service area. The Parties anticipate the Advice Letter will be filed in 2011. Parties acknowledge that this cap is for advice letter purposes only and that the Commission will review final project costs in the next general rate case.

The Parties request that the Commission allow Cal Water to file an offset Advice Letter for Project 20642 at any time until the effective date of rates in the next general rate case with a capital project cap of $619,000 excluding interest during construction. Project 20642 is for construction of a well in the Fremont Valley service area. The Parties anticipate the Advice Letter will be filed in 2011. Parties acknowledge that this cap is for advice letter purposes only and that the Commission will review final project costs in the next general rate case.

The Parties request that the Commission allow Cal Water to file offset Advice Letters for Projects 14467 and 14468 at any time until the effective date of rates in the next general rate case with capital project caps of $108,000 for each of the projects, excluding interest during construction. Projects 14467 and 14468 are to install chloramination equipment in the Leona Valley and Lancaster systems, respectively, if wholesale supplier AVEK changes its disinfection method to chloramines. Due to the uncertain timing of AVEK's decision, it is unknown when, or if, the Advice Letters will be filed. Parties acknowledge that this cap is for advice letter purposes only and that the Commission will review final project costs in the next general rate case.

Controversial Projects

The dollars (in thousands) shown in the tables below for various capital projects represent the funding for the capital investment and not the respective Test Year revenue requirement for that funding. The more detailed descriptions are for projects where there was a difference between Cal Water and DRA as noted in the DRA Report on the Results of Operation for the Antelope Valley District, and the resulting funding level agreed to in settlement discussions. The four separate systems that comprise the Antelope Valley District are located in the following

communities: Lancaster, Leona Valley, Lake Hughes and Fremont Valley. Where applicable, the Settlement notes the appropriate community in which the project is proposed.

In addition, the Leona Valley Town Council ("LVTC") intervened in this proceeding for the purpose of reviewing Cal Water's proposed rate increase in the Antelope Valley District. Cal Water and the LVTC engaged in settlement discussions, and the LVTC supports this Settlement as it relates to the Antelope Valley District with the exception of aspects of Projects 17496 and 20642. The specific objections of the LVTC for those projects are below in the Settlement narrative.

Non-controversial Projects

In addition to the more detailed project descriptions that immediately follow, Cal Water's proposed capital budgets for the years 2009-2012 included a number of projects where DRA did not object to the need for the project and the requested funding. Table A (dollars in thousands) at the end of this section lists these projects, noting Cal Water's project number, a short project description, Cal Water's proposed funding, DRA's recommended funding, and settlement funding. This table does not contain a Cal Water rebuttal column because there were no objections by DRA to Cal Water's proposed project and related funding. Cal Water and DRA agree that these projects should be approved for inclusion in Utility Plant in the year in which they are proposed to be in service.

The LVTC was also not in agreement with a number of projects classified in this document as non-controversial between Cal Water and DRA and shown in Table A. LVTC's specific disagreements are after Table A, along with any appropriate comments by Cal Water.

Non-Specifics

Following the LVTC's disagreements with the Cal Water and DRA non-controversial projects in Table A is a section titled Non-specifics for each of the years 2009-2012. This section contains comparison tables showing the dollars (in thousands) for Cal Water's non-specific capital budget proposal, DRA's recommendation, the difference and the Settlement. Non-Specifics are budgeted funds for capital projects or work tasks that develop during any given year related to unanticipated equipment or facility failures or work that has an urgency in being completed that cannot wait until the next capital budget year or general rate case cycle. Broken gate valves, main leaks that require sections of main to be replaced, facility relocation projects mandated by the city or the state to enable street modifications and/or sewer or storm drain installations, pump and motor failures, replacement of lost, damaged or stolen equipment and replacement of damaged or broken service lines or meters are just a few examples of projects for which Non-specific funds are used.

Cal Water uses a ten-year average of the most recently recorded, inflation-adjusted, non-specifics by plant category. For the 2009 GRC, Cal Water used the period of 1998-2007 because it began the 2009 GRC process of compiling numbers and preparing estimates in early 2008. This resulted in an estimate for 2008 from which Cal Water then forecast the years 2009-2012. The forecast uses a combined weighted-inflation factor of labor and non-labor escalation rates for each of those four years from the DRA Cost of Service Energy Branch in their most current memo available at the time Cal Water prepared its forecasts, dated February 29, 2008. Cal Water used this process in the previous two Cal Water GRCs without issue.

DRA agrees with the ten-year average, but did not use the same inflation-adjusted method as Cal Water to arrive at a 2008 beginning estimate from which to forecast 2009-2012. Also, DRA used the factors in the most recent escalation memo available to it when they prepared their 2009-2012 forecasts, which was

dated May 31, 2009. Cal Water filed its proposed application on May 1, 2009, and its application on July 1, 2009. Cal Water did not update its non-specific estimates after preparing its initial estimates noted above.

In Settlement, Cal Water agreed to prepare a spreadsheet that calculated its non-specifics, using its same ten-year inflation-adjusted average as described above, but now using the same escalation rates as used by DRA from the May 31, 2009, memo. Because the basic methods were still different, there continued to be differences in the 2009-2012 estimates. DRA and Cal Water agreed to use the average of their respective forecasts for each year for each district and Cal Water's General Office.

The LVTC was not in agreement with the non-specific capital budget category. Mr. Zinger objected to these costs in his testimony of behalf of the LVTC, particularly for the pumps and wells for which no detail or rationale was provided. LVTC considers the individual and aggregate amounts of these "allowances" to be excessive.

Controversial Projects

6" Pipeline in Cheyenne Blvd., Fremont Valley

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 17496 (2009)	$168.9	$148.7	$148.7	$0	$96.8

ISSUE: Cal Water proposed installing a new main that will enable the entire distribution system to be looped. With this main in service, smaller sections of the system will be able to be isolated, thereby minimizing the number of customers affected by a shutdown. The main will also enable distribution

maintenance such main flushing by being able to reroute the flows. Services and fire hydrants are proposed to be included with the main installation. DRA agreed with the project, but adjusted the main installation cost based upon a revised unit cost received in a data request on the project. The LVTC agrees with the project as long as the services and hydrants are not installed. The estimated cost for the main installation without the services and hydrants is $96,800.

RESOLUTION: Cal Water and DRA agree with the revised cost of the project and note installation will be completed in 2010. The LVTC agrees with the project as long as the proposed services and hydrants are not installed.

Emergency Generator at Station 1, Leona Valley

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 17600 (2009)	$100.0	N/A	$100.0	$0.0	$0.0 Defer

ISSUE: Cal Water proposed installing an emergency generator at Station 1 in its Leona Valley system. Although the majority of the water for the Leona Valley system is purchased from the Antelope Valley-East Kern Water Agency ("AVEK"), the purchased water goes into a tank from which it is then pumped to the distribution system. Without electrical power, the water cannot be distributed to the system, and the customers would be dependent upon the water in storage until power was restored. The emergency generator would allow the booster station to continue to operate during an electrical power outage. DRA agreed with the project need and estimated cost.

RESOLUTION: During Settlement discussions with the LVTC, they opposed the generator due to the few times that Leona Valley has had a power outage. The Parties agree, as part of an overall Settlement offer, to defer the project.

Construct 150,000-gallon storage tank at Station 1, Leona Valley

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 17663 (2009)	$288.8	$288.8	$0.0	$288.8	$288.8 Advice Letter

ISSUE: Station 1 currently has a 105,000-gallon tank used as a forebay for the booster station as well as a blending facility for groundwater and water Cal Water purchases from AVEK. The existing tank cannot be taken out of service for inspection or any subsequent painting/coating/repairs that may be required without jeopardizing the ability to provide service. Due to its location and terrain, Leona Valley is susceptible to wild fires, so it is critical that this tank remains in service. A second tank would not only increase the storage capacity of the system, but will also allow one of the tanks to be out of service for inspection and any needed repairs or to perform necessary maintenance. DRA recommended disallowance of the tank due to DRA's disagreement with the criteria Cal Water uses to calculate required storage in its Water Supply & Facilities Master Plan ("WS&FMPs"). There were also some inconsistencies in the volume of storage Cal Water stated is in the Leona Valley system to which DRA objected.

RESOLUTION: As part of an overall Settlement offer, the Parties (including the LVTC) agreed to the construction of the tank with Advice Letter treatment and a cap of $288,800. The LVTC sought and received Cal Water's assurance that the tank construction would be put out for bid to the seven (7) contractors on Cal Water's qualified bid list for tank construction.

Installation of a connection to AVEK, Lancaster

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 10391 (2010)	$2,212.7	$1,512.0	$0.0	$2,212.7	$810.0 Advice Letter

ISSUE: Cal Water proposed installing a purchased water connection with AVEK in its Lancaster system, along with an 8" diameter main from the AVEK turnout to the Lancaster system, where a forebay tank and booster station were proposed to be constructed. Cal Water estimated the cost at $2,212,655 in its application, but revised the estimated cost to $1,512,000 in the 100-day update. DRA recommended disallowance of the project because Cal Water has two wells to supply the system, an emergency connection with LA County, and an emergency generator where the wells are located.

In Rebuttal, Cal Water noted that the supply from the two wells is sufficient for the demand, but one of the wells is quite old and its production has dropped significantly due to issues with the well casing. If the larger of the two wells is off-line for an extended period, Cal Water would not have an adequate supply for its customers. Cal Water cannot rely on the emergency connection with LA County for an extended period. Also, there is the issue of the potential groundwater adjudication in the entire Lancaster/Palmdale basin in a lawsuit brought by Diamond Farming. Should the plaintiffs be successful, the Lancaster system of Antelope Valley will be limited in the amount of groundwater it can withdraw.

RESOLUTION: As part of an overall Settlement offer, the Parties (including the LVTC) agree to the AVEK connection as long as Cal Water removed the storage/forebay tank and booster station from the project and submitted a revised estimate excluding these components. Cal Water agreed with this offer

because AVEK is able to provide adequate pressure to allow the water purchased from them to enter the Lancaster system without requiring a booster station. Cal Water provided a revised estimate of $810,000. However, in order to maximize the flow available from AVEK through this connection, Cal Water will need to install the deferred tank and booster station in the future, but will not do so prior to the next GRC. Cal Water will put the project out to bid and place it in the Daily Const. Report/Dodge Report to get the maximum exposure to contractors.

Construct a well in Fremont Valley

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 20642 (2010)	$692.6	N/A	$692.6	$0	$619.0 Advice Letter

ISSUE: Cal Water proposed constructing a second well in its Fremont Valley system as an additional source of supply. There is currently one well, an 80,000-gallon tank and an emergency generator at Station 1. Cal Water initially proposed to construct the well at a different location than Station 1; therefore, purchase of a parcel of land was included in Cal Water's estimate. DRA agreed with Cal Water's proposal as long as the rate relief was obtained after filing an Advice Letter. In Settlement, the LVTC disagreed with the need for the project primarily due to its cost. LVTC also questioned its value due to the number of times the well has been out of service, whether or not other options had been explored such as hauling water, any adjacent wells that could be used for a period of time, and whether the existing site was large enough to accommodate a second well. Cal Water noted it was not aware of any wells it could use if its well was out of service for an extended period, and that hauling water is an option, but not one that could be implemented readily even if the trucks were available.

RESOLUTION: Cal Water determined there was adequate room at its existing station to construct a second well. Pumping interference between wells would not be an issue because the two wells would not be expected to be operating at the same time. Cal Water revised its estimated cost to $619,000 because it would not have to purchase property, along with eliminating a pipeline to carry the well water to Station 1. Cal Water and DRA agree to the revised lower estimate with Advice Letter treatment. The LVTC does not agree with the Parties as to the need for the well.

Construct a well in Lancaster

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 20636 (2011)	$1,192.0	$1,192.0	$0.0	$1,192.0	$0.0 Defer

ISSUE: Cal Water proposed constructing a third well in Lancaster even though the supply from the two existing wells is sufficient for the demand. However, one of the wells is quite old and its production has decreased significantly due to issues with the well casing. If the larger of the two wells is off-line for an extended period, Cal Water would not have an adequate supply for its customers, and it cannot rely on the emergency connection it has with an adjacent water system for an extended period. DRA recommended disallowance of the well because Cal Water has two wells, an emergency generator, and the emergency connection with an adjacent water company.

RESOLUTION: The Parties agree to defer the well construction because DRA agreed to the construction of the purchased water connection with AVEK. Cal Water plans to resubmit the project in the 2012 GRC.

Construct 53,000-gallon storage tank at Station 4, Leona Valley

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 29307 (2012)	$238.7	N/A	$0.0	$238.7	$0.0

ISSUE: Cal Water proposed constructing a 53,000-gallon tank to replace an existing 60,000-gallon tank in a separate pressure zone in the Leona Valley system. There is also another existing 53,000-gallon tank on the site. The 60,000-gallon tank was constructed around 1950 and its structural integrity is in question, so much so that it is difficult to perform a comprehensive inspection of the tank. Having two tanks at the site allows for one of the tanks to be taken out of service and inspected, and for any required maintenance to be performed while still being able to provide water to that pressure zone. DRA recommended deferral of the project to the 2012 GRC because Cal Water did not provide evidence of "severe corrosion." They also noted that tanks should be able to last for 50 to 75 years. DRA further noted consideration should be given to the effect of the tank construction on the rate increase proposed for the Antelope Valley District.

RESOLUTION: The Parties agree to defer this project and submit for consideration in the 2012 GRC instead.

Table A: Non-controversial plant projects

2009

Project ID Number	Descriptions	Cal Water Direct	DRA Report	Difference	Settlement
17499	Main/hyd/serv.	$227.8	$227.8	$0.0	$227.8
17501	Services	$61.4	$61.4	$0.0	$61.4
17503	Services	$61.4	$61.4	$0.0	$61.4
17506	Hydrants	$19.2	$19.2	$0.0	$19.2
17507	Hydrants	$19.2	$19.2	$0.0	$19.2
17508	Hydrants	$19.2	$19.2	$0.0	$19.2
17509	Gate valves	$15.2	$15.2	$0.0	$15.2
17510	gate valves	$15.2	$15.2	$0.0	$15.2
17511	Gate valves	$15.2	$15.2	$0.0	$15.2
17515	Power tools	$5.4	$5.4	$0.0	$5.4
17624	Vehicle – 1.5 ton	$71.3	$71.3	$0.0	$71.3
19338	Tank painting	$106.9	$106.9	$0.0	$106.9
	Small meter program	$1.5	$1.5	$0.0	$1.5
	TOTAL	$638.9	$638.9	$0.0	$638.9

2010

Project ID Number	Descriptions	Cal Water Direct	DRA Report	Difference	Settlement
20491	Genset auto transfer switch: Lancaster	$43.2	$43.2	$0.0	$43.2
20496	Services	$70.2	$70.2	$0.0	$70.2
20500	Gate valves	$16.0	$16.0	$0.0	$16.0
20501	Hydrants	$20.2	$20.2	$0.0	$20.2
20503	Genset auto transfer switch: Leona Valley	$43.2	$43.2	$0.0	$43.2
20509	Gate valves	$16.0	$16.0	$0.0	$16.0
20559	Hydrants	$20.2	$20.2	$0.0	$20.2
20563	Water sample stations	$16.2	$16.2	$0.0	$16.2

1 **Table A: Non-controversial plant projects con't**

20566	Genset auto transfer switch: Leona Valley	$43.2	$43.2	$0.0	$43.2
20571	Water sample stations	$6.5	$6.5	$0.0	$6.5
20573	Gate valves	$16.0	$16.0	$0.0	$16.0
20574	Hydrants	$20.2	$20.2	$0.0	$20.2
20578	Power tools	$5.4	$5.4	$0.0	$5.4
20701	150,000 tank – Lake Hughes	$398.0	$398.0	$0.0	$398.0
21110	Main/hyd/serv	$258.3	$258.3	$0.0	$258.3
	Small meter program	$1.5	$1.5	$0.0	$1.5
	TOTAL	$994.3	$994.3	$0.0	$994.3

2011

Project ID Number	Descriptions	Cal Water Direct	DRA Report	Difference	Settlement
15599	Interior safety climb –Sta. 3: Lake Hughes	$1.4	$1.4	$0.0	$1.4
20585	Services	$73.8	$73.8	$0.0	$73.8
20587	Gate valves	$16.8	$16.8	$0.0	$16.8
20589	Hydrants	$21.2	$21.2	$0.0	$21.2
20596	Services	$36.9	$36.9	$0.0	$36.9
20599	Gate valves	$16.8	$16.8	$0.0	$16.8
20643	Hydrants	$21.2	$21.2	$0.0	$21.2
20644	Gate valves	$16.8	$16.8	$0.0	$16.8
20646	Hydrants	$21.2	$21.2	$0.0	$21.2
20690	Power tools	$5.4	$5.4	$0.0	$5.4
20937	Vehicle	$35.7	$35.7	$0.0	$35.7
21119	Main/hyd/serv	$218.9	$218.9	$0.0	$218.9
	Small meter program	$1.6	$1.6	$0.0	$1.6
	TOTAL	$487.7	$487.7	$0.0	$487.7

2

Table A: Non-controversial plant projects con't

2012

Project ID Number	Descriptions	Cal Water Direct	DRA Report	Difference	Settlement
20700	Services	$77.4	$77.4	$0.0	$77.4
20707	Services	$77.4	$77.4	$0.0	$77.4
20709	Gate valves	$17.6	$17.6	$0.0	$17.6
20711	Gate valves	$17.6	$17.6	$0.0	$17.6
20712	Gate valves	$17.6	$17.6	$0.0	$17.6
20716	Hydrants	$22.2	$22.2	$0.0	$22.2
20723	Hydrants	$22.2	$22.2	$0.0	$22.2
20734	Power tools	$5.4	$5.4	$0.0	$5.4
21127	Main/hyd/serv	$233.3	$233.3	$0.0	$233.3
21285	Lancaster electrical equipment	$168.0	$168.0	$0.0	$168.0
29288	Hydrants	$22.6	$22.6	$0.0	$22.6
	Small meter program	$1.6	$1.6	$0.0	$1.6
	TOTAL	$682.9	$682.9	$0.0	$682.9

Following are the non-controversial projects to which the LVTC objects:

2009 - PID 17499, 17501, 17503, 17506, 17507, 17508, 17509, 17510, 17511 (Services, hydrants and valves) - These items are disputed by LVTC in regards to the unit cost and necessity.

2009 - PID19338 (Tank painting) - The cost of this item was disputed.

Cal Water notes that this was a 2009 budget project that was completed and booked to plant in December of 2009. Cal Water estimated the cost of the project to be $106,900. The completed cost of the project that was booked to plant was $112,609. Cal Water will only be seeking recovery of $106,900 for this item in this general rate case.

2010 - PIDs 20496, 20500, 20501, 20509, 20559, 20573, 20574, 21110 (Services, hydrants and valves) - These items are disputed by LVTC in regard to the unit cost and necessity.

2010 - PID 20503 (LV Genset switch) - There is no need for a Genset auto transfer switch in Leona Valley since the generator project, #17600, has been deferred.

Cal Water notes that the estimated cost of this project will be removed from this GRC.

2010 - PID 20566 (Fremont Genset switch) – The LVTC noted a typographical error in that the project description said Leona Valley, but it should have been Fremont Valley. The issue was raised at the evidentiary hearing that the Fremont Valley Genset already has this switch, so it does not need another one. The ALJ ordered that this be verified in the record. (Transcript, 5/4/2010, p.391-392).

Cal Water verified that the Fremont Valley Genset does not have an automatic transfer switch.

2011 - PIDs 20585, 20587, 20589, 20596, 20599, 20643, 20644, 20646, 21119 (Services, hydrants and valves) - These items are disputed by LVTC in regard to the unit cost and necessity.

2012 - PIDs 20700, 20707, 20709, 20711, 20712, 20716, 20723, 21127, 29288 (Services, hydrants and valves) - These items are disputed by LVTC in regard to the unit cost and necessity.

Non-specific capital budgets

2009

Descriptions	Cal Water Direct	DRA Report	Difference	Settlement
Land	-	-	-	-
Structures	$3.3	$3.1	$0.2	$3.1
Wells	$47.6	$44.1	$3.5	$45.4
Storage	$0.4	$0.4	$0.0	$0.4
Pumps	$27.6	$25.6	$2.0	$26.3
Purification	$0.3	$0.3	$0.0	$0.3
Mains	-	-	-	-
Streets	-	-	-	-
Services	$1.9	$1.8	$0.1	$1.8
Meters	$1.1	$1.0	$0.1	$1.0
Hydrants	-	-	-	-
Equipment	-	-	-	-
TOTAL	$82.2	$76.3	$5.9	$78.3

2010

Descriptions	Cal Water Direct	DRA Report	Difference	Settlement
Land	-	-	-	-
Structures	$3.3	$3.0	$0.3	$3.1
Wells	$48.6	$44.1	$4.5	$45.7
Storage	$0.4	$0.4	$0.0	$0.4
Pumps	$28.2	$25.6	$2.6	$26.5
Purification	$0.3	$0.3	$0.0	$0.3
Mains	-	-	-	-
Streets	-	-	-	-
Services	$1.9	$1.7	$0.2	$1.8
Meters	$1.1	$1.0	$0.1	$1.1
Hydrants	-	-	-	-
Equipment	-	-	-	-
TOTAL	$83.8	$76.1	$7.7	$78.9

Non-specific capital budgets con't

2011

Descriptions	Cal Water Direct	DRA Report	Difference	Settlement
Land	-	-	-	-
Structures	$3.4	$3.1	$0.3	$3.2
Wells	$49.7	$45.0	$4.7	$46.6
Storage	$0.4	$0.4	$0.0	$0.4
Pumps	$28.8	$26.1	$2.7	$27.0
Purification	$0.3	$0.3	$0.0	$0.3
Mains	-	-	-	-
Streets	-	-	-	-
Services	$2.0	$1.8	$0.2	$1.9
Meters	$1.1	$1.0	$0.1	$1.0
Hydrants	-	-	-	-
Equipment	-	-	-	-
TOTAL	$85.7	$77.7	$8.0	$80.4

2012

Descriptions	Cal Water Direct	DRA Report	Difference	Settlement
Land	-	-	-	-
Structures	$3.5	$3.2	$0.3	$3.3
Wells	$50.8	$46.2	$4.6	$47.8
Storage	$0.5	$0.5	$0.0	$0.5
Pumps	$29.4	$26.7	$2.7	$27.7
Purification	$0.3	$0.3	$0.0	$0.3
Mains	-	-	-	-
Streets	-	-	-	-
Services	$2.0	$1.8	$0.2	$1.9
Meters	$1.1	$1.0	$0.1	$1.0
Hydrants	-	-	-	-
Equipment	-	-	-	-
TOTAL	$87.6	$79.7	$7.9	$82.5

9.2.2 Bakersfield District Plant Settlement

Summary of Settlement and requests to the Commission:

The Parties request the Commission approve the Settlement plant values established herein under the conditions specified.

The Parties request that the Commission allow Cal Water to file an offset Advice Letter for Project 20557 at any time until the effective date of rates in the next general rate case with a capital project cap of $2,739,500 excluding interest during construction. Project 20557 is budgeted for flat-to-meter conversions in 2010, so Parties anticipate that it will be filed in 2011. Parties acknowledge that this cap is for advice letter purposes only and that the Commission will review final project costs in the next general rate case.

The Parties request that the Commission allow Cal Water to file an offset Advice Letter for Project 20780 at any time until the effective date of rates in the next general rate case with a capital project cap of $2,825,000 excluding interest during construction. Project 20780 is budgeted for flat-to-meter conversions in 2011, so Parties anticipate that it will be filed in 2012. Parties acknowledge that this cap is for advice letter purposes only and that the Commission will review final project costs in the next general rate case.

The Parties request that the Commission allow Cal Water to file an offset Advice Letter for Project 20781 at any time until the effective date of rates in the next general rate case with a capital project cap of $2,923,800 excluding interest during construction. Project 20781 is budgeted for flat-to-meter conversions in 2012, so Parties anticipate that it will be filed in 2013. Parties acknowledge that this cap is for advice letter purposes only and that the Commission will review final project costs in the next general rate case.

Controversial Projects

The dollars (in thousands) shown in the tables below for various capital projects represent the funding for the capital investment and not the respective Test Year

revenue requirement for that funding. The more detailed descriptions are for projects where there was a difference between Cal Water and DRA as noted in the DRA Report on the Results of Operation for the Bakersfield District and the resulting funding level agreed to in settlement discussions.

Non-controversial Projects

In addition to the more detailed project descriptions that immediately follow, Cal Water's proposed capital budgets for the years 2009-2012 included a number of projects where DRA did not object to the need for the project and the requested funding. Table A (dollars in thousands) at the end of this section lists these projects, noting Cal Water's project number, a short project description, Cal Water's proposed funding, DRA's recommended funding, and settlement funding. This table does not contain a Cal Water rebuttal column because DRA did not object to Cal Water's proposed project and related funding. The Parties agree that these projects should be approved for inclusion in Utility Plant in the year in which they are proposed to be in service.

Non-Specifics

Following Table A, are comparison tables showing the dollars (in thousands) for Cal Water's non-specific capital budget proposal, DRA's recommendation, the difference and the Settlement. See the Antelope Valley District Plant Settlement for the general discussion on Non-Specific Plant Estimates.

Controversial Projects

Beginning of Year 2009 Plant

This issue is discussed in section 9.1.6 of the Settlement, above.

Flat-to-meter conversion

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 17191 (2009)	$2,641.5	Actual for 2009	$2,641.5 Advice Letter	Actual for 2009 not to exceed $2,641.5	Actual for 2009 not to exceed $2,641.5
20557 (2010)	$2,739.5	$2,739.5	$2,739.5 Advice Letter	$0.0 Advice Letter	$2,739.5 Advice Letter
20780 (2011)	$2,825.0	$2,825.0	$2,825.0 Advice Letter	$0.0 Advice Letter	$2,825.0 Advice Letter
20781 (2012)	$2,923.8	$2,923.8	$2,923.8 Advice Letter	$0.0 Advice Letter	$2,923.8 Advice Letter

ISSUE: Cal Water is required by AB 2572 to convert all of its flat rate customers to metered services by January 1, 2025. In order to convert all of the flat rate customers in the Bakersfield District by then, and to do so at a reasonable rate per year, Cal Water budgets 2,600 conversions per year. Based upon this rate, Cal Water will require another thirteen years, including 2009, to convert the remaining services from flat to metered services. DRA agrees with the need for and supports Cal Water's request for the project. However, Cal Water has

historically not completed the project at the budgeted amount, or at the levels it claimed when the Commission authorized the Flat-to-Meter conversion project. DRA therefore recommends Advice Letter treatment for this project, capped at the annual amounts Cal Water proposed.

In Rebuttal, Cal Water requested the actual dollars booked to plant in 2009.

RESOLUTION: The Parties agree to book the actual cost for 2009 and for Cal Water to seek rate relief through Advice Letter filings for 2010-2012 capped at the amounts shown in the table above.

<u>Install energy monitoring equipment at various well and booster stations</u>

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 20234 (2010 & 2012)	$627.0	$627.0	$0.0	$627.0	$0.0 Defer

ISSUE: Cal Water proposed installing equipment and implementing its power monitoring program throughout the Company in 2010 and 2011. Cal Water stated in the December 22, 2009, meeting with DRA personnel that the pilot program in Marysville will have results and analysis in the form of a full cost-benefit analysis by November 2010. Cal Water has been including the energy monitoring equipment in all new pump stations. The addition of the equipment maximizes overall system management in daily operations by automatically tracking energy consumption, well levels and water flow from zone to zone, therefore minimizing manual data collection. The new equipment is important and fundamental to the way Cal Water conducts business, in the present and future, and will improve the level of customer service by enabling Cal Water to react more quickly to problems with equipment and/or to minimize damage to

equipment through real-time monitoring. In addition to providing important information for strategic operation, the power meters are critical in protecting the motors and other sensitive equipment, such as control transformers, instrumentation, and communication equipment from unexpected poor quality power from the electric utilities. The meters will detect phase rotation, under and over voltage, unbalanced voltage, and voltage loss, shutting down pumps and other devices to ensure longevity of equipment. DRA has concerns with implementation of this project Company-wide until Cal Water can provide an appropriate cost-benefit analysis. Therefore, DRA recommended deferring this project to a future GRC subject to the results of a pilot program, and accompanying cost-benefit analysis.

RESOLUTION: The Parties agree to defer Cal Water's Company-wide implementation of the energy-monitoring program pending the results of pilot programs in two different districts. Cal Water agrees to prepare a cost-benefit analysis based on the results of the pilot programs. The Parties agreed on two programs so that information from two separate types of distribution system characteristics to give a broader evaluation of the equipment could be gathered. The pilot programs will be in the Marysville and Mid-Peninsula Districts.

Pump replacement projects

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 17321 (2009)	$75.0	$0.0	See narrative below	See narrative below	$0.0
20312	$92.9	$77.0			$77.0
20324	$95.1	$80.0			$80.0
20327	$101.3	$101.3			$101.3
17317 (2010)	$87.9	$0.0			$0.0
17319	$60.7	$0.0			$0.0
20329 (2011)	$83.1	$0.0			$0.0
20332	$91.8	$82.0			$82.0
20335	$80.8	$65.0			$65.0
20336	$82.7	$0.0			$82.7
20338	$73.1	$0.0			$0.0
17362 (2012)	$95.6	$75.0			$75.0
17363	$81.5	$60.0			$60.0
17372	$91.1	$0.0			$0.0
20342	$84.0	$65.0			$65.0
20344	$85.7	$0.0			$0.0
20345	$87.6	$0.0			$0.0
20349	$52.2	$0.0			$0.0
20351	112.0	$75.0			$75.0

ISSUE: Cal Water proposed replacing $1.6 million in well and booster pump replacements over the 2009-2012 budget years. Cal Water proposed these replacements because the pump efficiencies were rated low and many of the pumps had been in service for 20 years.

DRA, however, noted that the specific replacements requested did not match the projects planned in Cal Water's Water Supply & Facilities Master Plan ("WS&FMP"). Cal Water was planning to replace pumps that were discussed in the WS&FMP that were rated as "Excellent." Cal Water's response to a data request also appeared to ignore the recommendations in its WS&FMP as to the criteria it was using for pump replacements. Therefore, DRA recommended disallowing that half of Cal Water's proposed total pump replacement, or $807,050, because only one-half of the pump replacements Cal Water proposed in this rate case are in the WS&FMP recommendations. DRA recommends that the Commission direct Cal Water to use the remaining $807,050 on recommendations made in its Bakersfield WS&FMP.

In Rebuttal, Cal Water provided projects that were discussed in its WS&FMP, and in several instances reduced the estimated cost of the project when the project scope changed. Cal Water identified approximately $763,000 in projects for the 2009-2012 budgets.

RESOLUTION: The Parties agree to the projects and the dollars noted in the table above.

Vehicles: Additional and replacements

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 17611 (2009)	$83.8	None	$0.0	$83.8	$0.0
17700	$27.5	None	$0.0	$27.5	$0.0
17701	$27.5	None	$0.0	$27.5	$0.0
17705	$28.5	None	$28.5	$0.0	$28.5
17706	$28.5	None	$0.0	$28.5	$0.0
17707	$27.5	None	$0.0	$27.5	$0.0
17969	$176.7	None	$0.0	$176.7	$0.0
20986 (2010)	$41.6	None	$0.0	$41.6	$41.6
20990	$47.1	None	$0.0	$47.1	$47.1
26788	$50.8	None	$0.0	$50.8	$0.0
26789	$169.7	None	$0.0	$169.7	$0.0
26827	$97.5	None	$0.0	$97.5	$97.5
26828	$82.2	None	$0.0	$82.2	$0.0
26829	$49.4	None	$0.0	$49.4	$0.0
20875 (2011)	$42.8	None	$0.0	$42.8	$0.0
20880	$43.3	None	$0.0	$43.3	$0.0
20882	$43.3	None	$0.0	$43.3	$0.0
20884	$49.8	None	$0.0	$49.8	$0.0
20814 (2012)	$34.0	None	$0.0	$34.0	$0.0
20815	$34.0	None	$0.0	$34.0	$0.0
20816	$34.5	None	$0.0	$34.5	$0.0
20817	$34.0	None	$0.0	$34.0	$0.0
20818	$39.8	None	$0.0	$39.8	$0.0
20864	$41.2	None	$0.0	$41.2	$0.0

ISSUE: Cal Water proposed replacing and purchasing new vehicles totaling $1.1 million over the 2009-2012 budget years. Cal Water proposed the replacements due to age of the vehicles and miles driven, and the new vehicles for anticipated new employees requiring vehicles.

For the new vehicles, DRA removed all of them from proposed plant because its payroll recommendation (new employees) and any associated vehicles and equipment, include Advice Letter approval.

For replacement vehicles, Cal Water's proposal included various criteria, including age greater than eight years, miles driven exceeding 120,000, or a combination of age of at least six years and miles driven greater than 100,000. However, primarily for the vehicles proposed to be replaced in 2011 and 2012, Cal Water's mileage criteria may or may not be reached at that time.

DRA recommends that the Department of General Services mileage criteria be used for vehicle replacements as noted its Report on page 7-13. DRA, therefore, recommends the replacement of only one vehicle, budgeted in 2009, and for the remainder to follow the DGS guidelines.

Cal Water did not submit any Rebuttal in this area.

RESOLUTION: The Parties agree to one vehicle replacement for 2009 (PID 17705), two vehicle replacements in 2010 (PIDs 20986 and 20990), for Cal Water to follow the DGS guidelines for the remainder of the other proposed replacements, and for two vehicles in 2011 for the additional employees approved (both in PID 26827).

1 South Bakersfield Treatment Plant

2

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 20165 (2009-2012)	$54,040.0	None	Separate application	$54,040.0	Separate application
20237 (2010)	$151.2	None	Separate application	$151.2	Separate application
20238 (2012)	$59.4	None	Separate application	$59.4	Separate application
20239	$48.6	None	Separate application	$48.6	Separate application
20240	$70.2	None	Separate application	$70.2	Separate application
20241	$43.2	None	Separate application	$43.2	Separate application
20242	$70.2	None	Separate application	$70.2	Separate application
20518	$15.3	None	Separate application	$15.3	Separate application

3

4 ISSUE: Cal Water is proposing to construct a third surface water treatment plant
5 in its Bakersfield District. The plant will be located in south Bakersfield and will

be known as the South Bakersfield Water Treatment Plant ("SBKWTP"). Cal Water and the City of Bakersfield ("CBK") will share equally the water supply from the plant.

Both Cal Water and the City of Bakersfield believe this in an important project that is critically needed because of changes to the groundwater supply including degradation of water quality in the groundwater wells of the southern Bakersfield area and because of dropping water levels in the local aquifer. Several years of drought coupled with reduced state water deliveries have resulted in increased agricultural demand on an already stressed groundwater supplies. After an analysis of several alternatives to remedy the groundwater situation, Cal Water and CBK proposed the SBKWTP as a joint project, with each party contributing half of the construction and operating costs and each receiving half of the finished water supply from the plant through a supply agreement. As part of this agreement, CBK is again making available its pre-1914 Kern River water rights as the source water supply for the plant.

Cal Water and CBK intend to use Cal Water's property at Pacheco Rd. / Stine Rd. as the location for the plant site. Cal Water and CBK initially planned for Kern River water to be brought to the plant from the City's Carrier canal through a series of irrigation canals owned and operated by the Kern Delta Water District ("KDWD"). However, evaluation of KDWD's canal system identified over 150 urban storm water drainage discharges into KDWD's canals, changes that would have to be made in KDWD weed control and canal maintenance practices and the need for additional monitoring and security improvements. Both the California Department of Health ("DPH") and KDWD withdrew their initially supportive position on use of KDWD's canal system. Subsequently, Cal Water and CBK agreed that the only way to satisfactorily address these issues was to construct a raw water transmission pipeline for conveying water directly to the plant site and avoiding use of KDWD's canals. DPH quickly approved the raw water pipeline concept.

Cal Water anticipates that the plant will be constructed and in service by late 2013, and therefore recognizes that it is outside the scope of this General Rate Case ("GRC"). However, this is a major project for Cal Water and the Company wants to ensure that the CPUC has a full understanding of the parameters of the project. In this GRC, Cal Water requested recognition of Allowance for Funds Used During Construction ("AFUDC") for the SBKWTP. DRA indicated that this was not acceptable, and the project should be treated as any other project and Interest During Construction ("IDC") utilized.

Cal Water made a presentation on the need for the plant to DRA representatives at the district tour on November 9, 2009. The Company also met with DRA staff to discuss updated plans on March 24, 2010. The Company provided additional requested information regarding the project on April 30, 2010. This information included the following:

- An updated supply study report from Yarne & Associates
- Performance guarantee letter from Black & Veatch
- Prop 50 funding application from CBK
- A design-build summary assessment memo
- CBK Certification of the agreement to allow CBK water for the new plant
- A letter from the City Manager requesting Cal Water's participation
- A design-build versus design-bid-build cost breakdown analysis
- W.M. Lyles / Black & Veatch Design-Build proposal binder

<u>RESOLUTION:</u> The Parties in this proceeding have agreed that the SBKWTP project should be included as a separate application. The Parties also acknowledge that Cal Water and CBK plan to use a design-build project delivery method for this project utilizing project team members that Cal Water has had successful working experience on both the North East Bakersfield Water Treatment Plant and the North West Bakersfield Water Treatment Plant. Both of these projects were successfully completed within scope, on time, and within

budget. The Parties acknowledge that the design-build approach would likely save money for Bakersfield's ratepayers and will allow the project to proceed in a timely manner. The Parties agree that in the Separate Application, the cost savings associated with the design-build approach will be documented.

Specific Mains, Hydrants & Services Program

ISSUE: Cal Water proposed specific main replacements/installations, along with hydrant and service reconnections, totaling $10.8 million for the Bakersfield District for 2009-2012. Cal Water budgeted the replacements/installations to reduce leaks, improve fire flow and for reliability. Cal Water also requests $4.4 million in non-specific mains/services/streets in this GRC.

DRA disagreed with Cal Water's proposed specific budgets because Cal Water could not provide historical costs for mains, services and hydrants; did not provide the leaks per 100 miles of main; did not provide any analysis to show the cost to repair was higher than the cost to replace the targeted mains for this GRC; and Cal Water should not be replacing mains merely to improve fire flow. DRA, therefore, recommends: 1) disallowing the specific main/hydrant/service replacement projects Cal Water requests totaling $10.8 million; 2) allowing the non-specific budget in the amount of $4.4 million for mains/hydrants/services to cover any repairs or unforeseen circumstances; and 3) directing Cal Water to develop a "condition-based assessment" prepared by a licensed professional engineer including a prioritization plan, a comparison of the cost to repair versus replacement, and an analysis of leaks/100 miles to justify its main replacement programs in future rate cases.

In Settlement discussions, the Parties did not address any individual specific main/service replacement projects. Instead, the Parties agreed that Cal Water would prepare a spreadsheet that itemized all of the proposed main replacement projects totaling $10.8 million, from which it would single out those that met Cal

Water's main replacement criteria of 4-inch and smaller cast iron and steel mains as well as 6-inch bare and unlined steel mains. Of the proposed total of $10.8 million, there are main replacement projects totaling $8.1 million that met the small main and bare steel criteria.

RESOLUTION: The Parties agree, as part of an overall settlement plan that includes approval and deferral of several projects, to approximately $6.8 million for specific main replacements for the 2009-2012 budgets.. The individual projects are noted in the table that follows. In Settlement, the Parties agree that Cal Water will work together to develop the criteria to be used by Cal Water in preparing a CBA, and that Cal Water will designate several of its districts in which to perform a CBA for use in its next GRC. The Parties also agreed that in future GRCs, Cal Water would utilize a condition-based assessment prepared by a licensed professional engineer including a prioritization plan, a comparison of the cost to repair versus the costs to rehabilitate and versus costs to replace, and an analysis of leaks/100 miles to justify its main replacement programs in future rate cases to help identify mains targeted for replacement.

Specific Main Replacement Budget (Bakersfield)

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
00017391	$ 154.6	$ 154.6	$ -	$ 154.6	$ 154.6
00017407	$ 84.2	$ 84.2	$ -	$ 84.2	$ 84.2
00017411	$ 74.9	$ 74.9	$ -	$ 74.9	$ 74.9
00017432	$ 123.2	$ 123.2	$ -	$ 123.2	$ 123.2
00017443	$ 84.0	$ 84.0	$ -	$ 84.0	$ 84.0
00017505	$ 32.2	$ 32.2	$ -	$ 32.2	$ 32.2
00017545	$ 99.4	$ 99.4	$ -	$ 99.4	$ 99.4
00017549	$ 43.3	$ 43.3	$ -	$ 43.3	$ 43.3
00017552	$ 157.2	$ 157.2	$ -	$ 157.2	$ 157.2
00019030	$ 85.1	$ 85.1	$ -	$ 85.1	$ 85.1
00019948	$ 357.2	$ 357.2	$ -	$ 357.2	$ 357.2
00019949	$ 157.9	$ 157.9	$ -	$ 157.9	$ 157.9
00019958	$ 55.7	$ 55.7	$ -	$ 55.7	$ 55.7
00019959	$ 124.4	$ 124.4	$ -	$ 124.4	$ 124.4
00020082	$ 54.1	$ 54.1	$ -	$ 54.1	$ 54.1
00020094	$ 83.4	$ 83.4	$ -	$ 83.4	$ 83.4
00020095	$ 508.1	$ 508.1	$ -	$ 508.1	$ 508.1
00020096	$ 673.2	$ 673.2	$ -	$ 673.2	$ 673.2
00020115	$ 583.4	$ 583.4	$ -	$ 583.4	$ 583.4
00020128	$ 148.4	$ 148.4	$ -	$ 148.4	$ 148.4
00020131	$ 173.8	$ 173.8	$ -	$ 173.8	$ 173.8
00020169	$ 277.2	$ 277.2	$ -	$ 277.2	$ 277.2
00020185	$ 122.5	$ 122.5	$ -	$ 122.5	$ 122.5
00020191	$ 203.6	$ 203.6	$ -	$ 203.6	$ 203.6
00020193	$ 242.2	$ 242.2	$ -	$ 242.2	$ 242.2
00020202	$ 290.7	$ 290.7	$ -	$ 290.7	$ 290.7
00020206	$ 265.0	$ 265.0	$ -	$ 265.0	$ 265.0
00020209	$ 160.0	$ 160.0	$ -	$ 160.0	$ 160.0
00020210	$ 259.1	$ 259.1	$ -	$ 259.1	$ 259.1
00020211	$ 156.4	$ 156.4	$ -	$ 156.4	$ 156.4
00020212	$ 475.9	$ 475.9	$ -	$ 475.9	$ 475.9
00021366	$ 293.3	$ 293.3	$ -	$ 293.3	$ 293.3
00021368	$ 181.7	$ 181.7	$ -	$ 181.7	$ 181.7
Total	**$ 6,785.4**	**$ 6,785.4**	**$ -**	**$ 6,785.4**	**$ 6,785.4**

Table A: Non-controversial plant projects

2009

Project ID Number	Descriptions	Cal Water Direct	DRA Report	Difference	Settlement
00015421	Tank Painting	$ 56.8	$ 56.8	$ -	$ 56.8
00017361	Replace Pumps	$ 154.7	$ 154.7	$ -	$ 154.7
00017384	Fence & Landscaping	$ 15.5	$ 15.5	$ -	$ 15.5
00017385	Fence & Landscaping	$ 15.5	$ 15.5	$ -	$ 15.5
00017386	Fence & Landscaping	$ 10.0	$ 10.0	$ -	$ 10.0
00017393	Fence & Landscaping	$ 5.7	$ 5.7	$ -	$ 5.7
00017410	Fence & Landscaping	$ 9.5	$ 9.5	$ -	$ 9.5
00017412	Fence & Landscaping	$ 8.1	$ 8.1	$ -	$ 8.1
00017413	Fence & Landscaping	$ 29.1	$ 29.1	$ -	$ 29.1
00017414	Equip Tank	$ 7.8	$ 7.8	$ -	$ 7.8
00017416	Equip Tank	$ 7.8	$ 7.8	$ -	$ 7.8
00017491	Replace Pumps	$ 100.0	$ 100.0	$ -	$ 100.0
00017705	Vehicle	$ 28.5	$ 28.5	$ -	$ 28.5
00017873	Security Mitigation	$ 372.3	$ 372.3	$ -	$ 372.3
00018224	Field Equipment	$ 20.9	$ 20.9	$ -	$ 20.9
00018797	Replace Pumps	$ 132.3	$ 132.3	$ -	$ 132.3
00019255	Replace CP System	$ 15.5	$ 15.5	$ -	$ 15.5
00019456	Chlorinators	$ 15.4	$ 15.4	$ -	$ 15.4
00019463	Replace Pumps	$ 111.4	$ 111.4	$ -	$ 111.4
00019477	Replace Pumps	$ 73.0	$ 73.0	$ -	$ 73.0
00019741	Tank Painting	$ 454.8	$ 454.8	$ -	$ 454.8
00020149	Forklift	$ 37.8	$ 37.8	$ -	$ 37.8
00020216	Vehicle Retrofit	$ 20.0	$ 20.0	$ -	$ 20.0
00020217	Vehicle Retrofit	$ 20.0	$ 20.0	$ -	$ 20.0
00020555	Control Center Office	$ 540.0	$ 540.0	$ -	$ 540.0
00020632	Eyewash Retrofit	$ 98.0	$ 98.0	$ -	$ 98.0
00021188	Replace Pumps	$ 203.8	$ 203.8	$ -	$ 203.8
00021336	Equipment	$ 13.5	$ 13.5	$ -	$ 13.5
00021388	SCADA Equipment	$ 7.8	$ 7.8	$ -	$ 7.8
00021411	Replace Pumps	$ 53.3	$ 53.3	$ -	$ 53.3
00021412	Replace Pumps	$ 10.0	$ 10.0	$ -	$ 10.0
00021432	Replace Pumps	$ 84.5	$ 84.5	$ -	$ 84.5
00022728	Tank Painting	$ 32.5	$ 32.5	$ -	$ 32.5
00025472	Vehicle Equipment	$ 13.9	$ 13.9	$ -	$ 13.9
	Small Meter Replacements	$ 291.8	$ 291.8	$ -	$ 291.8
		$ 3,071.5	**$ 3,071.5**	**$ -**	**$ 3,071.5**

Table A: Non-controversial plant projects con't

2010

Project ID Number	Descriptions	Cal Water Direct	DRA Report	Difference	Settlement
00017983	Tank Painting & Equipment	$ 342.6	$ 342.6	$ -	$ 342.6
00017985	Tank Painting & Equipment	$ 129.3	$ 129.3	$ -	$ 129.3
00017989	Tank Painting & Equipment	$ 157.5	$ 157.5	$ -	$ 157.5
00017994	Tank Painting & Equipment	$ 105.2	$ 105.2	$ -	$ 105.2
00017996	Replace CP Anodes	$ 3.3	$ 3.3	$ -	$ 3.3
00018115	Replace CP System	$ 15.0	$ 15.0	$ -	$ 15.0
00019458	Replace CL Pumps	$ 10.8	$ 10.8	$ -	$ 10.8
00019480	Replace Pumps	$ 118.8	$ 118.8	$ -	$ 118.8
00020148	Fence & Landscaping	$ 22.3	$ 22.3	$ -	$ 22.3
00020153	Fence & Landscaping	$ 3.4	$ 3.4	$ -	$ 3.4
00020155	Replace Pumps	$ 32.4	$ 32.4	$ -	$ 32.4
00020156	Replace Pumps	$ 32.4	$ 32.4	$ -	$ 32.4
00020158	SCADA Upgrades	$ 194.4	$ 194.4	$ -	$ 194.4
00020159	Fence & Landscaping	$ 7.8	$ 7.8	$ -	$ 7.8
00020162	Fence & Landscaping	$ 3.4	$ 3.4	$ -	$ 3.4
00020170	Fence & Landscaping	$ 16.2	$ 16.2	$ -	$ 16.2
00020174	Fence & Landscaping	$ 9.7	$ 9.7	$ -	$ 9.7
00020305	Office Equipment	$ 21.3	$ 21.3	$ -	$ 21.3
00020384	Replace Pumps	$ 89.2	$ 89.2	$ -	$ 89.2
00020507	Field Equipment	$ 40.3	$ 40.3	$ -	$ 40.3
00020541	Oxygen System	$ 60.0	$ 60.0	$ -	$ 60.0
00020600	Tank Painting & Equipment	$ 205.4	$ 205.4	$ -	$ 205.4
00020615	Replace CP Anodes	$ 5.0	$ 5.0	$ -	$ 5.0
00020634	Eyewash Station	$ 97.2	$ 97.2	$ -	$ 97.2
00020782	Tools & Lab Equipment	$ 20.0	$ 20.0	$ -	$ 20.0
00020786	Electronic Sound Equip	$ 42.0	$ 42.0	$ -	$ 42.0
00020809	SCADA Equipment	$ 34.0	$ 34.0	$ -	$ 34.0
00021054	Replace Pumps	$ 89.0	$ 89.0	$ -	$ 89.0
00021189	Replace Pumps	$ 203.8	$ 203.8	$ -	$ 203.8
00021391	SCADA Equipment	$ 8.1	$ 8.1	$ -	$ 8.1
00021477	Pipe Locators	$ 5.4	$ 5.4	$ -	$ 5.4
	Small Meter Replacements	$ 303.5	$ 303.5	$ -	$ 303.5
		$ 2,428.7	**$ 2,428.7**	**$ -**	**$ 2,428.7**

Table A: Non-controversial plant projects con't

2011

Project ID Number	Descriptions	Cal Water Direct	DRA Report	Difference	Settlement
00019484	Replace Pumps	$ 100.1	$ 100.1	$ -	$ 100.1
00020172	Fence & Landscaping	$ 17.1	$ 17.1	$ -	$ 17.1
00020175	Fence & Landscaping	$ 9.5	$ 9.5	$ -	$ 9.5
00020176	Fence & Landscaping	$ 8.8	$ 8.8	$ -	$ 8.8
00020177	Driveway	$ 9.7	$ 9.7	$ -	$ 9.7
00020243	Storage Building	$ 59.4	$ 59.4	$ -	$ 59.4
00020245	Replace Pumps	$ 19.5	$ 19.5	$ -	$ 19.5
00020246	Chemical Transport Tubing	$ 48.6	$ 48.6	$ -	$ 48.6
00020306	Office Equipment	$ 19.8	$ 19.8	$ -	$ 19.8
00020309	Office Equipment	$ 14.9	$ 14.9	$ -	$ 14.9
00020310	Office Equipment	$ 29.9	$ 29.9	$ -	$ 29.9
00020391	Replace Pumps	$ 95.4	$ 95.4	$ -	$ 95.4
00020499	Field Equipment	$ 48.3	$ 48.3	$ -	$ 48.3
00020637	Eyewash Station	$ 97.2	$ 97.2	$ -	$ 97.2
00020783	Tools & Lab Equipment	$ 20.0	$ 20.0	$ -	$ 20.0
00020807	Electronic Sound Equip	$ 43.5	$ 43.5	$ -	$ 43.5
00020811	SCADA Equipment	$ 37.0	$ 37.0	$ -	$ 37.0
00020975	Storage Room Upgrade	$ 12.7	$ 12.7	$ -	$ 12.7
00021191	SCADA RTUs	$ 203.8	$ 203.8	$ -	$ 203.8
00021392	SCADA Equipment	$ 8.5	$ 8.5	$ -	$ 8.5
00021441	Office Equipment	$ 8.8	$ 8.8	$ -	$ 8.8
	Small Meter Replacements	$ 315.6	$ 315.6	$ -	$ 315.6
		$ 1,228.1	**$ 1,228.1**	**$ -**	**$ 1,228.1**

2012

Project ID Number	Descriptions	Cal Water Direct	DRA Report	Difference	Settlement
00017999	Tank Painting & Equipment	$ 125.9	$ 125.9	$ -	$ 125.9
00019485	Replace Pumps	$ 107.6	$ 107.6	$ -	$ 107.6
00019739	Tank Painting & Equipment	$ 613.5	$ 613.5	$ -	$ 613.5
00020173	Fence & Landscape	$ 17.9	$ 17.9	$ -	$ 17.9
00020178	Fence & Landscape	$ 22.0	$ 22.0	$ -	$ 22.0
00020199	Site Improvements	$ 197.6	$ 197.6	$ -	$ 197.6
00020203	Fence & Landscape	$ 10.2	$ 10.2	$ -	$ 10.2
00020205	Floor Epoxy	$ 4.4	$ 4.4	$ -	$ 4.4
00020207	Fence & Landscape	$ 10.8	$ 10.8	$ -	$ 10.8
00020236	Replace Filter Cartridge	$ 453.6	$ 453.6	$ -	$ 453.6
00020247	Replace Filter Cartridge	$ 453.6	$ 453.6	$ -	$ 453.6
00020248	Replace Filter Cartridge	$ 453.6	$ 453.6	$ -	$ 453.6
00020300	Fence & Landscape	$ 11.9	$ 11.9	$ -	$ 11.9

Table A: Non-controversial plant projects con't

00020301	Fence & Landscape	$ 22.2	$ 22.2	$ -	$ 22.2
00020302	Fence & Landscape	$ 10.7	$ 10.7	$ -	$ 10.7
00020303	Fence & Landscape	$ 10.0	$ 10.0	$ -	$ 10.0
00020307	Office Equipment	$ 19.8	$ 19.8	$ -	$ 19.8
00020387	Replace Pumps	$ 95.4	$ 95.4	$ -	$ 95.4
00020393	Replace Pumps	$ 95.4	$ 95.4	$ -	$ 95.4
00020399	Replace Pumps	$ 127.9	$ 127.9	$ -	$ 127.9
00020480	Field Equipment	$ 32.3	$ 32.3	$ -	$ 32.3
00020629	Safety Rail	$ 2.3	$ 2.3	$ -	$ 2.3
00020785	Tools & Lab Equipment	$ 21.0	$ 21.0	$ -	$ 21.0
00020808	Electronic Sound Equip	$ 28.1	$ 28.1	$ -	$ 28.1
00020812	SCADA Equipment	$ 40.0	$ 40.0	$ -	$ 40.0
00021056	SCADA Equipment	$ 14.5	$ 14.5	$ -	$ 14.5
00021059	SCADA Equipment	$ 153.2	$ 153.2	$ -	$ 153.2
00021060	SCADA Equipment	$ 131.3	$ 131.3	$ -	$ 131.3
00021192	SCADA Equipment	$ 203.8	$ 203.8	$ -	$ 203.8
00021393	SCADA Equipment	$ 8.4	$ 8.4	$ -	$ 8.4
00021467	Office Equipment	$ 92.3	$ 92.3	$ -	$ 92.3
00025447	Security Mitigation	$ 204.0	$ 204.0	$ -	$ 204.0
	Small Meter Replacements	$ 328.2	$ 328.2	$ -	$ 328.2
		$ 4,123.4	**$ 4,123.4**	**$ -**	**$ 4,123.4**

Non-specific capital budgets

2009

Descriptions	Cal Water Direct	DRA Recalculation	Difference	Settlement
Land	$ 56.7	$ 52.5	$ 4.2	$ 54.1
Structures	$ 42.7	$ 39.5	$ 3.2	$ 40.8
Wells	$ 7.7	$ 7.1	$ 0.6	$ 7.3
Storage	$ 26.4	$ 24.4	$ 2.0	$ 25.2
Pumps	$ 198.0	$ 183.4	$ 14.6	$ 189.0
Purification	$ 212.3	$ 196.6	$ 15.7	$ 202.6
Mains	$ 343.7	$ 318.3	$ 25.4	$ 328.0
Streets	$ 55.1	$ 51.0	$ 4.1	$ 52.6
Services	$ 632.0	$ 585.3	$ 46.7	$ 603.1
Meters	$ 416.9	$ 386.1	$ 30.8	$ 397.9
Hydrants	$ 42.5	$ 39.4	$ 3.1	$ 40.6
Equipment	$ 59.4	$ 55.0	$ 4.4	$ 56.7
	$ 2,093.4	$ 1,938.7	$ 154.7	$ 1,997.9

2010

Descriptions	Cal Water Direct	DRA Recalculation	Difference	Settlement
Land	$ 57.9	$ 52.5	$ 5.4	$ 54.4
Structures	$ 43.6	$ 39.5	$ 4.1	$ 40.9
Wells	$ 7.8	$ 7.1	$ 0.7	$ 7.3
Storage	$ 26.9	$ 24.4	$ 2.5	$ 25.3
Pumps	$ 202.2	$ 183.2	$ 19.0	$ 189.9
Purification	$ 216.8	$ 196.4	$ 20.4	$ 203.6
Mains	$ 351.0	$ 318.0	$ 33.0	$ 329.6
Streets	$ 56.3	$ 51.0	$ 5.3	$ 52.9
Services	$ 645.4	$ 584.7	$ 60.7	$ 606.0
Meters	$ 425.7	$ 385.7	$ 40.0	$ 399.7
Hydrants	$ 43.4	$ 39.3	$ 4.1	$ 40.8
Equipment	$ 60.7	$ 55.0	$ 5.7	$ 57.0
	$ 2,137.7	$ 1,936.8	$ 200.9	$ 2,007.4

Non-specific capital budgets con't

2011

Descriptions	Cal Water Direct	DRA Recalculation	Difference	Settlement
Land	$ 59.3	$ 53.6	$ 5.7	$ 55.5
Structures	$ 44.6	$ 40.3	$ 4.3	$ 41.8
Wells	$ 8.0	$ 7.2	$ 0.8	$ 7.5
Storage	$ 27.6	$ 24.9	$ 2.7	$ 25.8
Pumps	$ 206.9	$ 186.9	$ 20.0	$ 193.7
Purification	$ 221.8	$ 200.4	$ 21.4	$ 207.7
Mains	$ 359.0	$ 324.3	$ 34.7	$ 336.2
Streets	$ 57.6	$ 52.0	$ 5.6	$ 53.9
Services	$ 660.2	$ 596.4	$ 63.8	$ 618.2
Meters	$ 435.5	$ 393.4	$ 42.1	$ 407.8
Hydrants	$ 44.3	$ 40.0	$ 4.3	$ 41.5
Equipment	$ 62.1	$ 56.1	$ 6.0	$ 58.2
	$ 2,186.9	$ 1,975.5	$ 211.4	$ 2,047.8

2012

Descriptions	Cal Water Direct	DRA Recalculation	Difference	Settlement
Land	$ 60.6	$ 55.0	$ 5.6	$ 57.0
Structures	$ 45.6	$ 41.4	$ 4.2	$ 42.9
Wells	$ 8.2	$ 7.4	$ 0.8	$ 7.7
Storage	$ 28.2	$ 25.6	$ 2.6	$ 26.5
Pumps	$ 211.4	$ 191.9	$ 19.5	$ 198.8
Purification	$ 226.6	$ 205.7	$ 20.9	$ 213.1
Mains	$ 366.9	$ 333.1	$ 33.8	$ 345.1
Streets	$ 58.8	$ 53.4	$ 5.4	$ 55.3
Services	$ 674.6	$ 612.5	$ 62.1	$ 634.5
Meters	$ 445.0	$ 404.0	$ 41.0	$ 418.6
Hydrants	$ 45.3	$ 41.1	$ 4.2	$ 42.6
Equipment	$ 63.4	$ 57.6	$ 5.8	$ 59.6
	$ 2,234.6	$ 2,028.8	$ 205.8	$ 2,101.7

9.2.3 Bear Gulch District Plant Settlement

Summary of Settlement and requests to the Commission:

The Parties request the Commission approve the Settlement plant values established herein under the conditions specified.

The Parties request that the Commission allow Cal Water to file an offset Advice Letter for Projects 4288, 12920, 12922, 13154 at any time until the effective date of rates in the next general rate case with a total capital project cap of $1,045,000 excluding interest during construction. The projects are budgeted to construct a fish passage on Bear Creek in 2010 and 2011, so Parties anticipate that it will be filed in 2011. These projects were approved in a previous GRC, with a filing deadline of January 1, 2011. However, due to design and property issues associated with the projects, they have been delayed and will not be completed before the January 2011 filing deadline. Parties acknowledge that this cap is for advice letter purposes only and that the Commission will review final project costs in the next general rate case.

The Parties request that the Commission allow Cal Water to file an offset Advice Letter for Project 20196 at any time until the effective date of rates in the next general rate case with a capital project cap of $1,315,000 excluding interest during construction. Project 20196 is budgeted to construct a fish passage on Bear Creek in 2010 and 2011, so Parties anticipate that it will be filed in 2011. Parties acknowledge that this cap is for advice letter purposes only and that the Commission will review final project costs in the next general rate case.

Controversial Projects

The dollars (in thousands) shown in the tables below for various capital projects represent the funding for the capital investment and not the respective Test Year revenue requirement for that funding. The more detailed descriptions are for projects where there was a difference between Cal Water and DRA as noted in the DRA Report on the Results of Operation for the Bear Gulch District, and the resulting funding level agreed to in Settlement discussions.

Non-Controversial Projects

In addition to the more detailed project descriptions that immediately follow, Cal Water's proposed capital budgets for the years 2009-2012 included a number of projects where DRA did not object to the need for the project and the requested funding. Table A (dollars in thousands) at the end of this section lists these projects, noting Cal Water's project number, a short project description, Cal Water's proposed funding, DRA's recommended funding, and settlement funding. This table does not contain a Cal Water rebuttal column because there were no objections by DRA to Cal Water's proposed project and related funding. The Parties agree that these projects should be approved for inclusion in Utility Plant in the year in which they are proposed to be in service.

Non-Specifics

Following Table A, are comparison tables showing the dollars (in thousands) for Cal Water's non-specific capital budget proposal, DRA's recommendation, the difference and the Settlement. See the Antelope Valley District Plant Settlement for the general discussion on Non-Specific Plant Estimates.

Controversial Projects

New sedan for supervisor (replacement)

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 17714	$28.5	$28.5	$0.0	$28.5	$28.5 in 2011 year

ISSUE: Cal Water proposed replacing a sedan for one of its field supervisors. Because of lower mileage than projected, DRA recommended moving this vehicle from the 2009 capital budget to the 2011 capital budget.

RESOLUTION: The Parties agree to move this vehicle from 2009 to 2011 at Cal Water's original price.

Generator at Station 2 - Bear Gulch Water Treatment Plan

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 17797	$284.2	$284.2	$270.0	$14.2	$0.0

ISSUE: Cal Water proposed installing an electrical generator at the Bear Gulch Water Treatment Plan ("BGWTP") to allow this facility to function during power outage. DRA agreed with the need for this project, but DRA and Cal Water also agreed that a carryover generator project for Station 4 was a higher priority

RESOLUTION: The Parties agree to defer this project as part of a comprehensive Settlement plan that included the generator at Station 4 and approval and deferral of several projects.

RTU Replacement

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 17834	$64.8	$21.0	$21.0	$0	$21.0

ISSUE: Cal Water proposed installing five (5) RTUs at older pump stations to upgrade the SCADA components and to improve pump station reliability. This was a 2009 project and Cal Water indicated that this project was completed for a lower cost than originally estimated.

RESOLUTION: The Parties agree to the actual lower cost of this project.

Rapid Response Emergency Command Center

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 20144	$108.0	$108.0	$0.0	$108.0	$108.0

ISSUE: Cal Water proposed outfitting a Rapid Response Emergency Command Center to assist in emergency response and recovery efforts during emergencies. DRA did not agree with the need for this project and questioned the usefulness of the trailer. DRA recommended that many of the components of this project could be purchased and made available without the need for the trailer.

In Rebuttal, Cal Water discussed the need for improved command and control capabilities during disasters and explained the benefits of utilizing this trailer in other districts.

RESOLUTION: The Parties agree to this project as part of a comprehensive Settlement plan that included approval and deferral of several projects.

New sedan for supervisor (additional)

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 20435	$28.5	$28.5	$0.0	$28.5	$0.0

ISSUE: Cal Water proposed purchasing a sedan for the Customer Service Manager. This vehicle would be utilized as a pool vehicle for employee business travel between the Customer Service Center and the Operations Center. DRA recommended that this vehicle be deferred until the next GRC.

RESOLUTION: The Parties agree to defer this vehicle for the Customer Service Manager. Cal Water has already purchased the vehicle, but agrees to exclude it from rate base for this proceeding. It will be added to the beginning plant balance for the 2012 GRC.

Tank Berm - Station 30

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 20744	$49.0	$13.6	$13.6	$0.0	$13.6

ISSUE: Cal Water proposed installing an asphalt tank berm at Station 30 (Portola Tank) to divert drainage away from the tank to limit corrosion problem at the base of the steel tank. DRA did not agree with the price for this project.

RESOLUTION: Cal Water installed this project in 2009 at a lower cost than estimated. The Parties agree to this lower cost and that this project would be included in Utility Plant in 2009.

New Leak Truck

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 20753	$98.0	$98.0	$0.0	$98.0	$0.0

ISSUE: Cal Water proposed the purchase and outfitting of a new leak truck to replace its primary leak truck in this GRC. DRA disagreed with this project and recommended that the vehicle be replaced when the mileage reaches 150,000 or when significant mechanical failures make repair not feasible.

RESOLUTION: The Parties agree to move this vehicle from 2009 to the next GRC.

Pump Replacement at Station 21

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 17360	$36.2	$36.2	$13.3	$22.9	$36.2

ISSUE: Cal Water proposed replacing the pump motor at Station 21 to improve efficiency and reliability, as well as install a flow meter. DRA did not originally agree with the motor replacement as the efficiency was border-line on the low side.

In Rebuttal, Cal Water provided additional information on the motor.

RESOLUTION: The Parties agree to allow this project as part of a comprehensive Settlement plan that included approval and deferral of several projects.

Towable Light Plant

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 17445	$41.5	$41.5	$0.0	$41.5	$41.5

ISSUE: Cal Water proposed purchasing a towable light plant for safety of customers and employees during night leak repair. DRA did not agree with the need for this project.

In Rebuttal, Cal Water showed the benefits of this project and provided information that the lights have been purchased and have already been of beneficial use.

RESOLUTION: The Parties agreed to include this project in Utility Plant in 2010 as part of a comprehensive Settlement plan that included approval and deferral of several projects.

Tank Painting - Station 2, Tank 1

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 19410	$88.5	$74.5	$48.6	$25.9	$48.6

ISSUE: Cal Water proposed coating the interior of Station 2, Tank 1. DRA agreed with the need for this project but proposed a reduced cost estimate.

RESOLUTION: The Parties agree to the reduced cost as part of a comprehensive Settlement plan that included approval and deferral of several projects.

Tank Painting - Station 22, Tank 1

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 19622	$90.5	$90.5	$85.6	$4.9	$0.0

ISSUE: Cal Water proposed coating part of the interior of Station 22, Tank 1. DRA agreed with the need for this project but not the cost.

RESOLUTION: The Parties agreed to defer this project as part of a comprehensive Settlement plan that included approval and deferral of several projects.

Fish Passage Project on Bear Creek

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 20196	$1,564.5	$1,395.9	$1,315.0 Advice Letter	$80.9	$1,315.0 Advice Letter

ISSUE: Cal Water diverts water from the Bear Creek, which has been identified as habitat for the threatened steelhead trout. Cal Water's diversion facility does not meet the National Oceanic and Atmospheric Administration (NOAA) and Fish and Game requirements for fish passage and intake screening. Cal Water has reached an agreement with these agencies and proposes making this project provide passage over the BG Diversion structure that is consistent with this joint agreement. Cal Water and DRA agree on the need for the project, but due to problems obtaining easements, the timing on the project remains uncertain.

RESOLUTION: The Parties agree that Cal Water will use the Advice Letter process for this project. The Parties further agree that the cap of $1,315.0 does not include capitalized interest, which will be included in the project at closing. The capitalized interest will be recovered in the same manner as the construction and design costs, but will not be subject to the cap. Further, the Parties agree that the cap is for the Advice Letter only. If the cap is exceeded, Cal Water will add the total completed cost to beginning utility plant balance in the next GRC and will explain any differences between the cap and actual expenditures.

Energy Monitoring Program (2010 – 2012)

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 20244	$363.0	$363.0	$0.0	$363.0	$0.0

ISSUE: Cal Water proposed a Company-wide energy-monitoring program. This program includes installing flow meters and power monitors to determine accurately instantaneous efficiencies via the SCADA system to allow the operator to make real-time operational decisions partially based on efficiency. DRA was skeptical of the Company-wide program and requested a pilot.

RESOLUTION: The Parties agree that Cal Water would perform pilot projects of this program in the Marysville and Mid-Peninsula Districts. After Cal Water completes the pilots, it will perform a cost/benefit analysis and, if justified as providing net cost savings, revisit the proposal in the next GRC. The Parties have agreed to defer this project in this district until those pilots can be further analyzed.

Water Bottling Equipment

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 20254	$7.7	$7.7	$0.0	$7.7	$0.0

ISSUE: Cal Water proposed purchasing water-bottling equipment at the BGWTP for emergency distribution to customers during outages. DRA recommended the equipment purchase should be an expense.

RESOLUTION: The Parties agree to treat this purchase as an expense item.

Replace Panelboard at Station 36-A

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 20752	$155.8	$155.8	$0.0	$155.8	$155.8

ISSUE: Cal Water proposed a new electrical panelboard at Station 36 for reliability. DRA disagreed with the need for this project.

In Rebuttal, Cal Water provided additional information on the condition of the panelboard.

RESOLUTION: The Parties agree to allow this project as part of a comprehensive Settlement plan that included approval and deferral of several projects including two of the four panelboards in this proceeding.

Operator and Supervisor Laptops

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 21023	$26.0	$26.0	$0.0	$26.0	$26.0

ISSUE: Cal Water proposed laptop computers for supervisors and operators for enhanced monitoring of the pumping system. DRA disagreed with the need for this project.

In Rebuttal, Cal Water offered information on the benefits associated with having additional control and monitoring ability.

RESOLUTION: The Parties agree to allow this project as part of a comprehensive Settlement plan that included approval and deferral of several projects.

Integrated Long-Term Water Supply for SF Peninsula Districts

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 29608	$121.3	$121.3	$0.0	$121.3	$121.3

ISSUE: Cal Water proposed a long-term regional study for supply alternatives. The cost of this study was proposed to be split evenly among the three (3) peninsula districts. DRA disagreed with the need for this project.

RESOLUTION: The Parties agree to include this project as part of a comprehensive Settlement plan that included approval and deferral of several projects.

New Tank at Skywood

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 19632	$415.3	$415.3	$0.0	$415.3	$0.0

ISSUE: Cal Water proposed constructing a new tank to replace two deteriorated tanks in the Skywood system. DRA disagreed with the need for this project.

RESOLUTION: The Parties agree to defer this project as part of a comprehensive Settlement plan that included approval and deferral of several projects.

New Tank in Skyline system

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 19633	$606.4	$606.4	$0.0	$606.4	$606.4

ISSUE: Cal Water proposed constructing a new tank to balance operational needs in the recently acquired Skyline system. DRA disagreed with the need for this project.

RESOLUTION: The Parties agree to this project as part of a comprehensive Settlement plan that included approval and deferral of several projects.

Seismic Tank Retrofit - Station 29, Tank 3 Ormondale

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 20568	$90.4	$90.4	$0.0	$90.4	$0.0

ISSUE: Cal Water proposed installing seismic retrofits on this tank. DRA did not agree with the need for this project as Cal Water failed to provide a project justification.

RESOLUTION: The Parties agree to defer this project as part of a comprehensive Settlement plan that included approval and deferral of several projects.

Portable Storage Containers – Operations Center

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 20755	$48.0	$48.0	$0.0	$48.0	$48.0

ISSUE: Cal Water proposed purchasing portable containers for storing supplies and materials at the Operations Center. DRA did not agree with the need for this project.

RESOLUTION: The Parties agree to this project as part of a comprehensive Settlement plan that included approval and deferral of several projects.

Replace Panelboard at Station 6

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 20896	$161.0	$148.7	$148.7	$0.0	$148.7

ISSUE: Cal Water proposed a new electrical panelboard at Station 6 for reliability. DRA agreed with the need for this project but at a reduced cost.

RESOLUTION: The Parties agree to this project as part of a comprehensive Settlement plan that included approval and deferral of several projects including two of the four panelboards in this proceeding.

Tank Painting exterior - Station 5, Tanks 8 & 9

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 18134	$150.5	$150.5	$122.8	$27.7	$0.0

ISSUE: Cal Water proposed coating the exterior of Station 5, tanks 8 and 9. DRA agreed with the need for this project but proposed a reduced cost estimate.

RESOLUTION: The Parties agree to defer this project as part of a comprehensive Settlement plan that included approval and deferral of several projects.

Tank Painting interior - Station 5, Tanks 8 & 9

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 18138	$49.0	$49.0	$0.0	$49.0	$0.0

ISSUE: Cal Water proposed coating the interior of Station 5, tanks 8 and 9. DRA did not agree with the need for this project.

RESOLUTION: The Parties agree to defer this project as part of a comprehensive Settlement plan that included approval and deferral of several projects.

5-MG Storage Tank at Station 5

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 20068	$3,200.0	$3,200.0	$0.0	$3,200.0	$0.0

ISSUE: Cal Water proposed constructing a 5-MG tank for additional storage at Station 5 based in part on recommendations from the Water Supply & Facilities Master Plan ("WS&FMP") primarily for emergency use and operational reliability. DRA disagreed with the need for this project based upon California Department of Public Health ("CDPH") source capacity/storage requirements, the existing

CAL WATER filter treatment plant and reservoir and the emergency interconnections, generators and booster pumps available.

In Rebuttal, Cal Water addressed the assumptions made in the WS&FMP and stressed the importance of these projects. It also discussed the wholesaler's intent to not meet peaking demand using their system.

RESOLUTION: The Parties agree to defer this project as part of a comprehensive Settlement plan that included approval and deferral of several projects.

Replace District Manager Vehicle

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 20819	$40.7	$40.7	$0.0	$40.7	$0.0

ISSUE: Cal Water proposed replacing the vehicle for the District Manager. DRA determined that the vehicle did not meet the vehicle mileage requirement.

RESOLUTION: The Parties agree to move this vehicle from 2009 to the next GRC.

Replace Panelboard at Station 25

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 20904	$166.0	$166.0	$0.0	$166.0	$0.0

ISSUE: Cal Water proposed installing a new electrical panelboard at Station 25 for reliability. DRA disagreed with the need for this project.

RESOLUTION: The Parties agree to defer this project as part of a comprehensive Settlement plan that included approval and deferral of several projects including two of the four panelboards in this proceeding.

Replace Panelboard at Station 38

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 21286	$173.1	$173.1	$0.0	$173.1	$0.0

ISSUE: Cal Water proposed installing a new electrical panelboard at Station 38 for reliability. DRA disagreed with the need for this project.

RESOLUTION: The Parties agree to defer this project as part of a comprehensive settlement plan that included approval and deferral of several projects including two of the four panelboards in this proceeding.

Specific Mains, Hydrants & Services Program

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
Various PIDs	$13,514.8	$13,514.8	$6,489.7	$7,025.1	$9,300.0

ISSUE: Cal Water proposed specific mains, hydrants, and services totaling $13.5 million for the Bear Gulch District. Of this amount, the Company identified projects that meet its undersized main and unlined steel main replacement program for $8.7 million dollars. The Company also identified specific projects for $4.8 million to generally improve operations.

DRA recommended disallowing some of the projects due to a lack of leak repair documentation, the absence of break rate data, a lack of repair vs. replacement analysis, and noted that replacing mains merely for fire flow reasons is not justified by GO 103-A. DRA did not agree with the unit price of many of the projects and provided a lower cost estimate in its report. It also disagreed with the scope of some of the projects.

RESOLUTION: The Parties agree on a specific main replacement budget of approximately $9.2 million based upon projects that qualify under the small main (less than 6") and unlined steel criteria with an allowance for operational improvement main replacement projects. In Settlement, the Parties agree that they will work together to develop the criteria to be used by Cal Water in preparing a CBA, and that Cal Water will designate several of its districts in which to perform a CBA for use in its next GRC. Additionally, the Company agreed to defer the construction of a 5-million gallon storage tank at its Station 5 as a condition of settling the specific main, hydrant, and service budget. Cal Water provides the following list of main replacement projects that will comprise the approximate $9.2 million in funding during this rate case cycle.

Specific Main Replacement Budget (Bear Gulch)

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
00011098	$ 1,779.0	$ 1,779.0	$ -	$ 1,779.0	$ 1,779.0
00020467	$ 21.3	$ 21.3	$ -	$ 21.3	$ 21.3
00020617	$ 105.4	$ 105.4	$ -	$ 105.4	$ 105.4
00020710	$ 78.0	$ 78.0	$ -	$ 78.0	$ 78.0
00011136	$ 736.8	$ 736.8	$ -	$ 736.8	$ 736.8
00011925	$ 981.6	$ 981.6	$ -	$ 981.6	$ 981.6
00016134	$ 1,483.2	$ 1,483.2	$ -	$ 1,483.2	$ 1,483.2
00019715	$ 1,296.7	$ 1,296.7	$ -	$ 1,296.7	$ 1,296.7
00020049	$ 790.5	$ 790.5	$ -	$ 790.5	$ 790.5
00020127	$ 1,190.1	$ 1,190.1	$ -	$ 1,190.1	$ 1,190.1
00020129	$ 94.3	$ 94.3	$ -	$ 94.3	$ 94.3
00020130	$ 64.6	$ 64.6	$ -	$ 64.6	$ 64.6
00011133	$ 97.5	$ 97.5	$ -	$ 97.5	$ 97.5
00019998	$ 195.0	$ 195.0	$ -	$ 195.0	$ 195.0
00020019	$ 200.3	$ 200.3	$ -	$ 200.3	$ 200.3
00020359	$ 92.3	$ 92.3	$ -	$ 92.3	$ 92.3
Total	**$ 9,206.6**	**$ 9,206.6**	**$ -**	**$ 9,206.6**	**$ 9,206.6**

Small Meter Replacement Program

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
2009	$189.5	$189.5	$125.9	$63.6	$125.9
2010	$197.1	$197.1	$129.7	$67.4	$129.7
2011	$205.0	$205.0	$133.6	$71.4	$133.6
2012	$213.2	$213.2	$137.6	$75.6	$137.6

ISSUE: Cal Water proposed replacing 809 small meters per year over the four-year period of 2009-2012 at the estimated costs shown above. DRA agreed with the program, but disagreed with the unit costs used by Cal Water for the Bear Gulch District. CWS' proposed replacement was based upon an average cost of $234/meter for 2009 with increasing unit costs of about 4% a year. DRA's position was that meter replacement costs do not vary between districts, so they used South San Francisco as the reference unit cost. DRA calculated South San Francisco's average meter cost to be approximately $156/meter for 2009, resulting in a lower total cost for each of the four years when applied to Bear Gulch.

RESOLUTION: The Parties agree to DRA's estimates as part of a comprehensive Settlement plan that included approval and deferral of several projects.

Table A: Non-controversial plant projects

2009

Project ID Number	Descriptions	Cal Water Direct	DRA Report	Difference	Settlement
00017444	Field Yard Tools & Equipment	$ 8.7	$ 8.7	$ -	$ 8.7
00019254	Replace CP System - Sta. 28 Tank 1 - Ladera	$ 12.6	$ 12.6	$ -	$ 12.6
00019409	Replace Tank Berms - Sta. 2 Tank 1 & 2 - Lake	$ 12.5	$ 12.5	$ -	$ 12.5
00020187	Increase Pump Capacity - Sta. 3	$ 442.9	$ 442.9	$ -	$ 442.9
00020754	Replace Media & Air Scouring Manifolds and Laterals - Sta. 2	$ 87.0	$ 87.0	$ -	$ 87.0
00020867	Filterplant Valve Replacement - Sta. 2	$ 129.0	$ 129.0	$ -	$ 129.0
00021066	Vehicles & Equipment	$ 40.5	$ 40.5	$ -	$ 40.5
	TOTAL	$ 733.2	$ 733.2	$ -	$ 733.2

2010

Project ID Number	Descriptions	Cal Water Direct	DRA Report	Difference	Settlement
00021065	Vehicles & Equipment	$ 40.5	$ 40.5	$ -	$ 40.5
00017356	Magmeter - Sta. 23	$ 13.3	$ 13.3	$ -	$ 13.3
00017357	Magmeter - Sta. 16	$ 13.3	$ 13.3	$ -	$ 13.3
00017596	Emergency Bypass Hoses & Hydrants	$ 121.9	$ 121.9	$ -	$ 121.9
00017602	Security Mitigation Improvements - Intermediate Tanks	$ 8.6	$ 8.6	$ -	$ 8.6
00019410	CP System - Sta. 2 Tank 1 - Lake	$ 13.9	$ 13.9	$ -	$ 13.9
00020359	PRV - Sta. 4	$ 92.3	$ 92.3	$ -	$ 92.3
00020993	0.5 Ton Pickup - Pump Truck	$ 32.0	$ -	$ 32.0	$ -
00020995	Vehicles & Equipment	$ 34.7	$ 34.7	$ -	$ 34.7
	TOTAL	$ 370.5	$ 338.5	$ 32.0	$ 338.5

2011

Project ID Number	Descriptions	Cal Water Direct	DRA Report	Difference	Settlement
00017714	Sedan - Supervisor	$ 28.5	$ 28.5	$ -	$ 28.5
00020704	1" & 6" Angus Hose	$ 128.1	$ 128.1	$ -	$ 128.1
	TOTAL	$ 156.6	$ 156.6	$ -	$ 156.6

Table A: Non-controversial plant projects con't

2012

Project ID Number	Descriptions	Cal Water Direct	DRA Report	Difference	Settlement
00020756	Tools - Field Yard	$ 28.0	$ 28.0	$ -	$ 28.0
	TOTAL	$ 28.0	$ 28.0	$ -	$ 28.0

In general, the non-controversial items were ones that Cal Water and DRA agreed in their initial reports. These tend to be smaller and less complex plant items.

Non-specific capital budgets

2009

Descriptions	Cal Water Direct	DRA Report	Difference	Settlement
Land	$ 3.1	$ 2.9	$ 0.2	$ 3.0
Structures	$ 8.9	$ 8.2	$ 0.7	$ 8.5
Wells	$ -	$ -	$ -	$ -
Storage	$ 16.6	$ 15.4	$ 1.2	$ 15.8
Pumps	$ 78.6	$ 72.8	$ 5.8	$ 75.0
Purification	$ 12.5	$ 11.6	$ 0.9	$ 11.9
Mains	$ 216.7	$ 200.7	$ 16.0	$ 206.8
Streets	$ 237.1	$ 219.6	$ 17.5	$ 226.3
Services	$ 486.9	$ 451.0	$ 35.9	$ 464.8
Meters	$ 190.3	$ 176.3	$ 14.0	$ 181.6
Hydrants	$ 71.3	$ 66.0	$ 5.3	$ 68.1
Equipment	$ 8.7	$ 8.1	$ 0.6	$ 8.3
TOTAL	$ 1,330.7	$ 1,232.7	$ 98.0	$ 1,270.1

2010

Descriptions	Cal Water Direct	DRA Report	Difference	Settlement
Land	$ 3.2	$ 2.9	$ 0.3	$ 3.0
Structures	$ 9.1	$ 8.2	$ 0.9	$ 8.5
Wells	$ -	$ -	$ -	$ -
Storage	$ 16.9	$ 15.3	$ 1.6	$ 15.9
Pumps	$ 80.2	$ 72.7	$ 7.5	$ 75.3
Purification	$ 12.8	$ 11.6	$ 1.2	$ 12.0
Mains	$ 221.3	$ 200.6	$ 20.7	$ 207.8
Streets	$ 242.1	$ 219.4	$ 22.7	$ 227.4
Services	$ 497.3	$ 450.7	$ 46.6	$ 467.1
Meters	$ 194.3	$ 176.1	$ 18.2	$ 182.5
Hydrants	$ 72.8	$ 66.0	$ 6.8	$ 68.4
Equipment	$ 8.8	$ 8.0	$ 0.8	$ 8.3
TOTAL	$ 1,358.8	$ 1,231.5	$ 127.3	$ 1,276.2

Non-specific capital budgets con't

2011

Descriptions	Cal Water Direct	DRA Report	Difference	Settlement
Land	$ 3.2	$ 2.9	$ 0.3	$ 3.0
Structures	$ 9.3	$ 8.4	$ 0.9	$ 8.7
Wells	$ -	$ -	$ -	$ -
Storage	$ 17.3	$ 15.6	$ 1.7	$ 16.2
Pumps	$ 82.1	$ 74.2	$ 7.9	$ 76.9
Purification	$ 13.1	$ 11.8	$ 1.3	$ 12.3
Mains	$ 226.4	$ 204.6	$ 21.8	$ 212.1
Streets	$ 247.7	$ 223.8	$ 23.9	$ 232.0
Services	$ 508.7	$ 459.7	$ 49.0	$ 476.5
Meters	$ 198.8	$ 179.6	$ 19.2	$ 186.2
Hydrants	$ 74.5	$ 67.3	$ 7.2	$ 69.8
Equipment	$ 9.0	$ 8.1	$ 0.9	$ 8.4
TOTAL	$ 1,390.1	$ 1,256.1	$ 134.0	$ 1,302.1

2012

Descriptions	Cal Water Direct	DRA Report	Difference	Settlement
Land	$ 3.3	$ 3.0	$ 0.3	$ 3.1
Structures	$ 9.5	$ 8.6	$ 0.9	$ 8.9
Wells	$ -	$ -	$ -	$ -
Storage	$ 17.7	$ 16.1	$ 1.6	$ 16.7
Pumps	$ 83.9	$ 76.2	$ 7.7	$ 78.9
Purification	$ 13.4	$ 12.2	$ 1.2	$ 12.6
Mains	$ 231.3	$ 210.1	$ 21.2	$ 217.6
Streets	$ 253.1	$ 229.9	$ 23.2	$ 238.1
Services	$ 519.8	$ 472.1	$ 47.7	$ 489.0
Meters	$ 203.1	$ 184.5	$ 18.6	$ 191.1
Hydrants	$ 76.1	$ 69.1	$ 7.0	$ 71.6
Equipment	$ 9.2	$ 8.4	$ 0.8	$ 8.7
TOTAL	$ 1,420.4	$ 1,290.1	$ 130.3	$ 1,336.3

9.2.4 Chico District Plant Settlement

Summary of Settlement and requests to the Commission:

The Parties request the Commission approve the Settlement plant values established herein under the conditions specified.

The Parties request that the Commission allow Cal Water to file an offset Advice Letter for Project 16923 at any time until January 1, 2012, with a capital project cap of $667,800 excluding interest during construction. Project 16923 was budgeted for constructing a new well in 2009, and the well construction has been completed. The project was reviewed and approved in the 2007 GRC and given Advice Letter status. However, the project literally only covered constructing the well. Project 17098, discussed below, needs to be completed before the well can be used and useful. The Parties anticipate that it will be filed in 2011 in conjunction with Project 17098. Parties acknowledge that this cap is for advice letter purposes only and that the Commission will review final project costs in the next general rate case.

The Parties request that the Commission allow Cal Water to file an offset Advice Letter for Project 17098 at any time until January 1, 2012, with a capital project cap of $677,100 excluding interest during construction. Project 17098 is budgeted for equipping a new well constructed in 2010 (Project 16923), so Parties anticipate that it will be filed in 2011 in conjunction with Project 16923. Parties acknowledge that this cap is for advice letter purposes only and that the Commission will review final project costs in the next general rate case.

The Parties request that the Commission allow Cal Water to file an offset Advice Letter for Project 17195 at any time until the effective date of rates in the next general rate case with a capital project cap of $412,000 excluding interest during construction. Project 17195 is budgeted for flat-to-meter conversions in 2010, so Parties anticipate that it will be filed in 2011. Parties acknowledge that this cap is for advice letter purposes only and that the Commission will review final project costs in the next general rate case.

The Parties request that the Commission allow Cal Water to file an offset Advice Letter for Project 20873 at any time until the effective date of rates in the next general rate case with a capital project cap of $481,100 excluding interest during construction. Project 20873 is budgeted for flat-to-meter conversions in 2011, so Parties anticipate that it will be filed in 2012. Parties acknowledge that this cap is for advice letter purposes only and that the Commission will review final project costs in the next general rate case.

The Parties request that the Commission allow Cal Water to file an offset Advice Letter for Project 20889 at any time until the effective date of rates in the next general rate case with a capital project cap of $462,500 excluding interest during construction. Project 20889 is budgeted for flat-to-meter conversions in 2012, so Parties anticipate that it will be filed in 2013. Parties acknowledge that this cap is for advice letter purposes only and that the Commission will review final project costs in the next general rate case.

The Parties request that the Commission allow Cal Water to file an offset Advice Letter for Project 20124 at any time until the effective date of rates in the next general rate case with a capital project cap of $37,400 excluding interest during construction. Project 20124 is budgeted for flat-to-meter conversions in Hamilton City in 2010, so Parties anticipate that it will be filed in 2011. Parties acknowledge that this cap is for advice letter purposes only and that the Commission will review final project costs in the next general rate case.

The Parties request that the Commission allow Cal Water to file an offset Advice Letter for Project 21034 at any time until the effective date of rates in the next general rate case with a capital project cap of $39,600 excluding interest during construction. Project 21034 is budgeted for flat-to-meter conversions in Hamilton City in 2011, so Parties anticipate that it will be filed in 2012. Parties acknowledge that this cap is for advice letter purposes only and that the Commission will review final project costs in the next general rate case.

The Parties request that the Commission allow Cal Water to file an offset Advice Letter for Project 21052 at any time until the effective date of rates in the next general rate case with a capital project cap of $41,900 excluding interest during

construction. Project 21052 is budgeted for flat-to-meter conversions in Hamilton City in 2012, so Parties anticipate that it will be filed in 2013. Parties acknowledge that this cap is for advice letter purposes only and that the Commission will review final project costs in the next general rate case.

The Parties request that the Commission allow Cal Water to file an offset Advice Letter for Project 16952 at any time until the effective date of rates in the next general rate case with a capital project cap of $780,000 excluding interest during construction. Project 16952 is budgeted for the Central Plume Remediation in 2010 through 2012, so Parties anticipate that it will be filed in 2013. Parties acknowledge that this cap is for advice letter purposes only and that the Commission will review final project costs in the next general rate case.

The Parties request that the Commission allow Cal Water to file an offset Advice Letter for Project 20375 at any time until the effective date of rates in the next general rate case with a capital project cap of $99,100 excluding interest during construction. Project 20375 is budgeted to replace a pump and the installation of energy-monitoring equipment in 2012, so Parties anticipate that it will be filed in 2013. Parties acknowledge that this cap is for advice letter purposes only and that the Commission will review final project costs in the next general rate case.

Controversial Projects

The dollars (in thousands) shown in the tables below for various capital projects represent the funding for the capital investment and not the respective Test Year revenue requirement for that funding. The more detailed descriptions are for projects where there was a difference between Cal Water and DRA as noted in the DRA Report on the Results of Operation for the Chico District, and the resulting funding level agreed to in settlement discussions.

Non-controversial Projects

In addition to the more detailed project descriptions that immediately follow, Cal Water's proposed capital budgets for the years 2009-2012 included a number of projects where DRA did not object to the need for the project and the requested

funding. Table A (dollars in thousands) at the end of this section lists these projects, noting Cal Water's project number, a short project description, Cal Water's proposed funding, DRA's recommended funding, and settlement funding. This table does not contain a Cal Water rebuttal column because there were no objections by DRA to Cal Water's proposed project and related funding. The Parties agree that these projects should be approved for inclusion in Utility Plant in the year in which they are proposed to be in service.

Non-Specifics

Following Table A, are comparison tables showing the dollars (in thousands) for Cal Water's non-specific capital budget proposal, DRA's recommendation, the difference and the Settlement. See the Antelope Valley District Plant Settlement for the general discussion on Non-Specific Plant Estimates.

Controversial Projects

Construct 1.5-MG Storage Tank

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 16936 (2009-2011)	$2,059.4	$2,059.4	Defer to next GRC	$2,059.4	$1,876.6

ISSUE: Based upon the recommendation in the Chico Water Supply and Facilities Master Plan (WS&FMP), Cal Water proposed constructing a 1.5-MG storage tank, booster station and requisite electrical facilities adjacent to its district field office on property it already owns. The WS&FMP recommends an additional 2.7 MG of storage in the area of the distribution system near the district office. Cal Water proposes constructing one tank to satisfy one-half of that recommendation, and in the future construct a similar sized-tank to complete

the recommended additional storage. Cal Water expected the project to begin in 2009 with preliminary work including design, with the facility in service by the end of 2011. This project was also submitted in Cal Water's 2007 GRC filing in which Parties agreed in Settlement to defer the project to the next GRC. DRA recommended the project be deferred again due to DRA's disagreement with the criteria Cal Water uses to calculate required storage in their WS&FMPs. DRA believes that Cal Water is in compliance with the storage capacity requirements in the Waterworks Standards, and that the assumptions used by the consulting engineers who assisted in the preparation of the WS&FMP were excessively conservative.

In Rebuttal, Cal Water noted that the project should not be deferred because the storage proposed is needed for a specific pressure zone (350 Pressure Zone) as opposed to system-wide. Cal Water provided information to show that the maximum day demand and peak hour demand factors used in the WS&FMP were correct for the zone where the tank is proposed to be constructed. Cal Water also noted that several of the statements referenced in a Department of Public Health ("DPH") report on Chico that DRA used were not correct. DPH incorrectly assumed that Chico's distribution system is configured such that the system's storage could be utilized to meet peak hour demand throughout the entire distribution system regardless of location and/or pressure zone. However, Chico's system configuration does not allow that flexibility due to the various pressure zones. Based upon the Zone 350 demand requirement, there is an operational storage requirement of just under 1.5 MG.

RESOLUTION: After review of Cal Water's Rebuttal and subsequent discussions with district and engineering personnel, DRA agreed to allow the project, but requested an additional review of the estimated cost. Cal Water's engineering department determined it could reduce the estimated cost by $182,500 by reducing the number of pumps at the booster station by one, removing the price escalation for the tank by assuming the construction would

take place beginning in 2010, and removing the emergency electrical generator for the booster station, along with the requisite contingencies and construction overhead associated with these items. The Parties agree to the project at the estimated cost in the table above.

Equip well and construct site improvements

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 17098 (2009)	$677.1	$677.1	$0.0	$677.1	$677.1 Advice Letter

ISSUE: Cal Water proposed equipping a well constructed in 2008 in addition to constructing the various site improvements for the well. This project was in the 2007 GRC and the Commission approved it through Advice Letter. DRA did not oppose the project, but instead wanted the cost to be paid for by facilities fees or special facility fees collected from developers because a portion of the project justification noted that the well was needed to meet new demand.

In Rebuttal, Cal Water noted that it budgets supply projects such as wells based on existing needs, but also has to take into account planned-growth. Chico is a district that has a per lot facilities fee collected from developers. Facilities fees are booked as advances, and as such are a deduction from rate base. Facilities fees are estimated in the GRC based upon projected growth. In addition, there isn't a direct relationship between the individual lot fees collected and when the additional supply might be required. Therefore, Cal Water requested the funding for this project be continued as approved in the 2007 GRC and booked to plant once the project is completed, in service and the appropriate Advice Letter has been filed and approved.

RESOLUTION: The Parties agree to not fund the project from facility fees and to extend the deadline for filing the Advice Letter to January 1, 2012.

Flat-to-meter conversion – Chico system

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 17188 (2009)	$745.9	$398.3	$282.7	$115.6	$398.3
17195 (2010)	$412.0	$412.0	$210.3	$201.7	$412.0 Advice Letter
20873 (2011)	$481.1	$481.1	$214.5	$266.6	$481.1 Advice Letter
20889 (2012)	$462.5	$462.5	$220.3	$242.2	$462.5 Advice Letter

ISSUE: Cal Water is required by AB 2572 to convert all of its flat rate customers to metered services by January 1, 2025. In order to convert all of the flat rate customers in the Chico District by then, and to do so at a reasonable rate per year, Cal Water budgets just under 1,100 conversions per year. Based upon this rate, Cal Water will require another ten years, including 2009, to convert the remaining services from flat to metered services. DRA did not disagree with the project or the rate of the conversions. However, DRA estimated a lower annual cost for the conversions based upon recorded data provided by Cal Water for conversions in 2008 and 2009.

In Rebuttal, Cal Water submitted recorded costs to-date for 2010 conversions, data that indicated that for the number of services budgeted for completion in each of 2010-2012, the estimates by Cal Water are reasonable.

RESOLUTION: The Parties agree to book the actual cost for 2009 and for Cal Water to seek rate relief through Advice Letter filings for 2010-2012 capped at the dollars shown in the table above.

Purchase a 1.5-ton truck and related equipment

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 17615 (2009)	$71.3	Actual cost not to exceed $71.3	$0.0 Defer	$71.3	$71.3

ISSUE: Cal Water proposed purchasing this replacement utility vehicle as part of its 2009 budget. Because the vehicle did not meet the 120,000-mile criteria established by DRA, they recommended it be deferred.

In Rebuttal, the Cal Water noted the vehicle was purchased in 2009 at a cost that exceeded what was requested.

RESOLUTION: The Parties agree to a purchase cost of no more than what Cal Water had in its application request.

Install solar electrical generating facilities at the Operations Center

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 27428 2010	$558.5	N/A	$250.0 Advice Letter	$0	$250.0

ISSUE: Cal Water proposed constructing solar electrical generating facilities at its Operations Center to reduce the cost of electricity by approximately 60 percent. DRA agreed with the project, but based upon more recent data – bids and larger rebates – they reduced the estimate to $250,000 and recommended it be filed as an Advice Letter after it was completed and in service.

RESOLUTION: The Parties agree with the revised estimate by DRA that incorporated the bids Cal Water received in addition to the revised amount for the rebates. DRA noted it did not have to be filed as an Advice Letter based upon the progress to-date and a projected completion and in service date of June of 2010.

Install energy monitoring equipment at various well and booster stations

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 20270 (2010 & 2012)	$210.0	$210.0	$0.0	$210.0	$0.0 Defer

ISSUE: Cal Water proposed the installing equipment and implementing its power -monitoring program throughout the Company in 2010 and 2011. Cal Water stated in the December 22, 2009, meeting with DRA personnel that the pilot program in Marysville will have results and analysis in the form of a full cost-

benefit analysis by November 2010. Cal Water has been including the energy monitoring equipment in all new pump stations. The addition of the equipment maximizes overall system management in daily operations by automatically tracking energy consumption, well levels and water flow from zone to zone, therefore minimizing manual data collection. The new equipment is important and fundamental to the way Cal Water conducts business, in the present and future, and will improve the level of customer service by enabling Cal Water to react quicker to problems with equipment and/or to minimize damage to equipment through real-time monitoring. In addition to providing important information for strategic operation, the power meters are critical in protecting the motors and other sensitive equipment such as control transformers, instrumentation, and communication equipment from unexpected poor quality power from the electric utilities. The meters will detect phase rotation, under and over voltage, unbalanced voltage, and voltage loss, shutting down pumps and other devices to ensure longevity of equipment. DRA has concerns with implementation of this project company-wide until an appropriate cost-benefit analysis can be provided. Therefore, DRA recommended that this project be deferred to a future GRC subject to the results of a pilot program.

RESOLUTION: The Parties agree to defer Cal Water's Company-wide implementation of the energy-monitoring program pending the results of pilot programs in two different districts. The Parties agreed on two programs so that information from two separate types of distribution system characteristics could be produced to give a broader evaluation of the equipment. The pilot programs will be in the Marysville and Mid-Peninsula Districts.

Purchase property and construct well

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 20519 (2010-2012)	$2,071.4	$2,071.4	$0.0	$2,071.4	$2,071.4

ISSUE: Cal Water proposed purchasing property in 2010 and then constructing and equipping a well in 2011-2012. DRA agreed with the project scope, but because the well was designated for customer growth, wanted the project to be funded with connection or facility fees collected from new customers so as not to affect the rates of existing customers.

In Rebuttal, Cal Water noted that it budgets supply projects such as wells based on existing needs, but also has to take into account planned-growth. Chico is a district that has a per lot facilities fee that it collects from developers. Facilities fees are booked as advances, and are a deduction from rate base. Facilities fees are estimated in the GRC based upon projected growth. Also, there isn't a direct relationship between the individual lot fees collected and when the additional supply might be required. The well is needed due to the additional demands placed upon the system by the new customers before the recent housing downturn in addition to the location of the existing supply and the ability to get the water from one area of the system to another. This well would not only assist by adding additional supply for demand, but would also be located in a better location relative to the existing wells and the limited ability to get the water supplied by those wells to other areas within the distribution system.

RESOLUTION: During Settlement and discussions with district personnel concerning operations within the distribution system, DRA concluded that the project was not just for customer growth, but would also serve existing customers

as well. The Parties agree to the project, but Cal Water will shift the project to 2011 for the property purchase and for 2012 for the construction of the well and related facilities.

Flat-to-meter conversion – Hamilton City system

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 21024 (2010)	$37.4	$37.4	$37.4 Advice Letter	$0.0	$37.4 Advice Letter
21034 (2011)	$39.6	$39.6	$39.6 Advice Letter	$0.0	$39.6 Advice Letter
21052 (2012)	$41.9	$41.9	$41.9 Advice Letter	$0.0	$41.9 Advice Letter

ISSUE: Cal Water is required by AB 2572 to convert all of its flat rate customers to metered services by January 1, 2025. In order to convert all of the flat rate customers in the Hamilton City system by then, and to do so at a reasonable rate per year, Cal Water budgets 45 conversions per year. DRA does not disagree with the project or the rate of the conversions. However, DRA recommended that Cal Water file Advice Letters after each year's conversions to be certain that the appropriate charges, actual, are booked to plant. Cal Water disagreed with having to file the Advice Letters each year.

RESOLUTION: The Parties agree to the filing of the Advice Letters capped at the requested amounts shown in the above table.

Central Plume Remediation

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 16952 (2010-2012)	$794.4	$794.4	$780.0 Advice Letter	$0.0 Advice Letter	$780.0 Advice Letter

ISSUE: Cal Water requests $264,815 annually for a three-year period to conduct the Phase 3 improvements for remediation of the Chico Central Plume as required by the Settlement Agreement and Consent Decree with the Department of Toxic Substances Control ("DTSC"). The plume is contaminated with polychlorethylene ("PCE") from several known dry cleaning sources. In order to contain the plume and prevent it from spreading, the DTSC and Cal Water negotiated a Remediation Action Plan. DRA supports the project objectives, but disagrees with placing the budgeted amounts into rates at this time. Consistent with the rate treatment in each of the other Cal Water districts, DRA recommends Cal Water recover the expenses by filing an Advice Letter at the time the overall project objectives have been accomplished and facilities become used and useful, and that the costs are capped at the Cal Water estimate of $780,000 that was supported by the project justification.

RESOLUTION: The Parties agree to Cal Water filing an Advice Letter requesting rate relief for the funds expended, not to exceed the total in the table above, when the project has been completed and is in service.

Replace conference room chairs

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 19713 (2012)	$3.9	$3.9	$0.0	$3.9	$3.9

ISSUE: Cal Water proposes replacing the chairs in its conference room. The room is the main meeting room and is used for a multitude of meetings. In 2012, the chairs will be 10 years old and in need of replacement. DRA recommended disallowance of the replacement and deferral until the next GRC.

RESOLUTION: The Parties agree to the replacement of the chairs in 2012 at the cost estimated by Cal Water.

Purchase property to construct future well

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 20208 (2012)	$414.7	$414.7	$0.0 Facility Fee Funded	$414.7	$0.0 Defer

ISSUE: Cal Water proposed purchasing property in 2012 on which to construct a future well. The well to be constructed would be primarily for expected growth within the service area. As such, DRA recommended that the well site be funded with facilities fees collected from developers so as not to affect the rates of existing customers.

In Rebuttal, Cal Water noted that it budgets supply projects such as wells, for which this property would be used, not only on existing needs, but also to take

into account planned growth. Chico is a district that has a per lot facilities fee that it collects from developers. Facilities fees are booked as advances, and as a deduction from rate base. Facilities fees are estimated in the GRC based upon projected growth. There isn't a direct relationship between the individual lot fees collected and when the additional supply might be required. The well is not required at the present, but property acquisition can take several years. Cal Water prefers to try to stay somewhat ahead of its needs due to the time it can take to locate and purchase property.

RESOLUTION: During Settlement including discussions with district personnel concerning operations within the distribution system, the current growth and short-term projected growth of customers, as well as another well coming on line in a year or two, the Parties agree to defer the property acquisition to the next GRC.

Replace pump and install energy efficient monitoring at Station 35

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 20375 (2012)	$99.1	N/A	$99.1 Advice Letter	$0.0 Advice Letter	$99.1 Advice Letter

ISSUE: Cal Water proposes replacing the pump at its Station 35 and at the same time install equipment to monitor the energy efficiency to increase system reliability and efficiency. DRA concurs with the project objectives. However, DRA recommends that the Commission initially authorize the energy monitoring work to be performed on a pilot basis only, and that the project be deferred subject to Cal Water submitting a proposal for a pilot program for energy efficiency monitoring.

RESOLUTION: The Parties agree to the project as a 2012 budget item, but with Advice Letter status. By 2012, Cal Water will have completed its pilot programs in two other districts and will determine at that time whether it is cost-effective to add the energy monitoring equipment to the pump replacement project, or to only do the pump replacement. Cal Water agrees to file an Advice Letter capped at the requested amount shown in the table above, and to include within the filing documentation as to the cost-effectiveness of the energy monitoring equipment if it is included in the requested rate relief.

Table A: Non-controversial plant projects

2009

Project ID Number	Descriptions	Cal Water Direct	DRA Report	Difference	Settlement
00009815	Booster Pump & Panelboard	$ 323.8	$ 323.8	$ -	$ 323.8
00013258	Mains, Hydrants & Services	$ 243.6	$ 243.6	$ -	$ 243.6
00014274	Mains, Hydrants & Services	$ 299.9	$ 299.9	$ -	$ 299.9
00016811	Mains & Services	$ 166.7	$ 166.7	$ -	$ 166.7
00016812	Hydrants	$ 25.4	$ 25.4	$ -	$ 25.4
00016813	Hydrants	$ 12.7	$ 12.7	$ -	$ 12.7
00016828	Vac Machine	$ 68.1	$ 68.1	$ -	$ 68.1
00016829	Saw	$ 1.8	$ 1.8	$ -	$ 1.8
00016830	Locating Equip	$ 8.1	$ 8.1	$ -	$ 8.1
00016839	Mains & Services	$ 68.4	$ 68.4	$ -	$ 68.4
00016853	Pressure Recording	$ 4.4	$ 4.4	$ -	$ 4.4
00016864	Mains & Services	$ 92.9	$ 92.9	$ -	$ 92.9
00016891	Blow Off	$ 15.9	$ 15.9	$ -	$ 15.9
00016892	Blow Off	$ 10.5	$ 10.5	$ -	$ 10.5
00016893	Flush Valve	$ 7.3	$ 7.3	$ -	$ 7.3
00016897	Mains & Services	$ 255.3	$ 255.3	$ -	$ 255.3
00016927	Fence & Landscaping	$ 1.8	$ 1.8	$ -	$ 1.8
00016950	Chlorinators	$ 54.5	$ 54.5	$ -	$ 54.5
00016951	Pumps	$ 10.1	$ 10.1	$ -	$ 10.1
00016958	Fence & Landscaping	$ 3.8	$ 3.8	$ -	$ 3.8
00016964	Generator	$ 139.8	$ 139.8	$ -	$ 139.8
00017002	Mains & Hydrants	$ 938.3	$ 938.3	$ -	$ 938.3
00017007	Fence & Landscaping	$ 8.7	$ 8.7	$ -	$ 8.7
00017011	Electronic Equip	$ 1.7	$ 1.7	$ -	$ 1.7
00017065	Replace Pump	$ 62.2	$ 62.2	$ -	$ 62.2
00017066	Replace Pump	$ 59.7	$ 59.7	$ -	$ 59.7
00017826	Security Mitigation Improv	$ 359.3	$ 359.3	$ -	$ 359.3
00020220	CARB Retrofit	$ 20.0	$ 20.0	$ -	$ 20.0
	Small Meter Replacements	$ 104.6	$ 104.6	$ -	$ 104.6
		$ 3,369.3	**$ 3,369.3**	**$ -**	**$ 3,369.3**

2010

Project ID Number	Descriptions	Cal Water Direct	DRA Report	Difference	Settlement
00019441	Sta 1 Tank Improv	$ 119.5	$ 119.5	$ -	$ 119.5
00019596	Hydrants	$ 23.8	$ 23.8	$ -	$ 23.8
00019705	Computers & Monitors	$ 4.0	$ 4.0	$ -	$ 4.0
00019708	Copier	$ 18.5	$ 18.5	$ -	$ 18.5
00019716	Hydrants	$ 11.8	$ 11.8	$ -	$ 11.8

Table A: Non-controversial plant projects con't

Project ID Number	Descriptions	Cal Water Direct	DRA Report	Difference	Settlement
00019939	Fence & Landscaping	$ 1.0	$ 1.0	$ -	$ 1.0
00019992	CL2 Pumps	$ 8.3	$ 8.3	$ -	$ 8.3
00020006	Shelving	$ 2.9	$ 2.9	$ -	$ 2.9
00020027	Locating Sticks	$ 3.6	$ 3.6	$ -	$ 3.6
00020058	Mains, Hydrants & Services	$ 245.5	$ 245.5	$ -	$ 245.5
00020084	6" PVC	$ 79.1	$ 79.1	$ -	$ 79.1
00020123	Mains & Hydrants	$ 62.8	$ 62.8	$ -	$ 62.8
00020200	12" DI	$ 131.9	$ 131.9	$ -	$ 131.9
00020366	Equipment	$ 1.0	$ 1.0	$ -	$ 1.0
00020458	Power Inverters	$ 10.5	$ 10.5	$ -	$ 10.5
00020626	Sta 1 Tank Improv	$ 186.8	$ 186.8	$ -	$ 186.8
00020678	Ext Tank Painting	$ 279.5	$ 279.5	$ -	$ 279.5
00020696	Chlorine Sheds	$ 31.5	$ 31.5	$ -	$ 31.5
00020905	Zone Repair	$ 175.3	$ 175.3	$ -	$ 175.3
00020997	Vehicles & Equipment	$ 41.6	$ 41.6	$ -	$ 41.6
00020999	Vehicles & Equipment	$ 41.6	$ 41.6	$ -	$ 41.6
00021193	SCADA RTUs	$ 61.8	$ 61.8	$ -	$ 61.8
00021225	SCADA Op Center	$ 33.3	$ 33.3	$ -	$ 33.3
	Small Meter Replacements	$ 124.6	$ 124.6	$ -	$ 124.6
		$ 1,700.2	**$ 1,700.2**	**$ -**	**$ 1,700.2**

2011

Project ID Number	Descriptions	Cal Water Direct	DRA Report	Difference	Settlement
00019940	Fence & Landscape	$ 4.8	$ 4.8	$ -	$ 4.8
00019993	CL2 Pumps	$ 8.6	$ 8.6	$ -	$ 8.6
00020026	Saw	$ 1.5	$ 1.5	$ -	$ 1.5
00020029	Locating Equipment	$ 7.6	$ 7.6	$ -	$ 7.6
00020030	Trash Pump	$ 2.4	$ 2.4	$ -	$ 2.4
00020043	Hydrants	$ 24.5	$ 24.5	$ -	$ 24.5
00020052	Hydrants	$ 12.2	$ 12.2	$ -	$ 12.2
00020054	Fence & Landscape	$ 7.6	$ 7.6	$ -	$ 7.6
00020073	Mains, Hydrants & Services	$ 218.8	$ 218.8	$ -	$ 218.8
00020265	Mains & Hydrants	$ 91.1	$ 91.1	$ -	$ 91.1
00020297	Mains, Hydrants & Services	$ 155.3	$ 155.3	$ -	$ 155.3
00020390	Mains, Hydrants & Services	$ 183.8	$ 183.8	$ -	$ 183.8
00020697	Relocate CL2 Facilities	$ 32.3	$ 32.3	$ -	$ 32.3
00020863	Zone Test	$ 73.0	$ 73.0	$ -	$ 73.0
00020892	Vehicles & Equipment	$ 35.7	$ 35.7	$ -	$ 35.7
00020894	Vehicles & Equipment	$ 35.7	$ 35.7	$ -	$ 35.7
	Small Meter Replacements	$ 129.6	$ 129.6	$ -	$ 129.6
		$ 1,024.5	**$ 1,024.5**	**$ -**	**$ 1,024.5**

Table A: Non-controversial plant projects con't

2012

Project ID Number	Descriptions	Cal Water Direct	DRA Report	Difference	Settlement
00016855	Mains, Hydrants & Services	$ 352.3	$ 352.3	$ -	$ 352.3
00019713	Chairs Conference Room	$ 3.9	$ 3.9	$ -	$ 3.9
00019994	CL2 Pumps	$ 8.8	$ 8.8	$ -	$ 8.8
00020032	Saw	$ 1.8	$ 1.8	$ -	$ 1.8
00020033	Locating Equipment	$ 7.6	$ 7.6	$ -	$ 7.6
00020034	Flushing & NPDES Equip	$ 5.4	$ 5.4	$ -	$ 5.4
00020078	Hydrants	$ 25.1	$ 25.1	$ -	$ 25.1
00020079	Hydrants	$ 12.5	$ 12.5	$ -	$ 12.5
00020291	Mains, Hydrants & Services	$ 432.1	$ 432.1	$ -	$ 432.1
00020699	Relocate CL2 Facilities	$ 33.2	$ 33.2	$ -	$ 33.2
00020820	Vehicles & Equipment	$ 39.2	$ 39.2	$ -	$ 39.2
00020821	Vehicles & Equipment	$ 44.0	$ 44.0	$ -	$ 44.0
00020946	Zone Repair	$ 184.1	$ 184.1	$ -	$ 184.1
00021084	GAC Treatment Plant	$ 640.6	$ 640.6	$ -	$ 640.6
00021099	Altitude Valve By-Pass	$ 20.4	$ 20.4	$ -	$ 20.4
00021103	Nitrate Analyzer	$ 33.4	$ 33.4	$ -	$ 33.4
	Small Meter Replacements	$ 134.8	$ 134.8	$ -	$ 134.8
		$ 1,979.2	**$ 1,979.2**	**$ -**	**$ 1,979.2**

Non-specific capital budgets

2009

Descriptions	Cal Water Direct	DRA Report	Difference	Settlement
Land	$ 38.5	$ 35.7	$ 2.8	$ 36.7
Structures	$ 8.7	$ 8.1	$ 0.6	$ 8.3
Wells	$ -	$ -	$ -	$ -
Storage	$ 2.0	$ 1.9	$ 0.1	$ 1.9
Pumps	$ 40.8	$ 37.8	$ 3.0	$ 38.9
Purification	$ 25.3	$ 23.4	$ 1.9	$ 24.1
Mains	$ 64.8	$ 60.0	$ 4.8	$ 61.8
Streets	$ 187.1	$ 173.3	$ 13.8	$ 178.5
Services	$ 323.4	$ 299.6	$ 23.8	$ 308.5
Meters	$ 193.3	$ 179.1	$ 14.2	$ 184.4
Hydrants	$ 16.5	$ 15.3	$ 1.2	$ 15.7
Equipment	$ 9.4	$ 8.7	$ 0.7	$ 9.0
	$ 909.8	$ 842.8	$ 67.0	$ 867.8

2010

Descriptions	Cal Water Direct	DRA Report	Difference	Settlement
Land	$ 39.3	$ 35.6	$ 3.7	$ 36.9
Structures	$ 8.9	$ 8.1	$ 0.8	$ 8.4
Wells	$ -	$ -	$ -	$ -
Storage	$ 2.1	$ 1.9	$ 0.2	$ 2.0
Pumps	$ 41.6	$ 37.7	$ 3.9	$ 39.1
Purification	$ 25.8	$ 23.4	$ 2.4	$ 24.2
Mains	$ 66.2	$ 60.0	$ 6.2	$ 62.1
Streets	$ 191.1	$ 173.2	$ 17.9	$ 179.4
Services	$ 330.3	$ 299.3	$ 31.0	$ 310.1
Meters	$ 197.4	$ 178.9	$ 18.5	$ 185.3
Hydrants	$ 16.8	$ 15.2	$ 1.6	$ 15.8
Equipment	$ 9.6	$ 8.7	$ 0.9	$ 9.0
	$ 929.1	$ 842.0	$ 87.1	$ 872.3

Non-specific capital budgets con't

2011

Descriptions	Cal Water Direct	DRA Report	Difference	Settlement
Land	$ 40.2	$ 36.3	$ 3.9	$ 37.6
Structures	$ 9.1	$ 8.2	$ 0.9	$ 8.5
Wells	$ -	$ -	$ -	$ -
Storage	$ 2.1	$ 1.9	$ 0.2	$ 2.0
Pumps	$ 42.6	$ 38.5	$ 4.1	$ 39.9
Purification	$ 26.4	$ 23.9	$ 2.5	$ 24.7
Mains	$ 67.7	$ 61.2	$ 6.5	$ 63.4
Streets	$ 195.5	$ 176.7	$ 18.8	$ 183.0
Services	$ 337.9	$ 305.3	$ 32.6	$ 316.4
Meters	$ 201.9	$ 182.5	$ 19.5	$ 189.0
Hydrants	$ 17.2	$ 15.5	$ 1.7	$ 16.1
Equipment	$ 9.8	$ 8.9	$ 0.9	$ 9.2
	$ 950.4	$ 858.8	$ 91.6	$ 889.8

2012

Descriptions	Cal Water Direct	DRA Report	Difference	Settlement
Land	$ 41.1	$ 37.3	$ 3.8	$ 38.7
Structures	$ 9.3	$ 8.4	$ 0.9	$ 8.7
Wells	$ -	$ -	$ -	$ -
Storage	$ 2.2	$ 2.0	$ 0.2	$ 2.1
Pumps	$ 43.5	$ 39.5	$ 4.0	$ 40.9
Purification	$ 27.0	$ 24.5	$ 2.5	$ 25.4
Mains	$ 69.2	$ 62.8	$ 6.4	$ 65.1
Streets	$ 199.7	$ 181.4	$ 18.3	$ 187.8
Services	$ 345.2	$ 313.5	$ 31.7	$ 324.7
Meters	$ 206.4	$ 187.5	$ 19.0	$ 194.1
Hydrants	$ 17.6	$ 16.0	$ 1.6	$ 16.6
Equipment	$ 10.0	$ 9.1	$ 0.9	$ 9.4
	$ 971.2	$ 882.0	$ 89.2	$ 913.5

9.2.5 Dixon District Plant Settlement

Summary of Settlement and requests to the Commission:
The Parties request the Commission approve the Settlement plant values established herein under the conditions specified.

Controversial Projects
The dollars (in thousands) shown in the tables below for various capital projects represent the funding for the capital investment and not the respective Test Year revenue requirement for that funding. The more detailed descriptions are for projects where there was a difference between Cal Water and DRA as noted in the DRA Report on the Results of Operation for the Dixon District, and the resulting funding level agreed to in settlement discussions.

Non-controversial Projects
In addition to the more detailed project descriptions that immediately follow, Cal Water's proposed capital budgets for the years 2009-2012 included a number of projects where DRA did not object to the need for the project and the requested funding. Table A (dollars in thousands) at the end of this section lists these projects, noting Cal Water's project number, a short project description, Cal Water's proposed funding, DRA's recommended funding, and settlement funding. This table does not contain a Cal Water rebuttal column because DRA did not object to Cal Water's proposed project and related funding. The Parties agree that these projects should be approved for inclusion in Utility Plant in the year in which they are proposed to be in service.

Non-Specifics
Following Table A are comparison tables showing the dollars (in thousands) for Cal Water's non-specific capital budget proposal, DRA's recommendation, the difference and the Settlement. See the Antelope Valley District Plant Settlement for the general discussion on Non-Specific Plant Estimates.

Controversial Projects

Purchase property for a well to replace Station 3-01

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 17481 (2009)	$847.0	$847.0	$0.0	$847.0	Actual cost not to exceed $847.0

ISSUE: Cal Water was proposing to acquire property on which to construct a well to replace lost capacity for a well at Station 3. Station 3 has elevated nitrate levels and these levels are trending up. It is likely that the station will either need to be taken off-line or treatment added. The proposed property is large enough that a tank and booster station can be co-located on the site with a well. This property has been identified as Station 10.

DRA indicated that they did not support this project and made several points regarding the need for the project. DRA argued that Cal Water used a faulty Water Supply and Facilities Master Plan ("WS&FMP"), did not properly address emergency storage, did not properly calculate peak hour capacity, and incorrectly calculated future system needs.

In Rebuttal, Cal Water defended the WS&FMP, countered DRA's points, and detailed its assumptions. Cal Water also indicated that the property had already been purchased in 2009, but all of the charges had not been received as of the end of March 2010.

RESOLUTION: In Settlement, the Parties agree that the water supply situation in Dixon is marginal due to high nitrate levels in many of the wells. These levels have been trending up and Cal Water must find replacement supplies. This

property enables Cal Water to construct a well that will help alleviate the water supply and quality issues. The Parties agreed on a cap for this project in the amount of the actual purchase price of the land.

Construct well and 0.5-MG tank

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 19811 (2009-2012)	$2,749.6	$2,749.6	$0.0	$2,749.6	$1,100.0

ISSUE: Cal Water proposed a well, 0.5-MG storage tank, and booster pump facility to be constructed at the property purchased under PID 17481.. Cal Water contends that there are multiple benefits to this project, including storage to meet peak day and peak-hour demand and additional supply to make up for wells with high levels of nitrates that will need to be taken out of service. Cal Water changed the scope of the project about the same time as the field tours and scaled the tank size down from 1.0 million gallons to 0.5 million gallons and included a well on the site.

DRA indicated that they did not support this project and made several points regarding the need for the project. DRA argues that Cal Water used a faulty WS&FMP, did not properly address emergency storage, did not properly calculate peak hour capacity, and incorrectly calculated future system needs. DRA discussed the fact that all requirements of fire protection can be met by the current system. DRA also discussed the carryover ion-exchange treatment project for Stations 3 and 5 and indicated that those sources should remain viable.

In Rebuttal, Cal Water defended the WS&FMP, countered DRA's points, and detailed its assumptions.

RESOLUTION: The Parties agree that the water supply situation in Dixon is marginal due to high nitrate levels in many of the wells. These levels have been trending up and the Company must find replacement supply. This project will help alleviate the water quality issues that Cal Water faces. The Parties agreed to postpone the well associated with this project because of the current work to bring Station 9 on line and the pending ion exchange treatment planned at Station 3. No determination was made regarding the validity of the WS&FMP.

Replace 830 feet of 2- and 4-inch cast iron main in West B Street

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 15286	$117.8	$117.8	$0.0	$117.8	$0.00

ISSUE: Cal Water proposed installing 830 feet of 6-inch PVC pipe in West B Street to replace 2-inch and 4-inch diameter pipelines. The primary reason provided for this project was to increase system conveyance and fire flow delivery. DRA indicated that the primary purpose of the project appeared to be to improve fire flow. DRA also discussed the fact that DRA requested specific leak information, which was not available.

In Rebuttal, Cal Water noted that the existing 2-inch and 4-inch cast iron mains that parallel an 8-inch main would be abandoned, and a 6-inch main would be installed to connect the 8-inch and another 6-inch main. Cal Water requested approval of this project.

RESOLUTION: The Parties agree, as part of an overall settlement plan that included approval and deferral of several projects, to recommend deferral of this project.

Nitrate Analyzer Station 5

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 17345 (2010)	$43.3	$30.5	$30.5	$0.0	$30.5

ISSUE: Cal Water proposed installing a nitrate analyzer at Station 5 to perform real-time nitrate measurements to ensure compliance with DPH water quality regulations. DRA agreed with the need for the project, but not the cost estimate. It recommended using the costs of the analyzer from a similar installation at Station 3.

In Rebuttal, Cal Water agreed with DRA's revised cost.

RESOLUTION: The Parties agree to use a lower cost for this project.

Replace pump and add energy efficient equip. at Station 6-01 and Station 7-01

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 20741 (2010)	$85.6	$50.0	$0.0	$50.0	$50.0
20742 (2011)	$85.6	$50.0	$0.0	$50.0	$50.0
Total	$171.2	$100.0	$0.0	$100.0	$100.0

ISSUE: Cal Water proposed replacing the pump at Station 6-01 and Station 7-01 and adding energy monitoring equipment at both sites. DRA noted in its Report that it was not clear that Cal Water adequately prioritized the lowest efficiency pumps. DRA also recommended deferring the energy-monitoring portion of the program pending further pilot testing.

In Rebuttal, Cal Water indicated that Stations 6 and 7 have more runtime hours than other stations. Cal Water also indicated that it performed economic analyses for these two stations and that a payback period of about 5 years was determined. Cal Water agreed with DRA's revised estimates.

RESOLUTION: The Parties agree that the pump replacements should be done, while the energy monitoring portions of these projects should be deferred until after the Marysville and Mid-Peninsula pilots are complete.

Replace cast iron main in West Mayes Street

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 17483 (2011)	$59.1	$59.1	$0.0	$59.1	$0.0
17484 (2012)	$60.2	$60.2	$0.0	$60.2	$0.0
Total	$119.3	$119.3	$0.0	119.3	$0.0

ISSUE: Cal Water proposed replacing mains in West Mayes Street (Project 17483) and in Chestnut Street (17484). These are generally to improve flows and reduce leaks. DRA noted that these appear to be duplicate projects of the one proposed for project 19814.

In Rebuttal, Cal Water noted these are not duplicate projects. Project 17483 was proposed to replace 300 feet of 2-inch cast iron main in West Mayes Street from South First Street to South Jackson. Project 17484 was proposed to replace 300 feet of 2-inch cast iron main in East Chestnut and Walnut Streets from South First Street to South Second Street. Project 19814 was proposed to replace 1,000 feet of 2-inch cast iron main comprised of 265 feet in Walnut Park, 195 feet in East Mayes, 290 feet in East Broadway, 175 feet in West E Street, and 75 feet in West Walnut. None of these projects is a duplicate. Cal Water requested project 17483 and project 17484 be approved as requested. DRA recommended approval of Project 19814.

RESOLUTION: The Parties agree, as part of an overall settlement plan that included approval and deferral of several projects, to recommend deferral of 17483 and 17484, as shown in the table above.

Install emergency generator at Station 4

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 19807 (2012)	$146.7	$146.7	$0.0	$146.7	$146.7

ISSUE: Cal Water proposed replacing an older gasoline-powered direct-drive engine with a newer style diesel genset. This project is anticipated to help provide emergency operations. DRA indicated that the WS&FMP only discussed performing a “tune-up” on the existing engine and DRA recommended denying the project.

In Rebuttal, Cal Water noted that the WS&FMP actually recommended a replacement of this engine and a “tune-up” to keep it operating until 2012, at which time it would be replaced.

RESOLUTION: The Parties agree that the project should be included in Utility Plant in the year budgeted.

Replace main in West H Street

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 19813 (2012)	$33.9	$0.0	$0.0	$0.0	$0.0 Defer

ISSUE: Cal Water proposed a designated pipeline for the blending and treatment operations between Station 5 and Station 3. DRA indicated that there is already an existing AC distribution pipeline at this location.

In Rebuttal, Cal Water agreed to defer this project.

RESOLUTION: The Parties agree to defer this project.

Install energy monitoring equipment at various stations

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 20279 (2012)	$16.6	$16.6	$0.0	$16.6	$0.0 Defer

ISSUE: Cal Water proposed installing equipment and implementing its power monitoring program throughout the Company in 2010-2012. Cal Water stated in the December 22, 2009, meeting with DRA personnel that the pilot program in Marysville will have results and analysis in the form of a full cost-benefit analysis by November 2010. Cal Water has been including the energy monitoring equipment in all new pump stations. The addition of the equipment maximizes

overall system management in daily operations by automatically tracking energy consumption, well levels and water flow from zone to zone, therefore minimizing manual data collection. The new equipment is important and fundamental to the way Cal Water conducts business, in the present and future, and will improve the level of customer service by enabling Cal Water to react quicker to problems with equipment and/or to minimize damage to equipment through real-time monitoring. In addition to providing important information for strategic operation, the power meters are critical in protecting the motors and other sensitive equipment such as control transformers, instrumentation, and communication equipment from unexpected poor quality power from the electric utilities. The meters will detect phase rotation, under and over voltage, unbalanced voltage, and voltage loss, shutting down pumps and other devices to ensure longevity of equipment. DRA has concerns with implementation of this project company-wide until an appropriate cost-benefit analysis can be provided. Therefore, DRA recommended that this project be deferred to a future GRC subject to the results of a pilot program.

RESOLUTION: The Parties agree to defer Cal Water's Company-wide implementation of the energy-monitoring program pending the results of pilot programs in two different districts. The Parties agree on two programs so that information from two separate types of distribution system characteristics to give a broader evaluation of the equipment could be gathered. The pilot programs will be in the Marysville and Mid-Peninsula Districts.

Install 12" Pipeline in West Cherry

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 21233 (2012)	$167.2	$0.0	$0.0	$0.0	$0.0

ISSUE: Cal Water proposed installing a 12" pipeline in West Cherry. Shortly after filing the GRC, Cal Water cancelled this project.

RESOLUTION: The Parties agree to defer this project.

Table A: Non-controversial plant projects

2009

Project ID Number	Descriptions	Cal Water Direct	DRA Report	Difference	Settlement
00017475	Hydrants	$ 7.8	$ 7.8	$ -	$ 7.8
00019917	Mains	$ 372.6	$ 372.6	$ -	$ 372.6
	Small Meter Replacements	$ 26.1	$ 26.1	$ -	$ 26.1
		$ 406.5	**$ 406.5**	**$ -**	**$ 406.5**

2010

Project ID Number	Descriptions	Cal Water Direct	DRA Report	Difference	Settlement
00017348	Flowmeter Replacements	$ 36.8	$ 36.8	$ -	$ 36.8
00017431	Replace Pump	$ 69.8	$ 69.8	$ -	$ 69.8
00017472	Pump Improvements	$ 9.2	$ 9.2	$ -	$ 9.2
00019802	SCADA RTUs	$ 18.0	$ 18.0	$ -	$ 18.0
00019803	SCADA RTUs	$ 18.0	$ 18.0	$ -	$ 18.0
00019805	SCADA RTUs	$ 18.0	$ 18.0	$ -	$ 18.0
00019809	New Generator	$ 144.0	$ 144.0	$ -	$ 144.0
	Small Meter Replacements	$ 27.1	$ 27.1	$ -	$ 27.1
		$ 340.8	**$ 340.8**	**$ -**	**$ 340.8**

2011

	Small Meter Replacements	$ 28.2	$ 28.2	$ -	$ 28.2
		$ 28.2	**$ 28.2**	**$ -**	**$ 28.2**

2012

Project ID Number	Descriptions	Cal Water Direct	DRA Report	Difference	Settlement
00017684	Security Mitigation	$ 95.4	$ 95.4	$ -	$ 95.4
00019814	Mains	$ 159.8	$ 159.8	$ -	$ 159.8
	Small Meter Replacements	$ 29.4	$ 29.4	$ -	$ 29.4
		$ 284.6	**$ 284.6**	**$ -**	**$ 284.6**

Non-specific capital budgets

2009

Descriptions	Cal Water Direct	DRA Report	Difference	Settlement
Land	$ -	$ -	$ -	$ -
Structures	$ -	$ -	$ -	$ -
Wells	$ -	$ -	$ -	$ -
Storage	$ -	$ -	$ -	$ -
Pumps	$ 18.5	$ 17.1	$ 1.4	$ 17.7
Purification	$ 3.9	$ 3.6	$ 0.3	$ 3.7
Mains	$ 4.7	$ 4.4	$ 0.4	$ 4.5
Streets	$ -	$ -	$ -	$ -
Services	$ 13.9	$ 12.9	$ 1.0	$ 13.3
Meters	$ 7.2	$ 6.7	$ 0.5	$ 6.9
Hydrants	$ 0.5	$ 0.5	$ 0.0	$ 0.5
Equipment	$ 6.3	$ 5.8	$ 0.5	$ 6.0
	$ 55.0	$ 50.9	$ 4.1	$ 52.6

2010

Descriptions	Cal Water Direct	DRA Report	Difference	Settlement
Land	$ -	$ -	$ -	$ -
Structures	$ -	$ -	$ -	$ -
Wells	$ -	$ -	$ -	$ -
Storage	$ -	$ -	$ -	$ -
Pumps	$ 18.8	$ 17.1	$ 1.7	$ 17.7
Purification	$ 3.9	$ 3.5	$ 0.4	$ 3.7
Mains	$ 4.8	$ 4.4	$ 0.4	$ 4.5
Streets	$ -	$ -	$ -	$ -
Services	$ 14.2	$ 12.9	$ 1.3	$ 13.4
Meters	$ 7.3	$ 6.6	$ 0.7	$ 6.9
Hydrants	$ 0.5	$ 0.5	$ 0.0	$ 0.5
Equipment	$ 6.5	$ 5.9	$ 0.6	$ 6.1
	$ 56.0	$ 50.8	$ 5.2	$ 52.8

Non-specific capital budgets con't

2011

Descriptions	Cal Water Direct	DRA Report	Difference	Settlement
Land	$ -	$ -	$ -	$ -
Structures	$ -	$ -	$ -	$ -
Wells	$ -	$ -	$ -	$ -
Storage	$ -	$ -	$ -	$ -
Pumps	$ 19.3	$ 17.5	$ 1.8	$ 18.1
Purification	$ 4.0	$ 3.6	$ 0.4	$ 3.8
Mains	$ 4.9	$ 4.4	$ 0.5	$ 4.6
Streets	$ -	$ -	$ -	$ -
Services	$ 14.6	$ 13.2	$ 1.4	$ 13.7
Meters	$ 7.5	$ 6.8	$ 0.7	$ 7.0
Hydrants	$ 0.5	$ 0.5	$ 0.0	$ 0.5
Equipment	$ 6.6	$ 6.0	$ 0.6	$ 6.2
	$ 57.4	$ 52.0	$ 5.4	$ 53.9

2012

Descriptions	Cal Water Direct	DRA Report	Difference	Settlement
Land	$ -	$ -	$ -	$ -
Structures	$ -	$ -	$ -	$ -
Wells	$ -	$ -	$ -	$ -
Storage	$ -	$ -	$ -	$ -
Pumps	$ 19.7	$ 17.9	$ 1.8	$ 18.6
Purification	$ 4.1	$ 3.7	$ 0.4	$ 3.9
Mains	$ 5.0	$ 4.6	$ 0.4	$ 4.7
Streets	$ -	$ -	$ -	$ -
Services	$ 14.9	$ 13.6	$ 1.3	$ 14.1
Meters	$ 7.6	$ 6.9	$ 0.7	$ 7.2
Hydrants	$ 0.5	$ 0.5	$ 0.0	$ 0.5
Equipment	$ 6.7	$ 6.1	$ 0.6	$ 6.3
	$ 58.5	$ 53.3	$ 5.2	$ 55.3

9.2.6 Dominguez South-Bay District Plant Settlement

Summary of Settlement and requests to the Commission:

The Parties request the Commission approve the Settlement plant values established herein under the conditions specified.

The Parties request that the Commission allow Cal Water to file an offset Advice Letter for Projects 13540, 13541, 13542 and 13543 at any time until the effective date of rates in the next general rate case with a total capital project cap of $1,094,000 excluding interest during construction. The projects are budgeted for construction of a well and installation of a treatment plant in 2010/11, so Parties anticipate that it will be filed in 2011. Parties acknowledge that this cap is for advice letter purposes only and that the Commission will review final project costs in the next general rate case. The projects were approved in the 2005 GRC as Advice Letters with a cap of $1,094,000, and a filing deadline as the effective date for new rates in the current GRC, which is January 1, 2011. However, installation of the treatment facility is behind schedule, resulting in its completion after the initial filing deadline.

The Parties request that the Commission allow Cal Water to file an offset Advice Letter for Project 20772 at any time until the effective date of rates in the next general rate case with a capital project cap of $1,181,100 excluding interest during construction. Project 20772 is budgeted for installation of a treatment plant in 2010/11, so Parties anticipate that it will be filed in 2011. Parties acknowledge that this cap is for advice letter purposes only and that the Commission will review final project costs in the next general rate case.

The Parties request that the Commission allow Cal Water to file an offset Advice Letter for Project 20973 at any time until the effective date of rates in the next general rate case with a capital project cap of $455,300 excluding interest during construction. Project 20973 is budgeted for a property purchase on which to construct a well in 2011, so Parties anticipate that it will be filed in 2012. Parties acknowledge that this cap is for advice letter purposes only and that the Commission will review final project costs in the next general rate case.

The Parties request that the Commission allow Cal Water to file an offset Advice Letter for Project 20775 at any time until the effective date of rates in the next general rate case with a capital project cap of $1,920,200 excluding interest during construction. Project 20775 is budgeted for constructing and equipping a well in 2011, so Parties anticipate that it will be filed in 2012. Parties acknowledge that this cap is for advice letter purposes only and that the Commission will review final project costs in the next general rate case.

The Parties request that the Commission allow Cal Water to file an offset Advice Letter for Project 20978 at any time until the effective date of rates in the next general rate case with a capital project cap of $468,200 excluding interest during construction. Project 20978 is budgeted for a property purchase on which to construct a well in 2011, so Parties anticipate that it will be filed in 2012. Parties acknowledge that this cap is for advice letter purposes only and that the Commission will review final project costs in the next general rate case.

The Parties request that the Commission allow Cal Water to file an offset Advice Letter for Project 20838 at any time until the effective date of rates in the next general rate case with a capital project cap of $1,953,800 excluding interest during construction. Project 20838 is budgeted for constructing and equipping a well in 2012, so Parties anticipate that it will be filed in 2013. Parties acknowledge that this cap is for advice letter purposes only and that the Commission will review final project costs in the next general rate case.

Controversial Projects

The dollars (in thousands) shown in the tables below for various capital projects represent the funding for the capital investment and not the respective Test Year revenue requirement for that funding. The more detailed descriptions are for projects where there was a difference between Cal Water and DRA as noted in the DRA Report on the Results of Operation for the Dominguez District, and the resulting funding level agreed to in settlement discussions.

Non-controversial Projects

In addition to the more detailed project descriptions that immediately follow, Cal Water's proposed capital budgets for the years 2009-2012 included a number of projects where DRA did not object to the need for the project and the requested funding. Table A (dollars in thousands) at the end of this section lists these projects, noting Cal Water's project number, a short project description, Cal Water's proposed funding, DRA's recommended funding, and settlement funding. This table does not contain a Cal Water rebuttal column because there were no objections by DRA to Cal Water's proposed project and related funding. The Parties agree that these projects should be approved for inclusion in Utility Plant in the year in which they are proposed to be in service.

Non-Specifics

Following Table A, are comparison tables showing the dollars (in thousands) for Cal Water's non-specific capital budget proposal, DRA's recommendation, the difference and the Settlement. See the Antelope Valley District Plant Settlement for the general discussion on Non-Specific Plant Estimates.

Controversial Projects

Recoat/repaint sections of the interior/exterior of 3.5-MG storage tank: Station3, Tank 3

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 15842 (2009)	$298.3	$298.3	$209.0	$89.3	$298.3

ISSUE: Cal Water proposed recoating sections of the interior and exterior of this tank because they have deteriorated and were not providing the necessary corrosion protection for the tank. Cal Water will remove the interior underside of

the roof coating and apply NSF-approved epoxy coating. For the exterior, the existing coating will be removed and a three-coat epoxy/urethane coating will be applied. In addition, the vents on the top of the tank will be replaced due to their deteriorated condition. Cal Water's estimated cost for this work was based on costs from prior Cal Water projects of similar scope. DRA agreed with the need for the work, but estimated the cost of the project based upon a response to a data request. DRA used the lowest bid for the work to be performed, but did not include any construction overhead costs nor any time for Cal Water personnel inspecting the project during the work or pre- and post-coating work related to getting the tank ready for the work and subsequent work to get the tank back in service. Cal Water projected the project to be completed and the tank back in service before the end of 2009.

In Rebuttal, Cal Water noted that the work had been completed at a cost that exceeded its budget estimate.

RESOLUTION: The Parties agree to the cost of the project at Cal Water's requested dollars in its application.

Recoat/repaint sections of the interior/exterior of 3.5-MG storage tank:
Station 3, Tank 4

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 17544 (2009)	$228.8	$228.8	$209.0	$19.8	$228.8

ISSUE: Cal Water proposed recoating sections of the interior and exterior of this tank because they have deteriorated and were not providing the necessary corrosion protection for the tank. Cal Water will remove the interior underside of the roof coating and apply NSF-approved epoxy coating. For the exterior, the existing coating will be removed and a three-coat epoxy/urethane coating will be

applied. In addition to the tank itself, the vents on the top of the tank will be replaced due to their deteriorated condition. Cal Water's estimated cost for this work was based on costs from prior Cal Water projects of similar scope. DRA agreed with the need for the work, but estimated the cost of the project based upon a response to a data request. DRA used the lowest bid for the work to be performed, but did not include any construction overhead costs nor any time for Cal Water personnel inspecting the project during the work or pre- and post-coating work related to getting the tank ready for the work and subsequent work to get the tank back in service. Cal Water projected the project to be completed and the tank back in service before the end of 2009.

In Rebuttal, Cal Water noted that the work had been completed at a cost that exceeded its budget estimate.

RESOLUTION: The Parties agree to the cost of the project at Cal Water's requested dollars in its application.

Main replacements at various locations

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 20008 (2010)	$140.7	$140.7	$0.0	$140.7	$140.7
20010 (2011)	$172.8	$172.8	$0.0	$172.8	$0.0 Defer
20013 (2011)	$172.1	$172.1	$0.0	$172.1	$0.0 Defer
20014 (2011)	$167.2	$167.2	$0.0	$167.2	$167.2
20015 (2012)	$161.3	$161.3	$0.0	$161.3	$161.3
20063 (2012)	$149.2	$149.2	$0.0	$149.2	$0.0 Defer

ISSUE: Cal Water proposed replacing various pipelines, along with reconnecting associated services and fire hydrants to the new main, at various locations within the distribution system due to flow restrictions, water quality issues, fire flow, and to some extent, leaks. DRA recommended disallowance of all six of the projects noted above because Cal Water could not provide evidence that the existing main did not meet the required operational or fire flow or that the water quality was inadequate. Also, the local fire authority did not request the project.

In Rebuttal, Cal Water noted that all of the mains are 4-inch unlined cast iron that have been in service for more than 50 years and none of them have hydrants. Therefore, no fire flow testing for these mains could have been done.

RESOLUTION: The Parties agree to three of the proposed main replacements and to defer the other three as noted above.

Electric panelboard replacements at various locations

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 20023 (2010)	$173.6	$173.6	$0.0	$173.6	$173.6
19981 (2012)	$180.1	$180.1	$0.0	$180.1	$0.0 Defer

ISSUE: Cal Water proposed replacing electric panelboards at two well sites due to their condition. At Station 298 (PID 20023) and Station 215 (PID 19981) the panelboards are 8 years old and have been severely damaged due to water exposure resulting in rust holes in the panelboard in several places. DRA disagreed with the necessity of either project because the equipment is still relatively young and should be able to perform for at least 20 years.

In Rebuttal, Cal Water noted there are actually two panelboards at Station 298 and Station 215. Cal Water installed one of them around 2004 when additional equipment was required due to treatment facilities for Station 298. That panelboard is just for the treatment equipment that was installed, and it is in good condition. However, the second panelboard, the one that Cal Water requests be replaced and to be split into two panelboards, is more than 20 years old and supplies the power for Station 215 and for 298 except for the Station 298 treatment equipment. It is undersized and cannot efficiently support the two wells, along with its age and the condition of the cabinet. The power for the stations needs to be split and come from two separate panelboards. The panel-board for the treatment facilities for Station 298 is not of sufficient capacity to provide for all of the electrical requirements of Station 298. Station 298 is the largest well in the Dominguez system producing approximately 2,200 gpm whereas Station 215 produces about 750 gpm.

RESOLUTION: The Parties agree to the installation of a new panelboard for Station 298 (PID 20023), but to defer that for Station 215 (PID 19981).

Replace pumping equipment and upgrade electrical panel – Station 290

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 20447 (2010)	$264.1	$239.4	$198.1	$41.3	$239.4

ISSUE: Cal Water proposed replacing the well pump at Station 290 due to its low efficiency and at the same time replace the wire in the electrical panel that is showing signs of wear and does not have the proper insulation, replace the motor starter, motor leads, conduits and other pertinent electrical appurtenances. Cal Water noted that replacing the pump will result in energy savings of approximately $23,200 a year. DRA agreed with the project scope, but not with the budgeted cost. DRA indicated that during the field visit, Cal Water noted it had received a rebate for this project already, even though at the time of the field tour it was not completed. DRA requested the actual size of the rebate, but did not receive a response from Cal Water. Therefore, DRA said it estimated the rebate at 25%, which reduced Cal Water's estimate to $198.1.

In Rebuttal, Cal Water was able to provide the actual rebate received from Southern California Edison, $24,699, which reduced Cal Water's request to $239,400.

RESOLUTION: The Parties agree to the revised cost of $239,400.

Install GAC treatment at Station 275

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 20768 (2010)	$572.3	$572.3	$525.4	$46.6	$572.3

ISSUE: Cal Water proposed installing Granular Activated Carbon ("GAC") treatment at its Station 275 to remove the high naturally occurring total organic carbon ("TOC") and color. The high TOC can result in the formation of various disinfection by-products ("DBPs") when they combine with the chlorine used for disinfection at the well. These resulting DBPs can exceed the MCL. This treatment will be even more important for Cal Water for compliance with the Stage 2 Disinfectants and Disinfection By-products Rule that becomes effective in October of 2012. The color ranges from 15 to 20 units, with a secondary MCL of 15 units. The well produces just under 900 gpm. DRA agreed with the necessity of the project, but adjusted the estimated cost based upon the information in Cal Water's project justification. In the justification, the cost is based upon a unit that treats 1,000 gpm. Because the well only produces 870 gpm, DRA reduced the estimated cost for the GAC vessel itself based upon a ratio of 870/1000. This reduced the estimated total cost to $525,400.

In Rebuttal, Cal Water noted that the GAC units are set up in pairs in a lead-lag position. The vessel sizes closest to the well production are 750 gpm and 1,100 gpm. Because the well produces in excess of 750 gpm, Cal Water has to go to the next size up, or the 1,100 gpm. Therefore, the estimated cost should not be reduced.

RESOLUTION: The Parties agree to Cal Water's estimate of $572,300.

Install treatment at Station 294-01

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 20772 (2010)	$1,181.1	$1,181.1	$1,181.1 Advice Letter	$0.0 Advice Letter	$1,181.1 Advice Letter

ISSUE: Cal Water proposed installing Granular Activated Carbon ("GAC") and iron and manganese treatment at its Station 294-01. The well produces about 1,000 gpm. DRA agreed with the necessity of the project, but requested the project be allowed into plant after the project was completed and an Advice Letter filed. Cal Water requests the project be included in 2011 plant, the year it expected the project to be completed and in service.

RESOLUTION: The Parties agree to the project, and for Cal Water to file an Advice Letter, capped at $1,181,100, after the facilities have been installed and the well is in service.

Construct recycled water pump station

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 29867 (2010)	$1,200.0	$1,200.0	$1,021.7 Advice Letter	$1,021.7 Advice Letter	$0.0 Defer

ISSUE: Cal Water proposed constructing, in conjunction with the West Basin Municipal Water District ("WB") and the US Army Corps of Engineers ("Corps"), a pump station to boost the pressure for the delivery of recycled water in pipelines paid for and installed by WB and the Corps. The water would be sold to

customers in the Dominguez service area and would be billed by Cal Water. Cal Water proposes entering into this project because it considers the pump station a prudent investment because the cost of imported (purchased) water continues to increase, while the development of local supplies such as the use of recycled water increases the supply reliability aspect by enabling Cal Water to become less dependent upon imported water. DRA concurs that this is a worthwhile project, but recommended a lower estimated cost based upon its research into the cost of similar sized pump stations based upon current bids. DRA also recommended it be given Advice Letter status so that Cal Water can prepare the RFP in 2010 in order to obtain a more thorough cost estimate, and then construct the station in 2011, after which it can file the Advice Letter.

In Rebuttal, Cal Water indicated that WB and the Corps had secured adequate funding for the entire project.

RESOLUTION: The Parties agree to defer the project.

Purchase property and construct a well

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 20973 (2010)	$455.3	$455.3	$455.3 Advice Letter	$0.0 Advice Letter	$455.3 Advice Letter
20775 (2011)	$1,920.2	$1,920.2	$1,920.2 Advice Letter	$0.0 Advice Letter	$1,920.2 Advice Letter

ISSUE: Cal Water proposed purchasing property in 2010 (PID 20973) for a well to be constructed in 2011 (PID 20775). DRA agreed with the necessity of these projects, but due to the uncertain schedule, recommended Advice Letter

treatment. Cal Water was requesting the property be included in 2010 plant, and for the well project in 2011 plant, the year in which it is scheduled to be completed and in service.

RESOLUTION: The Parties agree to Cal Water filing Advice Letters for both projects, capped at $455,300 for the land and $1,920,200 for the well and related facilities. The Advice Letter for the property can be filed before the well has been completed and is in service.

Construct 5-MG storage tank at Station 203

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 20887 (2011)	$2,459.0	$2,459.0	$0.0	$2,459.0	$0.0

ISSUE: The Dominguez system is comprised of four pressure zones, with Zone II being the largest. The hydraulic gradient of the zone is based upon the elevation/location of four 3.5-MG tanks located at Station 203. The four 3.5-MG tanks are also the forebay supply for the booster station that supplies Zone III. Zone II is also supplied from a combination of wells and water purchased from the West Basin Municipal Water District.

The Water Supply & Facilities Master Plan ("WS&FMP") determined there is an existing storage deficit of approximately 10 MG in Zones II & III after taking into account backup generation facilities at the wells. Cal Water proposed constructing a 5.0-MG tank at Station 203 to reduce this deficit. DRA believes the project is not justified, primarily due to the criteria used by Cal Water to determine the overall storage requirements. DRA disagreed with the fundamental assumptions of the WS&FMP regarding operational and emergency storage, and believes that Cal Water should pursue backup power on

groundwater wells (including future wells) as a cost-effective alternative to additional storage.

In Rebuttal, Cal Water addressed the assumptions made in the WS&FMP. Cal Water also noted that it is not common for the level in the tanks to be full up to the overflow, so using the capacity of the tanks to determine the current storage is not prudent. Also, power failures are not the only reason a well is off-line, so installing generators is not a guarantee the well will be operational when needed.

RESOLUTION: The Parties agree to disagree on the validity of the assumptions of the WS&FMP. The Parties agreed to continue discussions regarding the WS&FMP after the GRC to determine reasonable assumptions company-wide in regards to storage requirements. The Parties agree to defer the construction of this 5-MG tank.

Install an interconnection with adjacent city in pressure Zone IV

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 20936 (2011)	$132.8	$0.0 Cancelled	$0.0	$0.0	$0.0

ISSUE: Cal Water proposed installing an emergency interconnection with an adjacent municipal water system, but cancelled the project shortly after it filed its application.

RESOLUTION: The Parties agree the project has been cancelled.

Purchase property and construct a well

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 20978 (2011)	$468.2	$468.2	$468.2 Advice Letter	$0.0 Advice Letter	$468.2 Advice Letter
20838 (2012)	$1,953.8	$1,953.8	$1,953.8 Advice Letter	$0.0 Advice Letter	$1,953.8 Advice Letter

ISSUE: Cal Water proposed purchasing property in 2011 (PID 20978) for a well to be constructed in 2012 (PID 20838). DRA agreed with the necessity of these projects, but due to the uncertain schedule recommends Advice Letter treatment. Cal Water was requesting the property be included in 2011 plant, and for the well project in 2012 plant, the year it is scheduled to be completed and in service.

RESOLUTION: The Parties agree to Cal Water filing Advice Letters for both projects, capped at $468,200 for the land and $1,953,800 for the well and related facilities. The Advice Letter for the property can be filed before the well has been completed and is in service.

Replace pumping equipment and upgrade electrical panel – Station 290

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 20554 (2012)	$267.7	$267.7	$0.0	$267.7	$267.7

ISSUE: Cal Water proposed replacing the well pump at Station 215-01 because the operating efficiency was at 60%. The installation of the new pump would

increase the overall efficiency to 70%, resulting in a savings in electrical costs each year. While the well was out of service for the pump replacement, incorporated into the project was an electrical upgrade. DRA recommended disallowance of the project because the increase in operating efficiency and resulting decrease in purchased power costs did not offset the revenue increase associated with the pump replacement and electrical upgrade.

In Rebuttal, Cal Water noted that the wear within the pump was also causing a noticeable vibration. Continuous use of the pump in this condition would ultimately shorten the life of the mechanical seal, shaft, bearings, wear rings, bushings and the pump impellers, any one of which could result in an unplanned and unscheduled shutdown of the well. Cal Water plans to monitor the conditions at the well to determine if it can continue pumping until early 2012 when it plans to take the well out of service for the proposed work.

RESOLUTION: The Parties agree to the 2012 project at Cal Water's estimated cost.

Table A: Non-controversial plant projects

2009

Project ID Number	Descriptions	Cal Water Direct	DRA Report	Difference	Settlement
00015841	Interior Safety Climb	$ 2.1	$ 2.1	$ -	$ 2.1
00017174	Mains & Services	$ 89.6	$ 89.6	$ -	$ 89.6
00017201	Mains & Hydrants	$ 177.8	$ 177.8	$ -	$ 177.8
00017314	VFD Control	$ 26.2	$ 26.2	$ -	$ 26.2
00017324	Chemical Room	$ 118.2	$ 118.2	$ -	$ 118.2
00017551	Replace CP Anodes	$ 6.6	$ 6.6	$ -	$ 6.6
00017593	Earthquake Retrofit	$ 264.7	$ 264.7	$ -	$ 264.7
00017848	Seismic Retrofit	$ 154.5	$ 154.5	$ -	$ 154.5
00017927	Security Mitigation	$ 67.8	$ 67.8	$ -	$ 67.8
00019432	Int Tank Painting	$ 50.2	$ 50.2	$ -	$ 50.2
00021220	SCADA Replacement	$ 17.5	$ 17.5	$ -	$ 17.5
00024687	Leak Truck Tools	$ 13.1	$ 13.1	$ -	$ 13.1
	Large Meter Replacements	$ 115.2	$ 115.2	$ -	$ 115.2
	Small Meter Replacements	$ 199.1	$ 199.1	$ -	$ 199.1
		$ 1,302.6	**$ 1,302.6**	**$ -**	**$ 1,302.6**

2010

Project ID Number	Descriptions	Cal Water Direct	DRA Report	Difference	Settlement
00019857	Mains	$ 41.6	$ 41.6	$ -	$ 41.6
00019862	Hydrants	$ 75.7	$ 75.7	$ -	$ 75.7
00019882	Services	$ 68.8	$ 68.8	$ -	$ 68.8
00019961	Acoustical Pump	$ 87.5	$ 87.5	$ -	$ 87.5
00019965	Replace Pump	$ 81.6	$ 81.6	$ -	$ 81.6
00019971	Chemical Building	$ 87.5	$ 87.5	$ -	$ 87.5
00019972	Chemical Room Equip	$ 29.2	$ 29.2	$ -	$ 29.2
00019973	Electrical Room Equip	$ 33.5	$ 33.5	$ -	$ 33.5
00019974	Indoor Lighting	$ 46.5	$ 46.5	$ -	$ 46.5
00019979	Replace Panelboard	$ 173.6	$ 173.6	$ -	$ 173.6
00019999	Mains & Services	$ 154.7	$ 154.7	$ -	$ 154.7
00020000	Mains & Services	$ 71.6	$ 71.6	$ -	$ 71.6
00020002	Mains & Services	$ 79.4	$ 79.4	$ -	$ 79.4
00020761	Retrofit Tank	$ 156.2	$ 156.2	$ -	$ 156.2
00024529	Mains, Hydrants & Services	$ 69.9	$ 69.9	$ -	$ 69.9
	Large Meter Replacements	$ 100.0	$ 100.0	$ -	$ 100.0
	Small Meter Replacements	$ 207.1	$ 207.1	$ -	$ 207.1
		$ 1,564.4	**$ 1,564.4**	**$ -**	**$ 1,564.4**

Table A: Non-controversial plant projects con't

2011

Project ID Number	Descriptions	Cal Water Direct	DRA Report	Difference	Settlement
00019858	Mains	$ 47.0	$ 47.0	$ -	$ 47.0
00019863	Hydrants	$ 81.1	$ 81.1	$ -	$ 81.1
00019884	Services	$ 77.6	$ 77.6	$ -	$ 77.6
00019962	Acoustical Pump Shelters	$ 57.8	$ 57.8	$ -	$ 57.8
00019975	New Asphalt	$ 65.9	$ 65.9	$ -	$ 65.9
00019976	Replace Chemical Pumps	$ 31.3	$ 31.3	$ -	$ 31.3
00019977	Chemical Rooms	$ 87.5	$ 87.5	$ -	$ 87.5
00019978	Panelboard Covers	$ 55.1	$ 55.1	$ -	$ 55.1
00019980	Replace Panelboard	$ 176.9	$ 176.9	$ -	$ 176.9
00020745	Sample Site	$ 9.0	$ 9.0	$ -	$ 9.0
00020762	Retrofit Tank	$ 163.2	$ 163.2	$ -	$ 163.2
	Large Meter Replacements	$ 104.0	$ 104.0	$ -	$ 104.0
	Small Meter Replacements	$ 215.3	$ 215.3	$ -	$ 215.3
		$ 1,171.7	**$ 1,171.7**	**$ -**	**$ 1,171.7**

2012

Project ID Number	Descriptions	Cal Water Direct	DRA Report	Difference	Settlement
00019859	Mains	$ 52.4	$ 52.4	$ -	$ 52.4
00019868	Hydrants	$ 86.5	$ 86.5	$ -	$ 86.5
00019887	Services	$ 86.8	$ 86.8	$ -	$ 86.8
00019964	Acoustical Pump Shetlers	$ 59.4	$ 59.4	$ -	$ 59.4
00019982	Replace Building Doors	$ 22.7	$ 22.7	$ -	$ 22.7
00019983	Outdoor Lighting	$ 82.1	$ 82.1	$ -	$ 82.1
00019984	Replace Roofs	$ 65.9	$ 65.9	$ -	$ 65.9
00020061	Mains, Hydrants & Services	$ 85.7	$ 85.7	$ -	$ 85.7
00020489	Replace Pump	$ 280.7	$ 280.7	$ -	$ 280.7
00020765	Retrofit Tank	$ 99.6	$ 99.6	$ -	$ 99.6
00020983	Mains	$ 124.5	$ 124.5	$ -	$ 124.5
	Large Meter Replacements	$ 109.0	$ 109.0	$ -	$ 109.0
	Small Meter Replacements	$ 224.0	$ 224.0	$ -	$ 224.0
		$ 1,379.3	**$ 1,379.3**	**$ -**	**$ 1,379.3**

Non-specific capital budgets

2009

Descriptions	Cal Water Direct	DRA Report	Difference	Settlement
Land	$ 0.8	$ 0.7	$ 0.1	$ 0.8
Structures	$ 9.2	$ 8.5	$ 0.7	$ 8.8
Wells	$ 31.4	$ 29.1	$ 2.3	$ 29.9
Storage	$ 1.9	$ 1.8	$ 0.1	$ 1.8
Pumps	$ 77.8	$ 72.0	$ 5.8	$ 74.2
Purification	$ 140.7	$ 130.3	$ 10.4	$ 134.2
Mains	$ 149.3	$ 138.3	$ 11.0	$ 142.4
Streets	$ 7.6	$ 7.0	$ 0.6	$ 7.2
Services	$ 182.3	$ 168.8	$ 13.5	$ 173.9
Meters	$ 79.4	$ 73.5	$ 5.9	$ 75.7
Hydrants	$ 29.2	$ 27.0	$ 2.2	$ 27.8
Equipment	$ 28.7	$ 26.6	$ 2.1	$ 27.4
	$ 738.3	$ 683.7	$ 54.6	$ 704.1

2010

Descriptions	Cal Water Direct	DRA Report	Difference	Settlement
Land	$ 0.8	$ 0.7	$ 0.1	$ 0.8
Structures	$ 9.4	$ 8.5	$ 0.9	$ 8.8
Wells	$ 32.1	$ 29.1	$ 3.0	$ 30.1
Storage	$ 1.9	$ 1.7	$ 0.2	$ 1.8
Pumps	$ 79.4	$ 71.9	$ 7.5	$ 74.5
Purification	$ 143.7	$ 130.2	$ 13.5	$ 134.9
Mains	$ 152.5	$ 138.2	$ 14.3	$ 143.1
Streets	$ 7.7	$ 7.0	$ 0.7	$ 7.2
Services	$ 186.1	$ 168.6	$ 17.5	$ 174.6
Meters	$ 81.1	$ 73.5	$ 7.6	$ 76.1
Hydrants	$ 29.8	$ 27.0	$ 2.8	$ 28.0
Equipment	$ 29.3	$ 26.5	$ 2.8	$ 27.5
	$ 753.8	$ 683.0	$ 70.8	$ 707.4

Non-specific capital budgets con't

2011

Descriptions	Cal Water Direct	DRA Report	Difference	Settlement
Land	$ 0.8	$ 0.7	$ 0.1	$ 0.7
Structures	$ 9.6	$ 8.7	$ 0.9	$ 9.0
Wells	$ 32.8	$ 29.6	$ 3.2	$ 30.7
Storage	$ 2.0	$ 1.8	$ 0.2	$ 1.9
Pumps	$ 81.3	$ 73.4	$ 7.9	$ 76.1
Purification	$ 147.0	$ 132.8	$ 14.2	$ 137.6
Mains	$ 156.0	$ 140.9	$ 15.1	$ 146.0
Streets	$ 7.9	$ 7.1	$ 0.8	$ 7.4
Services	$ 190.4	$ 172.0	$ 18.4	$ 178.2
Meters	$ 83.0	$ 75.0	$ 8.0	$ 77.7
Hydrants	$ 30.5	$ 27.5	$ 3.0	$ 28.5
Equipment	$ 30.0	$ 27.1	$ 2.9	$ 28.1
	$ 771.3	$ 696.6	$ 74.7	$ 721.9

2012

Descriptions	Cal Water Direct	DRA Report	Difference	Settlement
Land	$ 0.8	$ 0.7	$ 0.1	$ 0.8
Structures	$ 9.8	$ 8.9	$ 0.9	$ 9.2
Wells	$ 33.5	$ 30.4	$ 3.1	$ 31.5
Storage	$ 2.0	$ 1.8	$ 0.2	$ 1.9
Pumps	$ 83.0	$ 75.4	$ 7.6	$ 78.0
Purification	$ 150.2	$ 136.4	$ 13.8	$ 141.2
Mains	$ 159.4	$ 144.7	$ 14.7	$ 149.9
Streets	$ 8.1	$ 7.4	$ 0.7	$ 7.6
Services	$ 194.6	$ 176.7	$ 17.9	$ 182.9
Meters	$ 84.8	$ 77.0	$ 7.8	$ 79.7
Hydrants	$ 31.2	$ 28.3	$ 2.9	$ 29.3
Equipment	$ 30.6	$ 27.8	$ 2.8	$ 28.8
	$ 788.0	$ 715.4	$ 72.6	$ 740.8

9.2.7 East Los Angeles District Plant Settlement

Summary of settlement and requests to the Commission:

The Parties request the Commission approve the Settlement plant values established herein under the conditions specified.

DRA and Cal Water request that the Commission allow Cal Water to file an offset Advice Letter for Project 18197 at any time until the effective date of rates in the next general rate case with a capital project cap of $1,911,200 excluding interest during construction. Project 18197 is budgeted to construct a well with treatment, if required, in 2010/2011, so Parties anticipate that it will be filed in 2011. Parties acknowledge that this cap is for advice letter purposes only and that the Commission will review final project costs in the next general rate case.

DRA and Cal Water request that the Commission allow Cal Water to file an offset Advice Letter for Project 20583 at any time until the effective date of rates in the next general rate case with a capital project cap of $3,833,000 excluding interest during construction. Project 20583 is budgeted to construct a well with treatment, if required, in 2010/11, so Parties anticipate that it will be filed in 2012. Parties acknowledge that this cap is for advice letter purposes only and that the Commission will review final project costs in the next general rate case.

DRA and Cal Water request that the Commission allow Cal Water to file an offset Advice Letter for Project 20763 at any time until the effective date of rates in the next general rate case with a capital project cap of $4,626,000 excluding interest during construction. Project 20763 is budgeted to construct a well with treatment, if required, in 2012/13, so Parties anticipate that it will be filed in 2013. Parties acknowledge that this cap is for advice letter purposes only and that the Commission will review final project costs in the next general rate case.

DRA and Cal Water request that the Commission allow Cal Water to file an offset Advice Letter for Project 20670 at any time until the effective date of rates in the next general rate case with a capital project cap of $3,524,000 excluding interest during construction. Project 20670 is budgeted for a storage tank in 2012, so Parties anticipate that it will be filed in 2013. Parties acknowledge that this cap is

for advice letter purposes only and that the Commission will review final project costs in the next general rate case.

Controversial Projects

The dollars (in thousands) shown in the tables below for various capital projects represent the funding for the capital investment and not the respective Test Year revenue requirement for that funding. The more detailed descriptions are for projects where there was a difference between Cal Water and DRA as noted in the DRA Report on the Results of Operation for the East Los Angeles ("East Los Angeles" or "ELA") District, and the resulting funding level agreed to in settlement discussions.

Non-controversial Projects

In addition to the more detailed project descriptions that immediately follow, Cal Water's proposed capital budgets for the years 2009-2012 included a number of projects where DRA did not object to the need for the project and the requested funding. Table A (dollars in thousands) at the end of this section lists these projects, noting Cal Water's project number, a short project description, Cal Water's proposed funding, DRA's recommended funding, and settlement funding. This table does not contain a Cal Water rebuttal column because there were no objections by DRA to Cal Water's proposed project and related funding. The Parties agree that these projects should be approved for inclusion in Utility Plant in the year in which they are proposed to be in service.

Non-Specifics

Following Table A, are comparison tables showing the dollars (in thousands) for Cal Water's non-specific capital budget proposal, DRA's recommendation, the difference and the Settlement. See the Antelope Valley District Plant Settlement for the general discussion on Non-Specific Plant Estimates.

Controversial Projects

2,400 foot main replacement in Jillson Street

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 15956 (2009)	$573.6	N/A	$473.2	$100.4	$473.2

ISSUE: Cal Water proposes installing approximately 2,400 feet of 12-inch main in Jillson Street between Fidelia Avenue and Commerce Way to replace a 6-inch cast iron main that has been in service for about 80 years. Pressures in this section of the service area range from 90 to 100 psi, resulting in periodic leaks due to the condition of the existing main. Also, over the years the demand in this area has increased, resulting in pressure issues during peak periods. There are only two fire hydrants on the existing main and no services. However, by increasing the size of the main during replacement, the main will also provide reliability to the area if the other 12-inch main serving the area that crosses under a freeway is out of service for repair. After the application was filed, Cal Water was able to take advantage of a street reconstruction project in a location that was very close to its originally proposed location, and install the proposed 12-inch main for approximately $100,000 less than requested. DRA agreed with the necessity of the project, as well as the final cost that was $100,400 less than requested. For clarification, the original Cal Water project number assigned to the project, PID 15956, was cancelled when the location was changed, and a new project number, PID 29528, was assigned and used to capture the costs for the installation in the new location.

RESOLUTION: The Parties agree on the final cost of $473,200 for plant in service at the end of 2009 for this project.

Purchase property to construct a well

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 17127 (2009)	$516.5	N/A	$0.0 Cal Water cancelled project	$516.5	$0.0

ISSUE: Cal Water proposes purchasing property in 2009 on which to construct a future well. The ELA District relies on both groundwater and purchased water from the Central Basin Municipal Water District ("CB"). Due to the significant difference in the cost to pump versus purchase, Cal Water proposes constructing additional wells that will allow it to pump its adjudicated rights in the Central Groundwater Basin. Due to the limited property available within its service area, the ELA District proposes looking for property outside of its service area with this project. However, shortly after Cal Water filed its application, the ELA District decided to cancel this project.

RESOLUTION: The Parties agree to Cal Water's cancellation of this project in this GRC. However, it should be noted that, depending on the ability of Cal Water to increase its pumping capacity from several other proposed wells, Cal Water may request a similar type project in the next GRC.

Purchase vehicle for new employee

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 17823 (2009)	$29.2	$29.2	$0.0	$29.2	$29.2

ISSUE: Cal Water proposes purchasing a vehicle including accessories and a mobile radio for a new vehicle. DRA recommended disallowance because the ELA District was not requesting any additional personnel in this GRC. In Rebuttal, ELA noted it had already purchased this vehicle as it was for an additional employee approved in the 2007 GRC that was hired in 2009.

RESOLUTION: The Parties agree to include the requested vehicle in plant for 2009 at Cal Water's requested estimate.

Install iron and manganese treatment at Station 51.

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 18197 (2009)	$1,911.2	See narrative below	$1,911.2 Advice Letter	$0.0 Advice Letter	$1,911.2 Advice Letter

ISSUE: Cal Water proposed installing treatment for iron and manganese removal at its Station 51. The Commission gave approval and Advice Letter status to this project in the 2007 GRC. DRA recommends that Cal Water file an Advice letter with a capped amount of $1,911,200 for this project as originally directed by the Commission in D.08-07-008.

In Rebuttal, Cal Water proposed a different project to replace the treatment project. Before and after filing the application, Cal Water was deciding whether or not it was prudent to install treatment facilities at Station 51 for the following reasons:

- The well at Station 51 was constructed in the early 1950s; therefore, how much longer could the well be expected to be in service?

- The lot size at Station 51 is relatively small, which is why the treatment facilities were actually proposed to be installed at a nearby station. However, of more concern was the ability to maintain an adequate control zone around the well site as required by the revised Waterworks Standards.
- Investment versus the well production. The production from the well has dropped almost 40% from its original capacity.
- Control complexities associated with having the well and treatment facilities at two different sites.
- Cost of the pipeline required to pump the water from the well to the treatment unit.

Another option considered was blending the water from Station 51 with purchased water. However, this still required installation of a chloramination facility so as not to mix chlorinated with chloraminated purchased water. The cost of a pipeline to transmit the well water to a blending location, and again the age of the exiting well, rendered this option as not cost-effective.

A third option is to construct a new well at ELA's Station 58. Benefits of this option are:

- Cost to construct/equip/install treatment is comparable to the estimate for the treatment at Station 51. The estimated cost is $1,917,800 as compared to $1,911,200 for the treatment for Station 51.
- The well will be located adjacent to ELA's 5-MG storage tank and associated booster station. The water from the well, and treatment if required, can be pumped directly to the storage tank from where it can be pumped to the distribution system using the existing booster station.

The third option to construct a new well was proposed by Cal Water as a replacement project for the installation of treatment at Station 51.

RESOLUTION: The Parties agree to the replacement project. The replacement project would be filed as an Advice Letter after the project was completed and in service, and it would be capped at the initially estimated cost of $1,911,200. Cal Water agrees to the Advice Letter and the capped cost.

Replace booster pumps

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 20466 (2010)	$699.8	$699.8	$0.0	$699.8	$699.8
20522 (2011)	$117.9	N/A	$0.0	$117.9	$0.0 Defer
20722 (2011)	$1,252.0	$1,252.0 Possibly defer	$0.0	$1,252.0	$1,252.0

ISSUE: Cal Water proposed replacing booster pumps in three different projects: PID 20466 to replace 40-A & B at Station 40 along with the associated electrical facilities, and construct a new pump house; PID 20522 to replace pumps A & B at Station 59; and PID 20722 to demolish and completely reconstruct Station 4.

For PID 20466, Cal Water noted that the station was addressed in the Water Supply & Facilities Master Plan ("WS&FMP") and was assigned a "fair" rating in the visual inspection within that plan. DRA disagrees with the necessity of the project because the boosters were classified as being in a standby mode. Cal Water had not conducted any recent pump efficiency tests or vibration analyses that DRA felt could justify the project. In DRA's determination, the booster pumps were sufficient to act as standby facilities.

In Rebuttal, Cal Water noted the location of these facilities relative to the street right-of-way, making the station susceptible to traffic incidents, of which it had had one where a vehicle went through the fence, as well as vandalism. The hydro-pneumatic tank is only a few feet from the curb. The current pump house is a corrugated metal building, and the pumps/motors were installed in the late 1940s. Should a purchased water connection be out of service, this station would be able to supply water to one of the ELA pressure zones.

For PID 20522, Cal Water notes that the motors/pumps have reached the end of their 20-year expected design life. DRA notes that the facilities both had an efficiency greater than 60%, and therefore do not need to be replaced at this time.

Cal Water did not submit any rebuttal.

For PID 20722, Cal Water noted the pumps were installed from the late 1930s to the mid 1940s. The pumps have been out of service for quite awhile because of their age and they are not serviceable. Cal Water proposes utilizing this station in order to be able to move some of the groundwater between several of its reservoirs. Currently, due to operational restrictions by not having this pumping station operating, this District cannot take advantage and move the less expensive groundwater between reservoirs. The project includes replacing the wood and stucco pump house, and replacing all of the pumping equipment and related electrical facilities, install SCADA. DRA states there is insufficient evidence to justify the project, primarily because presently Cal Water can only utilize one of its wells to pump groundwater to both reservoirs.

In Rebuttal, Cal Water noted that it is actively pursuing the construction of additional wells in order to increase the groundwater production. Upon completion of the next well to be constructed at Station 53, there will be

additional groundwater available to utilize the rebuilt pump station proposed for project 20722.

RESOLUTION: The Parties agree to include requested projects 20466 and 20722 in plant for 2010 and 2011, respectively, at Cal Water's requested estimate, and to defer Project 20522. This was part of an overall settlement for the ELA District whereby Cal Water agrees with DRA to defer the pump station replacement (PID 20522) as well as the construction of a 1.5-MG storage tank (PID 20488). Reference the discussion below related to Project 20488.

Construct three wells

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 20583 (2010)	$3,833.0	$3,833.0	$0.0	$3,833.0	$3,833.0 Advice Letter
PID 20759 (2011)	$4,433.0	$4,433.0	$0.0	$4,433.0	$0.0 Defer
PID 20763 (2012)	$4,626.0	$4,626.0	$0.0	$4,626.0	$4,626.0 Advice Letter

ISSUE: Cal Water proposed constructing three wells over a three-year period including purchasing property outside of the service area, and the construction and equipping of the wells including the installation of the main to bring the water to the service area. The water supply for the ELA District is a combination of pumped groundwater and water purchased from the Central Basin Municipal Water District ("CB"). Based upon Cal Water's analysis, the cost to pump groundwater, even if it requires treatment, is cost-beneficial to the ratepayers when compared to the ever-increasing cost of purchased water. There is also

the issue of reliability associated with being less dependent on purchased water. However, Cal Water realizes there is a minimum production required from a new well in order to reach the cost-benefit level for the customer. Based upon its most recent experience, Cal Water does not believe there is an issue of whether or not a new well will have the required capacity. DRA recommended disallowance because it was unclear to them if the projects would be cost-effective for the ratepayers at this time. DRA's analysis used most of the same assumptions as did Cal Water in their WS&FMP, but DRA updated the relevant costs. Based upon a 40-year life, the projects would be cost-effective. However, this assumes treatment would not be required. According to DRA, if treatment is required, then the projects may no longer be cost-effective. DRA used an annual production of 700 AF/year as the breakeven point without treat. If treatment is required, DRA determined the breakeven production for the highest cost well would be about 1,300 AF/year.

DRA noted that Cal Water proposed a similar project in the 2007 GRC where it received approval as an Advice Letter. DRA recommends that Cal Water use the information gathered from this project to determine whether or not those requested in the 2009 GRC would be cost-effective. Therefore, DRA recommended that Cal water file a separate application when information from that previous project is available to justify the cost-effectiveness of these three proposed wells.

In Rebuttal, Cal Water noted that the project referenced as being addressed/approved in the 2007 GRC (PID 16074) would not be able to provide the information DRA was referring to in order to be able to justify the three proposed wells. The scope of that project changed when the property purchase was unsuccessful, so the funds are being used to construct a well in a different location within the service area. However, the reason for looking for property and constructing a well outside of the ELA service area is that the groundwater quality is very good and does not require treatment, and the production is

projected to be at least double what can be obtained from within the service area. Using DRA's range of 700 AF with no treatment to 1300 AF with treatment for cost-effectiveness, this equates to a production range of 500 gallons per minute ("gpm") to 900 gpm if the well is online 90% of the time. Wells outside of the service area in the locations to be targeted typically are in the 2,000 gpm and higher range.

RESOLUTION: The Parties agree to two of the three well projects with Advice Letter caps at Cal Water's estimated cost as noted in the table above.

Main replacement in Olympic Blvd.

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 20652 (2010)	$706.0	$0.0 Cancelled	$500.6	($500.6)	$0.0

ISSUE: Cal Water proposed replacing approximately 2,600 feet of 8-inch cast iron and steel main due to leaks and flow restrictions due to tuberculation in the mains. DRA agreed with the necessity of the project, but adjusted the estimated cost based upon using unit costs from another Cal Water estimate. However, Cal Water cancelled the project after it was informed of an excavation moratorium in Olympic Blvd.

RESOLUTION: The Parties agree the project was cancelled by Cal Water so it is not an issue in this GRC.

Construct 1.5-MG Storage Tank

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 20488 (2011)	$1404.9	$1,404.9	$0.0	$1,404.9	$0.0 Defer

ISSUE: Cal Water proposed constructing a 1.5-MG steel storage tank at its Station 55 to help the supply in one of its zones. The storage in the zone has a significant deficit based upon the Water Supply & Facilities Master Plan ("WS&FMP"). DRA believes the project is not justified, primarily due to the criteria Cal Water uses to determine the overall storage requirements. DRA disagreed with the fundamental assumptions of the WS&FMP regarding operational and emergency storage, and believes that Cal water should pursue backup power on groundwater wells (including future wells) as a cost-effective alternative to additional storage.

In Rebuttal, Cal Water addressed the assumptions made in the WS&FMP. Cal Water also noted that it is not common for the level in the tanks to be full up to the overflow, so using the capacity of the tanks to determine the current storage is not prudent. Also, power failures are not the only reason a well is off-line, so installing generators is not a guarantee the well will be operational when needed.

RESOLUTION: The Parties agree to disagree on the validity of the assumptions of the WS&FMP. The Parties agree to continue discussions regarding the WS&FMP after the GRC to determine reasonable assumptions Company-wide in regard to storage requirements. The Parties agree to defer the construction of this 1.5-MG tank as part of an overall settlement agreement.

Construct 2.0-MG Storage Tank

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 20670 (2012)	$3,688.0	$3,688.0	$0.0	$3,688.0	$3,524.0 Advice Letter

ISSUE: Cal Water proposed demolishing a 1.5-MG underground concrete reservoir and replacing it with an aboveground steel tank. Included with the reservoir replacement is replacement of several booster motor/pump assemblies and related site work. Cal Water noted the project was necessary to reduce the overall storage deficit in the Reservoir 4 Zone. The existing reservoir was constructed in 1922, and the current pumps/motors were installed in 1990. DRA believes the project was not necessary due to basic disagreements in the way storage requirements are calculated in the Water Supply and Facilities Master Plans ("WS&FMPs"). Also, DRA noted that the information in the justification for two reservoirs was in error, noting the size of two reservoirs to be smaller than actual based upon the information in the WS&FMP. For this particular reservoir, the justification noted it as 0.5-MG when it is actually 1.5-MG. Therefore, DRA noted that this was not a cost-effective project based on only adding 0.5 MG. Also, DRA noted that the pumps proposed to be replaced were still operating efficiently and did not need to be replaced.

In Rebuttal, Cal Water noted that the project should not be deferred because the storage reservoir is not in good condition. Pictures provided noted the condition of the reservoir including numerous cracks in the walls and floor, many of which have had sealant applied to them over the years; extreme corrosion on the inlet pipe, and what appears to be a tree root protruding through the wall near the inlet pipe, all of which compromise the structural integrity of the reservoir. As to the

error in the size of the reservoir, Cal Water believes it corrected this in response to a data request.

RESOLUTION: After DRA's review of Cal Water's rebuttal and subsequent discussions with District and engineering personnel, the Parties agree to allow the project, but requested an additional review of the estimated cost, primarily to eliminate the replacement of several of the booster pump/motors. Cal Water submitted a revised estimate to DRA, which reduced the estimated cost to $3,524,000. The Parties agree to the 2012 project if it is filed as an Advice Letter, with a cap of $3,524,000, upon completion of the work. Cal Water agrees to the reduced estimate and for the project to be filed as an Advice Letter.

Table A: Non-controversial plant projects

2009

Project ID Number	Descriptions	Cal Water Direct	DRA Report	Difference	Settlement
00011390	Services	$ 47.4	$ 47.4	$ -	$ 47.4
00015196	Ext Tank Painting	$ 21.8	$ 21.8	$ -	$ 21.8
00015707	Int & Roof Tank Painting	$ 152.2	$ 152.2	$ -	$ 152.2
00015882	Mains & Services	$ 89.2	$ 89.2	$ -	$ 89.2
00015891	Mains, Hydrants & Services	$ 75.0	$ 75.0	$ -	$ 75.0
00016078	Mains	$ 158.5	$ 158.5	$ -	$ 158.5
00017056	Booster Pumps	$ 63.4	$ 63.4	$ -	$ 63.4
00017071	Booster Pumps	$ 49.1	$ 49.1	$ -	$ 49.1
00017129	Reservoir	$ 1,510.1	$ 1,510.1	$ -	$ 1,510.1
00017450	Replace CP System	$ 5.4	$ 5.4	$ -	$ 5.4
00017452	Replace CP System	$ 5.4	$ 5.4	$ -	$ 5.4
00017478	Security Mitigation	$ 1.8	$ 1.8	$ -	$ 1.8
00017479	Security Mitigation	$ 51.6	$ 51.6	$ -	$ 51.6
00017480	Security Mitigation	$ 104.4	$ 104.4	$ -	$ 104.4
00017716	Vehicles	$ 27.5	$ 27.5	$ -	$ 27.5
00019877	Safety Equip	$ 2.2	$ 2.2	$ -	$ 2.2
00021068	Vehicles & Equipment	$ 45.5	$ 45.5	$ -	$ 45.5
00021070	Vehicles	$ 26.7	$ 26.7	$ -	$ 26.7
00024929	Vehicles & Equipment	$ 46.6	$ 46.6	$ -	$ 46.6
	Small Meter Replacements	$ 125.8	$ 125.8	$ -	$ 125.8
		$ 2,609.6	**$ 2,609.6**	**$ -**	**$ 2,609.6**

2010

Project ID Number	Descriptions	Cal Water Direct	DRA Report	Difference	Settlement
00014758	Vehicles & Equipment	$ 80.3	$ 80.3	$ -	$ 80.3
00017617	Vehicles & Equipment	$ 83.8	$ 83.8	$ -	$ 83.8
00020250	Power Generators	$ 253.8	$ 253.8	$ -	$ 253.8
00020456	Seismic Retrofit	$ 156.1	$ 156.1	$ -	$ 156.1
00020565	Mains, Hydrants & Services	$ 84.9	$ 84.9	$ -	$ 84.9
00020619	Mains & Services	$ 119.2	$ 119.2	$ -	$ 119.2
00020641	SCADA	$ 14.7	$ 14.7	$ -	$ 14.7
00020645	Locating Equipment	$ 18.2	$ 18.2	$ -	$ 18.2
00020647	Replace Furniture	$ 35.7	$ 35.7	$ -	$ 35.7
00020654	Generator	$ 271.0	$ 271.0	$ -	$ 271.0
00020870	Mains, Hydrants & Services	$ 44.7	$ 44.7	$ -	$ 44.7
00020891	Field Tools	$ 16.0	$ 16.0	$ -	$ 16.0
00020951	Replace Computers	$ 9.4	$ 9.4	$ -	$ 9.4

Table A: Non-controversial plant projects con't

00020963	Mains & Services	$ 56.3	$ 56.3	$ -	$ 56.3
00020970	Replace Floor	$ 32.4	$ 32.4	$ -	$ 32.4
00020977	Replace Chem Pumps & Injectors	$ 10.7	$ 10.7	$ -	$ 10.7
00021000	Vehicles & Equipment	$ 41.6	$ 41.6	$ -	$ 41.6
00021020	Equipment	$ 17.6	$ 17.6	$ -	$ 17.6
00021044	Replace CL2 Analyzer	$ 5.9	$ 5.9	$ -	$ 5.9
00021149	Gunite Slope	$ 56.7	$ 56.7	$ -	$ 56.7
00021152	Retrofit Eyewash	$ 4.4	$ 4.4	$ -	$ 4.4
	Small Meter Replacement	$ 130.8	$ 130.8	$ -	$ 130.8
		$ 1,544.2	**$ 1,544.2**	**$ -**	**$ 1,544.2**

2011

Project ID Number	Descriptions	Cal Water Direct	DRA Report	Difference	Settlement
00014762	Vehicles	$ 42.9	$ 42.9	$ -	$ 42.9
00020367	Mains, Hydrants & Services	$ 335.0	$ 335.0	$ -	$ 335.0
00020495	Pump Equipment	$ 221.2	$ 221.2	$ -	$ 221.2
00020508	Pumps & Structures	$ 388.1	$ 388.1	$ -	$ 388.1
00020648	Sampling Stations	$ 32.4	$ 32.4	$ -	$ 32.4
00020693	Mains & Hydrants	$ 91.7	$ 91.7	$ -	$ 91.7
00020900	Vehicles & Equipment	$ 42.8	$ 42.8	$ -	$ 42.8
00020903	Vehicles & Equipment	$ 35.7	$ 35.7	$ -	$ 35.7
00020920	Mains & Services	$ 52.2	$ 52.2	$ -	$ 52.2
00021150	Mains, Hydrants & Services	$ 245.4	$ 245.4	$ -	$ 245.4
00021181	Replace Chem Pumps & Injectors	$ 11.1	$ 11.1	$ -	$ 11.1
00021248	Mains	$ 39.2	$ 39.2	$ -	$ 39.2
	Small Meter Replacement	$ 136.0	$ 136.0	$ -	$ 136.0
		$ 1,673.7	**$ 1,673.7**	**$ -**	**$ 1,673.7**

2012

Project ID Number	Descriptions	Cal Water Direct	DRA Report	Difference	Settlement
00020190	Replace Generator	$ 217.0	$ 217.0	$ -	$ 217.0
00020283	Mains, Hydrants & Services	$ 410.8	$ 410.8	$ -	$ 410.8
00020592	Site Improvements	$ 419.5	$ 419.5	$ -	$ 419.5
00020823	Vehicles & Equipment	$ 44.5	$ 44.5	$ -	$ 44.5
00020824	Vehicles & Equipment	$ 39.7	$ 39.7	$ -	$ 39.7
00021184	Replace Chem Pumps	$ 11.8	$ 11.8	$ -	$ 11.8
	Small Meter Replacement	$ 141.5	$ 141.5	$ -	$ 141.5
		$ 1,284.8	**$ 1,284.8**	**$ -**	**$ 1,284.8**

Non-specific capital budgets

2009

Descriptions	Cal Water Direct	DRA Report	Difference	Settlement
Land	$ 8.1	$ 7.5	$ 0.6	$ 7.7
Structures	$ 8.3	$ 7.7	$ 0.6	$ 7.9
Wells	$ 2.9	$ 2.7	$ 0.2	$ 2.8
Storage	$ 15.8	$ 14.6	$ 1.2	$ 15.1
Pumps	$ 109.0	$ 100.9	$ 8.1	$ 104.0
Purification	$ 39.3	$ 36.4	$ 2.9	$ 37.5
Mains	$ 195.7	$ 181.2	$ 14.5	$ 186.8
Streets	$ 114.1	$ 105.7	$ 8.4	$ 108.9
Services	$ 201.2	$ 186.3	$ 14.9	$ 192.0
Meters	$ 179.6	$ 166.3	$ 13.3	$ 171.4
Hydrants	$ 50.6	$ 46.9	$ 3.7	$ 48.3
Equipment	$ 9.4	$ 8.7	$ 0.7	$ 9.0
	$ 934.0	$ 864.9	$ 69.1	$ 891.4

2010

Descriptions	Cal Water Direct	DRA Report	Difference	Settlement
Land	$ 8.2	$ 7.4	$ 0.8	$ 7.7
Structures	$ 8.5	$ 7.7	$ 0.8	$ 8.0
Wells	$ 3.0	$ 2.7	$ 0.3	$ 2.8
Storage	$ 16.2	$ 14.7	$ 1.5	$ 15.2
Pumps	$ 111.3	$ 100.8	$ 10.5	$ 104.5
Purification	$ 40.1	$ 36.3	$ 3.8	$ 37.7
Mains	$ 199.8	$ 181.0	$ 18.8	$ 187.6
Streets	$ 116.5	$ 105.5	$ 11.0	$ 109.4
Services	$ 205.4	$ 186.1	$ 19.3	$ 192.9
Meters	$ 183.4	$ 166.2	$ 17.2	$ 172.2
Hydrants	$ 51.7	$ 46.8	$ 4.9	$ 48.6
Equipment	$ 9.6	$ 8.7	$ 0.9	$ 9.0
	$ 953.7	$ 864.0	$ 89.7	$ 895.6

Non-specific capital budgets con't

2011

Descriptions	Cal Water Direct	DRA Report	Difference	Settlement
Land	$ 8.4	$ 7.6	$ 0.8	$ 7.9
Structures	$ 8.7	$ 7.9	$ 0.8	$ 8.1
Wells	$ 3.0	$ 2.7	$ 0.3	$ 2.8
Storage	$ 16.5	$ 14.9	$ 1.6	$ 15.5
Pumps	$ 113.9	$ 102.9	$ 11.0	$ 106.7
Purification	$ 41.0	$ 37.0	$ 4.0	$ 38.4
Mains	$ 204.4	$ 184.7	$ 19.7	$ 191.5
Streets	$ 119.2	$ 107.7	$ 11.5	$ 111.7
Services	$ 210.2	$ 189.9	$ 20.3	$ 196.9
Meters	$ 187.6	$ 169.5	$ 18.1	$ 175.7
Hydrants	$ 52.8	$ 47.7	$ 5.1	$ 49.5
Equipment	$ 9.8	$ 8.9	$ 0.9	$ 9.2
	$ 975.5	$ 881.3	$ 94.2	$ 913.9

2012

Descriptions	Cal Water Direct	DRA Report	Difference	Settlement
Land	$ 8.6	$ 7.8	$ 0.8	$ 8.1
Structures	$ 8.9	$ 8.1	$ 0.8	$ 8.4
Wells	$ 3.1	$ 2.8	$ 0.3	$ 2.9
Storage	$ 16.9	$ 15.3	$ 1.6	$ 15.9
Pumps	$ 116.4	$ 105.7	$ 10.7	$ 109.5
Purification	$ 41.9	$ 38.0	$ 3.9	$ 39.4
Mains	$ 208.9	$ 189.7	$ 19.2	$ 196.5
Streets	$ 121.8	$ 110.6	$ 11.2	$ 114.6
Services	$ 214.7	$ 194.9	$ 19.8	$ 202.0
Meters	$ 191.7	$ 174.0	$ 17.7	$ 180.4
Hydrants	$ 54.0	$ 49.0	$ 5.0	$ 50.8
Equipment	$ 10.0	$ 9.1	$ 0.9	$ 9.4
	$ 996.9	$ 905.1	$ 91.8	$ 937.9

9.2.8 Hermosa-Redondo District Plant Settlement

Summary of Settlement and requests to the Commission:

The Parties request the Commission approve the Settlement plant values established herein under the conditions specified.

Controversial Projects

The dollars (in thousands) shown in the tables below for various capital projects represent the funding for the capital investment and not the respective Test Year revenue requirement for that funding. The more detailed descriptions are for projects where there was a difference between Cal Water and DRA as noted in the DRA Report on the Results of Operation for the Hermosa-Redondo District, and the resulting funding level agreed to in settlement discussions.

Non-controversial Projects

In addition to the more detailed project descriptions that immediately follow, Cal Water's proposed capital budgets for the years 2009-2012 included a number of projects where DRA did not object to the need for the project and the requested funding. Table A (dollars in thousands) at the end of this section lists these projects, noting Cal Water's project number, a short project description, Cal Water's proposed funding, DRA's recommended funding, and settlement funding. This table does not contain a Cal Water rebuttal column because DRA did not object to Cal Water's proposed project and related funding. The Parties agree that these projects should be approved for inclusion in Utility Plant in the year in which they are proposed to be in service.

Non-Specifics

Following Table A are comparison tables showing the dollars (in thousands) for Cal Water's non-specific capital budget, DRA's recommendation, the difference and the Settlement. See the Antelope Valley District Plant Settlement for the general discussion on Non-Specific Plant Estimates.

Controversial Projects

Main replacement in Green Lane

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 12959 (2009)	$136.9	$136.9	$102.4	$34.5	$136.9

ISSUE: Cal Water proposed replacing over 800 feet of 2-inch unlined cast iron main, approximately 70 years old, along with reconnecting the existing services. DRA agrees with the necessity of the project, but adjusted the replacement cost based upon the unit cost provided in another proposed main replacement project.

In Rebuttal, Cal Water noted that the Cal Water project that DRA used for reference had been completed, and the actual cost was significantly more than Cal Water estimated. There were additional paving requirements, inspection fees and compaction testing imposed by the City of Redondo Beach that were not in effect when the project was estimated. Cal Water expects these same conditions to be imposed on it for the Green Lane project. Therefore, Cal Water requested its estimated cost for the main replacement.

RESOLUTION: The Parties agree with Cal Water's estimated cost for the replacement.

Paint interior of Station 9, Reservoir 9A

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 20022 (2009)	$191.2	$185.6	$142.9	$42.7	$185.6

ISSUE: Cal Water proposed recoating the interior of this tank because it has deteriorated and is not providing the necessary corrosion protection for the tank. The coating was initially applied in 1953, and only a section of it was recoated in 1991. Cal Water's estimated cost for this work was based on costs from prior Cal Water projects of similar scope. DRA agreed with the need for the work, but estimated a lower cost of the project because the roof area appeared to be double-counted based upon the square footage on Cal Water's calculation sheet.

In Rebuttal, Cal Water noted that the work had been completed at a cost of $185,600, including a pending receipt of an invoice for the cathodic protection. Cal Water addressed the apparent double counting of the roof by confirming that its form includes the roof and the floor area in the section noted as "roof."

RESOLUTION: The Parties agree with the cost of the project at Cal Water's completed cost of $185,600.

Paint interior of Station 5, Reservoir 10B

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 19742 (2010)	$381.4	$261.3	$261.3	$0.0	$261.3

ISSUE: Cal Water proposed recoating the interior roof of this tank because it has deteriorated and is not providing the necessary corrosion protection for the tank. The most recent recoating was applied in 1993. Cal Water's estimated cost for this work is based on costs from prior Cal Water projects of similar scope. DRA agreed with the need for the work, but estimated a lower cost of the project because of a lower unit cost per square foot on a similar sized tank in the Hermosa-Redondo system.

In Rebuttal, Cal Water noted DRA's estimate is acceptable.

RESOLUTION: The Parties agree to DRA's estimated cost of $261,200.

Replace generator at Station 29

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 19900 (2010)	$189.3	$130.0	$130.0	$0.0	$130.0

ISSUE: Cal Water proposed to replace this 30-year old generator that requires major repairs. DRA agrees with the project, but adjusted the estimated cost based upon a response from Cal Water to a data request. In that response, Cal Water noted that a different project should have been referenced for the replacement cost.

In Rebuttal, Cal Water noted that the estimate by DRA is acceptable.

RESOLUTION: The Parties agree to DRA's estimated cost of $130,000.

Paint exterior of four tanks located at Station 9 and one tank at Station 27

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 20035 (2010)	$476.6	$476.6	$274.9	$201.7	$375.4

ISSUE: Cal Water proposed painting the exterior of these five tanks because they have deteriorated and are not providing the necessary corrosion protection for the tank. The exteriors were last painted in 1997, except for the roofs on

several tanks that were done in 2004 and 2006. All exterior coatings exhibit chalking, fungi, scattered rust, blistering, cracking and coating delamination. Cal Water's estimated cost for this work was based on costs from prior Cal Water projects of similar scope. DRA agrees with the need for the work on two of the five tanks, but recommends that three of the tank paintings be deferred. DRA adjusted the estimated cost to reflect repainting only two tanks.

In Rebuttal, Cal Water noted that deferring three of the five tanks will result in ultimately higher total costs due to additional mobilization of a contractor when the other three are scheduled. Also, the sites themselves will appear disorderly and incomplete until such time all five are completed. If several of the tanks are deferred, then Cal Water runs the risk associated with the additional time in the harsh marine environment of having to do a total replacement of the coatings on those three as opposed to the over-coating proposed at this time. A complete replacement is more expensive than the over-coating.

In settlement discussion, Cal Water provided documentation from a tank painting contractor relative to the costs associated with doing the tanks now and the type of work entailed, versus waiting and the expected type of work and coating needed at that time. Based upon that information, DRA recalculated the estimated costs for the five tanks to be $375,400, to which Cal Water agrees.

RESOLUTION: The Parties agree to DRA's revised cost of $375,400.

Main replacements at various locations

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 20137 (2010)	$130.7	$130.7	$0.0	$130.7	$130.7
20132 (2011)	$134.6	$134.6	$0.0	$134.6	$134.6
20139 (2011)	$139.4	$139.4	$0.0	$139.4	$0.0 Defer
20440 (2012)	$126.1	$126.1	$0.0	$126.1	$0.0 Defer

ISSUE: Cal Water proposed replacing various pipelines, along with reconnecting associated services and fire hydrants to the new main, at various locations within the distribution system due to flow restrictions, water quality issues, fire flow, and to some extent, leaks. DRA recommended disallowing all four of the projects noted above because Cal Water could not provide evidence that the existing main did not meet the required operational fire flow or that the water quality was inadequate. Also, the local fire authority did not request the projects.

In Rebuttal, Cal Water explained that all of the main replacements are a combination of 2-inch and 4-inch unlined cast iron that have been in service for more than 60 years and none of them have hydrants. Therefore, no fire flow testing could have been done for these mains.

RESOLUTION: The Parties agree to two of the proposed main replacements and deferral of the other two as noted in the table above.

Paint interior of Station 9, Reservoir 9D

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 20498 (2010)	$315.7	$315.7	$218.6	$97.1	$315.7

ISSUE: Cal Water proposed recoating the interior of this tank because it has deteriorated and is not providing the necessary corrosion protection for the tank. The coating was initially applied in 1965, and only a section of it was recoated in 1992. Cal Water's estimated cost for this work was based on costs from prior Cal Water projects of similar scope. DRA agreed with the need for the work, but estimated a lower cost of the project because the roof area appeared to be double-counted based upon the square footage on Cal Water's calculation sheet.

In Rebuttal, Cal Water addressed the apparent double counting of the roof by confirming that its form includes the roof and the floor area in the section noted as "roof." Therefore, the roof is not double-counted.

RESOLUTION: The Parties agree to Cal Water's estimated cost of $315.7.

Replace existing seismic connections on two reservoirs

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 19934 (2011)	$283.0	$283.0	$0.0	$283.0	$0.0

ISSUE: Cal Water proposed replacing existing "accordion style" flexible piping with flex-tend extensions on five tanks at Reservoirs 5 and 6 to reduce the possibility of leaks through these connections and to reduce damage to the

reservoirs should there be a seismic event. DRA disagrees with the necessity at this time because there have not been any leaks or loss of water through these connections. The facilities should be upgraded, but the work should be done in a more gradual manner. DRA approved a seismic upgrade at another Hermosa-Redondo site for a 2010 project.

In Rebuttal, Cal Water noted the importance of having the newer style connections to these tanks. Waiting another four years until the next GRC decision means these tanks are that much more vulnerable should there be an earthquake in the South Bay.

RESOLUTION: The Parties agree to defer this project until the 2012 GRC.

Purchase portable generator

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 19945 (201)	$175.3	$175.3	$104.1	$71.2	$140.0

ISSUE: Cal Water proposed replacing this 30-year old generator that requires major repairs. DRA agrees with the project, but adjusted the estimated cost based upon a response from Cal Water to a data request. In that response, Cal Water noted that a different project should have been referenced for the replacement cost.

In Rebuttal, Cal Water explained that the estimate used by DRA only accounts for the generator and one transfer switch, whereas this generator is potentially to be used at a number of stations. Therefore, transfer switches are proposed to be installed at all the stations where the generator might be used in an emergency.
RESOLUTION: The Parties agree to DRA's revised estimate of $140,000.

Main replacement in 15th Street

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 20396 (2012)	$166.8	$166.8	$130.2	$36.6	$166.8

ISSUE: Cal Water proposed replacing 660 feet of 4-inch cast iron main, along with reconnecting associated services to the new main, due to flow restrictions, water quality issues, fire flow, and to some extent, leaks. A fire hydrant will also be installed. A portion of the main was installed in 1937 and another in 1952. DRA agrees with the necessity of the project, but adjusted the replacement cost based upon the unit cost provided in another proposed main replacement project.

In Rebuttal, Cal Water explained that the Cal Water project that DRA used for reference had been completed, and the actual cost was significantly more than Cal Water estimated. There were additional paving requirements, inspection fees and compaction testing imposed by the City of Redondo Beach that were not in effect when the project was estimated. Cal Water expects these same conditions to be imposed on it for the Green Lane project. Therefore, Cal Water requested its estimated cost for the main replacement.

RESOLUTION: The Parties agree with Cal Water's estimated cost for the replacement.

Table A: Non-controversial plant projects

2009

Project ID Number	Descriptions	Cal Water Direct	DRA Report	Difference	Settlement
00012938	Services	$ 6.6	$ 6.6	$ -	$ 6.6
00012955	Services	$ 3.8	$ 3.8	$ -	$ 3.8
00017160	Mains, Hydrants and Services	$ 268.6	$ 268.6	$ -	$ 268.6
00017292	Fence & Landscape	$ 1.3	$ 1.3	$ -	$ 1.3
00017299	Site Improvements	$ 14.3	$ 14.3	$ -	$ 14.3
00017338	Generator	$ 175.0	$ 175.0	$ -	$ 175.0
00017676	Replace Pressure Tanks	$ 81.7	$ 81.7	$ -	$ 81.7
00017843	Replace Vault Lids	$ 10.8	$ 10.8	$ -	$ 10.8
00017883	Security Mitigation	$ 33.5	$ 33.5	$ -	$ 33.5
00020570	Tank Painting	$ 60.5	$ 60.5	$ -	$ 60.5
	Small Meter Replacements	$ 268.6	$ 268.6	$ -	$ 268.6
		$ 924.7	**$ 924.7**	**$ -**	**$ 924.7**

2010

Project ID Number	Descriptions	Cal Water Direct	DRA Report	Difference	Settlement
00019337	Replace Roof Cover	$ 21.6	$ 21.6	$ -	$ 21.6
00019860	Earthquake Retrofit	$ 70.8	$ 70.8	$ -	$ 70.8
00019870	Earthquake Retrofit	$ 108.6	$ 108.6	$ -	$ 108.6
00020060	Replace Panelboards	$ 341.0	$ 341.0	$ -	$ 341.0
00020087	Mains & Services	$ 46.1	$ 46.1	$ -	$ 46.1
00020135	Mains & Services	$ 54.7	$ 54.7	$ -	$ 54.7
00020163	Replace Pump	$ 30.1	$ 30.1	$ -	$ 30.1
00020313	Mains & Services	$ 235.6	$ 235.6	$ -	$ 235.6
00020373	Hydrants	$ 45.9	$ 45.9	$ -	$ 45.9
	Small Meter Replacements	$ 279.4	$ 279.4	$ -	$ 279.4
		$ 1,233.8	**$ 1,233.8**	**$ -**	**$ 1,233.8**

2011

Project ID Number	Descriptions	Cal Water Direct	DRA Report	Difference	Settlement
00020119	Mains & Services	$ 64.8	$ 64.8	$ -	$ 64.8
00020132	Mains & Services	$ 134.6	$ 134.6	$ -	$ 134.6
00020167	Replace Media	$ 71.3	$ 71.3	$ -	$ 71.3
00020194	Mains & Services	$ 69.9	$ 69.9	$ -	$ 69.9
00020376	Replace Hydrants	$ 50.2	$ 50.2	$ -	$ 50.2
00020680	Sample Site	$ 9.0	$ 9.0	$ -	$ 9.0
00020757	Seismic Retrofit	$ 14.4	$ 14.4	$ -	$ 14.4
	Small Meter Replacements	$ 290.5	$ 290.5	$ -	$ 290.5
		$ 704.7	**$ 704.7**	**$ -**	**$ 704.7**

Table A: Non-controversial plant projects con't

2012

Project ID Number	Descriptions	Cal Water Direct	DRA Report	Difference	Settlement
00019951	Replace Panelboard	$ 156.3	$ 156.3	$ -	$ 156.3
00020085	Retrofit Tank	$ 49.2	$ 49.2	$ -	$ 49.2
00020088	Panelboard Shelter	$ 14.1	$ 14.1	$ -	$ 14.1
00020180	Replace Vault Covers	$ 11.4	$ 11.4	$ -	$ 11.4
00020249	Mains & Services	$ 69.1	$ 69.1	$ -	$ 69.1
00020377	Replace Hydrants	$ 55.0	$ 55.0	$ -	$ 55.0
	Small Meter Replacements	$ 302.2	$ 302.2	$ -	$ 302.2
		$ 657.3	**$ 657.3**	**$ -**	**$ 657.3**

Non-specific capital budgets

2009

Descriptions	Cal Water Direct	DRA Report	Difference	Settlement
Land	$ 0.1	$ 0.1	$ 0.0	$ 0.1
Structures	$ 15.5	$ 14.4	$ 1.1	$ 14.8
Wells	$ 1.5	$ 1.4	$ 0.1	$ 1.4
Storage	$ 6.3	$ 5.8	$ 0.5	$ 6.0
Pumps	$ 35.1	$ 32.5	$ 2.6	$ 33.5
Purification	$ 18.4	$ 17.0	$ 1.4	$ 17.6
Mains	$ 171.2	$ 158.5	$ 12.7	$ 163.4
Streets	$ 27.2	$ 25.2	$ 2.0	$ 26.0
Services	$ 576.3	$ 533.7	$ 42.6	$ 550.0
Meters	$ 216.9	$ 200.8	$ 16.1	$ 207.0
Hydrants	$ 41.3	$ 38.2	$ 3.1	$ 39.4
Equipment	$ 4.9	$ 4.5	$ 0.4	$ 4.7
	$ 1,114.7	$ 1,032.2	$ 82.5	$ 1,063.9

2010

Descriptions	Cal Water Direct	DRA Report	Difference	Settlement
Land	$ 0.1	$ 0.1	$ 0.0	$ 0.1
Structures	$ 15.9	$ 14.4	$ 1.5	$ 14.9
Wells	$ 1.6	$ 1.4	$ 0.2	$ 1.5
Storage	$ 6.5	$ 5.9	$ 0.6	$ 6.1
Pumps	$ 35.9	$ 32.5	$ 3.4	$ 33.7
Purification	$ 18.7	$ 16.9	$ 1.8	$ 17.6
Mains	$ 174.8	$ 158.3	$ 16.5	$ 164.1
Streets	$ 27.8	$ 25.2	$ 2.6	$ 26.1
Services	$ 588.5	$ 533.0	$ 55.5	$ 552.5
Meters	$ 221.5	$ 200.6	$ 20.9	$ 207.9
Hydrants	$ 42.2	$ 38.2	$ 4.0	$ 39.6
Equipment	$ 5.0	$ 4.5	$ 0.5	$ 4.7
	$ 1,138.5	$ 1,031.2	$ 107.3	$ 1,068.8

Non-specific capital budgets con't

2011

Descriptions	Cal Water Direct	DRA Report	Difference	Settlement
Land	$ 0.1	$ 0.1	$ 0.0	$ 0.1
Structures	$ 16.2	$ 14.6	$ 1.6	$ 15.2
Wells	$ 1.6	$ 1.4	$ 0.2	$ 1.5
Storage	$ 6.6	$ 6.0	$ 0.6	$ 6.2
Pumps	$ 36.7	$ 33.1	$ 3.6	$ 34.4
Purification	$ 19.2	$ 17.3	$ 1.9	$ 18.0
Mains	$ 178.9	$ 161.6	$ 17.3	$ 167.5
Streets	$ 28.5	$ 25.7	$ 2.8	$ 26.7
Services	$ 602.0	$ 543.6	$ 58.4	$ 563.6
Meters	$ 226.6	$ 204.6	$ 22.0	$ 212.2
Hydrants	$ 43.2	$ 39.0	$ 4.2	$ 40.4
Equipment	$ 5.1	$ 4.6	$ 0.5	$ 4.8
	$ 1,164.7	$ 1,051.8	$ 112.9	$ 1,090.6

2012

Descriptions	Cal Water Direct	DRA Report	Difference	Settlement
Land	$ 0.1	$ 0.1	$ 0.0	$ 0.1
Structures	$ 16.6	$ 15.1	$ 1.5	$ 15.6
Wells	$ 1.7	$ 1.5	$ 0.2	$ 1.6
Storage	$ 6.7	$ 6.1	$ 0.6	$ 6.3
Pumps	$ 37.5	$ 34.0	$ 3.5	$ 35.3
Purification	$ 19.6	$ 17.8	$ 1.8	$ 18.4
Mains	$ 182.8	$ 165.9	$ 16.9	$ 171.9
Streets	$ 29.1	$ 15.1	$ 14.0	$ 15.6
Services	$ 615.2	$ 558.4	$ 56.8	$ 578.7
Meters	$ 231.5	$ 210.1	$ 21.4	$ 217.7
Hydrants	$ 44.1	$ 40.0	$ 4.1	$ 41.5
Equipment	$ 5.2	$ 4.7	$ 0.5	$ 4.9
	$ 1,190.1	$ 1,068.9	$ 121.2	$ 1,107.6

9.2.9 Kern River Valley District Plant Settlement

Summary of Settlement and requests to the Commission:

The Parties request the Commission approve the Settlement plant values established herein under the conditions specified.

Controversial Projects

The dollars (in thousands) shown in the tables below for various capital projects represent the funding for the capital investment and not the respective Test Year revenue requirement for that funding. The more detailed descriptions are for projects where there was a difference between Cal Water and DRA as noted in the DRA Report on the Results of Operation for the Kern River Valley District, and the resulting funding level agreed to in Settlement discussions.

Non-controversial Projects

In addition to the more detailed project descriptions that immediately follow, Cal Water's proposed capital budgets for the years 2009-2012 included a number of projects where DRA did not object to the need for the project and the requested funding. Table A (dollars in thousands) at the end of this section lists these projects, noting Cal Water's project number, a short project description, Cal Water's proposed funding, DRA's recommended funding, and Settlement funding. This table does not contain a Cal Water rebuttal column because DRA did not object to Cal Water's proposed project and related funding. The Parties agree that these projects should be approved for inclusion in Utility Plant in the year in which they are proposed to be in service.

Non-Specifics

Following Table A, are comparison tables showing the dollars (in thousands) for Cal Water's non-specific capital budget proposal, DRA's recommendation, the difference and the Settlement. See the Antelope Valley District Plant Settlement for the general discussion on Non-Specific Plant Estimates.

Controversial Projects

Reactivate Well 001-01 in the Onyx system

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 20286 (2010)	$500.0	$500.0	$0.0	$500.0	$325.7

ISSUE: Cal Water proposed reactivating Well 001-01 in the Onyx system in order to provide additional supply during high demand periods and emergencies such as a fire. Cal Water will blend the water from Well 001-01, which has uranium, with water from another well before sending the blended water to the distribution system. By blending the well water, the Company will avoid costs associated with constructing an additional treatment plant. Included with the proposed project is the construction of a 10,000-gallon blending tank and a small booster station, along with related electrical facilities and an emergency generator. DRA disagreed with the necessity of the project. Cal Water noted that the capacity deficit in the Kern River Valley Water Supply & Facilities Master Plan ("WS&FMP") for year 2030 demand is 200 gpm. However, DRA noted this deficit to be 110 gpm. Based upon calculations by DRA using the capacity of the existing Well 004-01, they determined the system does not have a deficit. Therefore, DRA recommends disallowing this project.

In Rebuttal, Cal Water corrected the naming convention for the Onyx wells. Well 004-01 is a leased well, whereas Well 004-02 is owned by Cal Water. Both wells are currently active. However, as noted above, Well 004-01 is a leased well, and Cal Water does not plan to renew the lease due to the following operational concerns: the well is not always available for Cal Water's use 24 hours a day, and it is not automated, requiring Cal Water personnel to visit the site several

times a day to start and stop the well as needed. Cal Water is also required to fill the lessor's small storage tank with non-chlorinated water before it uses the well.

In settlement discussions, Cal Water agreed to revisit the estimate and see if any cost reductions could be implemented. Cal Water reduced the estimated cost by removing the emergency generator and reducing the initial well rehab costs.

RESOLUTION: The Parties agree with Cal Water's revised cost noted in the table above.

Replace 2,200 feet of small diameter main

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 20401 (2010)	$337.7	$337.7	$301.3	$36.4	$301.3

ISSUE: Cal Water proposed replacing approximately 2,200 feet of small diameter main with 8-inch pipe in order to remove a distribution system restriction for the water from the new surface water treatment plant booster station. Sustained pressures of 150 psi are noted when the booster station is running. Increasing the size of the mains will eliminate the restriction and allow for a more efficient operation. DRA agreed with the necessity of the project, but adjusted the estimated cost of construction based upon a lower unit cost for the reconnection of 36 services to the new main. The lower unit cost DRA used is from another Cal Water project.

In Rebuttal, Cal Water noted that Project 20401 involves relocating mains from behind homes to the front of the property. As such, there are additional costs associated with reconnecting the customers' private plumbing that are not associated with the project DRA used for its unit cost.

RESOLUTION: The Parties agree to DRA's estimated cost of $301,300 for this project.

Replace 4,250 feet of small diameter main

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 20285 (2011)	$556.8	$556.8	$494.5	$62.3	$494.5

ISSUE: Cal Water proposed replacing approximately 4,250 feet of 4-inch, 50-year old, main with 6-inch pipe. The existing main, located behind several customers' homes, is exposed in several areas, and has experienced a number of leaks over the years. The current location of the main makes it difficult to determine when the leak occurs unless Cal Water is notified by the homeowner. DRA agreed with the necessity of the project, but adjusted the estimated cost of construction based upon a lower unit cost, taken from another project, for the reconnection of 42 services to the new main.

In Rebuttal, Cal Water noted that Project 20285 involves relocating mains from behind homes to the front of the properties. As such, there are additional costs associated with reconnecting the customers' private plumbing that are not associated with the project DRA used for its unit cost.

RESOLUTION: The Parties agree to DRA's estimated cost of $494,500 for this project.

Install approximately 1,200 feet of main to tie-in Countrywood

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 20667 (2010)	$192.3	$192.3	$127.2	$65.1	$192.3

ISSUE: Cal Water proposed installing approximately 1,200 feet of 6-inch diameter main in order to connect the Countrywood and Arden distribution systems. DRA agreed with the necessity of the project, but adjusted the estimated cost of construction based upon a lower unit cost for the main installation from another proposed Cal Water project.

In Rebuttal, Cal Water noted that Project 20667 involves installing a main in a State highway with limited working hours, traffic control, flagman, boring under the highway, all costs that are not associated with the project DRA used for reference.

RESOLUTION: The Parties agree to Cal Water's estimated cost for this project.

Office improvements

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 21326 (2012)	$108.0	$108.0	$0.0	$108.0	$0.0 Defer

ISSUE: Cal Water proposed renovations to its district office including painting inside and out, replacing the carpet, installing a new perimeter fence, and other miscellaneous improvements. DRA disagreed with the necessity of the project at this time based upon the view of the office, inside and out, during the field tour.

RESOLUTION: The Parties agree to defer this project.

Construct 100,000-gallon storage tank at Station 002 in South Lake

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 21468 (2012)	$562.3	$279.0	$0.0	$279.0	$0.0 Defer

ISSUE: Cal Water proposed constructing a 100,000-gallon tank in the South Lake system in order to reduce the 294,000 gallon and 317,000 gallon storage deficiency based upon its calculations for existing and build-out conditions, respectively. DRA disagreed with the necessity of the project based upon the information in the Kern River Valley Water Supply & Facilities Master Plan ("WS&FMP") where it stated "Existing available storage capacity is sufficient to meet 2030 requirements in all systems." Therefore, DRA recommended disallowance of this 2012 project.

In Rebuttal, Cal Water noted its justification was prepared before the WS&FMP was completed for the Kern River Valley District. Two systems – South Lake and Squirrel Mountain – were combined due to water supply and water quality in the Squirrel Valley system. With the systems combined, Cal Water does not believe that the storage is adequate. Page 219 of the WS&FMP recommends improvement due to the lack of storage between the two systems as recommended improvement. Also, the WS&FMP storage analysis assumptions are based upon the tanks being full. Rarely is this a reality for any system. Typically, 75 percent is probably a better value to use for the available storage at any one point in time. Therefore, the WS&FMP overstated the available current storage. Also, a March 15, 2010, letter from DPH recommended the additional

storage for the South Lake system. It should be noted that Cal Water revised its estimated cost for the tank to $279,000 from its initial $562,300.

RESOLUTION: The Parties agree to disagree on the validity of the assumptions of the WS&FMP. The Parties agree to continue discussions regarding the WS&FMP after the GRC to determine reasonable assumptions Company-wide in regard to storage requirements. The Parties agree to defer the construction of this 100,000-gallon tank.

Table A: Non-controversial plant projects

2009

Project ID Number	Descriptions	Cal Water Direct	DRA Report	Difference	Settlement
00015636	Tank Painting & Equipment	$ 48.3	$ 48.3	$ -	$ 48.3
00017383	Replace Booster Pump	$ 2.7	$ 2.7	$ -	$ 2.7
00020280	Mains, Hydrants & Services	$ 46.7	$ 46.7	$ -	$ 46.7
00020281	Mains & Services	$ 130.1	$ 130.1	$ -	$ 130.1
00020404	Corrosion Control	$ 5.4	$ 5.4	$ -	$ 5.4
00020406	Tank Painting	$ 50.2	$ 50.2	$ -	$ 50.2
00020417	CP System	$ 10.9	$ 10.9	$ -	$ 10.9
00020517	Back-Up Booster	$ 17.5	$ 17.5	$ -	$ 17.5
00021466	Pall Membrane	$ 106.5	$ 106.5	$ -	$ 106.5
	Small Meter Replacements	$ 0.8	$ 0.8	$ -	$ 0.8
		$ 419.1	**$ 419.1**	**$ -**	**$ 419.1**

2010

Project ID Number	Descriptions	Cal Water Direct	DRA Report	Difference	Settlement
00014855	Safety Climb	$ 2.7	$ 2.7	$ -	$ 2.7
00020364	Back-Up Generator	$ 48.6	$ 48.6	$ -	$ 48.6
00020386	Mains	$ 36.7	$ 36.7	$ -	$ 36.7
00020395	Mains	$ 21.1	$ 21.1	$ -	$ 21.1
00021037	Vehicles & Equipment	$ 34.7	$ 34.7	$ -	$ 34.7
	Small Meter Replacements	$ 0.8	$ 0.8	$ -	$ 0.8
		$ 144.6	**$ 144.6**	**$ -**	**$ 144.6**

2011

Project ID Number	Descriptions	Cal Water Direct	DRA Report	Difference	Settlement
00020408	Tank Painting	$ 23.9	$ 23.9	$ -	$ 23.9
00020415	Tank Painting & Equipment	$ 59.3	$ 59.3	$ -	$ 59.3
00020416	Replace Membranes	$ 56.2	$ 56.2	$ -	$ 56.2
00020939	Vehicle Equipment	$ 83.8	$ 83.8	$ -	$ 83.8
00020941	Vehicles & Equipment	$ 39.6	$ 39.6	$ -	$ 39.6
	Small Meter Replacements	$ 0.9	$ 0.9	$ -	$ 0.9
		$ 263.7	**$ 263.7**	**$ -**	**$ 263.7**

2012

Project ID Number	Descriptions	Cal Water Direct	DRA Report	Difference	Settlement
00020842	Vehicle Equipment	$ 78.1	$ 78.1	$ -	$ 78.1
00021309	Back-Up Booster	$ 11.1	$ 11.1	$ -	$ 11.1
00021310	Pump Equipment	$ 16.8	$ 16.8	$ -	$ 16.8
00021311	Back-Up Booster	$ 43.2	$ 43.2	$ -	$ 43.2
00021312	Tools	$ 10.8	$ 10.8	$ -	$ 10.8
00021313	Air Compressor	$ 30.3	$ 30.3	$ -	$ 30.3
	Small Meter Replacements	$ 0.6	$ 0.6	$ -	$ 0.6
		$ 190.9	**$ 190.9**	**$ -**	**$ 190.9**

Non-specific capital budgets

2009

Descriptions	Cal Water Direct	DRA Report	Difference	Settlement
Land	$ -	$ -	$ -	$ -
Structures	$ 13.8	$ 12.8	$ 1.0	$ 13.2
Wells	$ 0.4	$ 0.4	$ 0.0	$ 0.4
Storage	$ 33.7	$ 31.2	$ 2.5	$ 32.1
Pumps	$ 48.7	$ 45.1	$ 3.6	$ 46.4
Purification	$ 24.8	$ 23.0	$ 1.8	$ 23.6
Mains	$ 60.7	$ 56.2	$ 4.5	$ 57.9
Streets	$ -	$ -	$ -	$ -
Services	$ 1.0	$ 0.9	$ 0.1	$ 1.0
Meters	$ 0.8	$ 0.8	$ -	$ 0.8
Hydrants	$ -	$ -	$ -	$ -
Equipment	$ 5.2	$ 4.8	$ 0.4	$ 5.0
	$ 189.1	$ 175.2	$ 13.9	$ 180.4

2010

Descriptions	Cal Water Direct	DRA Report	Difference	Settlement
Land	$ -	$ -	$ -	$ -
Structures	$ 5.3	$ 4.8	$ 0.5	$ 5.0
Wells	$ 0.4	$ 0.4	$ 0.0	$ 0.4
Storage	$ 34.4	$ 31.2	$ 3.2	$ 32.3
Pumps	$ 49.8	$ 45.1	$ 4.7	$ 46.8
Purification	$ 25.3	$ 22.9	$ 2.4	$ 23.8
Mains	$ 62.0	$ 56.2	$ 5.8	$ 58.2
Streets	$ -	$ -	$ -	$ -
Services	$ 1.0	$ 0.9	$ 0.1	$ 0.9
Meters	$ 0.9	$ 0.8	$ 0.1	$ 0.8
Hydrants	$ -	$ -	$ -	$ -
Equipment	$ 5.3	$ 4.8	$ 0.5	$ 5.0
	$ 184.4	$ 167.0	$ 17.4	$ 173.2

Non-specific capital budgets con't

2011

Descriptions	Cal Water Direct	DRA Report	Difference	Settlement
Land	$ -	$ -	$ -	$ -
Structures	$ 14.4	$ 13.0	$ 1.4	$ 13.5
Wells	$ 0.4	$ 0.4	$ 0.0	$ 0.4
Storage	$ 35.2	$ 31.8	$ 3.4	$ 33.0
Pumps	$ 50.9	$ 46.0	$ 4.9	$ 47.7
Purification	$ 25.9	$ 23.4	$ 2.5	$ 24.2
Mains	$ 63.4	$ 57.3	$ 6.1	$ 59.4
Streets	$ -	$ -	$ -	$ -
Services	$ 1.1	$ 1.0	$ 0.1	$ 1.0
Meters	$ 0.9	$ 0.8	$ 0.1	$ 0.8
Hydrants	$ -	$ -	$ -	$ -
Equipment	$ 5.4	$ 4.9	$ 0.5	$ 5.1
	$ 197.6	$ 178.5	$ 19.1	$ 185.1

2012

Descriptions	Cal Water Direct	DRA Report	Difference	Settlement
Land	$ -	$ -	$ -	$ -
Structures	$ 14.7	$ 13.3	$ 1.4	$ 13.8
Wells	$ 0.4	$ 0.4	$ 0.0	$ 0.4
Storage	$ 36.0	$ 32.7	$ 3.3	$ 33.8
Pumps	$ 52.0	$ 47.2	$ 4.8	$ 48.9
Purification	$ 26.4	$ 24.0	$ 2.4	$ 24.8
Mains	$ 64.8	$ 58.8	$ 6.0	$ 60.9
Streets	$ -	$ -	$ -	$ -
Services	$ 1.1	$ 1.0	$ 0.1	$ 1.0
Meters	$ 0.9	$ 0.8	$ 0.1	$ 0.8
Hydrants	$ -	$ -	$ -	$ -
Equipment	$ 5.6	$ 5.1	$ 0.5	$ 5.3
	$ 201.9	$ 183.3	$ 18.6	$ 189.7

9.2.10 King City District Plant Settlement

Summary of Settlement and requests to the Commission:

The Parties request the Commission approve the Settlement plant values established herein under the conditions specified.

Controversial Projects

Figures (in thousands of dollars) shown in the tables below for various capital projects represent the funding for the capital investment and not the respective Test Year revenue requirement for that funding. The more detailed descriptions represent projects where there was a difference between Cal Water and DRA as noted in the DRA Report on the Results of Operation for the King City District, and the resulting funding level agreed to in settlement discussions. All figures are noted in thousands.

Non-controversial Projects

In addition to the more detailed project descriptions that immediately follow, Cal Water's proposed capital budgets for the years 2009-2012 included a number of projects where DRA did not object to the need for the project and the requested funding. Table A (dollars in thousands) at the end of this section lists these projects, noting Cal Water's project number, a short project description, Cal Water's proposed funding, DRA's recommended funding, and Settlement funding. This table does not contain a Cal Water rebuttal column because DRA did not object to Cal Water's proposed project and related funding. The Parties agree that these projects should be approved for inclusion in Utility Plant in the year in which they are proposed to be in service.

Non-Specifics

Following Table A, are comparison tables showing the dollars (in thousands) for Cal Water's non-specific capital budget proposal, DRA's recommendation, the difference and the Settlement. See the Antelope Valley District Plant Settlement for the general discussion on Non-Specific Plant Estimates.

Controversial Projects

Main replacement in Division Street

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 11021 (2009)	$259.0	$259.0	$0.0	$259.0	$259.0

ISSUE: Cal Water proposed replacing about 1,500 feet of a 50-year old 6-inch transit main with 12-inch ductile iron main to improve the fire flow and the transfer of water due to increasing demand from growth. DRA disagreed with the need at this time because the growth in the "Downtown Addition" and the "Eastern Extension" was still five to ten years distant. DRA also disagreed with the reference to increasing fire flow. Based upon information Cal Water provided, the fire flow capacity in the 6-inch main is just under 1,650 gpm, although Cal Water noted the local fire flow requirement is 2,000 gpm. DRA noted the local fire authority did not request the project, and referenced General Order 103-A relative to the responsibility for replacing mains to provide fire flow. Therefore, DRA recommended deferring the project to the next GRC contingent upon Cal Water providing sufficient evidence that the project is necessary to provide for future growth at that time.

In Rebuttal, Cal Water noted that the project is scheduled to begin in March of 2010, with an estimated completion in April. Cal Water also included a 2010 letter from the City Manager requesting Cal Water examine the City's lack of adequate fire flow pressure throughout the City with specific attention requested along the south eastern quadrant. Therefore, Cal Water requested its estimated cost for the main replacement.

RESOLUTION: The Parties agree to Cal Water's estimated cost for the replacement.

Construct new operations center

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 15153 (2009 & 2010)	$293.4	N/A	$0.0	$293.4	$0.0 Defer

ISSUE: Cal Water proposed constructing a new operations center due to the growth that has taken place within the district requiring additional storage space and the inclusion of a shop area. The facility would be constructed on property already purchased, located in a more central location within the city. The building is also proposed to serve as an emergency center. DRA disagrees with the project at this time.

Based upon their inspection during the field tour, DRA concluded the existing center is sufficient for the current use considering three of the six district employees are field personnel with limited time in the office. Additionally, Cal Water is not requesting additional personnel in this GRC. DRA noted Cal Water does not have a clear estimate of what the final facility may cost, but it will be greater than the current $1,500 a month lease cost.

RESOLUTION: The Parties agree to remove this project from consideration for this GRC.

Bitterwater Road main installation

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 18053 (2010)	$107.5/$57.5	N/A	$57.5	$0.0	$57.5

ISSUE: Cal Water proposed installing a 12-inch main under the railroad track at Bitterwater Road to increase the reliability of the supply to the area north of the tracks. Currently, water flows through an 8-inch galvanized main installed in 1965. The 12-inch ductile iron main will provide both increased reliability and fire flow to the area. DRA agrees with the project, but notes that the original estimated cost of the project provided by Cal Water was $107,250, while the project justification noted the estimate was revised to $57,500. However, Cal Water had not reflected this revised estimate in its work papers. DRA recommends the project be approved at the revised estimate of $57,500.

RESOLUTION: The Parties agree on the revised estimate of $57,500.

Main replacements at various locations

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 21268 (2010)	$358.4	$358.4	$0.0	$358.4	$358.4 (2011)
21301 (2011)	$395.6	$395.6	$0.0	$395.6	$0.0 Defer
21332 (2011 & 2012)	$561.0	$561.0	$0.0	$561.0	$343.7 (2011 & 2012)
21303 (2012)	$412.5	$412.5	$0.0	$412.5	$0.0 Defer

ISSUE: Cal Water proposed Projects 21268, 21301 & 21303 as Phases 1, 2 and 3 of a larger project replacing approximately 3,625 feet of 50-year old 4-inch to 8-inch main with a 14-inch main to improve the flow into areas projected for growth. Also, Cal Water noted the isolation valves on the existing mains are not functional. DRA recommended disallowance of all three of these projects because of their high estimated cost and ultimate effect on the rates, in addition to the projected growth will occur 10 years in the future.

For Project 21332, a multi-year project in 2011 and 2012, Cal Water proposed installing approximately 1,700 feet of 12-inch main to provide additional flow from the west section of the service area to the eastern area where the growth is projected. Cal Water revised its estimated cost for the two-phased project to $169,158 for 2011 and $174,570 for 2012, reducing the two-year total from $561,000 to $343,728.

In Rebuttal, Cal Water noted the importance of replacing/installing all of the mains to be able to fully utilize the recently constructed wells and to be able to provide better water quality as well as flow to the growth areas.

RESOLUTION: The Parties agree to three of the five proposed main replacements and to defer the other two as noted above. Project 21268 will be deferred from 2010 until 2011, and the two phases of Project 21332 are to be done in 2011 and 2012.

Table A: Non-controversial plant projects

2009

Project ID Number	Descriptions	Cal Water Direct	DRA Report	Difference	Settlement
00015609	Tank Painting	$ 34.5	$ 34.5	$ -	$ 34.5
00017619	Vehicles	$ 32.9	$ 32.9	$ -	$ 32.9
00017649	Security Mitigation	$ 2.2	$ 2.2	$ -	$ 2.2
00017650	Security Mitigation	$ 29.0	$ 29.0	$ -	$ 29.0
00017651	Security Mitigation	$ 18.5	$ 18.5	$ -	$ 18.5
00017720	Vehicles	$ 32.9	$ 32.9	$ -	$ 32.9
00018082	Mains	$ 87.8	$ 87.8	$ -	$ 87.8
	Small Meter Replacements	$ 25.6	$ 25.6	$ -	$ 25.6
		$ 263.4	**$ 263.4**	**$ -**	**$ 263.4**

2010

Project ID Number	Descriptions	Cal Water Direct	DRA Report	Difference	Settlement
00020729	Replace Pump Motor	$ 13.7	$ 13.7	$ -	$ 13.7
	Small Meter Replacements	$ 26.7	$ 26.7	$ -	$ 26.7
		$ 40.4	**$ 40.4**	**$ -**	**$ 40.4**

2011

Project ID Number	Descriptions	Cal Water Direct	DRA Report	Difference	Settlement
00020733	Replace Pump	$ 89.6	$ 89.6	$ -	$ 89.6
	Small Meter Replacements	$ 27.7	$ 27.7	$ -	$ 27.7
		$ 117.3	**$ 117.3**	**$ -**	**$ 117.3**

Table A: Non-controversial plant projects con't

2012

Project ID Number	Descriptions	Cal Water Direct	DRA Report	Difference	Settlement
	Small Meter Replacements	$ 28.8	$ 28.8	$ -	$ 28.8
		$ 28.8	**$ 28.8**	**$ -**	**$ 28.8**

Non-specific capital budgets

2009

Descriptions	Cal Water Direct	DRA Report	Difference	Settlement
Land	$ -	$ -	$ -	$ -
Structures	$ -	$ -	$ -	$ -
Wells	$ -	$ -	$ -	$ -
Storage	$ 0.3	$ 0.3	$ 0.0	$ 0.3
Pumps	$ 22.3	$ 20.7	$ 1.6	$ 21.3
Purification	$ -	$ -	$ -	$ -
Mains	$ 1.9	$ 1.8	$ 0.1	$ 1.8
Streets	$ 10.1	$ 9.4	$ 0.7	$ 9.6
Services	$ 40.4	$ 37.4	$ 3.0	$ 38.6
Meters	$ 9.3	$ 8.6	$ 0.7	$ 8.9
Hydrants	$ 2.9	$ 2.7	$ 0.2	$ 2.8
Equipment	$ 3.8	$ 3.5	$ 0.3	$ 3.6
	$ 91.0	$ 84.3	$ 6.7	$ 86.9

2010

Descriptions	Cal Water Direct	DRA Report	Difference	Settlement
Land	$ -	$ -	$ -	$ -
Structures	$ -	$ -	$ -	$ -
Wells	$ -	$ -	$ -	$ -
Storage	$ 0.3	$ 0.3	$ 0.0	$ 0.3
Pumps	$ 22.8	$ 20.7	$ 2.1	$ 21.4
Purification	$ -	$ -	$ -	$ -
Mains	$ 1.9	$ 1.7	$ 0.2	$ 1.8
Streets	$ 10.3	$ 9.3	$ 1.0	$ 9.7
Services	$ 41.3	$ 37.4	$ 3.9	$ 38.8
Meters	$ 9.5	$ 8.6	$ 0.9	$ 8.9
Hydrants	$ 3.0	$ 2.7	$ 0.3	$ 2.8
Equipment	$ 3.8	$ 3.4	$ 0.4	$ 3.6
	$ 92.9	$ 84.2	$ 8.7	$ 87.3

Non-specific capital budgets con't

2011

Descriptions	Cal Water Direct	DRA Report	Difference	Settlement
Land	$ -	$ -	$ -	$ -
Structures	$ -	$ -	$ -	$ -
Wells	$ -	$ -	$ -	$ -
Storage	$ 0.3	$ 0.3	$ 0.0	$ 0.3
Pumps	$ 23.3	$ 21.1	$ 2.2	$ 21.9
Purification	$ -	$ -	$ -	$ -
Mains	$ 2.0	$ 1.8	$ 0.2	$ 1.9
Streets	$ 10.5	$ 9.5	$ 1.0	$ 9.8
Services	$ 42.2	$ 38.1	$ 4.1	$ 39.6
Meters	$ 9.7	$ 8.8	$ 0.9	$ 9.1
Hydrants	$ 3.1	$ 2.8	$ 0.3	$ 2.9
Equipment	$ 3.9	$ 3.5	$ 0.4	$ 3.7
	$ 95.0	$ 85.9	$ 9.1	$ 89.2

2012

Descriptions	Cal Water Direct	DRA Report	Difference	Settlement
Land	$ -	$ -	$ -	$ -
Structures	$ -	$ -	$ -	$ -
Wells	$ -	$ -	$ -	$ -
Storage	$ 0.3	$ 0.3	$ 0.0	$ 0.3
Pumps	$ 23.9	$ 21.7	$ 2.2	$ 22.4
Purification	$ -	$ -	$ -	$ -
Mains	$ 2.0	$ 1.8	$ 0.2	$ 1.9
Streets	$ 10.8	$ 9.8	$ 1.0	$ 10.1
Services	$ 43.2	$ 39.2	$ 4.0	$ 40.6
Meters	$ 9.9	$ 9.0	$ 0.9	$ 9.3
Hydrants	$ 3.1	$ 2.8	$ 0.3	$ 2.9
Equipment	$ 4.0	$ 3.6	$ 0.4	$ 3.8
	$ 97.2	$ 88.2	$ 9.0	$ 91.3

9.2.11 Livermore District Plant Settlement

Summary of Settlement and requests to the Commission:

The Parties request the Commission approve the Settlement plant values established herein under the conditions specified.

Controversial Projects

The dollars (in thousands) shown in the tables below for various capital projects represent the funding for the capital investment and not the respective Test Year revenue requirement for that funding. The more detailed descriptions are for projects where there was a difference between Cal Water and DRA as noted in the DRA Report on the Results of Operation for the Livermore District and the resulting funding level agreed to in settlement discussions.

Non-controversial Projects

In addition to the more detailed project descriptions that immediately follow, Cal Water's proposed capital budgets for the years 2009-2012 included a number of projects where DRA did not object to the need for the project and the requested funding. Table A (dollars in thousands)at the end of this section lists these projects, noting Cal Water's project number, a short project description, Cal Water's proposed funding, DRA's recommended funding, and settlement funding. This table does not contain a Cal Water rebuttal column because DRA did not object to Cal Water's proposed project and related funding. The Parties agree that these projects should be approved for inclusion in Utility Plant in the year in which they are proposed to be in service.

Non-Specifics

Following Table A, are comparison tables showing the dollars (in thousands) for Cal Water's non-specific capital budget proposal, DRA's recommendation, the difference and the Settlement. See the Antelope Valley District Plant Settlement for the general discussion on Non-Specific Plant Estimates.

Controversial Projects

Replace distribution check valves

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 16061 (2009)	$168.7	$124.0	$0.0	$124.0	$124.0

ISSUE: Cal Water proposed replacing check valves in various locations throughout the distribution system. The valves are leaking and are not repairable. DRA disallowed this project as part of its overall specific main/service/hydrant disallowance because Cal Water did not provide adequate information for DRA to evaluate the necessity of the replacements.

In Settlement discussions, Cal Water noted that the project was reviewed and approved in the 2007 GRC at an estimated cost of $124,000. The project has been completed.

RESOLUTION: The Parties agree to the cost of $124,000 from the 2007 GRC.

Install generator, replace panel board, add SCADA at Station 25

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 16947 (2009)	$210.6	$210.6	$0.0	$210.60	Actual not to exceed $210.6

ISSUE: Cal Water proposed installing an emergency generator, replace the electrical panel board and add SCADA to its Station 25 for reliability for its Zone

685. DRA stated that this project was submitted for review and approval in the last GRC, and that Cal Water and DRA agreed to defer it to the next GRC. DRA also noted that because the existing SCADA RTUs have a four-hour battery backup, that a generator is not required. Also, because there already is SCADA at the site, SCADA does not need to be installed. DRA did not recommend approval of this project.

In settlement discussions, Cal Water noted that the project was not agreed to be deferred during the 2007 GRC, but instead was approved as a 2009 project at an estimated cost of $210,600. Also, the project has been completed.

RESOLUTION: The Parties agree to the actual cost of the project not to exceed the $210,600 approved in the 2007 GRC.

Replace main in South Livermore Avenue

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 17016 (2009)	$436.0	$420.4	$0.0	$420.4	$420.4

ISSUE: Cal Water proposed replacing approximately 900 feet of 50-year old 8-inch cast iron and steel main in South Livermore due to extensive internal corrosion. The project will also remove the existing lead fittings associated with the main. DRA disallowed this project as part of its overall specific main/service/hydrant disallowance because Cal Water did not provide adequate information for DRA to evaluate the necessity of the replacements.

In settlement discussions, Cal Water noted that the project was not agreed to be deferred during the 2007 GRC, but instead the Commission approved it as a

2009 project at an estimated cost of $420,400. Cal Water recently reached an agreement with the City relative to its location.

RESOLUTION: The Parties agree to the $420,400 estimated cost of the project approved in the 2007 GRC.

Pump replacement program

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 17083 (2009)	$60.5	$60.5	$0.0	$60.5	$60.5
17084 (2009)	$63.2	Cancelled	$48.2	($48.2)	$0.0
16949 (2010)	$221.9	None	$161.0	$60.9	$161.0
20547 (2012)	$30.0	Cancelled	$0.0	$0.0	$0.0
20550 (2011)	$100.6	$80.0	$0.0	$80.0	$80.0
20552 (2010)	$92.5	None	$0.0	$92.5	$0.0
20553 (2010)	$45.4	$30.0	$30.0	$0.0	$30.0
20556 (2011)	$60.1	$45.0	$0.0	$45.0	$45.0
21361 (2012)	$107.2	Cancelled	$0.0	$0.0	$0.0
21362 (2011)	$176.4	$176.4	$0.0	$176.4	$176.4

ISSUE: Cal Water proposed replacing pumps at a number of stations over the four-year period of 2009-2012. The replacements were proposed due to low efficiency motors and reductions in operating efficiency creating low pressure issues in some areas during peak hour and peak day demand. DRA disagreed with a number of Cal Water's justifications, and recommended disallowance for a number of them. DRA noted that some of the replacements would yield very little savings based upon the small increases in efficiency. Reference the Livermore Report on the Results of Operations dated February 17, 2010, for details on the various projects. For several of the projects, DRA agreed with the replacement, but recommended a lower cost.

In Rebuttal, Cal Water noted the projects it had cancelled, as well as those where it revised the estimated cost or requested its initial cost. For 2009 Project 17083, it was completed and placed into service. For Projects 20550 and 20556, Cal Water revised its estimate to $80,000 and $45,000, respectively. For Project 20553, DRA removed the energy monitoring equipment, which reduced the estimate to $30,000. Cal Water agreed in Rebuttal. For Project 21362, Cal Water noted that the scope of work entailed replacing two 1955 vintage pump/motors whose recent efficiencies were 49% and 50.5%, as well as replacing the panel board. The pumps are operating well below their original design specifications.

RESOLUTION: The table above captures the agreement between the Parties related to the various pump replacements proposed by Cal Water.

Security mitigation installations at various stations

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 17695 (2009)	$77.4	$74.9	$0.0	$74.9	$74.9
17696 (2009)	$118.2	$114.4	$114.4	$0.0	$114.4

ISSUE: Cal Water proposed installing mitigation facilities at various stations throughout its service area based upon recommendations in the Vulnerability Assessment prepared several years ago. DRA noted that Project 17696 was approved in the 2007 GRC for $114,400, but stated that Project 17695 was not approved, and therefore recommended it not be allowed.

In Rebuttal, Cal Water noted that Project 17695 was approved as well in the 2007 GRC for $74,900.

RESOLUTION: The Parties agree on both 2009 projects at the costs noted in the table above.

Tank turnover equipment

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 18696 (2010)	$315.1	$315.1	$0.0	$315.1	$315.1

ISSUE: Cal Water proposed installing water circulation equipment, seismic retrofits on the inlet/outlet piping, additional relocation of site piping and paving at two tanks at Station 23. Cal Water proposed the water circulation equipment to minimize, and hopefully eliminate, nitrification in the tank due to minimal turnover in the tanks. Turnover is presently accomplished by drawing down the level in the tanks to 40% capacity or less, then filling back up. The inlet/outlet seismic retrofits are to minimize structural damage to the tanks during an earthquake. DRA did not agree with the project because Cal Water did not provide information on how frequently Cal Water had to draw down and then replenish the tanks. Therefore, DRA could not completely analyze the necessity of the project. DRA recommended disallowance of the project.

In Rebuttal, Cal Water presented the benefits of tank circulation that merely drawing down the tank level cannot provide. Also, the circulation equipment negates the potential effect of having the tanks drawn down to 40%.

RESOLUTION: The Parties agree, as part of an overall settlement plan that included approval and deferral of several projects, to recommend approval of the project at a cost of $315,100.

Tank painting at two stations

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 19627 (2010)	$282.2	None	$193.1	$89.1	$193.1
19630 (2011)	$610.4	$610.4	$340.3	$270.1	$340.3

ISSUE: Cal Water proposed coating the inside of tank 1 at Station 23 (PID 19627) and painting the outside of two tanks at Station 23 due to the condition of the interior of the one tank and the exterior of the two tanks. DRA agree with the projects, but disagrees on their estimated costs. DRA estimated its costs based upon data from other Cal Water projects and recommends its costs be approved.

In Rebuttal for Project 19630, Cal Water noted the representative project DRA used does not take into account the type of paint that needs to be removed from the Station 23 tanks. The paint will be classified as hazardous and will require additional cost for its removal and disposal.

RESOLUTION: The Parties agree, as part of an overall settlement plan that included approval and deferral of several projects, to accept DRA's revised estimate for Projects 19627 and 19630.

Install energy monitoring equipment at various well and booster stations

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 20331 (2010 & 2012)	$233.6	$233.6	$0.0	$233.6	$0.0 Defer

ISSUE: Cal Water proposed the installation of equipment and implementation of its power monitoring program throughout the Company in 2010 and 2011. Cal Water stated in the December 22, 2009, meeting with DRA personnel that the pilot program in Marysville will have results and analysis in the form of a full cost-benefit analysis by November 2010. Cal Water has been including the energy monitoring equipment in all new pump stations. The addition of the equipment maximizes overall system management in daily operations by automatically tracking energy consumption, well levels and water flow from zone to zone, therefore minimizing manual data collection. The new equipment is important and fundamental to the way Cal Water conducts business, in the present and future, and will improve the level of customer service by enabling Cal Water to react quicker to problems with equipment and/or to minimize damage to equipment through real-time monitoring. In addition to providing important information for strategic operation, the power meters are critical in protecting the motors and other sensitive equipment such as control transformers, instrumentation, and communication equipment from unexpected poor quality power from the electric utilities. The meters will detect phase rotation, under and over voltage, unbalanced voltage, and voltage loss, shutting down pumps and other devices to ensure longevity of equipment. DRA has concerns with implementation of this project Company-wide until an appropriate cost-benefit analysis can be provided. Therefore, DRA recommended that this project be deferred to a future GRC subject to the results of a pilot program.

RESOLUTION: Cal Water agrees to defer its Company-wide implementation of the energy monitoring program pending the results of pilot programs in two different districts. The Parties agree on two programs so that information could be gathered from two separate types of distribution system characteristics to give a broader evaluation of the equipment. The pilot programs will be in the Marysville and Mid-Peninsula Districts.

Nitrate analyzer

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 21190 (2010)	$34.4	$34.4	$18.4	$16.0	$30.5

ISSUE: Cal Water proposed installing a new nitrate analyzer at Station 14. DRA agree with the project, but reduced the estimated cost using a similar project in another district.

In Rebuttal, Cal Water noted that DRA only used the cost of the analyzer, but did not include any costs for installation. DRA recommended approval of similar equipment in the Dixon District with an estimated cost of $30,500. However, Cal Water noted the installations in Dixon and that proposed in Livermore were somewhat different, so they requested their original estimate.

RESOLUTION: The Parties agree to an estimated cost for this project of $30,500.

Replace main inside PG&E substation

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 21228 (2010)	$264.1	$264.1	$0.0	$264.1	$264.1

ISSUE: Cal Water proposed relocating a main that is located inside a PG&E substation. Cal Water purchased the water system from PG&E a number of years ago. Cal Water does not have an easement for the line in the substation property. If there is a leak on the line, access to the line can be quite difficult; in one location, there is a transformer located on top of the main. Installing the main in a dedicated right-of-way would enable easy access for repairs, and the new location would allow Cal Water to reconfigure some of its pressure zones to provide better supply to the downtown area.

Cal Water proposed specific mains, hydrants, and services totaling $4,025,300 for the Livermore District for 2009-2012. Cal Water budgeted the replacements to reduce leaks, improve fire flow and for reliability. DRA disagreed with Cal Water's entire proposed replacement budgets because Cal Water could not provide historical costs for mains, services and hydrants, the number of leaks per 100 miles of main, documentation relative to a cost to repair versus replace. DRA proposed that Cal Water prepare a Condition-Based Assessment to better prioritize its proposed replacements for future GRCs. DRA recommended disallowance of the entire $4,025,300 specific main replacement program, in which Project 21228 was included.

In Settlement, Cal Water's Livermore District personnel discussed the need for this particular project from an operational perspective. They stressed the limited access to the PG&E yard in which the main is located, the proximity of the high

voltage lines, the transformer over a portion of the main, and the operational benefits of relocating the main.

RESOLUTION: The Parties agree as part of an overall settlement plan that included approval and deferral of several projects to recommend approval of the project at the estimated cost in the table above.

Purchase property and construct well

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 21344 (2010-2012)	$2,214.0	$2,214.0	$0.0	$2,214.0	$2,214

ISSUE: Cal Water proposed purchasing property and constructing a well in Zone 610 in order to supply water of better quality than using wells with that require wellhead treatment. The additional capacity in this zone would also lessen Cal Water's dependence on purchased water from Zone 7. Several of the Livermore wells have high nitrates and are blended with water purchased from Zone 7 to reduce the nitrate concentration. If Zone 7 is unable to supply water for the blending, these Cal Water wells would not be able to be used. A new well would help to minimize the supply unavailable from Zone 7. Also important to note is that if Zone 7 does not have treated surface water to supply. It uses groundwater to sell as purchased water. However, the nitrate concentration in its wells is not low enough for Cal Water to use in its blending operation.

DRA did not agree with the project for multiple reasons as detailed in the Report on the Results of Operations in Livermore District dated February 17, 2010. In particular, DRA noted that Cal Water's WS&FMP did not identify any peak hour demand or fire flow pumping capacity deficiencies in Zone 610 during its

hydraulic model simulation. This simulation used a 40 psi performance criteria at peak demand conditions and a maximum day demand plus fire flow analysis that is more stringent that GO 103-A or California Department of Public Health standards.

In Rebuttal, Cal Water reiterated the importance of having this additional supply for reliability based upon the potential for Zone 7 not being able to supply quality treated water. In Zone 610, Cal Water's wells can only produce approximately 1,225 gpm whereas the maximum day demand is 4,200 gpm. Therefore, Cal Water is reliant on the water purchased form Zone 7. Also, the age of the wells in this zone was addressed in the Water Supply & Facilities master Plan as being considered for replacement or rehabilitation within the next 5 to 10 years.

RESOLUTION: The Parties agree, as part of an overall settlement plan that included approval and deferral of several projects, in addition to discussions with district personnel about the need for the project during Settlement, to recommend approval of the project at the estimated cost in the table above.

Install chloramination facilities

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 11036 (2009)	$227.1	$220.4	$220.4	$6.7	$220.4
21185 (2011)	$250.6	$238.6	$218.2	$18.4	$218.2

ISSUE: Cal Water proposed installing chloramination facilities at Stations 19 and 10, PIDs 11036 and 21185, respectively. DRA agrees with the projects, but used the approved estimate from the 2007 GRC for PID 11036 and estimated a lower cost based upon lower contingency and overhead rates for PID 21185.

In Rebuttal, Cal Water submitted a revised estimate of $238,610 for PID 21185.

RESOLUTION: The Parties agree to DRA's estimates for these projects.

Hydraulic model recalibration

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 21352 (2012)	$54.0	None	$0.0	$5.0	$0.0 Defer

ISSUE: Cal Water proposed a recalibration of the hydraulic model initially performed for the 2007 WS&FMP. DRA disagreed as the conditions in the distribution system should not have changed in the past several years to warrant this project. DRA recommends deferral of this project.

RESOLUTION: The Parties agree to DRA's recommendation for this project.

Specific Mains, Hydrants & Services Program

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 17080 (2009)	$744.9	Cancelled	$0.0	$0.0	$0.0
17100	$982.0	$982.0	$0.0	$982.0	$0.0 Defer
19195 (2010)	$378.5	$378.5	$0.0	$378.5	$378.5
21180 (2012)	$970.5	$970.5	$0.0	$970.5	$0.0 Defer
21256 (2012)	$80.7	$80.7	$0.0	$80.7	$0.0 Defer

ISSUE: Cal Water proposed specific main replacements/installations, along with hydrant and service reconnections, totaling $4,025,300 for the Livermore District for 2009-2012. The replacements/installations were budgeted to reduce leaks, improve fire flow and for reliability. Cal Water also requests $1,700,000 in non-specific mains/services/hydrants/streets in this GRC.

DRA disagreed with Cal Water's proposed specific budgets because Cal Water could not provide historical costs for mains, services and hydrants, did not provide the number of leaks per 100 miles of main, and did not provide any analysis to show the cost to repair was higher than the cost to replace the targeted mains for this GRC, and noted that replacing mains merely for fire flow reasons is not justified by GO 103-A. DRA therefore recommends: 1) disallow the specific main/hydrant/service replacement projects requested by Cal Water totaling $4.0 million; 2) allow the adjusted non-specific budget in the amount of $1.6 million for mains/hydrants/services to cover any repairs or unforeseen circumstances; and 3) direct Cal Water to develop a "condition-based

assessment" prepared by a licensed professional engineer including a prioritization plan, a comparison of the cost to repair versus replacement, and an analysis of leaks/100 miles to justify its main replacement programs in future rate cases.

In Rebuttal, Cal Water noted that 2009 Project 17080 for $744,900 had been cancelled.

In Settlement discussions, Cal Water and DRA addressed individual specific main/hydrant/service projects totaling $868,800: $808,500 was recommended for approval and there was a $60,300 reduction in estimated costs. That left a balance of $2,411,600 ($4,025,300-$744,700-$868,800) in unresolved main replacements.

RESOLUTION: The Parties agree, as part of an overall settlement plan that included approval and deferral of several projects, to defer Projects 17100, 21180 and 21256, and include $378,500 for Project 19195.

Table A: Non-controversial plant projects

2009

Project ID Number	Descriptions	Cal Water Direct	DRA Report	Difference	Settlement
00017724	Vehicle Replacement	$ 34.0	$ 34.0	$ -	$ 34.0
00019110	Replace Control Valve	$ 20.8	$ 20.8	$ -	$ 20.8
	Small Meter Replacements	$ 108.3	$ 108.3	$ -	$ 108.3
	TOTAL	**$ 163.1**	**$ 163.1**	**$ -**	**$ 163.1**

2010

Project ID Number	Descriptions	Cal Water Direct	DRA Report	Difference	Settlement
00018697	Replace Discharge Pump	$ 24.4	$ 24.4	$ -	$ 24.4
00019650	Replace Roof	$ 21.7	$ 21.7	$ -	$ 21.7
	Small Meter Replacements	$ 112.7	$ 112.7	$ -	$ 112.7
	TOTAL	**$ 158.7**	**$ 158.7**	**$ -**	**$ 158.7**

2011

00020908	Vehicle & Equipment	$ 42.8	$ 42.8	$ -	$ 42.8
00020910	Vehicle & Equipment	$ 35.7	$ 35.7	$ -	$ 35.7
	Small Meter Replacements	$ 117.2	$ 117.2	$ -	$ 117.2
	TOTAL	**$ 195.7**	**$ 195.7**	**$ -**	**$ 195.7**

2012

Project ID Number	Descriptions	Cal Water Direct	DRA Report	Difference	Settlement
00017470	Replace Pressure Tank	$ 89.1	$ 89.1	$ -	$ 89.1
00020527	Flowmeter	$ 13.6	$ 13.6	$ -	$ 13.6
00020825	Vehicle & Equipment	$ 44.5	$ 44.5	$ -	$ 44.5
00020826	Vehicle & Equipment	$ 39.2	$ 39.2	$ -	$ 39.2
	Small Meter Replacements	$ 121.9	$ 121.9	$ -	$ 121.9
	TOTAL	**$ 308.3**	**$ 308.3**	**$ -**	**$ 308.3**

Non-specific capital budgets

2009

Descriptions	Cal Water Direct	DRA Report	Difference	Settlement
Land	$ 0.4	$ 0.4	$ 0.0	$ 0.4
Structures	$ 2.8	$ 2.6	$ 0.2	$ 2.7
Wells	$ -	$ -	$ -	$ -
Storage	$ 1.7	$ 1.6	$ 0.1	$ 1.6
Pumps	$ 106.7	$ 98.8	$ 7.9	$ 101.8
Purification	$ 25.3	$ 23.4	$ 1.9	$ 24.1
Mains	$ 217.5	$ 201.5	$ 16.0	$ 207.5
Streets	$ 17.7	$ 16.4	$ 1.3	$ 16.9
Services	$ 181.7	$ 168.3	$ 13.4	$ 173.3
Meters	$ 73.5	$ 68.1	$ 5.4	$ 70.1
Hydrants	$ 6.0	$ 5.6	$ 0.4	$ 5.7
Equipment	$ 2.8	$ 2.6	$ 0.2	$ 2.7
TOTAL	$ 636.1	$ 589.2	$ 46.9	$ 606.8

2010

Descriptions	Cal Water Direct	DRA Report	Difference	Settlement
Land	$ 0.4	$ 0.4	$ 0.0	$ 0.4
Structures	$ 2.8	$ 2.5	$ 0.3	$ 2.6
Wells	$ -	$ -	$ -	$ -
Storage	$ 1.7	$ 1.5	$ 0.2	$ 1.6
Pumps	$ 108.9	$ 98.7	$ 10.2	$ 102.2
Purification	$ 25.9	$ 23.5	$ 2.4	$ 24.3
Mains	$ 222.1	$ 201.3	$ 20.8	$ 208.5
Streets	$ 18.1	$ 16.4	$ 1.7	$ 17.0
Services	$ 185.5	$ 168.1	$ 17.4	$ 174.2
Meters	$ 75.1	$ 68.1	$ 7.0	$ 70.5
Hydrants	$ 6.1	$ 5.5	$ 0.6	$ 5.7
Equipment	$ 2.9	$ 2.6	$ 0.3	$ 2.7
TOTAL	$ 649.5	$ 588.6	$ 60.9	$ 609.7

Non-specific capital budgets con't

2011

Descriptions	Cal Water Direct	DRA Report	Difference	Settlement
Land	$ 0.4	$ 0.4	$ 0.0	$ 0.4
Structures	$ 2.9	$ 2.6	$ 0.3	$ 2.7
Wells	$ -	$ -	$ -	$ -
Storage	$ 1.7	$ 1.5	$ 0.2	$ 1.6
Pumps	$ 111.4	$ 100.7	$ 10.7	$ 104.3
Purification	$ 26.4	$ 23.9	$ 2.5	$ 24.7
Mains	$ 227.2	$ 205.3	$ 21.9	$ 212.8
Streets	$ 18.5	$ 16.7	$ 1.8	$ 17.3
Services	$ 189.8	$ 171.5	$ 18.3	$ 177.7
Meters	$ 76.8	$ 69.4	$ 7.4	$ 71.9
Hydrants	$ 6.3	$ 5.7	$ 0.6	$ 5.9
Equipment	$ 3.0	$ 2.7	$ 0.3	$ 2.8
TOTAL	$ 664.4	$ 600.4	$ 64.0	$ 622.1

2012

Descriptions	Cal Water Direct	DRA Report	Difference	Settlement
Land	$ 0.4	$ 0.4	$ 0.0	$ 0.4
Structures	$ 3.0	$ 2.7	$ 0.3	$ 2.8
Wells	$ -	$ -	$ -	$ -
Storage	$ 1.8	$ 1.6	$ 0.2	$ 1.7
Pumps	$ 113.9	$ 103.4	$ 10.5	$ 107.1
Purification	$ 27.0	$ 24.5	$ 2.5	$ 25.4
Mains	$ 232.2	$ 210.9	$ 21.3	$ 218.4
Streets	$ 18.9	$ 17.2	$ 1.7	$ 17.8
Services	$ 193.9	$ 176.1	$ 17.8	$ 182.4
Meters	$ 78.5	$ 71.3	$ 7.2	$ 73.8
Hydrants	$ 6.4	$ 5.8	$ 0.6	$ 6.0
Equipment	$ 3.0	$ 2.7	$ 0.3	$ 2.8
TOTAL	$ 679.0	$ 616.7	$ 62.3	$ 638.6

9.2.12 Los Altos-Suburban District Plant Settlement

Summary of Settlement and requests to the Commission:

The Parties request the Commission approve the Settlement plant values established herein under the conditions specified.

Controversial Projects

The dollars (in thousands) shown in the tables below for various capital projects represent the funding for the capital investment and not the respective Test Year revenue requirement for that funding. The more detailed descriptions are for projects where there was a difference between Cal Water and DRA as noted in the DRA Report on the Results of Operation for the Los Altos Suburban District, and the resulting funding level agree to in Settlement discussions.

Non-Controversial Projects

In addition to the more detailed project descriptions that immediately follow, Cal Water's proposed capital budgets for the years 2009-2012 included a number of projects where DRA did not object to the need for the project and the requested funding. Table A (dollars in thousands) at the end of this section lists these projects, noting Cal Water's project number, a short project description, Cal Water's proposed funding, DRA's recommended funding, and Settlement funding. This table does not contain a Cal Water rebuttal column because there were no objections by DRA to Cal Water's proposed project and related funding. The Parties agree that these projects should be approved for inclusion in Utility Plant in the year in which they are proposed to be in service.

Non-Specifics

Following Table A are comparison tables showing the dollars (in thousands) for Cal Water's non-specific capital budget proposal, DRA's recommendation, the difference and the Settlement. See the Antelope Valley District Plant Settlement for the general discussion on Non-Specific Plant Estimates.

Controversial Projects

Routine Pump Replacement Projects

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 15402	$70.4	$46.0	$0.0	$46.0	$46.0
PID 16400	$67.7	$67.7	$0.0	$67.7	$67.7
PID 21196	$51.0	$51.0	$0.0	$51.0	$51.0
PID 15602	$48.2	$48.2	$0.0	$48.2	$48.2
PID 19867	$385.3	$385.3	$0.0	$385.3	$0.0
Total	$622.6	$598.2	$0.0	$598.2	$212.9

ISSUE: Cal Water proposed installing 2 pump replacements under PID 15402 and PID 16400. It proposed installing 5 Remote Terminal Units ("RTU") at various pump stations under PID 21196 to enhance the SCADA system controls. It proposed a piping reconfiguration at Station 119 under PID 15602. Finally, it proposed an extensive station rebuild of Station 117 under PID 19867. DRA indicated that Cal Water did not provide detailed justifications for these projects and that the projects did not meet prudent replacement criteria. In Rebuttal, Cal Water provided efficiency tests results for some of the projects and additional information regarding the specific projects.

RESOLUTION: The Parties agree that the 4 small projects would be included in Utility Plant in the year budgeted. PID 15402 has been closed to plant for less than estimated amount and the Parties agreed to use that amount. The Parties further agree to defer PID 19867 to another GRC.

Tank Coating Projects at Various Locations

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 17207	$145.6	$146.5	$105.8	$40.7	$117.7
PID 17259	$146.3	$127.8	$104.8	$23.0	$127.8
PID 19448	$183.8	$183.8	$130.6	$53.2	$130.6
PID 19470	$323.2	$323.2	$227.3	$95.9	$227.3
Total	$798.9	$781.3	$568.5	$212.8	$603.4

ISSUE: Cal Water proposed tank coating projects at six locations in this district. These coating projects are planned to prolong the life of the steel tanks by inhibiting corrosion. The Parties were generally in agreement with the need for the projects, but not necessarily the costs. On two of the tank projects, DRA and Cal Water have no differences, and those projects are listed in the non-controversial issues area. DRA did agree with the need for all six projects, but disagreed on the per-unit cost for four of the coating projects. DRA argued that the referenced projects Cal Water used had smaller area requirements or incorrectly applied unit cost references. DRA applied per-unit cost estimates based on similar projects and actual final costs. In rebuttal, Cal Water explained that PID 17207 and PID 17259 were substantially complete and provided estimated completed costs. In settlement, the Parties discussed the fact that PID 17207 and PID 17259 were anticipated to be completed at costs lower than originally estimated. On PID 19448 and PID 19470, Cal Water did not offer any rebuttal.

RESOLUTION: The Parties agree to a lower cost for PID 17207 and PID 17259 to reflect completed construction costs that were lower than estimated. Finally, the Parties agree to DRA's lower costs for PID 19448 and PID 19470.

Energy Monitoring Program (2010 – 2012)

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 20328	$305.8	$305.8	$0.0	$305.8	$0.0

ISSUE: Cal Water proposed a companywide energy monitoring program. This program includes installing flow meters and power monitors to accurately determine instantaneous efficiencies via the SCADA system to allow the operator to make real-time operational decisions partially based on efficiency. DRA was skeptical of the Company-wide program and requested a pilot.

RESOLUTION: The Parties agree to perform pilot projects of this program in the Marysville and Mid-Peninsula Districts. After Cal Water completes the pilots, it will perform a cost/benefit analysis and if revisit in the next GRC. The Parties have agreed to defer this project in this district until those pilots can be further analyzed.

Purchase Vacuum Truck

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 17968	$224.4	$224.4	$116.3	$108.1	$189.4

ISSUE: Cal Water proposed purchasing and outfitting a new vacuum truck for use in main repair and distribution system maintenance. This unit would replace an aging unit that the district has used heavily. Cal Water provided additional information to DRA via the data request process. DRA indicated that Cal Water's cost estimate was excessive and included a high contingency factor. In settlement, the Parties reviewed the completed costs for this purchase.

RESOLUTION: The Parties agree that this project should be allowed in Utility Plant at a reduced amount to reflect actual purchase costs.

CARB Regulations

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 20222	$20.0	$20.0	$0.0	$20.0	$0.0

ISSUE: Cal Water proposed modifying to a number of diesel powered equipment to meet California Air Resources Board requirements in various districts in this GRC. For vehicle V200005, DRA noted that this particular vehicle was scheduled for retirement and the CARB conversion could be eliminated for this vehicle.

RESOLUTION: The Parties agree to cancel this project.

Water Supply and Facilities Master Plan Update

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 29729	$484.0	$484.0	$0.0	$484.0	$0.0

ISSUE: Cal Water proposed a major revision to its Los Altos Water Supply and Facilities Master Plan (WS&FMP). This revision includes a complete hydraulic model. Since the Los Altos District was one of the Company's original WS&FMPs and hydraulic models, it is lacking in the level of sophistication needed by the Company. DRA contended that a new WS&FMP is not warranted as the existing WS&FMP meets all requirements of the Rate Case Plan. DRA also noted that the Los Altos system had experienced relatively few modifications

in terms of customer growth or increased demand since the 2003 WS&FMP to necessitate a completely reworked WS&FMP.

RESOLUTION: The Parties agree to remove this project from the current rate case.

Rehabilitate Stations 2 and 6

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 20071	$1,565.0	$1,565.0	$0.0	$1,565.0	$1,455.0

ISSUE: Cal Water proposed reactivation of Stations 2 and 6. These well stations were previously inactivated because of nitrate levels in excess of the Maximum Contaminant Level (MCL). A part of this overall plan would be to blend the water from Station 6 with the distribution water at Station 2's steel tank using the existing transmission main that connects the two stations. This project would include replacement of all pumps and electrical equipment, including the panelboards, at both stations. Seismic upgrades will be required at the tanks. A chloramination system is proposed to be installed as a part of this project. Finally, the pump building at Station 2 would need to be replaced due to its poor condition. Cal Water envisions many benefits of this project in that it essentially brings 2 groundwater wells back into operation, thereby providing reliability from wholesale outage. Based on a similar project, by utilizing these wells more frequently, there is a high probability that the nitrate level in the wells will decrease significantly.

DRA did not concur with the need for this project because it showed that the district had enough source capacity to meet annual demand using groundwater wells. DRA also discussed the availability of purchased water from Santa Clara Valley Water District to supplement Cal Water sources and meet Maximum Day

Demand. It also contended that blending nitrates will cause overall degradation to water quality with no apparent benefit.

In Rebuttal, Cal Water discussed the need to meet maximum day demand from the well supply and not necessarily annual demand. Cal Water argued that SCVWD purchased supply was not always reliable and noted the frequency of outages. It also pointed out the benefits to the local area in terms of increased pressure and improved disinfection residual.

RESOLUTION: The Parties agree to reduce the estimate slightly and include this project in Utility Plant in the year it is projected to be in service.

Purchase vehicle

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 17725	$27.5	$27.5	$0.0	$27.5	$0.0

ISSUE: As part of its vehicle replacement plan, Cal Water proposed replacing vehicle 200079. DRA indicated that this vehicle did not meet the replacement criteria.

RESOLUTION: The Parties agree to defer this vehicle replacement.

Specific Mains, Hydrants & Services Program

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
Various PIDs	$2,377.8	$2,377.8	$0.0	$2,377.8	$2,067.4

ISSUE: Cal Water proposed replacing various pipelines across the district for various reasons including low flows, leaks, pressure, and system reliability.

DRA recommended disallowing the specific main replacement program due to a lack of leak repair documentation, the absence of break rate data, a lack of repair vs. replacement analysis, and further noted that replacing main merely for fire flow reasons is not justified by GO 103-A. DRA instead recommended approving the adjusted non-specific main replacement budgets to cover any main repairs or unforeseen maintenance work.

RESOLUTION: With the understanding that Cal Water would pursue a prioritized condition based assessment for its next rate case, the Parties agree to a specific main, service, and hydrant budget as noted in the table below. Based upon Cal Water's original specific main, service, and hydrant replacement budget of $2,377,800, the Parties agree to allow a total of $2,067,400 in mains, services and hydrant replacement that qualify under the small main (less than 6") and unlined steel criteria. Cal Water provides the following list of main replacement projects which will comprise the $2.067 million in funding during this rate case cycle.

Specific Main Replacement Budget (Los Altos)

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
00015631	$ 686.4	$ 686.4	$ -	$ 686.4	$ 686.4
00016182	$ 769.7	$ 769.7	$ -	$ 769.7	$ 769.7
00019871	$ 198.6	$ 198.6	$ -	$ 198.6	$ 198.6
00026667	$ 412.7	$ 412.7	$ -	$ 412.7	$ 412.7
Total	**$ 2,067.4**	**$ 2,067.4**	**$ -**	**$ 2,067.4**	**$ 2,067.4**

Table A: Non-controversial plant projects

2009

Project ID Number	Descriptions	Cal Water Direct	DRA Report	Difference	Settlement
00014093	Earthquake Retrofit	$ 116.6	$ 116.6	$ -	$ 116.6
00015722	Tank Retrofit	$ 99.9	$ 99.9	$ -	$ 99.9
00016394	Monochloramine	$ 234.4	$ 234.4	$ -	$ 234.4
00017212	Replace CP Rectifier	$ 7.1	$ 7.1	$ -	$ 7.1
00017214	Replace Tank Berm	$ 4.9	$ 4.9	$ -	$ 4.9
00017256	Replace CP Rectifier	$ 5.4	$ 5.4	$ -	$ 5.4
00017541	Replace Pressure Tank	$ 74.1	$ 74.1	$ -	$ 74.1
00017726	Vehicle	$ 32.9	$ 32.9	$ -	$ 32.9
00017833	Security Improvements	$ 122.0	$ 122.0	$ -	$ 122.0
00019123	Replace CP Anodes	$ 1.7	$ 1.7	$ -	$ 1.7
00019401	Replace CP Anodes	$ 1.8	$ 1.8	$ -	$ 1.8
00020224	CARB Retrofit	$ 20.0	$ 20.0	$ -	$ 20.0
00021462	Vehicle	$ 27.5	$ 27.5	$ -	$ 27.5
	Small Meter Replacements	$ 118.3	$ 118.3	$ -	$ 118.3
		$ 866.6	**$ 866.6**	**$ -**	**$ 866.6**

2010

Project ID Number	Descriptions	Cal Water Direct	DRA Report	Difference	Settlement
00019400	Tank Retrofit	$ 88.7	$ 88.7	$ -	$ 88.7
00019402	Tank Painting	$ 71.1	$ 71.1	$ -	$ 71.1
00019420	Replace Tank Berm	$ 9.3	$ 9.3	$ -	$ 9.3
00019421	Replace CP Anodes	$ 3.3	$ 3.3	$ -	$ 3.3
00019422	Replace Safetyclimb	$ 1.8	$ 1.8	$ -	$ 1.8
00019772	VFD Conversion	$ 15.5	$ 15.5	$ -	$ 15.5
00020223	CARB Retrofit	$ 20.0	$ 20.0	$ -	$ 20.0
00020225	CARB Retrofit	$ 20.0	$ 20.0	$ -	$ 20.0
00020437	Replace Pressure Vessel	$ 97.1	$ 97.1	$ -	$ 97.1
00020439	Replace Pressure Vessel	$ 97.1	$ 97.1	$ -	$ 97.1
00021195	SCADA RTUs	$ 105.0	$ 105.0	$ -	$ 105.0
00024287	Replace Tank Roof	$ 36.9	$ 36.9	$ -	$ 36.9
	Small Meter Replacements	$ 123.1	$ 123.1	$ -	$ 123.1
		$ 688.9	**$ 688.9**	**$ -**	**$ 688.9**

2011

Project ID Number	Descriptions	Cal Water Direct	DRA Report	Difference	Settlement
00016107	SCADA	$ 122.7	$ 122.7	$ -	$ 122.7
	Small Meter Replacements	$ 128.0	$ 128.0	$ -	$ 128.0
		$ 250.7	**$ 250.7**	**$ -**	**$ 250.7**

Table A: Non-controversial plant projects con't

2012

Project ID Number	Descriptions	Cal Water Direct	DRA Report	Difference	Settlement
00019447	Tank Painting & Upgrades	$ 87.2	$ 87.2	$ -	$ 87.2
00019864	Chloraminators	$ 221.5	$ 221.5	$ -	$ 221.5
00020161	Tank Retrofit	$ 145.6	$ 145.6	$ -	$ 145.6
00020348	Tank Retrofit	$ 73.7	$ 73.7	$ -	$ 73.7
00020443	Replace Pressure Vessel	$ 77.4	$ 77.4	$ -	$ 77.4
00020827	Vehicle & Equipment	$ 44.0	$ 44.0	$ -	$ 44.0
	Small Meter Replacements	$ 133.1	$ 133.1	$ -	$ 133.1
		$ 782.4	**$ 782.4**	**$ -**	**$ 782.4**

Non-specific capital budgets

2009

Descriptions	Cal Water Direct	DRA Report	Difference	Settlement
Land	$ 0.2	$ 0.2	$ 0.0	$ 0.2
Structures	$ 9.8	$ 9.1	$ 0.7	$ 9.4
Wells	$ 26.0	$ 24.1	$ 1.9	$ 24.8
Storage	$ 33.6	$ 31.1	$ 2.5	$ 32.1
Pumps	$ 191.4	$ 177.3	$ 14.1	$ 182.7
Purification	$ 1.2	$ 1.1	$ 0.1	$ 1.1
Mains	$ 142.0	$ 131.5	$ 10.5	$ 135.5
Streets	$ 2.8	$ 2.6	$ 0.2	$ 2.7
Services	$ 266.4	$ 246.8	$ 19.6	$ 254.3
Meters	$ 124.1	$ 115.0	$ 9.1	$ 118.5
Hydrants	$ 18.3	$ 17.0	$ 1.3	$ 17.5
Equipment	$ 20.2	$ 18.7	$ 1.5	$ 19.3
	$ 836.0	$ 774.4	$ 61.6	$ 798.1

2010

Descriptions	Cal Water Direct	DRA Report	Difference	Settlement
Land	$ 0.3	$ 0.3	$ 0.0	$ 0.3
Structures	$ 10.0	$ 9.1	$ 0.9	$ 9.4
Wells	$ 26.5	$ 24.0	$ 2.5	$ 24.9
Storage	$ 34.4	$ 31.2	$ 3.2	$ 32.3
Pumps	$ 195.5	$ 177.2	$ 18.3	$ 183.6
Purification	$ 1.2	$ 1.1	$ 0.1	$ 1.1
Mains	$ 145.0	$ 131.4	$ 13.6	$ 136.2
Streets	$ 2.8	$ 2.5	$ 0.3	$ 2.6
Services	$ 272.0	$ 246.5	$ 25.5	$ 255.5
Meters	$ 126.7	$ 114.8	$ 11.9	$ 119.0
Hydrants	$ 18.6	$ 16.9	$ 1.7	$ 17.5
Equipment	$ 20.6	$ 18.7	$ 1.9	$ 19.3
	$ 853.6	$ 773.6	$ 80.0	$ 801.7

Non-specific capital budgets con't

2011

Descriptions	Cal Water Direct	DRA Report	Difference	Settlement
Land	$ 0.3	$ 0.3	$ 0.0	$ 0.3
Structures	$ 10.2	$ 9.2	$ 1.0	$ 9.6
Wells	$ 27.1	$ 24.5	$ 2.6	$ 25.4
Storage	$ 35.1	$ 31.7	$ 3.4	$ 32.9
Pumps	$ 200.0	$ 180.7	$ 19.3	$ 187.3
Purification	$ 1.2	$ 1.1	$ 0.1	$ 1.1
Mains	$ 148.4	$ 134.1	$ 14.3	$ 139.0
Streets	$ 2.9	$ 2.6	$ 0.3	$ 2.7
Services	$ 278.3	$ 251.5	$ 26.8	$ 260.6
Meters	$ 129.6	$ 117.1	$ 12.5	$ 121.4
Hydrants	$ 19.1	$ 17.3	$ 1.8	$ 17.9
Equipment	$ 21.1	$ 19.1	$ 2.0	$ 19.8
	$ 873.3	$ 789.2	$ 84.1	$ 818.0

2012

Descriptions	Cal Water Direct	DRA Report	Difference	Settlement
Land	$ 0.3	$ 0.3	$ 0.0	$ 0.3
Structures	$ 10.4	$ 9.4	$ 1.0	$ 9.8
Wells	$ 27.7	$ 25.2	$ 2.5	$ 26.1
Storage	$ 35.9	$ 32.6	$ 3.3	$ 33.8
Pumps	$ 204.4	$ 185.6	$ 18.8	$ 192.3
Purification	$ 1.3	$ 1.2	$ 0.1	$ 1.2
Mains	$ 151.6	$ 137.7	$ 13.9	$ 142.6
Streets	$ 3.0	$ 2.7	$ 0.3	$ 2.8
Services	$ 284.3	$ 258.2	$ 26.1	$ 267.5
Meters	$ 132.4	$ 120.3	$ 12.1	$ 124.6
Hydrants	$ 19.5	$ 17.7	$ 1.8	$ 18.3
Equipment	$ 21.5	$ 19.5	$ 2.0	$ 20.2
	$ 892.3	$ 810.4	$ 81.9	$ 839.5

9.2.13 Marysville District Plant Settlement

Summary of Settlement and requests to the Commission:

The Parties request the Commission approve the Settlement plant values established herein under the conditions specified.

DRA and Cal Water request that the Commission allow Cal Water to file an offset Advice Letter for Project 25969 at any time until the effective date of rates in the next general rate case with a capital project cap of $150,000 excluding interest during construction. Project 25969 is budgeted for flat-to-meter conversions in 2010, so Parties anticipate that it will be filed in 2011. Parties acknowledge that this cap is for advice letter purposes only and that the Commission will review final project costs in the next general rate case.

DRA and Cal Water request that the Commission allow Cal Water to file an offset Advice Letter for Project 26208 at any time until the effective date of rates in the next general rate case with a capital project cap of $150,000 excluding interest during construction. Project 26208 is budgeted for flat-to-meter conversions in 2011, so Parties anticipate that it will be filed in 2012. Parties acknowledge that this cap is for advice letter purposes only and that the Commission will review final project costs in the next general rate case.

DRA and Cal Water request that the Commission allow Cal Water to file an offset Advice Letter for Project 26209 at any time until the effective date of rates in the next general rate case with a capital project cap of $150,000 excluding interest during construction. Project 26209 is budgeted for flat-to-meter conversions in 2012, so Parties anticipate that it will be filed in 2013. Parties acknowledge that this cap is for advice letter purposes only and that the Commission will review final project costs in the next general rate case.

Controversial Projects

The dollars (in thousands) shown in the tables below for various capital projects represent the funding for the capital investment and not the respective Test Year revenue requirement for that funding. The more detailed descriptions represent projects where there was a difference between Cal Water and DRA as noted in

the DRA Report on the Results of Operation for the Marysville District, and the resulting funding level agreed to in settlement discussions.

Non-controversial Projects

In addition to the more detailed project descriptions that immediately follow, Cal Water's proposed capital budgets for the years 2009-2012 included a number of projects where DRA did not object to the need for the project and the requested funding. Table A (dollars in thousands) at the end of this section lists these projects, noting Cal Water's project number, a short project description, Cal Water's proposed funding, DRA's recommended funding, and Settlement funding. This table does not contain a Cal Water rebuttal column because there were no objections by DRA to Cal Water's proposed project and related funding. The Parties agree that these projects should be approved for inclusion in Utility Plant in the year in which they are proposed to be in service.

Non-Specifics

Following Table A are comparison tables showing the dollars (in thousands) for Cal Water's non-specific capital budget proposal, DRA's recommendation, the difference and the Settlement. See the Antelope Valley District Plant Settlement for the general discussion on Non-Specific Plant Estimates.

Controversial Projects

Flat-to-meter conversion

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 17196 (2009)	$406.3	$406.3	$406.3 Advice Letter	$0.0 Advice Letter	$90.6
25969 (2010)	$239.7	$239.7	$150.0 Advice Letter	$89.7 Advice Letter	$150.0 Advice Letter
26208 (2011)	$239.7	$239.7	$150.0 Advice Letter	$89.7 Advice Letter	$150.0 Advice Letter
26209 (2012)	$239.7	$239.7	$150.0 Advice Letter	$89.7 Advice Letter	$150.0 Advice Letter

ISSUE: AB 2572 requires Cal Water to convert all of its flat rate customers to metered service by January 1, 2025. In order to convert all of the flat rate customers in the Marysville District by then, and to do so at a reasonable rate per year, Cal Water budgets 261 conversions per year. Based upon this rate, Cal Water will require another ten years, including 2009, to convert the remaining services from flat to metered services. DRA did not disagree with the project or the rate of the conversions. However, DRA estimated the annual cost needed for the conversions at a lower amount based upon data they had from Cal Water that indicated an actual lower unit cost per conversion. DRA recommended all four years be allowed only after filing Advice Letters with the caps noted above.

RESOLUTION: The Parties agree to book the actual cost for 2009, in the amount of $90,600, and for Cal Water to seek rate relief through Advice Letter filings for 2010-2012 capped at the amounts shown in the table above.

Replace pickup

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 17727 (2009)	$32.9	$0.0	$0.0	$0.0	$0.0

ISSUE: Cal Water proposed replacing pickup V200080 because it is eight years old, although it has less than 120,000 miles. DRA recommended that the project be disallowed.

RESOLUTION: The Parties agree to defer purchasing of the vehicle until it reaches 120,000 miles or incurs excessive repairs.

Replace forklift due to new CARB regulations

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 17778 (2009)	$37.8	$37.8	$0.0	$37.8	$37.8

ISSUE: Cal Water proposed replacing the gasoline-powered forklift as it will not meet the 2010 CARB regulations. Gasoline powered forklifts cannot be retrofitted. DRA indicated it reviewed the new CARB regulations and could only find reference to the diesel retrofit program. Because it only referenced diesel and not gasoline-powered vehicles, DRA recommended that the project be disallowed.

In Rebuttal, Cal Water provided DRA with the link to the pertinent regulations, and noted that the forklift in question, a 1987 model, must be replaced because the exemption in the Limited Hours of Use provisions expires on 12/31/2010.

RESOLUTION: The Parties agree to Cal Water's estimated cost for the replacement.

Construct new customer service center

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 13316	$48.0	$48.0	$0.0	$48.0	See below
17829 (2008)	$248.4	$248.4	$0.0	$248.4	See below
18844 (2009)	$466.8	$466.8	$0.0	$466.8	See below

ISSUE: Cal Water proposed constructing a new customer service center on property it purchased in 2008 (PID 13316). The property and operations center were addressed in the 2005 GRC, at which time approval was given to purchase the property at a cost not to exceed of $243,000, and to file an Advice Letter for rate relief. However, the construction of the operations center was deferred to the next GRC. Cal Water purchased the property at a cost of $291,000, or $48,000 more than authorized. It filed an Advice Letter for rate relief for the $243,000 approved in the 2005 GRC. For the operations center, Cal Water proposed this to be constructed over the three-year period of 2008 through 2010, with $248,400 in the 2008 capital budget, $248,400 in 2009 and $218,420 in 2010. The total estimated cost for the operations center itself, exclusive of the property, is $715,220. Therefore, Cal Water is requesting the additional cost of

the property purchase of $48,000 and the estimated cost to construct the operations center of $713,220. DRA recommended disallowing all of the projects related to the customer service center, including the Advice Letter carryover of $48,000, due to insufficient need, lack of justification, and failure to comply with Commission requirements. The Commission requirements are related to the preparation of a formal cost-benefit analysis related to continued rental of leased property versus the service center construction and the preparation of a detailed justification addressing the concerns expressed by DRA in its 2005 report.

In Rebuttal, Cal Water addressed both the cost of the property and the need for the customer service center. As to the property, Cal Water noted that in the 2005 GRC submittal, it used the best information it had at the time to estimate the cost of an adequately-sized and zoned property. Based upon the information available at the time, the Commission approved an Advice Letter capped at $243,000. When a suitable property was found, there were additional costs for an engineering appraisal, Phase 1 environmental review and lot line adjustment because the property was subdivided into five separate lots, which were not anticipated when the estimated cost was agreed upon in the 2005 GRC. These additional costs totaled $48,000. The property is about 1/3 of an acre and located in a prime location in the Marysville business district. Cal Water felt it was a prudent decision at the time even with the additional cost to purchase the property.

For the customer service center construction, the Marysville District relied on the Commission's decision allowing the purchase of the property as an indication that the customer service center would ultimately be approved if Cal Water could show that it was a prudent expenditure for its customers. The district moved forward with a design, hiring an architect to assist them. The final design was submitted to the city's Architectural Review Committee with approval expected in April 2010.

RESOLUTION: The Parties agree as part of an overall settlement plan that included approval and deferral of several projects to a cost of $627,800 related to the construction of the customer service center. A CWS working group in 2005 determined this least cost option was equivalent to the construction cost for locating the customer center on existing CWS station property that was no longer in productive use. This cost incorporates the $48,000 additional spent to purchase the property, thus leaving $579,800 to construct the building.

Flow meter at Station 10

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 19654 (2009)	$18.4	$10.8	$10.8	$0.0	$10.8

ISSUE: Cal Water proposed installing a flow meter at its Station 10 for production recording and system analysis. DRA agreed with the project, but recommended a lower cost of $10,800 based upon a similar Cal Water project.

RESOLUTION: The Parties agree on the revised estimate of $10,800.

Fire hydrant relocations

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 17721 (2010)	$35.3	$35.3	$21.6	$13.7	$35.3

ISSUE: Cal Water proposed relocating four hydrants at various locations due to their vulnerability of being hit by vehicles. Cal Water notes that these hydrants have been hit multiple times over the years, resulting in expensive repairs. DRA

did not agree with the proposed project, but instead recommended the funds be used to upgrade deficient hydrants or to install new hydrants rather than to relocate existing hydrants. DRA also revised the cost estimate based upon a lower unit cost from another district.

RESOLUTION: The Parties agree as part of an overall settlement plan that included approval and deferral of several projects to a cost of $35,300 for this project.

Purchase property and construct a well

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 19656 (2010)	$297.0	$0.0	$0.0	$0.0	$0.0
19649 (2011 & 2012)	$1,602.1	$0.0	$0.0	$0.0	$0.0

ISSUE: Cal Water proposed purchasing property (PID 19656) for the construction of a well in 2011 and 2012 (PID 19649). The well is needed to replace the supply lost due to water quality issues in a number of wells, including MtBE. Subsequent discussions between Cal Water and DRA as a result of a data request and response resulted in an agreement by both Parties that the property and well construction should be funded by MtBE proceeds received by Cal Water.

RESOLUTION: The Parties agree to remove the two projects in the table above from consideration in this GRC.

Replace pumps and add energy monitoring equipment

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 20715 (2010)	$79.4	$79.4	$0.0	$79.4	$79.0
20726 (2011)	$89.6	$0.0	$0.0	$0.0	$0.0 Defer

ISSUE: Cal Water proposed replacing two pumps and adding energy monitoring equipment to increase their reliability and overall efficiency. DRA did not agree with the proposed projects after reviewing the most recent pump efficiency data that showed an operational plant efficiency of 63% and 67% for the respective pumps.

In Rebuttal for Project 20715, Cal Water noted that the current operational needs for this pump do not equate to its design at the time of installation. The pump is currently being throttled in order to keep it from breaking suction. Therefore, a new pump is proposed with a lower capacity so it does not have to be throttled by adding backpressure to the discharge.

In Rebuttal for Project 20726, Cal Water agreed to defer its replacement.

RESOLUTION: The Parties agree as part of an overall settlement plan that included approval and deferral of several projects to include Project 20715 at a cost of $79,000 and to defer Project 20726.

Construct 650,000-gallon storage tank

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 13318 (2011 & 2012)	$2,747.7	$2,747.7	$0.0	$2,747.7	$0.0 Defer

ISSUE: The Marysville system has two storage tanks that total 800,000 gallons. Based upon the concerns addressed in the project justification over the loss of production from its wells due to water quality, Cal Water noted that it needs about 0.5 MG gallons in order to ensure it is able to meet the WS&FMP storage criteria. Because property acquisition is an issue, Cal Water proposed to construct two 500,000-gallon tanks, with this project being the first tank. The size is noted as 650,000 gallons due to the increased requirements for freeboard in the revised Water Works Standards, resulting in larger-sized tanks to get the required volume.

DRA recommended disallowance for the project because it did not agree with the WS&FMP assumptions and found the analysis of the storage and pumping needs of the district to be flawed, relating to the emergency and operational storage criteria used by Cal Water. DRA disagreed with the need for this project based upon CDPH source capacity/storage requirements, and the fact that sufficient emergency generators are available to power wells in order to meet maximum day demand during emergencies.

In Rebuttal, Cal Water addressed the assumptions made in the WS&FMP and stressed the importance of the project. Cal Water went on to state that it is not uncommon for wells to be off-line for a variety of reasons, so the entire capacity of the existing wells should not be used.

RESOLUTION: The Parties agree to disagree on the validity of the assumptions of the WS&FMP. The Parties agree to continue discussions regarding the WS&FMP after the GRC to determine reasonable assumptions Company-wide in regard to storage requirements. The Parties agree as part of an overall settlement plan that includes approval and deferral of several projects to defer Project 13318.

Upgrade mains near Station 15

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 17434 (2012)	$428.5	$428.5	$0.0	$428.5	$428.5

ISSUE: Cal Water proposed replacing an existing 8-inch main with a 12-inch main to eliminate hydraulic restrictions to the supply leaving Station 15. The services connected to the 8-inch main would be reconnected to the 12-inch. Station 15 has a well that produces 1,500 gpm and two boosters capable of pumping a total of 1,000 gpm. Cal Water argued that the existing 8-inch main is not hydraulically conducive to carrying that total flow to meet maximum day demand while maintaining 20 psi at all service connections. DRA disagreed with the need for the project as it stated that only new portions of a distribution system are required to meet this requirement, not the existing system. Also, DRA stated that the proposed project relied on a faulty fire flow analysis and is premature based upon anticipated build-out conditions.

In Rebuttal, Cal Water pointed out that the WS&FMP did not recommend replacement of the pipeline. Instead, replacement is developed due to the operating conditions related to the Station 15 well and booster pump operation.

RESOLUTION: The Parties agree as part of an overall settlement plan that included approval and deferral of several projects to include the 2012 Project 17434 at a cost of $428,500.

Small meter replacements

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
(2009-2012))	$68.3	None	$34.7	$33.6	$34.7

ISSUE: Cal Water budgeted $68,300 over four years to replace customers meters based on time in service as well as meters that become inoperable. DRA agrees with the intent of the budget, but disagreed with the unit costs based upon that budgeted for another Cal Water district that it considered more reasonable.

RESOLUTION: The Parties agree to use DRA's revised cost at $8,680 per year for replacement meters.

Specific Mains, Hydrants & Services Program

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
Various PIDs	$1,019.3	$1,019.3	$194.0	$825.3	$460.7

ISSUE: Cal Water proposed replacing specific mains, hydrants, and services totaling $1,019,300 for the Marysville District for 2009-2012. The replacements/installations were budgeted to reduce leaks and improve fire flow. DRA disagreed with Cal Water's proposed budgets due to a lack of leak repair documentation, the absence of break-rate data, a lack of repair vs. replacement

analysis, and noted that replacing main merely for fire flow reasons is not justified by GO 103-A. .Because Cal Water could not provide actual costs for mains, services and hydrants, DRA recommended an average main replacement budget of $48,500 per year based upon the CWS five-year average main replacement budget estimates.

During Settlement, DRA and Cal Water discussed DRA's proposal related to using condition based assessments to determine what mains and in what time frame those mains, with related service and hydrant reconnections, should be replaced. Of the specific mains/services/hydrants Cal Water budgeted, it identified projects that meet its undersized main and unlined steel main replacement program totaling $889,200. However, included in this total amount was $428,500 for Project 17434 that is addressed separately. Therefore, the total should be $460,700.

RESOLUTION: With the understanding that Cal Water would pursue a prioritized condition based assessment for its next rate case, the Parties agree to a specific main, service, and hydrant budget. Based upon Cal Water's original specific main, service, and hydrant replacement budget of $1,019,300, the Parties agree to allow a total of $460,700 in mains, services and hydrant replacement that qualify under the small main (less than 6") and unlined steel criteria. Cal Water provides the following list of main replacement projects which will comprise the approximate $460,700 in funding for this rate case cycle:

Specific Mains, Hydrants & Services Program

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
17827	$44.5	$44.5	$0.0	$44.5	$44.5
17863	$416.2	$416.2	$0.0	$416.2	$416.2

Table A: Non-controversial plant projects

2009

Project ID Number	Descriptions	Cal Water Direct	DRA Report	Difference	Settlement
00017352	Magmeter	$ 13.1	$ 13.1	$ -	$ 13.1
00017354	Magmeter	$ 13.1	$ 13.1	$ -	$ 13.1
00017355	Magmeter	$ 13.1	$ 13.1	$ -	$ 13.1
00017365	Portable Generator	$ 45.0	$ 45.0	$ -	$ 45.0
00017728	Replace Vehicle	$ 32.9	$ 32.9	$ -	$ 32.9
00017806	Security Improvements	$ 95.4	$ 95.4	$ -	$ 95.4
		$ 212.6	**$ 212.6**	**$ -**	**$ 212.6**

2010

Project ID Number	Descriptions	Cal Water Direct	DRA Report	Difference	Settlement
00019657	Remote Power Metering	$ 32.4	$ 32.4	$ -	$ 32.4
		$ 32.4	**$ 32.4**	**$ -**	**$ 32.4**

2011

Project ID Number	Descriptions	Cal Water Direct	DRA Report	Difference	Settlement
00019658	Remote Power Metering	$ 32.4	$ 32.4	$ -	$ 32.4
		$ 32.4	**$ 32.4**	**$ -**	**$ 32.4**

2012

Project ID Number	Descriptions	Cal Water Direct	DRA Report	Difference	Settlement
00019663	Flowmeter Replacement	$ 43.2	$ 43.2	$ -	$ 43.2
		$ 43.2	**$ 43.2**	**$ -**	**$ 43.2**

Non-specific capital budgets

2009

Descriptions	Cal Water Direct	DRA Report	Difference	Settlement
Land	$ -	$ -	$ -	$ -
Structures	$ 1.7	$ 1.6	$ 0.1	$ 1.6
Wells	$ -	$ -	$ -	$ -
Storage	$ -	$ -	$ -	$ -
Pumps	$ 27.0	$ 25.0	$ 2.0	$ 25.8
Purification	$ -	$ -	$ -	$ -
Mains	$ 3.8	$ 3.5	$ 0.3	$ 3.6
Streets	$ -	$ -	$ -	$ -
Services	$ 51.4	$ 47.7	$ 3.8	$ 49.1
Meters	$ 19.4	$ 18.0	$ 1.4	$ 18.5
Hydrants	$ 0.4	$ 0.4	$ 0.0	$ 0.4
Equipment	$ 3.2	$ 3.0	$ 0.2	$ 3.1
	$ 106.9	$ 99.1	$ 7.8	$ 102.1

2010

Descriptions	Cal Water Direct	DRA Report	Difference	Settlement
Land	$ -	$ -	$ -	$ -
Structures	$ 1.8	$ 1.6	$ 0.2	$ 1.7
Wells	$ -	$ -	$ -	$ -
Storage	$ -	$ -	$ -	$ -
Pumps	$ 27.5	$ 25.0	$ 2.5	$ 25.9
Purification	$ -	$ -	$ -	$ -
Mains	$ 3.8	$ 3.5	$ 0.3	$ 3.6
Streets	$ -	$ -	$ -	$ -
Services	$ 52.5	$ 47.7	$ 4.8	$ 49.4
Meters	$ 19.8	$ 18.0	$ 1.8	$ 18.6
Hydrants	$ 0.4	$ 0.4	$ 0.0	$ 0.4
Equipment	$ 3.3	$ 3.0	$ 0.3	$ 3.1
	$ 109.1	$ 99.1	$ 10.0	$ 102.7

Non-specific capital budgets con't

2011

Descriptions	Cal Water Direct	DRA Report	Difference	Settlement
Land	$ -	$ -	$ -	$ -
Structures	$ 1.8	$ 1.6	$ 0.2	$ 1.7
Wells	$ -	$ -	$ -	$ -
Storage	$ -	$ -	$ -	$ -
Pumps	$ 28.2	$ 25.4	$ 2.8	$ 26.4
Purification	$ -	$ -	$ -	$ -
Mains	$ 3.9	$ 3.5	$ 0.4	$ 3.7
Streets	$ -	$ -	$ -	$ -
Services	$ 53.7	$ 48.5	$ 5.2	$ 50.3
Meters	$ 20.3	$ 18.3	$ 2.0	$ 19.0
Hydrants	$ 0.4	$ 0.4	$ 0.0	$ 0.4
Equipment	$ 3.3	$ 3.0	$ 0.3	$ 3.1
	$ 111.6	$ 100.7	$ 10.9	$ 104.6

2012

Descriptions	Cal Water Direct	DRA Report	Difference	Settlement
Land	$ -	$ -	$ -	$ -
Structures	$ 1.9	$ 1.7	$ 0.2	$ 1.8
Wells	$ -	$ -	$ -	$ -
Storage	$ -	$ -	$ -	$ -
Pumps	$ 28.8	$ 26.2	$ 2.7	$ 27.1
Purification	$ -	$ -	$ -	$ -
Mains	$ 4.0	$ 3.6	$ 0.4	$ 3.8
Streets	$ -	$ -	$ -	$ -
Services	$ 54.9	$ 49.8	$ 5.1	$ 51.6
Meters	$ 20.7	$ 18.8	$ 1.9	$ 19.5
Hydrants	$ 0.4	$ 0.4	$ 0.0	$ 0.4
Equipment	$ 3.4	$ 3.1	$ 0.3	$ 3.2
	$ 114.1	$ 103.6	$ 10.5	$ 107.4

9.2.14 Mid-Peninsula District Plant Settlement

Summary of Settlement and requests to the Commission:

The Parties request the Commission approve the Settlement plant values established herein under the conditions specified.

DRA and Cal Water request that the Commission allow Cal Water to file an offset Advice Letter for Project 20315 at any time until the effective date of rates in the next general rate case with a capital project cap of $458,200 excluding interest during construction. Project 20315 is budgeted for an energy monitoring program and related equipment in 2010-2012, so Parties anticipate that it will be filed in 2013. Parties acknowledge that this cap is for advice letter purposes only and that the Commission will review final project costs in the next general rate case.

Controversial Projects

The dollars (in thousands) shown in the tables below for various capital projects represent the funding for the capital investment and not the respective Test Year revenue requirement for that funding. The more detailed descriptions are for projects where there was a difference between Cal Water and DRA as noted in the DRA Report on the Results of Operation for the Mid-Peninsula District, and the resulting funding level agreed to in settlement discussions.

Non-controversial Projects

In addition to the more detailed project descriptions that immediately follow, Cal Water's proposed capital budgets for the years 2009-2012 included a number of projects where DRA did not object to the need for the project and the requested funding. Table A (dollars in thousands) at the end of this section lists these projects, noting Cal Water's project number, a short project description, Cal Water's proposed funding, DRA's recommended funding, and Settlement funding. This table does not contain a Cal Water rebuttal column because there were no objections by DRA to Cal Water's proposed project and related funding. The Parties agree that these projects should be approved for inclusion in Utility Plant in the year in which they are proposed to be in service.

Non-Specifics

Following Table A are comparison tables showing the dollars (in thousands) for Cal Water's non-specific capital budget proposal, DRA's recommendation, the difference and the Settlement. See the Antelope Valley District Plant Settlement for the general discussion on Non-Specific Plant Estimates.

Controversial Projects

Tank Turnover Equipment – Various Locations

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 16879	$90.3	$90.3	$0.0	$90.3	$90.3
PID 20107	$99.3	$99.3	$0.0	$99.3	$99.3
PID 20108	$55.2	$55.2	$0.0	$55.2	$55.2
PID 20110	$104.3	$104.3	$0.0	$104.3	$104.3
Total	$349.1	$349.1	$0.0	$349.1	$349.1

ISSUE: Water storage tanks can have large volumes of water for emergency and operational demand. These large volumes of water can thermally stratify and lead to stagnant water issues resulting in loss of disinfectant and potential nitrification incidents. In order to resolve this condition, Cal Water proposed installing tank turnover equipment at various tanks to improve water quality by circulating water in these storage tanks.

DRA did not support these projects because Cal Water did not demonstrate a clear and present need for these devices at these sites.

In Rebuttal, Cal Water provided results from other tanks where Cal Water had previously installed this type of equipment and information indicating that deep cycling of tanks was not an effective way to eliminate these water quality issues.

RESOLUTION: As part of an overall settlement offer centered on pump station improvements in this District, the Parties agree that these specific tank turnover projects should be approved for inclusion in Utility Plant in the year in which they are proposed to be in service.

Upgrade Booster Pumps (Various locations)

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 17096	$32.1	$32.1	$0.0	$32.1	$32.1
PID 17097	$57.1	$57.1	$0.0	$57.1	$57.1
PID 16890	$57.1	$57.1	$0.0	$57.1	$57.1
PID 20383	$59.0	$59.0	$0.0	$59.0	$44.0
PID 20567	$54.0	$54.0	$0.0	$54.0	$54.0
PID 20569	$53.0	$53.0	$0.0	$53.0	$53.0
PID 20572	$104.0	$104.0	$0.0	$104.0	$104.0
PID 20656	$79.0	$61.0	$0.0	$79.0	$61.0
PID 20402	$62.0	$62.0	$0.0	$62.0	$0.0
PID 20394	$62.0	$62.0	$0.0	$62.0	$0.0
PID 20580	$70.0	$70.0	$0.0	$70.0	$0.0
PID 20581	$69.0	$69.0	$0.0	$69.0	$0.0
Total	$757.4	$739.4	$0.0	$739.4	$462.3

ISSUE: The Mid-Peninsula District's service territory is very hilly. Because of this, there are many instances in this district where water is pumped to higher elevation hydraulic zones. Cal Water proposed replacing various pumps and pump motors throughout the district for various reasons ranging from improving electrical efficiency to better flow and increase reliability of the pumping plant.

DRA recommended disallowing some of the projects because particular pumps were not operating below a minimum efficiency level. DRA recommended

disallowing other projects because Cal Water did not demonstrate a need for increased pumping rates for a particular site. Finally, DRA recommended disallowing some pump projects because they related to the proposed Company-wide energy monitoring program.

In Rebuttal, Cal Water provided additional efficiency test results for several of the pump replacements showing that operating efficiencies were indeed lower than 40%. In several other cases, the pumps were shown to be very old (average age of 50 years) and did not have necessary plumbing to facilitate proper efficiency testing. For one project, Cal Water showed that the motor was electrically overloaded and changes need to be made for reliability.

RESOLUTION: As part of an overall settlement offer centered on pump station improvements in this District, the Parties agree that eight of the pump and motor replacement projects noted in the table above should be approved for inclusion in Utility Plant in the year in which they are proposed to be in service, and four projects will be omitted from this GRC.

Integrated Long-Term Water Supply for SF Peninsula Districts

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 29607	$121.3	$121.3	$0.0	$121.3	$121.3

ISSUE: Cal Water proposed a long-term regional study for supply alternatives. The cost of this study was proposed to be split evenly among the three peninsula districts. DRA disagreed with the need for this project.

RESOLUTION: The Parties agree to include this project as part of a comprehensive Settlement plan that included approval and deferral of several projects.

Pressure Tank at Station 26

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 20593	$100.0	$100.0	$0.0	$100.0	$100.0

ISSUE: Pressure tanks are used to buffer hydraulic surges and to reduce starts and stops on pumping equipment during low demand periods. The existing tank is in poor condition and has been repaired twice by welding on steel patches. This is not a permanent solution, and could lead to safety issues. Cal Water proposed replacing the pressure tank.

DRA recommended disallowing this project because the Water Supply and Facility Master Plan ("WS&FMP") indicated that there is no pressure tank at this station.

In Rebuttal, Cal Water clarified that the WS&FMP is incorrect.

RESOLUTION: As part of an overall settlement offer centered on pump station improvements in this District, the Parties agree that this pressure tank replacement project should be approved for inclusion in Utility Plant in the year in which it is proposed to be in service.

Pressure Reducing Valve Installations (Various locations)

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 20166	$71.3	$71.3	$0.0	$71.3	$71.3
PID 20536	$54.8	$54.8	$0.0	$54.8	$54.8
Total	$126.1	$126.1	$0.0	$126.1	$126.1

ISSUE: Cal Water proposed installing a PRV at Station 118 in San Carlos and a system PRV in the Palomar Park area of the district. In both cases, the PRVs serve to make storage from a higher pressure hydraulic zone available to a lower pressure hydraulic zone for operational or emergency needs.

DRA recommended disallowing both projects. At Station 118, DRA indicated that temporary PRVs could be set up during times when the tank would be out of service. In Palomar Park, DRA indicated that there is not a requirement to have this additional feed to meet demand.

In Rebuttal, Cal Water clarified that a permanent PRV at Station 118 would be utilized more frequently than just when the tank is out of service and explained the benefit this would provide to the customers. Cal Water also clarified the need for the zone PRV in Palomar Park and expanded on the fact that Cal Water did not meet current fire flow due to the elimination of two leaky tanks from the system.

RESOLUTION: As part of an overall settlement offer centered on pump station improvements in this District, the Parties agree that these PRVs should be approved for inclusion in Utility Plant in the year in which they are proposed to be in service.

Backup Electrical Generator Installations (Various locations)

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 20275	$248.0	$248.0	$0.0	$248.0	$248.0
PID 20267	$154.0	$154.0	$0.0	$154.0	$0.0
PID 20268	$154.0	$154.0	$0.0	$154.0	$0.0
PID 20284	$95.0	$0.0	$0.0	$0.0	$0.0
Total	$651.0	$556.0	$0.0	$556.0	$248.0

ISSUE: Cal Water proposed installing backup electrical generators at several important stations to allow uninterrupted and continued operations of these facilities during power failure.

DRA recommended disallowing all projects for a variety of reasons. First, two of the locations were not identified as being critical stations in the WS&FMP analysis. Second, the WS&FMP indicated that the district's portable booster pumps should be used to restore service at the other two locations in the event of an emergency.

In Rebuttal, Cal Water discussed the resources needed during deployment of portable boosters. It also discussed the need to power more than one pump at some of these locations and discussed the criticality of some of the stations. Cal Water did not include rebuttal for PID 20284.

RESOLUTION: As part of an overall Settlement offer centered on pump station improvements in this District, the Parties agree that one generator should be installed at the most critical facility and it should be approved for inclusion in Utility Plant in the year in which it is proposed to be in service.

Panelboard Replacement Installation (Station 114)

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 20277	$169.0	$169.0	$0.0	$169.0	$141.0

ISSUE: Cal Water proposed replacing a panelboard at Station 114.

DRA recommended disallowing this project because the justification was vague and Cal Water did not provide enough detail in data requests concerning the project.

In Rebuttal, Cal Water indicated that the age of the panelboard (41 years old) made it difficult to obtain replacement components.

RESOLUTION: As part of an overall settlement offer centered on pump station improvements in this District, the Parties agree that this panelboard replacement should be approved for inclusion at a reduced cost of $141,000 in Utility Plant in 2011.

Install energy monitoring equipment

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 20315 (2010 & 2012)	$458.2	$458.2	$0.0	$458.2	$458.2 Advice Letter

ISSUE: Cal Water proposed the installation of equipment and implementation of its power monitoring program throughout the Company in 2010 and 2011. Cal Water stated in the December 22, 2009, meeting with DRA personnel that the pilot program in Marysville will have results and analysis in the form of a full cost-benefit analysis by November 2010. Cal Water has been including the energy monitoring equipment in all new pump stations. The addition of the equipment maximizes overall system management in daily operations by automatically tracking energy consumption, well levels and water flow from zone to zone, therefore minimizing manual data collection. The new equipment is important and fundamental to the way Cal Water conducts business, in the present and future, and will improve the level of customer service by enabling Cal Water to react quicker to problems with equipment and/or to minimize damage to equipment through real-time monitoring. In addition to providing important information for strategic operation, the power meters are critical in protecting the motors and other sensitive equipment such as control transformers,

instrumentation, and communication equipment from unexpected poor quality power from the electric utilities. The meters will detect phase rotation, under and over voltage, unbalanced voltage, and voltage loss, shutting down pumps and other devices to ensure longevity of equipment. DRA has concerns with implementation of this project Company-wide until an appropriate cost-benefit analysis can be provided. Therefore, DRA recommended that this project be deferred to a future GRC subject to the results of a pilot program.

RESOLUTION: The Parties agree to defer Cal Water's Company-wide implementation of the energy monitoring program pending the results of pilot programs in two different districts. The Parties agree on two programs so that information can be gathered from two separate types of distribution system characteristics to give a broader evaluation of the equipment. The pilot programs will be in the Marysville and Mid-Peninsula Districts. The project in the Mid-Peninsula District will have Advice Letter treatment capped at the amount in the table above.

Security Mitigation Measures

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 17937	$127.9	$127.9	$0.0	$127.9	$0.0

ISSUE: Cal Water proposed several levels of security mitigation measures as part of enhancement to improve security after the EPA vulnerability assessment.

DRA recommended approval of Project 17926 for Priority 2 improvements in the Mid-Peninsula District, but not for Project 17937 which was not supported by a project justification.

RESOLUTION: As part of an overall settlement offer centered on pump station improvements in this District, the Parties agree that Project 17937 would be removed from this GRC.

Zone 290 Booster Station

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 20403	$313.2	$313.2	$0.0	$313.2	$0.0

ISSUE: Cal Water proposed installing a booster station to provide a redundant supply to the 290 elevation pressure zone. This would provide enhanced reliability in case of an outage to a specific SFPUC connection.
DRA recommended disallowing this project because DRA reasoned that Cal Water could connect and utilize one of its portable boosters in case of a connection outage. DRA also discussed that this additional pumping would not be considered an additional source of supply.

In Rebuttal, Cal Water explained that currently, when the portable boosters are utilized to serve this zone, they must be set up within residential areas of the distribution system. These locations do not facilitate 24-hour operation of noisy equipment.

RESOLUTION: As part of an overall settlement offer centered on pump station improvements in this District, the Parties agree that this new pump station would be deferred to a future GRC.

Station 103 Rebuild Project

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 20532	$910.3	$910.3	$0.0	$910.3	$0.0

ISSUE: Cal Water proposed replacing the booster station and small tank at Station 103 in San Carlos to provide additional storage and better reliability to the 345 elevation pressure zone. The tank has been out of service for a number of years and is not seismically stable. Currently, the boosters pump directly out of the main rather than from the tank. This is not the best operating scenario.

DRA recommended disallowing this project because Cal Water based its replacement on the Water Supply and Facilities Master Plan (WS&FMP). This WS&FMP did not mention replacing the pumps at this site. Additionally, DRA discussed the ability to rely on interconnections from other agencies instead of providing emergency storage in this zone.

Cal Water did not prepare rebuttal for this project.

RESOLUTION: As part of an overall Settlement offer centered on pump station improvements in this District, the Parties agree that this pump station and tank rebuild project would be deferred to a future GRC.

Tank Coating Projects (Various Locations)

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 23367	$306.2	$261.4	$212.6	$93.6	$212.6
PID 21331	$409.4	$409.4	$294.4	$115.0	$294.4

ISSUE: Cal Water proposed tank coating projects at four tanks in this district. These coating projects are planned to prolong the life of the steel tanks by inhibiting corrosion.

On two of the tank projects, DRA and Cal Water have no differences, and those projects are listed in the non-controversial issues area. DRA did agree with the need for all four projects, but disagreed on the per unit cost for two of the coating projects. DRA argued that the referenced projects that Cal Water used were much smaller and therefore the per unit cost should be based on similar projects. Inadvertently, CWS did not provide rebuttal on these projects but did provide further explanation of costs in Settlement discussions.

RESOLUTION: As part of an overall settlement offer centered on pump station improvements in this district, The Parties agree on DRA's revised cost for PID 23367 and PID 21331 and that these projects would be added to Utility Plant in the year they were budgeted.

Tank Replacements & Additions (Multiple Locations)

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 20294	$6,788.4	$6,788.4	$0.0	$6,788.4	$41.3
PID 20093	$34.1	$34.1	$0.0	$34.1	$34.1
PID 20141	$4,939.6	$4,939.6	$0.0	$4,939.6	$2,469.8
PID 20533	$2,220.5	$2,220.5	$0.0	$2,220.5	$2,220.5
Total	$13,982.6	$13,982.6	$0.0	$ 13,982.6	$4,765.7

ISSUE: Cal Water proposed an aggressive tank replacement and addition program in the General Rate Case for this district. This program was based in part on recommendations from the Water Supply & Facilities Master Plan ("WS&FMP"). The specific proposal includes the replacement of the Crystal Springs Reservoir (PID 20294), which would add 2.7 MG of storage. It also

includes a new tank in San Carlos, which would add 3.5 MG of storage. The final project (PID 20141) would add two 4-MG tanks in San Mateo. The sitting study (PID 20093) is included with these projects because it is related to PID 20141. Cal Water proposed a total increase in storage of 14.7 MG in this district primarily for emergency use and operational reliability.

DRA disagreed with the fundamental assumptions of the WS&FMP regarding operational and emergency storage and the overall need for these projects now. DRA recommended reliance on portable boosters, generators, and interconnections to other water systems for emergency operations. DRA also was skeptical of the cost estimate developed for the Crystal Springs replacement project as it did not provide significant detail.

In Rebuttal, Cal Water addressed the assumptions made in the WS&FMP and stressed the importance of these projects. It also discussed the wholesaler's desires to not have peaking met by their regional system. Finally, the Company pointed to the problems associated with reliance on interconnections with other agencies that utilize the same wholesale water supplier.

RESOLUTION: The Parties agree to disagree on the validity of the assumptions of the WS&FMP. The Parties agree to continue discussions regarding the WS&FMP after the GRC to determine reasonable assumptions Company-wide in regard to storage requirements. The Parties agree on the design portion of the Crystal Springs replacement project in the amount of $41,300 in order to form a more reasonable and accurate cost estimate for the 2012 GRC. The Parties agree that the construction costs of this project would not be included in utility plant in this GRC.

In regard to the San Carlos tank project, the Parties agree that the project should be allowed in Utility Plant upon completion in 2011. In regard to the project to add two tanks in San Mateo, the Parties agree that Cal Water will pursue only

one of the tanks. This will be included in Utility Plant in 2012. The Parties also agree that the siting study would be allowed in Utility Plant upon completion of the tank construction project.

Specific Mains, Hydrants & Services Program

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
Various PIDs	$9,404.5	$9,404.5	$4,065.1	$5,339.4	$6,878.3

ISSUE: Cal Water proposed replacing various pipelines across the district for various reasons including low flows, leaks, pressure, and system reliability.

DRA recommended disallowing some of the projects due to a lack of leak repair documentation, the absence of break-rate data, a lack of repair vs. replacement analysis, and noted that replacing mains merely for fire flow is not justified by GO 103-A. DRA also recommended approving the remaining main replacement projects at a reduced cost per linear foot based upon historical main replacement budgets developed by Cal Water.

RESOLUTION: With the understanding that Cal Water would pursue a prioritized condition based assessment for its next rate case, the Parties agree to a specific main, service, and hydrant budget. Based upon Cal Water's original specific main, service, and hydrant replacement budget of $9,404,500, the Parties agree to allow a total of $6,878,300 in mains, services and hydrant replacement which qualify under the small main (less than 6") and unlined steel criteria. Cal Water provides the following list of main replacement projects that will comprise the approximate $6.9 million in funding during this rate case cycle.

Specific Main Replacement Budget (Mid-Peninsula)

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
00009447	$ 216.9	$ 216.9	$ -	$ 216.9	$ 216.9
00016091	$ 241.7	$ 241.7	$ -	$ 241.7	$ 241.7
00016132	$ 213.9	$ 213.9	$ -	$ 213.9	$ 213.9
00018341	$ 632.8	$ 632.8	$ -	$ 632.8	$ 632.8
00020370	$ 184.8	$ 184.8	$ -	$ 184.8	$ 184.8
00020462	$ 140.5	$ 140.5	$ -	$ 140.5	$ 140.5
00020516	$ 47.4	$ 47.4	$ -	$ 47.4	$ 47.4
00020520	$ 24.9	$ 24.9	$ -	$ 24.9	$ 24.9
00020523	$ 32.3	$ 32.3	$ -	$ 32.3	$ 32.3
00020529	$ 23.3	$ 23.3	$ -	$ 23.3	$ 23.3
00020530	$ 71.6	$ 71.6	$ -	$ 71.6	$ 71.6
00020531	$ 109.3	$ 109.3	$ -	$ 109.3	$ 79.2
00020534	$ 50.3	$ 50.3	$ -	$ 50.3	$ 50.3
00020535	$ 128.6	$ 128.6	$ -	$ 128.6	$ 128.6
00020536	$ 54.8	$ 54.8	$ -	$ 54.8	$ 54.8
00020537	$ 40.6	$ 40.6	$ -	$ 40.6	$ 40.6
00020538	$ 199.9	$ 199.9	$ -	$ 199.9	$ 199.9
00020539	$ 362.4	$ 362.4	$ -	$ 362.4	$ 362.4
00020562	$ 321.6	$ 321.6	$ -	$ 321.6	$ 321.6
00020582	$ 324.6	$ 324.6	$ -	$ 324.6	$ 324.6
00020603	$ 136.7	$ 136.7	$ -	$ 136.7	$ 136.7
00020608	$ 134.3	$ 134.3	$ -	$ 134.3	$ 134.3
00020610	$ 153.9	$ 153.9	$ -	$ 153.9	$ 153.9
00020614	$ 294.7	$ 294.7	$ -	$ 294.7	$ 294.7
00020625	$ 313.8	$ 313.8	$ -	$ 313.8	$ 313.8
00020630	$ 313.8	$ 313.8	$ -	$ 313.8	$ 313.8
00020631	$ 301.9	$ 301.9	$ -	$ 301.9	$ 301.9
00020633	$ 301.9	$ 301.9	$ -	$ 301.9	$ 301.9
00020638	$ 692.3	$ 692.3	$ -	$ 692.3	$ 692.3
00020660	$ 134.4	$ 134.4	$ -	$ 134.4	$ 134.4
00020662	$ 83.3	$ 83.3	$ -	$ 83.3	$ 83.3
00020666	$ 253.9	$ 253.9	$ -	$ 253.9	$ 253.9
00020669	$ 45.4	$ 45.4	$ -	$ 45.4	$ 45.4
00020682	$ 325.9	$ 325.9	$ -	$ 325.9	$ 325.9
Total	**$ 6,908.4**	**$ 6,908.4**	**$ -**	**$ 6,908.4**	**$ 6,878.3**

Table A: Non-controversial plant projects

2009

Project ID Number	Descriptions	Cal Water Direct	DRA Report	Difference	Settlement
00017926	Security Mitigation Improvement - SCADA - San Mateo	$ 3.6	$ 3.6	$ -	$ 3.6
00017926	Security Mitigation Improvement - San Mateo	$ 182.2	$ 182.2	$ -	$ 182.2
00017926	Security Mitigation Improvement - Customer Service & Operations Center - San Mateo	$ 6.1	$ 6.1	$ -	$ 6.1
	Small Meter Replacements	$ 239.1	$ 239.1	$ -	$ 239.1
	TOTAL	$ 431.0	$ 431.0	$ -	$ 431.0

2010

Project ID Number	Descriptions	Cal Water Direct	DRA Report	Difference	Settlement
00017017	Blowoffs	$ 111.4	$ 111.4	$ -	$ 111.4
00019352	Paint Interior Complete, CP System, & Interior Safetyclimb - Sta.112 Tank 1 - Beverly	$ 105.1	$ 105.1	$ -	$ 105.1
00019426	Replace CP Anodes - Sta.106 Tank 3	$ 7.3	$ 7.3	$ -	$ 7.3
00019426	Paint Interior UR and 6' of the Upper Shell & Exterior Complete - Sta. 106 Tank 3	$ 123.9	$ 123.9	$ -	$ 123.9
00020057	Replace Various Valves - San Mateo & San Carlos	$ 121.5	$ 121.5	$ -	$ 121.5
00020272	Replace Panelboards	$ 164.0	$ 155.4	$ 8.6	$ 155.4
00020274	Replace Panelboards	$ 164.0	$ 155.4	$ 8.6	$ 155.4
00020368	Replace Various Blow-Off's - San Mateo	$ 113.4	$ 113.4	$ -	$ 113.4
00020419	Replace Wharfhead - Portable Booster Connections - Sta. 24	$ 22.0	$ 22.0	$ -	$ 22.0
00020425	Crystal Springs Road - San Mateo	$ 315.3	$ 315.3	$ -	$ 315.3
00021297	Tank Retrofit - Sta. 106 Highland Tank 2 - San Carlos	$ 124.0	$ 124.0	$ -	$ 124.0
00023367	Replace and Add Roof Vents - Sta. 27-T2 - San Mateo	$ 30.6	$ 30.6	$ -	$ 30.6

Table A: Non-controversial plant projects con't

	Small Meter Replacements	$ 409.1	$ 370.7	$ 38.4	$ 370.7
	TOTAL	$ 1,811.7	$ 1,756.1	$ 55.6	$ 1,756.1

2011

Project ID Number	Descriptions	Cal Water Direct	DRA Report	Difference	Settlement
00020080	Replace Various Valves - San Mateo & San Carlos	$ 133.5	$ 133.5	$ -	$ 133.5
00020369	Replace Various Blow-Off's - San Mateo	$ 116.9	$ 116.9	$ -	$ 116.9
00020426	Replace Wharfhead - Portable Booster Connections - Sta. 6	$ 22.1	$ 22.1	$ -	$ 22.1
00020564	Retrofit Yorktown Tanks - Sta. 24	$ 186.8	$ 186.8	$ -	$ 186.8
00020659	Replace Pressure Vessel - Sta. 12	$ 70.0	$ 70.0	$ -	$ 70.0
	Small Meter Replacements	$ 425.5	$ 425.5	$ -	$ 425.5
	TOTAL	$ 954.8	$ 954.8	$ -	$ 954.8

2012

Project ID Number	Descriptions	Cal Water Direct	DRA Report	Difference	Settlement
00020081	Replace Various Valves - San Mateo & San Carlos	$ 141.9	$ 141.9	$ -	$ 141.9
00020595	Replace Pressure Vessel - Sta. 23	$ 121.0	$ 121.0	$ -	$ 121.0
00020616	Replace Wharfhead - Portable Booster Connections - Sta. 17	$ 22.3	$ 22.3	$ -	$ 22.3
00021295	Tank Retrofit - Sta. 115 - Melendy Tank 1 - San Carlos	$ 105.2	$ 105.2	$ -	$ 105.2
00021296	Tank Retrofit - Sta. 109 - Club Dr. Tank 2 - San Carlos	$ 103.4	$ 103.4	$ -	$ 103.4
	Small Meter Replacements	$ 442.5	$ 442.5	$ -	$ 442.5
	TOTAL	$ 936.3	$ 936.3	$ -	$ 936.3

Non-specific capital budgets

2009

Descriptions	Cal Water Direct	DRA Report	Difference	Settlement
Land	$ 1.1	$ 1.0	$ 0.1	$ 1.1
Structures	$ 7.9	$ 7.3	$ 0.6	$ 7.5
Wells	$ -	$ -	$ -	$ -
Storage	$ 26.5	$ 24.5	$ 2.0	$ 25.3
Pumps	$ 20.2	$ 18.7	$ 1.5	$ 19.3
Purification	$ -	$ -	$ -	$ -
Mains	$ 171.9	$ 159.2	$ 12.7	$ 164.1
Streets	$ 190.5	$ 176.5	$ 14.0	$ 181.8
Services	$ 349.0	$ 323.3	$ 25.7	$ 333.1
Meters	$ 118.1	$ 109.4	$ 8.7	$ 112.7
Hydrants	$ 60.1	$ 55.7	$ 4.4	$ 57.4
Equipment	$ 9.8	$ 9.1	$ 0.7	$ 9.4
TOTAL	$ 955.1	$ 884.8	$ 70.3	$ 911.7

2010

Descriptions	Cal Water Direct	DRA Report	Difference	Settlement
Land	$ 1.2	$ 1.1	$ 0.1	$ 1.1
Structures	$ 8.1	$ 7.3	$ 0.8	$ 7.6
Wells	$ -	$ -	$ -	$ -
Storage	$ 27.1	$ 24.6	$ 2.5	$ 25.4
Pumps	$ 20.6	$ 18.7	$ 1.9	$ 19.3
Purification	$ -	$ -	$ -	$ -
Mains	$ 175.5	$ 159.0	$ 16.5	$ 164.8
Streets	$ 194.6	$ 176.3	$ 18.3	$ 182.8
Services	$ 356.4	$ 323.0	$ 33.4	$ 334.7
Meters	$ 120.6	$ 109.3	$ 11.3	$ 113.3
Hydrants	$ 61.4	$ 55.6	$ 5.8	$ 57.7
Equipment	$ 10.0	$ 9.1	$ 0.9	$ 9.4
TOTAL	$ 975.5	$ 884.0	$ 91.5	$ 916.1

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Non-specific capital budgets con't

2011

Descriptions	Cal Water Direct	DRA Report	Difference	Settlement
Land	$ 1.2	$ 1.1	$ 0.1	$ 1.1
Structures	$ 8.2	$ 7.4	$ 0.8	$ 7.7
Wells	$ -	$ -	$ -	$ -
Storage	$ 27.7	$ 25.0	$ 2.7	$ 25.9
Pumps	$ 21.1	$ 19.1	$ 2.0	$ 19.8
Purification	$ -	$ -	$ -	$ -
Mains	$ 179.6	$ 162.3	$ 17.3	$ 168.2
Streets	$ 199.1	$ 179.9	$ 19.2	$ 186.5
Services	$ 364.6	$ 329.5	$ 35.1	$ 341.5
Meters	$ 123.4	$ 111.5	$ 11.9	$ 115.6
Hydrants	$ 62.8	$ 56.8	$ 6.0	$ 58.8
Equipment	$ 10.2	$ 9.2	$ 1.0	$ 9.6
TOTAL	$ 997.9	$ 901.8	$ 96.1	$ 934.7

2012

Descriptions	Cal Water Direct	DRA Report	Difference	Settlement
Land	$ 1.2	$ 1.1	$ 0.1	$ 1.1
Structures	$ 8.4	$ 7.6	$ 0.8	$ 7.9
Wells	$ -	$ -	$ -	$ -
Storage	$ 28.3	$ 25.7	$ 2.6	$ 26.6
Pumps	$ 21.6	$ 19.6	$ 2.0	$ 20.3
Purification	$ -	$ -	$ -	$ -
Mains	$ 183.5	$ 166.7	$ 16.8	$ 172.7
Streets	$ 203.4	$ 184.8	$ 18.6	$ 191.4
Services	$ 372.5	$ 338.4	$ 34.1	$ 350.5
Meters	$ 126.1	$ 114.5	$ 11.6	$ 118.7
Hydrants	$ 64.1	$ 58.2	$ 5.9	$ 60.3
Equipment	$ 10.4	$ 9.4	$ 1.0	$ 9.8
TOTAL	$ 1,019.5	$ 926.1	$ 93.4	$ 959.3

9.2.15 Oroville District Plant Settlement

Summary of Settlement and requests to the Commission:

The Parties request the Commission approve the Settlement plant values established herein under the conditions specified.

DRA and Cal Water request that the Commission allow Cal Water to file an offset Advice Letter for Project 26248 at any time until the effective date of rates in the next general rate case with a capital project cap of $26,200 excluding interest during construction. Project 26248 is budgeted for flat-to-meter conversions in 2010, so Parties anticipate that it will be filed in 2011. Parties acknowledge that this cap is for advice letter purposes only and that the Commission will review final project costs in the next general rate case.

DRA and Cal Water request that the Commission allow Cal Water to file an offset Advice Letter for Project 26590 at any time until the effective date of rates in the next general rate case with a capital project cap of $26,200 excluding interest during construction. Project 26590 is budgeted for flat-to-meter conversions in 2011, so Parties anticipate that it will be filed in 2012. Parties acknowledge that this cap is for advice letter purposes only and that the Commission will review final project costs in the next general rate case.

DRA and Cal Water request that the Commission allow Cal Water to file an offset Advice Letter for Project 26591 at any time until the effective date of rates in the next general rate case with a capital project cap of $26,200 excluding interest during construction. Project 26591 is budgeted for flat-to-meter conversions in 2012, so Parties anticipate that it will be filed in 2013. Parties acknowledge that this cap is for advice letter purposes only and that the Commission will review final project costs in the next general rate case.

Controversial Projects

The dollars (in thousands) shown in the tables below for various capital projects represent the funding for the capital investment and not the respective Test Year revenue requirement for that funding. The more detailed descriptions represent

projects where there was a difference between Cal Water and DRA as noted in the DRA Report on the Results of Operation for the Oroville District and the resulting funding level agreed to in settlement discussions.

Non-controversial Projects

In addition to the more detailed project descriptions that immediately follow, Cal Water's proposed capital budgets for the years 2009-2012 included a number of projects where DRA did not object to the need for the project and the requested funding. Table A (in thousands of dollars) at the end of this section lists these projects, noting Cal Water's project number, a short project description, Cal Water's proposed funding, DRA's recommended funding, and Settlement funding. This table does not contain a Cal Water rebuttal column DRA did not object to Cal Water's proposed project and related funding. The Parties agree that these projects be approved for inclusion in Utility Plant in the year in which they are proposed to be in service.

Non-Specifics

Following Table A are comparison tables showing the dollars (in thousands) for Cal Water's non-specific capital budget proposal, DRA's recommendation, the difference and the Settlement. See the Antelope Valley District Plant Settlement for the general discussion on Non-Specific Plant Estimates.

Controversial Projects

Flat-to-meter conversion

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 17194 (2009)	$45.2	$45.2	$45.2	$0.0	$45.2
26248 (2010)	$26.2	$26.2	$22.0 Advice Letter	$4.2	$26.2 Advice Letter
26590 (2011)	$26.2	$26.2	$22.0 Advice Letter	$4.2	$26.2 Advice Letter
26591 (2012)	$26.2	$26.2	$22.0 Advice Letter	$4.2	$26.2 Advice Letter

ISSUE: AB 2572 requires Cal Water to convert all of its flat rate customers to metered service by January 1, 2025. In order to convert all of the flat rate customers in the Oroville District by then, and to do so at a reasonable rate per year, Cal Water budgets 33 conversions per year. Based upon this rate, Cal Water will require conversion projects through 2017 to convert the remaining services from flat to metered. DRA does not disagree with the project or the rate of the conversions. However, DRA estimated the annual cost needed for the conversions at a lower amount based upon data they had for recorded costs for conversions in 2007-2009. This lowered their estimated cost by $4,200 per year. DRA also recommended the costs associated with the 2010-2012 projects be placed into plant for rate-making after submittal of Advice Letters with caps no higher than their revised estimate.

RESOLUTION: The Parties agree to book the actual cost for 2009 and for Cal Water to seek rate relief through advice letter filings for 2010-2012 capped at the amounts shown in the table above.

Vehicle and equipment replacements

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 17729 (2009)	$28.5	$33.7	$33.7	$0.0	$33.7
17793 (2009)	$43.2	$30.1	$29.5	$0.0	$30.1

ISSUE: Cal Water proposed replacing one pickup (PID 17729) and a forklift (PID 17793) in 2009. DRA recommends adjusting these items to the actual 2009 costs because the purchases were completed in 2009.

In Rebuttal, Cal Water noted that the actual cost for PID 17793 was $30,134.

RESOLUTION: The Parties agree on the actual costs noted in the table above.

Replace the gunite on the reservoir

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 17780 (2009)	$113.4	$98.7	$98.7	$0.0	$98.7

ISSUE: Cal Water proposed replacing the 40-year old gunite on the reservoir walls in 2009. During the field tour, DRA viewed the completed project and requested the actual cost of the project.

RESOLUTION: The Parties agree to Cal Water's actual cost of $98,700 for this 2009 project.

Replace anthracite in the treatment plant filters

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 20602 (2010)	$21.6	$16.5	$16.5	$0.0	$16.5

ISSUE: Cal Water proposed replacing the anthracite in the filters to the treatment plant. In a data request, DRA requested information to substantiate the cost of the anthracite, which Cal Water provided.

RESOLUTION: The Parties agree to a cost of $16,500 for this 2010 project.

Purchase property and construct a well

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 21510 (2010)	$200.0	$0.0 Cancelled project	$0.0	$0.0	$0.0 Defer
19960 (2011)	$798.3	$0.0 Cancelled project	$0.0	$0.0	$0.0 Defer
19960 (2012)	$800.2	$0.0 Cancelled project	$0.0	$0.0	$0.0 Defer

ISSUE: Cal Water proposed purchasing property in 2010 and constructing and equipping a well in 2011 and 2012 to reduce its reliance on raw water purchased from PG&E. Based upon Cal Water's response to a data request, which explained that Cal Water was canceling this project, DRA recommended its removal from consideration for this GRC.

RESOLUTION: The Parties agree to defer consideration of this project.

Replace pump and Install energy monitoring equipment at Station 2

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 20684 (2011)	$92.9	$92.9	$0.0	$92.9	$0.0 Defer

ISSUE: Cal Water proposed installing equipment and implementing its power monitoring program throughout the Company in 2010 and 2011. Cal Water stated in the December 22, 2009, meeting with DRA personnel that the pilot program in Marysville will have results and analysis in the form of a full cost-benefit analysis by November 2010. Cal Water has been including the energy monitoring equipment in all new pump stations. The addition of the equipment maximizes overall system management in daily operations by automatically tracking energy consumption, well levels and water flow from zone to zone, therefore minimizing manual data collection. The new equipment is important and fundamental to the way Cal Water conducts business, in the present and future, and will improve the level of customer service by enabling Cal Water to react quicker to problems with equipment and/or to minimize damage to equipment through real-time monitoring. In addition to providing important information for strategic operation, the power meters are critical in protecting the motors and other sensitive equipment, such as control transformers, instrumentation, and communication equipment from unexpected poor quality

power from electric utilities. The meters will detect phase rotation, under and over voltage, unbalanced voltage, and voltage loss, shutting down pumps and other devices to ensure longevity of equipment. DRA has concerns with implementation of this project Company-wide until an appropriate cost-benefit analysis can be provided. Therefore, DRA recommended that this project be deferred to a future GRC subject to the results of a pilot program.

RESOLUTION: The Parties agree to defer Cal Water's Company-wide implementation of the energy monitoring program pending the results of pilot programs in two different districts. The Parties agree on two programs so that information can be gathered from two separate types of distribution systems to give a broader evaluation of the equipment. The pilot programs will be in the Marysville and Mid-Peninsula Districts.

Main replacement in Linden Avenue

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 20790 (2012)	$199.0	$199.0	$0.0	$199.0	$199.0

ISSUE: Cal Water proposed replacing 960 feet of a 75-year old wrapped steel main and replacing all existing services. The replacement was proposed primarily due to reduced flow due to internal corrosion. According to DRA, the information Cal Water provided did not convincingly demonstrate that the pipe condition warranted its replacement at this time and recommended it be deferred to the next GRC.

In Rebuttal, Cal Water noted that the main is an odd size – 7-inch diameter – making it hard to repair because special-order clamps and couplings are required. The main is also shallow. In the summer, the water can get fairly warm

leading to various taste and odor complaints that require periodic flushing. In January of 2010, there was another leak that required a costly repair. Therefore, Cal Water requested its estimated cost for the main replacement.

RESOLUTION: The Parties agree with Cal Water's estimated cost for the main replacement.

Install 24-inch raw water pipe to replace raw water ditch

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 21085 (2012)	$242.5	$0.0 Cancelled project	$0.0	$0.0	$0.0 Defer

ISSUE: Cal Water proposed installing of 800 feet of 24-inch pipe to bring the raw water to the treatment plant in order to eliminate leakage from the open ditch currently used to transport raw water. During the Oroville field trip, Cal Water notified DRA that it was cancelling the project. DRA therefore recommends that this project should be removed from consideration for this GRC.

RESOLUTION: The Parties agree to defer consideration of this project until the next GRC.

Table A: Non-controversial plant projects

2009

Project ID Number	Descriptions	Cal Water Direct	DRA Report	Difference	Settlement
00015032	Shelter for Vehicles	$ 59.8	$ 59.8	$ -	$ 59.8
00015039	Filter Valve Replacement	$ 69.5	$ 69.5	$ -	$ 69.5
00017194	Flat-to-Meter Conversions	$ 45.2	$ 45.2	$ -	$ 45.2
00017343	Raplace Magmeter	$ 22.2	$ 22.2	$ -	$ 22.2
00017346	Raplace Magmeter	$ 22.2	$ 22.2	$ -	$ 22.2
00017349	Raplace Magmeter	$ 22.2	$ 22.2	$ -	$ 22.2
00017713	Security Improvements	$ 41.1	$ 41.1	$ -	$ 41.1
00017729	Vehicle	$ 28.5	$ 28.5	$ -	$ 28.5
00017787	Filter Valve Replacement	$ 39.4	$ 39.4	$ -	$ 39.4
00018031	Mig Welder	$ 2.2	$ 2.2	$ -	$ 2.2
00019411	Replace Tank Berm	$ 12.9	$ 12.9	$ -	$ 12.9
00020640	Tools & Equipment	$ 6.0	$ 6.0	$ -	$ 6.0
00020767	Mains, Hydrants & Services	$ 262.6	$ 262.6	$ -	$ 262.6
	Small Meter Replacements	$ 14.2	$ 14.2	$ -	$ 14.2
		$ 648.0	**$ 648.0**	**$ -**	**$ 648.0**

2010

Project ID Number	Descriptions	Cal Water Direct	DRA Report	Difference	Settlement
00017697	Security Improvements	$ 103.8	$ 103.8	$ -	$ 103.8
00020109	CL2 Pumps	$ 6.7	$ 6.7	$ -	$ 6.7
00020113	CL2 Cell	$ 16.3	$ 16.3	$ -	$ 16.3
00020116	Mains, Hydrants & Services	$ 250.5	$ 250.5	$ -	$ 250.5
00020117	Fluoride Vatts & Pumps	$ 7.6	$ 7.6	$ -	$ 7.6
00020405	Replace Air Scour Valves	$ 63.7	$ 63.7	$ -	$ 63.7
00020464	Ice Machine	$ 2.8	$ 2.8	$ -	$ 2.8
00020504	Replace Tractor	$ 5.7	$ 5.7	$ -	$ 5.7
00020546	Copier	$ 15.1	$ 15.1	$ -	$ 15.1
00020691	CL2 Sheds	$ 18.4	$ 18.4	$ -	$ 18.4
00020758	Office Equipment	$ 4.8	$ 4.8	$ -	$ 4.8
00020760	Office Equipment	$ 13.0	$ 13.0	$ -	$ 13.0
00021050	Resand Basins	$ 15.7	$ 15.7	$ -	$ 15.7
00021512	SCADA Controls	$ 20.0	$ 20.0	$ -	$ 20.0
00025448	Replace Tank Berm	$ 7.5	$ 7.5	$ -	$ 7.5
00026369	Vehicle	$ 29.7	$ 29.7	$ -	$ 29.7
	Small Meter Replacements	$ 14.7	$ 14.7	$ -	$ 14.7
		$ 595.9	**$ 595.9**	**$ -**	**$ 595.9**

Table A: Non-controversial plant projects con't

2011

Project ID Number	Descriptions	Cal Water Direct	DRA Report	Difference	Settlement
00015056	Mains & Services	$ 132.4	$ 132.4	$ -	$ 132.4
00017794	Mains & Services	$ 94.4	$ 94.4	$ -	$ 94.4
00019412	Tank Painting	$ 235.8	$ 235.8	$ -	$ 235.8
00020890	Valve Replacements	$ 47.4	$ 47.4	$ -	$ 47.4
00020912	Vehicle & Equipment	$ 48.6	$ 48.6	$ -	$ 48.6
00021511	TP Control System	$ 243.0	$ 243.0	$ -	$ 243.0
00025427	Tank Painting	$ 186.7	$ 186.7	$ -	$ 186.7
	Small Meter Replacements	$ 15.3	$ 15.3	$ -	$ 15.3
		$ 1,003.6	**$ 1,003.6**	**$ -**	**$ 1,003.6**

2012

Project ID Number	Descriptions	Cal Water Direct	DRA Report	Difference	Settlement
00020687	Pump Replacement	$ 99.4	$ 99.4	$ -	$ 99.4
00020791	Mains & Services	$ 153.7	$ 153.7	$ -	$ 153.7
00020822	Vehicle	$ 40.7	$ 40.7	$ -	$ 40.7
00020899	Fluoride Vatts w/ Pumps	$ 7.3	$ 7.3	$ -	$ 7.3
	Small Meter Replacements	$ 15.9	$ 15.9	$ -	$ 15.9
		$ 317.0	**$ 317.0**	**$ -**	**$ 317.0**

Non-specific capital budgets

2009

Descriptions	Cal Water Direct	DRA Report	Difference	Settlement
Land	$ -	$ -	$ -	$ -
Structures	$ 7.0	$ 6.5	$ 0.5	$ 6.7
Wells	$ -	$ -	$ -	$ -
Storage	$ 1.4	$ 1.3	$ 0.1	$ 1.3
Pumps	$ 7.9	$ 7.3	$ 0.6	$ 7.5
Purification	$ 10.6	$ 9.8	$ 0.8	$ 10.1
Mains	$ 7.8	$ 7.2	$ 0.6	$ 7.4
Streets	$ -	$ -	$ -	$ -
Services	$ 37.3	$ 34.5	$ 2.8	$ 35.6
Meters	$ 12.6	$ 11.7	$ 0.9	$ 12.0
Hydrants	$ 3.1	$ 2.9	$ 0.2	$ 3.0
Equipment	$ 4.4	$ 4.1	$ 0.3	$ 4.2
	$ 92.1	$ 85.2	$ 6.9	$ 87.8

2010

Descriptions	Cal Water Direct	DRA Report	Difference	Settlement
Land	$ -	$ -	$ -	$ -
Structures	$ 7.1	$ 6.4	$ 0.7	$ 6.7
Wells	$ -	$ -	$ -	$ -
Storage	$ 1.5	$ 1.4	$ 0.1	$ 1.4
Pumps	$ 8.1	$ 7.3	$ 0.8	$ 7.6
Purification	$ 10.9	$ 9.9	$ 1.0	$ 10.2
Mains	$ 7.9	$ 7.1	$ 0.8	$ 7.4
Streets	$ -	$ -	$ -	$ -
Services	$ 38.1	$ 34.4	$ 3.7	$ 35.7
Meters	$ 12.9	$ 11.7	$ 1.2	$ 12.1
Hydrants	$ 3.2	$ 2.9	$ 0.3	$ 3.0
Equipment	$ 4.5	$ 4.1	$ 0.4	$ 4.2
	$ 94.2	$ 85.2	$ 9.0	$ 88.3

Non-specific capital budgets con't

2011

Descriptions	Cal Water Direct	DRA Report	Difference	Settlement
Land	$ -	$ -	$ -	$ -
Structures	$ 7.3	$ 6.6	$ 0.7	$ 6.8
Wells	$ -	$ -	$ -	$ -
Storage	$ 1.5	$ 1.4	$ 0.1	$ 1.4
Pumps	$ 8.3	$ 7.5	$ 0.8	$ 7.8
Purification	$ 11.1	$ 10.0	$ 1.1	$ 10.4
Mains	$ 8.1	$ 7.3	$ 0.8	$ 7.6
Streets	$ -	$ -	$ -	$ -
Services	$ 38.9	$ 35.2	$ 3.7	$ 36.5
Meters	$ 13.1	$ 11.8	$ 1.3	$ 12.3
Hydrants	$ 3.2	$ 2.9	$ 0.3	$ 3.0
Equipment	$ 4.6	$ 4.2	$ 0.4	$ 4.3
	$ 96.1	$ 86.9	$ 9.2	$ 90.1

2012

Descriptions	Cal Water Direct	DRA Report	Difference	Settlement
Land	$ -	$ -	$ -	$ -
Structures	$ 7.5	$ 6.8	$ 0.7	$ 7.0
Wells	$ -	$ -	$ -	$ -
Storage	$ 1.5	$ 1.4	$ 0.1	$ 1.4
Pumps	$ 8.5	$ 7.7	$ 0.8	$ 8.0
Purification	$ 11.3	$ 10.2	$ 1.1	$ 10.6
Mains	$ 8.3	$ 7.5	$ 0.8	$ 7.8
Streets	$ -	$ -	$ -	$ -
Services	$ 39.8	$ 36.0	$ 3.8	$ 37.3
Meters	$ 13.4	$ 12.1	$ 1.3	$ 12.6
Hydrants	$ 3.3	$ 3.0	$ 0.3	$ 3.1
Equipment	$ 4.7	$ 4.2	$ 0.5	$ 4.4
	$ 98.3	$ 88.8	$ 9.5	$ 92.2

9.2.16 Palos Verdes District Plant Settlement

Summary of Settlement and requests to the Commission:

The Parties request the Commission approve the Settlement plant values established herein under the conditions specified.

DRA and Cal Water request that the Commission allow Cal Water to file an offset Advice Letter for Project 17330 at any time until the effective date of rates in the next general rate case with a capital project cap of $430,000 excluding interest during construction. Project 17330 is budgeted for replacement of an electric panelboard in 2010, so Parties anticipate that it will be filed in 2011. Parties acknowledge that this cap is for advice letter purposes only and that the Commission will review final project costs in the next general rate case.

DRA and Cal Water request that the Commission allow Cal Water to file an offset Advice Letter for Project 17331 at any time until the effective date of rates in the next general rate case with a capital project cap of $345,000 excluding interest during construction. Project 17331 is budgeted for replacement of an electric panelboard in 2010, so Parties anticipate that it will be filed in 2011. Parties acknowledge that this cap is for advice letter purposes only and that the Commission will review final project costs in the next general rate case.

DRA and Cal Water request that the Commission allow Cal Water to file an offset Advice Letter for Project 20510 at any time until the effective date of rates in the next general rate case with a capital project cap of $849,200 excluding interest during construction. Project 20510 is budgeted for the installation of a power recovery turbine unit in 2009/10, so Parties anticipate that it will be filed in 2011 . Parties acknowledge that this cap is for advice letter purposes only and that the Commission will review final project costs in the next general rate case.

DRA and Cal Water request that the Commission allow Cal Water to file an offset Advice Letter for Project 21173 at any time until the effective date of rates in the next general rate case with a capital project cap of $2,360,000 excluding interest during construction. Project 21173 is budgeted for land acquisition in 2012, on which to construct a storage reservoir, so Parties anticipate that it will be filed in

2013. Parties acknowledge that this cap is for advice letter purposes only and that the Commission will review final project costs in the next general rate case. DRA and Cal Water request that the Commission allow Cal Water to file an offset Advice Letter for Project 21175 at any time until the effective date of rates in the next general rate case with a capital project cap of $2,114,600 excluding interest during construction. Project 21175 is budgeted for the installation of a 34-inch main in 2009/10, so Parties anticipate that it will be filed in 2011. Parties acknowledge that this cap is for advice letter purposes only and that the Commission will review final project costs in the next general rate case. DRA and Cal Water request that the Commission allow Cal Water to file an offset Advice Letter for Project 26747 at any time until the effective date of rates in the next general rate case with a capital project cap of $576,900 excluding interest during construction. Project 26747 is budgeted for the replacement of an electric panelboard in 2011, so Parties anticipate that it will be filed in 2012. Parties acknowledge that this cap is for advice letter purposes only and that the Commission will review final project costs in the next general rate case.

Controversial Projects

The dollars (in thousands) shown in the tables below for various capital projects represent the funding for the capital investment and not the respective Test Year revenue requirement for that funding. The more detailed descriptions are for projects where there was a difference between Cal Water and DRA as noted in the DRA Report on the Results of Operation for the Palos Verdes District and the resulting funding level agrees to in settlement discussions.

Non-controversial Projects

In addition to the more detailed project descriptions that immediately follow, Cal Water's proposed capital budgets for the years 2009-2012 included a number of projects where DRA did not object as to the need for the project and the requested funding. Table A (dollars in thousands) at the end of this section lists these projects, noting Cal Water's project number, a short project description, Cal

Water's proposed funding, DRA's recommended funding, and Settlement funding. This table does not contain a Cal Water rebuttal column because there were no objections by DRA to Cal Water's proposed project and related funding. The Parties agree that these projects should be approved for inclusion in Utility Plant in the year in which they are proposed to be in service.

Non-Specifics

Following Table A, are comparison tables showing the dollars (in thousands) for Cal Water's non-specific capital budget proposal, DRA's recommendation, the difference and the Settlement. See the Antelope Valley District Plant Settlement for the general discussion on Non-Specific Plant Estimates.

Controversial Projects

Electric panel board replacements at various locations

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 17330 (2010)	$430.0	N/A	$430.0 Advice Letter	$0.0 Advice Letter	$430.0 Advice Letter
17331 (2010)	$345.0	N/A	$345.0 Advice Letter	$0.0 Advice Letter	$345.0 Advice Letter
26747 (2011)	$576.9	N/A	$576.9 Advice Letter	$0.0 Advice Letter	$576.9 Advice Letter

ISSUE: Cal Water proposed replacing electric panel boards and associated equipment at Stations 22 and 30. The equipment is 50 +- years old, and if it fails, Cal Water would have to utilize other facilities to pump during the peak time,

during which the cost increases dramatically. The equipment shows corrosion, and has been determined to be safety hazards for the technicians that have to work on it. DRA agrees with the projects scope, but not on the time frame in which the work is scheduled for completion. The projects are all in the design phase, with a completion date in 2011. There is also some uncertainty regarding costs since they have not been bid out yet. Therefore, DRA recommended approval of the projects with Advice Letter treatment capped at the amounts noted in the table above.

RESOLUTION: The Parties agree to Advice Letter treatment at the capped dollars in the table above.

Install a pilot power recovery turbine at PRV-19

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 20510 (2009)	$849.2	N/A	$849.2 Advice Letter	$0.0 Advice Letter	$849.2 Advice Letter

ISSUE: Cal Water proposed installing a power recovery turbine in parallel with a pressure reducing valve facility in order to take advantage of a readily available renewable energy source. The estimated cost includes $122,100 from project 19668. Although the project is not revenue neutral, the projected rate impact to customers is $0.21 per customer per month, with a breakeven point at about 22 years. DRA agrees with the pilot project, but recommends approval of the project for Advice Letter status capped at $849,200 due to the uncertainty of the cost and schedule.

RESOLUTION: The Parties agree to Advice Letter treatment at the capped dollars above.

Install 34-inch main in PV Drive east to replace existing 33-inch

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 21175 (2009)	$2,144.6	$2,144.6	$0.0	$2,144.6	$2,144.6 Advice Letter

ISSUE: Cal Water proposed installing approximately 2,000 feet of 34-inch transmission main to replace approximately 1,200 feet of 33-inch main. The existing 33-inch main, installed in 1967, is the primary supply line for over 85% of the customers in the Palos Verdes system. Much of the main is located in a cross-country alignment over private property within a 20-foot easement. At Colt Road, the main goes through a retaining wall as it enters private property, south of the intersection of Colt Road and Palos Verdes Drive East. Due to apparent ground movement, not unusual on the Palos Verdes Peninsula, the high retaining wall through which the main goes through, is causing both horizontal and vertical stress on the main. This is apparent as portions of the concrete supports for the main in this area are spalling. There is also noticeable buckling of the main at this location. The project proposes installing the replacement 34-inch main in the public right-of-way along Palos Verdes Drive East from Colt road to Reservoir 19. This will eliminate the retaining wall crossing and resultant stress, as well as locate the transmission main where there is access for maintenance not on private property.

DRA disagreed with the necessity of the project at this time. Cal Water proposes replacing/installing a significant footage of main due to problems at only one location, with no apparent signs of failure at any other locations along its alignment. DRA also noted that when asked about other options, Cal Water noted that a repair could be made for the short term, but the retaining wall and over 30 feet of earth retained is the cause of the shifting and pipe deflection.

Stabilizing the slope causing the problem would be an expensive proposition. However, DRA noted that the proposed project is also very expensive. So it recommended that Cal Water look fully into other alternatives including cost. DRA recommends this project be deferred to the next GRC, and that Cal Water investigate other potential cost-effective alternatives.

In Rebuttal, Cal Water provided a response to DRA's stated concerns, and again provided pictures showing the buckling, pipe deflection and spalling of the concrete supports from the stress caused by the movement. An internal video recorded by another entity other than Cal Water confirmed the distress in the pipe. In response to other options explored, Cal Water offered the following relative to a localized repair:

- In consultation with Doty Brothers Construction Company, a licensed pipeline contractor and the holder of the Cal Water Palos Verdes annual construction contract, a repair alternative would require an 18- to 24-hour shutdown of the mainline to complete the work. This extended shutdown is anticipated mainly due to the concern that severing the aboveground line that is clearly under stress could potentially result in the lines "springing" out of alignment. Not only could this present a danger to repair crews, but such a misalignment may be nearly impossible to realign and repair depending on the extent of the movement. Given the importance of this transmission main, a shutdown of this duration cannot be accommodated without significant service interruptions given the importance of this transmission main. This transmission main is part of the single backbone pipeline system that supplies nearly 90% of the Palos Verdes System. With this line out of service, supplies from West Basin connections at the base of the Peninsula cannot be transmitted to either Reservoir 19 or 20 that are the reservoirs from which gravity feeds supplies back to the system. The pipeline replacement option proposed as part of this project will significantly reduce the shutdown time and

reduce the chance of causing irreparable damage to the line. It is proposed that the replacement line be installed in its entirety with the existing line in-service. A tee and valve will then be installed on the underground portion of 33" main using the "hot-tap" method with the existing line in service. When the proposed line is tied in on both ends, a short shutdown will be required to cut and cap the existing 33" main.

- Even if a localized repair could be accomplished, the likelihood of future repair at the same location is high given that the retaining wall and the more than 30 foot height of earth retained is the cause of the shifting and pipe deflection/distress. To make repair a permanent solution, stabilization of the hillside would be necessary. As indicated previously, studying and stabilizing the slope that is causing the stress is likely to be as costly as the pipeline replacement proposed. Cal Water would much rather invest capital into replacing a transmission main that is over 40 years old since it will provide a lasting benefit to its customers, as opposed to investing in the repair of a hillside for property it does not even own.

- Replacement of the pipeline as proposed not only will resolve the distress issue at hand, but provides the following added benefits:
- Reduces the chance of catastrophic failure at the retaining wall juncture during a significant seismic event which would compromise service to the majority of the Peninsula for an extended period of time given the size and inaccessibility of the existing line.
- Will significantly improve access to the pipeline to maintain and repair future leaks. Currently certain portions of the alignment are located in areas that are not easily accessed.
- Reduce liability to CWS since the pipeline will be moved out of the cross-country path, further away from private property.

A final consideration concerns the timing of the project. The City has plans to repave Palos Verdes Drive East within the limits of the proposed pipeline project

starting sometime early to mid-2011. Once repaved, the City will impose a 3- to 5-year moratorium within the newly-paved limits disallowing any work that requires cutting of the pavement. Moving forward with the pipeline project now will ensure it is complete before the moratorium is set and will result in reduced costs because the City's repaving requirements (as part of their encroachment permit conditions) will likely be much less stringent given an overlay is eminent. Delaying the project will increase costs and result in a minimum of 3 to 5-year delay.

RESOLUTION: The Parties agree to the project for 2011 at the estimated cost in the table above.

Replace pump at Station 23

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 18536 (2010)	$154.5	$154.5	$0.0	$154.5	$154.5

ISSUE: Cal Water proposed replacing pump 23C at Station 23 with a high-efficiency top drive pump, noting that the 10% increase in efficiency will save up to $15,000 a year in energy costs. DRA disagrees with the necessity of the project at this time due to a recent pump test that showed the current efficiency to be higher resulting in lower projected savings. DRA recommended disallowance of the project.

In Rebuttal, Cal Water noted that the pump designation in the justification should have been for pump E instead of C. The design has already been completed for the work, and the various equipment and material ordered, with installation to be complete by May of 2010. The pump and motor to be replaced were installed in 1992, with the motor being reconditioned in 2006. The station where this pump

is located is the sole source of supply between two zones. To avoid pumping during peak hours where the cost of electricity increases substantially, the District uses this pump and the other four 450-hp driven pumps. Another factor has to do with the standardization of equipment, particularly at critical stations such as this one. Even though it will be lower in efficiency, the replaced motor and pump will be kept as standby to be readily available if there is a failure of the pump/motor at this and other similar facilities, thus reducing the downtime.

RESOLUTION: The Parties agree to the project for 2010 at the estimated cost in the table above.

Replace approximately 890 feet of main in Crest Road

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 20513 (2010)	$226.2	$226.2	$131.7	$89.5	$180.8

ISSUE: Cal Water proposed replacing 890 feet of leaking 60-year old 4-inch cast iron main and reconnect existing services. DRA agreed with the necessity of the project, but adjusted the estimated cost of the project, primarily due to the high unit cost for the service reconnections Cal Water used in its estimate. DRA based its unit costs on similar projects.

In Rebuttal, Cal Water noted that due to the specific location of this main, the service work was going to require a lot of hand excavation because it will be inaccessible by motorized/mechanical equipment. DRA requested substantiation or revised costs due to these conditions.

RESOLUTION: The Parties agree to the revised DRA estimate of $180,820.

Crenshaw/Ridge Supply project and D-500 Distribution project

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 18095 (2011 & 2012)	$28,425.2	N/A	$0.0 File separate application	$0.0	$0.0 File separate application
18096 (2011)	$9,039.0	N/A	$0.0 File separate application	$0.0	$0.0 File separate application

ISSUE: Cal Water proposed constructing a separate independent system (PID 18095) comprised of 18,000 feet of 27-inch transmission main, 5,000 feet of 12-inch main, a buried 3-MG storage tank, a six-pump booster station and related electrical equipment to supply the Ridge system in the Palos Verdes system. The Ridge system has over 85% of the customers in the Palos Verdes District. The Ridge system is presently supplied through a 27-inch main between Reservoirs 19 and 20 that follows a cross-country path through a historic landslide area. This single supply line makes the supply to the Ridge system and over 85% of the customers vulnerable during a seismic event or earth movement. Its location makes it very difficult to repair should there be a leak, and there have been leaks. Constructing this additional transmission main adds significantly to the reliability of supply to the majority of the customers in the Palos Verdes District.

Cal Water proposed this project in two of the other most recent GRCs for the district. The scope of the project has changed over time due to various design considerations/complexities and issues related to the available location in which to install the main and construct the reservoir, in addition to the increased cost.

For project 18096, Cal Water proposes installing approximately 13,000 feet of 24-inch transmission main to serve what is designated as the D-500, or lower

zone. This main will replace a 20-inch main, installed in the mid-1950s that travels cross-country in a 16.5-foot easement. A number of homes have encroached on the easement over the years making it very hard to access for repairs as well as creating a substantial liability associated with a significant leak in this main, and the inability to discover the leak until a significant amount of damage has occurred. Also, there are a limited number of isolation valves on the main.

DRA had a substantial number of issues related to the two projects. As such, DRA recommended that Cal Water file a separate application for these projects rather than incorporate them into this GRC. The separate application would allow Cal Water to address the potential impact on the customer's rates by providing more timely and adequate notice of the projects. Also, it affords time for preliminary design reports to be prepared to have a better idea as to the schedule and overall costs.

It should be noted, as DRA pointed out, that because these projects were not expected realistically to be completed until 2013 or beyond, there is no impact on the 2011 proposed rates. In the Application, Cal Water requests the Commission acknowledge that Allowance for Funds Used During Construction would be applicable for these projects due to their size and construction duration.

Because Cal Water considers these to be very important projects to the Palos Verdes customers, and because it recognizes the potential impact on customer's rates, it has been working with the various cities on the Palos Verdes Peninsula for several years informing them about the projects. Cal Water is preparing a significant public outreach program for customers about the projects long before there will be any impact, assuming the Commission will grant approval to construct.

RESOLUTION: The Parties agree that Cal Water will file a separate application once the project scope and costs are more definite and address the concerns raised by DRA.

Replace pump at Station 30

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 18515 (2011)	$156.9	$156.9	$0.0	$156.9	$156.9

ISSUE: Cal Water proposed replacing pump D at Station 30, along with its shelter, with a high-efficiency top drive pump, noting that the 14% increase in efficiency could save up to $28,000 a year in energy costs. DRA disagrees with the necessity of the project at this time due to a recent pump test that showed the current efficiency to be higher resulting in a much lower projected savings. DRA recommended disallowance of the project.

In Rebuttal, Cal Water noted that the pump designation DRA used was incorrect in its report in that it noted pump 23E at Station 23 as that proposed to be replaced. Unfortunately, Cal Water submitted the incorrect SCE test in its response to a data request which lead to the wrong designation by DRA, and therefore an incorrect conclusion, based upon a comparison of efficiencies. In Rebuttal, Cal Water included the correct SCE test dated November of 2008 that noted the efficiency as 58%.

RESOLUTION: The Parties agree to the project for 2011.

Replace pump at Station 22

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 19880 (2012)	$163.5	$163.5	$0.0	$163.5	$0.0 Defer

ISSUE: Cal Water proposed replacing pump B at Station 22, along with its shelter, with a high-efficiency top drive pump, noting that the 11% increase in efficiency could save up to $19,000 a year in energy costs. DRA disagrees with the necessity of the project at this time because the equipment is only six years old. Also, the projected savings from the increased efficiency would not offset the increased revenue requirement of the replacement. DRA recommended disallowance of the project.

In Rebuttal, Cal Water noted that the pump designation DRA used was incorrect in its report in that it noted pump C at Station 22 as that proposed to be replaced instead of D. Cal Water installed both pump and motor for D in 1992. Cal Water reiterated the importance of the project due to the need to keep all of the pumps in top condition to avoid having to pump from other stations during peak periods.

RESOLUTION: The Parties agree to defer the project until the next GRC.

Install energy monitoring equipment at various booster stations

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 20350 (2010-2012)	$154.0	$154.0	$0.0	$154.0	$0.0 Defer

ISSUE: Cal Water proposed installing equipment and implementing its power monitoring program throughout the Company in 2010-2012. Cal Water stated in the December 22, 2009, meeting with DRA personnel that the pilot program in Marysville will have results and analysis in the form of a full cost-benefit analysis by November 2010. Cal Water has been including the energy monitoring equipment in all new pump stations. The addition of the equipment maximizes overall system management in daily operations by automatically tracking energy consumption, well levels and water flow from zone to zone, therefore minimizing manual data collection. The new equipment is important and fundamental to the way Cal Water conducts business, in the present and future, and will improve the level of customer service by enabling Cal Water to react quicker to problems with equipment and/or to minimize damage to equipment through real-time monitoring. In addition to providing important information for strategic operation, the power meters are critical in protecting the motors and other sensitive equipment, such as control transformers, instrumentation, and communication equipment from unexpected poor quality power from the electric utilities. The meters will detect phase rotation, under and over voltage, unbalanced voltage, and voltage loss, shutting down pumps and other devices to ensure longevity of equipment. DRA has concerns with implementation of this project Company-wide until an appropriate cost-benefit analysis can be provided. Therefore, DRA recommended that this project be deferred to a future GRC subject to the results of a pilot program.

RESOLUTION: The Parties agree to defer Cal Water's company-wide implementation of the energy monitoring program pending the results of pilot programs in two different districts. The Parties agree on two programs so that information could be gathered from two separate types of distribution system characteristics to give a broader evaluation of the equipment. The pilot programs will be in the Marysville and Mid-Peninsula Districts.

Install approximately 3,860 feet of 12-inch main in Highridge Road

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 21170 (2012)	$1,284.6	$1,284.6	$0.0 Defer	$1,284.6	$1,284.6

ISSUE: Cal Water proposed installing 3,860 feet of 12-inch main to parallel an existing main to alleviate high velocity and subsequent low pressures served by the existing 12-inch main. The 2002 Water Supply & Facilities Master Plan (WS&FMP) noted the high velocities resulting in pressures below 40 psi during peak hour demand for the present (2002) as well as future. A subsequent WS&FMP update in 2009 by a different consulting firm confirmed the high velocities/low pressures. DRA recommends deferral to the next GRC, stating installation of the new main to address a low pressure zone is not critical at this time. Cal Water's WS&FMP focuses primarily on a pressure deficiency under the 2030 demand. DRA's review of pressure complaints in the area affected seem to indicate the pressure issues were due to factors other than those related to the carrying capacity of the exiting main.

In Rebuttal, Cal Water noted that it agrees that the low pressure issue will undoubtedly be exacerbated as demands increase in the future; however, it is well documented that the pressure issue exists today. Static pressures in the area of concern are well above normal but, as indicated in the project justification, heavy morning demands (6:00 to 9:00 am) result in high velocities in the existing 12-inch distribution main in Highridge Road resulting in pressure drops below the 40 psi minimum required during normal operation and 30 psi minimum required for the hour of maximum use per General Order 103. Low pressure occurrences occur daily and on a year-round basis (not just in summer months). In the area of Peacock Ridge Rd and King Arthur Drive in particular,

pressures regularly run in the mid- to lower 30 psi range (in the morning) and in some cases down to 20 psi during peak summer month periods.

RESOLUTION: The Parties agree, as part of an overall settlement plan that included approval and deferral of several projects, to the proposed project a cost of $1,284,600 for 2012.

Purchase property and construct 2-MG storage tank on Via Olivera

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 21173 (2012)	$6,458.8	$6,458.8	$0.0 Defer	$0.0	$2,360.0 Advice Letter

ISSUE: Cal water proposes purchasing City-owned property on which to construct a 2-MG tank, as well as install 1,500 feet of 20-inch main to connect the tank to the distribution system. Cal Water states that the tank is necessary to partially offset the storage deficit discussed in both the 2002 and 2009 Water Supply & Facilities Master Plans ("WS&FMP"). DRA recommends this project be deferred to the next GRC. Based upon Cal Water's schedule, the tank would not be completed and in service before 2014, which is outside of this GRC. The next GRC is to be filed in 2012 with a Test Year of 2014. There are a number of items to be addressed before this project could begin and ultimately completed. Deferring the project to the next GRC would provide Cal Water time to clarify these uncertainties.

In Rebuttal, Cal Water acknowledged that DRA's concerns are valid. However, in order for Cal Water to clarify uncertainties with schedule and costs and begin negotiations with the City for the site, it must begin preliminary design for the

project to identify key project requirements and approximate layout of facilities to determine the portion of the 6.0-acre City-owned property that would be required. Once this is defined, surveying, parcel map adjustments, agreements, etc., will be required to secure and purchase the site. After purchasing the site, Cal Water can commence with geotechnical investigations and further design to refine the project cost and schedule. Significant costs will be incurred to develop the project and further clarify the uncertainties that the DRA rightfully documents. Therefore, Cal Water proposes that the DRA consider approving the project as an Advice Letter so that Cal Water can proceed with necessary and costly steps to develop the project while limiting its financial risk. Advice Letter treatment will also allow Cal Water to move forward with the purchase of property as soon as possible and capitalize on historically low property costs. Cal Water feels Advice Letter treatment is appropriate given that DRA has not discounted the need for the project.

RESOLUTION: The Parties agree, as part of an overall settlement plan that included approval and deferral of several projects, to the purchase of the proposed property at a cost not to exceed $2,360,000 for 2012, and to defer the remainder of the project consideration to the next GRC. Also, the property purchase will be under an Advice Letter. While negotiating with the City for the property, Cal Water will also pursue a long-term lease if it is in the best interests of the ratepayers and the City is agreeable.

Table A: Non-controversial plant projects

2009

Project ID Number	Descriptions	Cal Water Direct	DRA Report	Difference	Settlement
00015389	Tank Painting	$ 26.4	$ 26.4	$ -	$ 26.4
00015639	Tank Painting	$ 29.2	$ 29.2	$ -	$ 29.2
00017135	Mains, Hydrants & Services	$ 152.5	$ 152.5	$ -	$ 152.5
00017156	Hydrants	$ 57.3	$ 57.3	$ -	$ 57.3
00017182	Mains, Hydrants & Services	$ 160.9	$ 160.9	$ -	$ 160.9
00017209	Mains & Hydrants	$ 70.0	$ 70.0	$ -	$ 70.0
00017252	Mains	$ 54.0	$ 54.0	$ -	$ 54.0
00017263	Field Equipment	$ 3.4	$ 3.4	$ -	$ 3.4
00017265	Pave Parking Area	$ 97.2	$ 97.2	$ -	$ 97.2
00017266	Replace Valve	$ 13.6	$ 13.6	$ -	$ 13.6
00017282	Trash Pumps	$ 3.1	$ 3.1	$ -	$ 3.1
00017325	Replace Pump	$ 52.9	$ 52.9	$ -	$ 52.9
00017337	Replace Pump & Upgrade Motor	$ 141.5	$ 141.5	$ -	$ 141.5
00017419	Extend Drainline	$ 12.4	$ 12.4	$ -	$ 12.4
00017547	Tank Painting	$ 52.0	$ 52.0	$ -	$ 52.0
00017550	Tank Berm	$ 5.7	$ 5.7	$ -	$ 5.7
00017599	Replace Valve	$ 24.6	$ 24.6	$ -	$ 24.6
00017887	Security Improvements	$ 152.8	$ 152.8	$ -	$ 152.8
00018316	Replace Vault	$ 22.6	$ 22.6	$ -	$ 22.6
00018489	Anodes	$ 49.7	$ 49.7	$ -	$ 49.7
00018624	Replace Valve	$ 70.8	$ 70.8	$ -	$ 70.8
00020011	Replace Carpet	$ 6.2	$ 6.2	$ -	$ 6.2
00020051	Landscape	$ 4.8	$ 4.8	$ -	$ 4.8
00020954	Whacker Tamper	$ 5.8	$ 5.8	$ -	$ 5.8
	Small Meter Replacements	$ 165.1	$ 165.1	$ -	$ 165.1
	TOTAL	$ 1,434.5	$ 1,434.5	$ -	$ 1,434.5

2010

Project ID Number	Descriptions	Cal Water Direct	DRA Report	Difference	Settlement
00017254	Rectifier & Anodes	$ 54.0	$ 54.0	$ -	$ 54.0
00017906	Security Improvements	$ 19.7	$ 19.7	$ -	$ 19.7
00018116	Tank Painting	$ 22.3	$ 22.3	$ -	$ 22.3
00019834	Replace Control Valves	$ 18.2	$ 18.2	$ -	$ 18.2
00019854	Mains	$ 32.8	$ 32.8	$ -	$ 32.8
00020012	Replace Carpet	$ 6.7	$ 6.7	$ -	$ 6.7
00020062	Landscape	$ 106.0	$ 106.0	$ -	$ 106.0
00020392	Replace Pressure Valve	$ 56.1	$ 56.1	$ -	$ 56.1
00020469	Replace Pressure Valve	$ 19.8	$ 19.8	$ -	$ 19.8
00020624	Solar Circulating Equip	$ 71.8	$ 71.8	$ -	$ 71.8
00020635	Solar Circulating Equip	$ 71.8	$ 71.8	$ -	$ 71.8

Table A: Non-controversial plant projects con't

00020883	Hydrants	$ 85.7	$ 85.7	$ -	$ 85.7
00020969	Portable Generator	$ 2.1	$ 2.1	$ -	$ 2.1
00021154	Trench Pump	$ 2.0	$ 2.0	$ -	$ 2.0
	Large Meter Replacements	$ 10.0	$ 10.0	$ -	$ 10.0
	Small Meter Replacements	$ 171.7	$ 171.7	$ -	$ 171.7
	TOTAL	$ 750.7	$ 271.5	$ -	$ 271.5

2011

Project ID Number	Descriptions	Cal Water Direct	DRA Report	Difference	Settlement
00019828	Anodes	$ 31.4	$ 31.4	$ -	$ 31.4
00019839	Replace Control Valves	$ 18.2	$ 18.2	$ -	$ 18.2
00019991	Replace Roof	$ 7.3	$ 7.3	$ -	$ 7.3
00020064	Landscape	$ 108.8	$ 108.8	$ -	$ 108.8
00020411	Mains	$ 60.4	$ 60.4	$ -	$ 60.4
00020424	Mains	$ 60.4	$ 60.4	$ -	$ 60.4
00020594	Mains, Hydrants & Services	$ 205.5	$ 205.5	$ -	$ 205.5
00020657	Solar Circulating Equip	$ 78.8	$ 78.8	$ -	$ 78.8
00020685	Mains	$ 16.8	$ 16.8	$ -	$ 16.8
00021091	Mains	$ 83.0	$ 83.0	$ -	$ 83.0
00021153	Hydrants	$ 89.7	$ 89.7	$ -	$ 89.7
	Large Meter Replacements	$ 10.4	$ 10.4	$ -	$ 10.4
	Small Meter Replacements	$ 178.6	$ 178.6	$ -	$ 178.6
	TOTAL	$ 949.3	$ 949.3	$ -	$ 949.3

2012

Project ID Number	Descriptions	Cal Water Direct	DRA Report	Difference	Settlement
00019829	Replace Anodes - Various Locations	$ 21.6	$ 21.6	$ -	$ 21.6
00019840	Replace 12" PCV - Sta. 30	$ 18.2	$ 18.2	$ -	$ 18.2
00019844	Replace Ice Machine - Operations Center Building	$ 6.5	$ 6.5	$ -	$ 6.5
00020664	Solar Bee Circulating Equipment - Sta. 49 Tank 2 Res. 20	$ 86.4	$ 86.4	$ -	$ 86.4
00020911	Upgrade Fire Hydrants	$ 100.0	$ 100.0	$ -	$ 100.0
00020917	Replace PRV L-26 - 6939 Beechfield	$ 58.4	$ 58.4	$ -	$ 58.4
00020945	Replace PRV J-92 - Hawthorne Blvd. & Blackhorse	$ 58.4	$ 58.4	$ -	$ 58.4
	Small Meter Replacements	$ 185.7	$ 185.7	$ -	$ 185.7
	TOTAL	$ 535.2	$ 535.2	$ -	$ 535.2

Non-specific capital budgets

2009

Descriptions	Cal Water Direct	DRA Report	Difference	Settlement
Land	$ 12.2	$ 11.3	$ 0.9	$ 11.7
Structures	$ 13.5	$ 12.6	$ 0.9	$ 12.9
Wells	$ -	$ -	$ -	$ -
Storage	$ 8.7	$ 8.1	$ 0.6	$ 8.3
Pumps	$ 122.3	$ 113.7	$ 8.6	$ 117.0
Purification	$ -	$ -	$ -	$ -
Mains	$ 108.9	$ 101.3	$ 7.6	$ 104.2
Streets	$ 1.0	$ 0.9	$ 0.1	$ 1.0
Services	$ 120.1	$ 111.7	$ 8.4	$ 114.9
Meters	$ 129.0	$ 120.0	$ 9.0	$ 123.4
Hydrants	$ 20.2	$ 18.8	$ 1.4	$ 19.3
Equipment	$ 3.3	$ 3.1	$ 0.2	$ 3.2
TOTAL	$ 539.2	$ 501.5	$ 37.7	$ 515.9

2010

Descriptions	Cal Water Direct	DRA Report	Difference	Settlement
Land	$ 12.5	$ 11.4	$ 1.1	$ 11.8
Structures	$ 13.8	$ 12.6	$ 1.2	$ 13.0
Wells	$ -	$ -	$ -	$ -
Storage	$ 8.9	$ 8.1	$ 0.8	$ 8.4
Pumps	$ 124.9	$ 113.6	$ 11.3	$ 117.5
Purification	$ -	$ -	$ -	$ -
Mains	$ 111.2	$ 101.1	$ 10.1	$ 104.6
Streets	$ 1.0	$ 0.9	$ 0.1	$ 0.9
Services	$ 122.6	$ 111.5	$ 11.1	$ 115.4
Meters	$ 131.8	$ 119.9	$ 11.9	$ 124.0
Hydrants	$ 20.7	$ 18.8	$ 1.9	$ 19.5
Equipment	$ 3.4	$ 3.1	$ 0.3	$ 3.2
TOTAL	$ 550.8	$ 501.0	$ 49.8	$ 518.3

Non-specific capital budgets con't

2011

Descriptions	Cal Water Direct	DRA Report	Difference	Settlement
Land	$ 12.8	$ 11.6	$ 1.2	$ 12.0
Structures	$ 14.1	$ 12.8	$ 1.3	$ 13.2
Wells	$ -	$ -	$ -	$ -
Storage	$ 9.1	$ 8.3	$ 0.8	$ 8.5
Pumps	$ 127.8	$ 115.9	$ 11.9	$ 119.9
Purification	$ -	$ -	$ -	$ -
Mains	$ 113.8	$ 103.2	$ 10.6	$ 106.8
Streets	$ 1.0	$ 0.9	$ 0.1	$ 0.9
Services	$ 125.4	$ 113.7	$ 11.7	$ 117.7
Meters	$ 134.8	$ 122.3	$ 12.5	$ 126.5
Hydrants	$ 21.2	$ 19.2	$ 2.0	$ 19.9
Equipment	$ 3.4	$ 3.1	$ 0.3	$ 3.2
TOTAL	$ 563.4	$ 511.0	$ 52.4	$ 528.6

2012

Descriptions	Cal Water Direct	DRA Report	Difference	Settlement
Land	$ 13.1	$ 11.9	$ 1.2	$ 12.3
Structures	$ 14.4	$ 13.1	$ 1.3	$ 13.6
Wells	$ -	$ -	$ -	$ -
Storage	$ 9.3	$ 8.5	$ 0.8	$ 8.8
Pumps	$ 130.6	$ 119.0	$ 11.6	$ 123.1
Purification	$ -	$ -	$ -	$ -
Mains	$ 116.3	$ 106.0	$ 10.3	$ 109.6
Streets	$ 1.0	$ 0.9	$ 0.1	$ 0.9
Services	$ 128.2	$ 116.9	$ 11.3	$ 120.8
Meters	$ 137.7	$ 125.5	$ 12.2	$ 129.8
Hydrants	$ 21.6	$ 19.7	$ 1.9	$ 20.4
Equipment	$ 3.5	$ 3.2	$ 0.3	$ 3.3
TOTAL	$ 575.7	$ 524.8	$ 50.9	$ 542.6

9.2.17 Redwood Valley District Plant Settlement

Summary of Settlement and requests to the Commission:

The Parties request the Commission approve the Settlement plant values established herein under the conditions specified.

Controversial Projects

The dollars (in thousands) shown in the tables below for various capital projects represent the funding for the capital investment and not the respective Test Year revenue requirement for that funding. The more detailed descriptions are for projects where there was a difference between Cal Water and DRA as noted in the DRA Report on the Results of Operation for the Redwood Valley District, and the resulting funding level agreed to in Settlement discussions.

Non-Controversial Projects

In addition to the more detailed project descriptions that immediately follow, Cal Water's proposed capital budgets for the years 2009-2012 included a project in the Lucerne system to which there was no objection by DRA as to the need for the project and the requested funding. Table A (dollars in thousands) at the end of this section lists this project, noting Cal Water's project number, a short project description, Cal Water's proposed funding, DRA's recommended funding, and Settlement funding. This table does not contain a Cal Water rebuttal column because DRA did not object to Cal Water's proposed project and related funding. The Parties agree that this project should be approved for inclusion in Utility Plant in the year in which it is proposed to be in service.

Non-Specifics

Following Table A are comparison tables showing the dollars (in thousands) for Cal Water's non-specific capital budget proposal, DRA's recommendation, the difference and the Settlement. See the Antelope Valley District Plant Settlement for the general discussion on Non-Specific Plant Estimates.

Lucerne Rate Area

Controversial Projects

Miscellaneous Equipment Projects

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 20457	$5.4	$5.4	$0.0	$5.4	$3.0
PID 20561	$8.7	$8.7	$0.0	$8.7	$3.0
PID 20868	$2.6	$2.6	$0.0	$2.6	$1.0
Total	$16.7	$16.7	$0.0	$16.7	$7.0

ISSUE: Cal Water proposed purchasing various tools and equipment for maintaining the newly constructed Lucerne Surface Water Treatment Plant ("LSWTP") under PID 20457. It proposed purchasing new office furniture for the Lucerne Customer Service Center ("CSC") under PID 20561. Cal Water reconfigured the CSC with the LSWTP construction. The Company also proposed purchasing an additional computer for the CSC. DRA indicated that they understood the need for the projects but believed that they should instead be handled via non-specifics budgets. In Settlement, the Parties participated in a long discussion on the Company's use of non-specific budgets.

RESOLUTION: The Parties agree that these three projects were completed at a significantly lower cost than budget due to Cal Water local efforts to control costs. The Parties agree that these projects would be included in Utility Plant at the lower actual costs.

New Driveway to Station 2

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 22309	$359.2	$359.2	$0.0	$359.2	$285.0

ISSUE: Cal Water proposed constructing a new road to access the tanks at Station 2. Cal Water argued that this has been a difficult site to access during wet winter conditions. This was a joint project with a neighboring property owner. DRA indicated that Cal Water did not include this road in the 2005 GRC when Cal Water proposed the new tank construction. DRA also commented that the road was completed after the tank construction, which leads to the question of access issues to the tank during construction. DRA went on to point out that Cal Water failed to demonstrate that the existing road was inadequate for company access or was causing vehicles to become trapped in the mud. In Settlement, the Parties discussed the need for an all weather surface to access this site, and the cost of the project was reviewed. The Parties discussed the 2008 budget for the 2005 GRC districts, which was not reviewed in a rate case because of changes to the Rate Case Plan.

RESOLUTION: The Parties agree that this project should be allowed in Utility Plant at a reduced amount to reflect Cal Water's share of the actual construction cost.

Tank Coating Projects at Various Locations

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 20295	$86.4	$86.4	$76.7	$9.7	$86.4
PID 14844	$195.4	$195.4	$144.4	$51.0	$144.4
Total	$281.8	$281.8	$221.1	$60.7	$230.8

ISSUE: Cal Water proposed tank coating projects at two locations in this district. These coating projects are planned in order to prolong the life of the steel tanks by inhibiting corrosion. DRA was generally in agreement with the need for the

projects, but not necessarily the costs. DRA argued that the tank in the referenced project Cal Water used to estimate the cost for PID 14844 was much smaller than the tank in Project 14844. Cal Water should have used a tank of similar size for referenced unit costs. For PID 20295, DRA based an estimate on the bid price received by Cal Water.

In Rebuttal, Cal Water provided information there was additional work required for Project 20295 and that actual prices would be higher than budgeted.

RESOLUTION: The Parties agree to a lower cost for PID 14844. For PID 20295, the Parties agree to Cal Water's estimated cost.

Pipeline Projects (Various Locations)

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement	
PID 20314	$243.6	$243.6	$71.3	$172.3	$0.0	*
PID 20319	$247.6	$247.6	$87.0	$160.6	$0.0	
PID 20320	$229.7	$229.7	$73.7	$156.0	$229.7	
Total	$720.9	$720.9	$232.0	$488.9	$229.7	

ISSUE: Cal Water proposed three specific pipeline replacement projects in the Lucerne system. Cal Water proposed these projects to reduce the number of leaks and to reduce the amount of unaccounted-for water. DRA acknowledged that the Company provided leak history information, but DRA did not agree with the specific cost per foot for the mains. DRA did accept the cost of the hydrants and services associated with these projects, but recommended to use the non-specific main budget for the pipeline portion of the projects. In Settlement, the Parties discussed the need for these project and the impacts to ratepayers.

RESOLUTION: The Parties agree to defer PID 20319 to another GRC in order to lower the rate impact. The Parties agree Cal Water will fund PID 20314

outside of the GRC to reduce the rate impact to its customers and to acknowledge cost overruns associated with the construction of the Lucerne Surface Water Treatment Plant that were included in beginning Utility Plant Balance. The Parties agree to include PID 20320 in Utility Plant in the year it is anticipated to be installed.

Lucerne Rate Area

Non-Controversial Projects

Project ID Number	Descriptions	Cal Water Direct	DRA Report	Difference	Settlement
00017746	Vehicle Replacement	$ 26.0	$ 26.0	$ -	$ 26.0
	TOTAL	**$ 26.0**	**$ 26.0**	**$ -**	**$ 26.0**

In general the non-controversial items were ones that Cal Water and DRA agreed upon in their initial reports. These tend to be smaller and less complex plant items.

Non-specific capital budgets
Lucerne
2009

Descriptions	Cal Water Direct	DRA Report	Difference	Settlement
Land	$ 0.124	$ 0.103	$ 0.020	$ 0.124
Structures	$ 9.606	$ 8.037	$ 1.569	$ 8.490
Wells	$ 0.496	$ 0.415	$ 0.081	$ 0.434
Storage	$ 0.434	$ 0.363	$ 0.071	$ 0.372
Pumps	$ 14.687	$ 12.288	$ 2.399	$ 12.952
Purification	$ 38.485	$ 32.199	$ 6.285	$ 33.961
Mains	$ 50.569	$ 42.310	$ 8.259	$ 44.620
Streets	$ 0.868	$ 0.726	$ 0.142	$ 0.744
Services	$ 4.524	$ 3.785	$ 0.739	$ 3.966
Meters	$ 1.735	$ 1.452	$ 0.283	$ 1.549
Hydrants	$ 0.558	$ 0.467	$ 0.091	$ 0.496
Equipment	$ 4.276	$ 3.578	$ 0.698	$ 3.780
TOTAL	$ 126.361	$ 105.723	$ 20.637	$ 111.487

2010

Descriptions	Cal Water Direct	DRA Report	Difference	Settlement
Land	$ 0.124	$ 0.102	$ 0.022	$ 0.124
Structures	$ 9.792	$ 8.018	$ 1.774	$ 8.490
Wells	$ 0.496	$ 0.406	$ 0.090	$ 0.434
Storage	$ 0.434	$ 0.355	$ 0.079	$ 0.372
Pumps	$ 14.997	$ 12.280	$ 2.717	$ 12.952
Purification	$ 39.290	$ 32.172	$ 7.118	$ 33.961
Mains	$ 51.623	$ 42.270	$ 9.352	$ 44.682
Streets	$ 0.868	$ 0.710	$ 0.157	$ 0.744
Services	$ 4.586	$ 3.755	$ 0.831	$ 3.966
Meters	$ 1.797	$ 1.472	$ 0.325	$ 1.549
Hydrants	$ 0.620	$ 0.508	$ 0.112	$ 0.558
Equipment	$ 4.338	$ 3.552	$ 0.786	$ 3.780
TOTAL	$ 128.963	$ 105.600	$ 23.363	$ 111.611

Non-specific capital budgets con't
Lucerne
2011

Descriptions	Cal Water Direct	DRA Report	Difference	Settlement
Land	$ 0.124	$ 0.101	$ 0.023	$ 0.124
Structures	$ 10.039	$ 8.192	$ 1.847	$ 8.490
Wells	$ 0.496	$ 0.405	$ 0.091	$ 0.434
Storage	$ 0.496	$ 0.405	$ 0.091	$ 0.434
Pumps	$ 15.369	$ 12.541	$ 2.828	$ 13.014
Purification	$ 40.220	$ 32.818	$ 7.402	$ 33.961
Mains	$ 52.800	$ 43.083	$ 9.717	$ 44.620
Streets	$ 0.868	$ 0.708	$ 0.160	$ 0.744
Services	$ 4.710	$ 3.843	$ 0.867	$ 3.966
Meters	$ 1.797	$ 1.466	$ 0.331	$ 1.549
Hydrants	$ 0.620	$ 0.506	$ 0.114	$ 0.496
Equipment	$ 4.462	$ 3.641	$ 0.821	$ 3.780
TOTAL	$ 132.000	$ 107.707	$ 24.293	$ 111.611

2012

Descriptions	Cal Water Direct	DRA Report	Difference	Settlement
Land	$ 0.124	$ 0.102	$ 0.022	$ 0.124
Structures	$ 10.225	$ 8.384	$ 1.842	$ 8.428
Wells	$ 0.558	$ 0.457	$ 0.100	$ 0.434
Storage	$ 0.496	$ 0.407	$ 0.089	$ 0.434
Pumps	$ 15.679	$ 12.854	$ 2.825	$ 12.952
Purification	$ 41.087	$ 33.685	$ 7.402	$ 33.961
Mains	$ 53.977	$ 44.253	$ 9.724	$ 44.620
Streets	$ 0.868	$ 0.711	$ 0.156	$ 0.744
Services	$ 4.834	$ 3.963	$ 0.871	$ 4.028
Meters	$ 1.859	$ 1.525	$ 0.335	$ 1.549
Hydrants	$ 0.620	$ 0.508	$ 0.112	$ 0.496
Equipment	$ 4.524	$ 3.709	$ 0.815	$ 3.718
TOTAL	$ 134.851	$ 110.558	$ 24.292	$ 111.487

Unified Rate Area

Controversial Projects

Misc Equipment Projects

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 20560	$8.1	$8.1	$0.0	$8.1	$0.0

ISSUE: Cal Water proposed purchasing office furniture for the Unified Rate Area Customer Service Center located in Guerneville. DRA indicated that they understood the need for the project but believed that it should be handled via non-specifics budgets.

RESOLUTION: The Parties agree this project would be funded by non-specific funds and that this specific project would be removed from the budget.

Pipeline in Rancho del Paradiso

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 21005	$97.2	$97.2	$0.0	$97.2	$0.0

ISSUE: Cal Water proposed installing a 4-inch pipeline from one of the tanks in the Rancho del Paradiso system to eliminate head loss and improve pressure to customers. DRA indicated that this pipeline was primarily for fire protection improvements. Cal Water did not offer rebuttal on this project.

RESOLUTION: The Parties agree this project would be deferred to a future GRC.

Non-specific capital budgets
Unified
2009

Descriptions	Cal Water Direct	DRA Report	Difference	Settlement
Land	$ 0.042	$ 0.035	$ 0.007	$ 0.042
Structures	$ 3.275	$ 2.740	$ 0.535	$ 2.894
Wells	$ 0.169	$ 0.141	$ 0.028	$ 0.148
Storage	$ 0.148	$ 0.124	$ 0.024	$ 0.127
Pumps	$ 5.007	$ 4.189	$ 0.818	$ 4.415
Purification	$ 13.120	$ 10.977	$ 2.143	$ 11.577
Mains	$ 17.239	$ 14.424	$ 2.816	$ 15.211
Streets	$ 0.296	$ 0.247	$ 0.048	$ 0.254
Services	$ 1.542	$ 1.290	$ 0.252	$ 1.352
Meters	$ 0.592	$ 0.495	$ 0.097	$ 0.528
Hydrants	$ 0.190	$ 0.159	$ 0.031	$ 0.169
Equipment	$ 1.458	$ 1.220	$ 0.238	$ 1.289
TOTAL	$ 43.077	$ 36.042	$ 7.035	$ 38.007

2010

Descriptions	Cal Water Direct	DRA Report	Difference	Settlement
Land	$ 0.042	$ 0.035	$ 0.008	$ 0.042
Structures	$ 3.338	$ 2.733	$ 0.605	$ 2.894
Wells	$ 0.169	$ 0.138	$ 0.031	$ 0.148
Storage	$ 0.148	$ 0.121	$ 0.027	$ 0.127
Pumps	$ 5.113	$ 4.186	$ 0.926	$ 4.415
Purification	$ 13.394	$ 10.968	$ 2.427	$ 11.577
Mains	$ 17.599	$ 14.410	$ 3.188	$ 15.232
Streets	$ 0.296	$ 0.242	$ 0.054	$ 0.254
Services	$ 1.563	$ 1.280	$ 0.283	$ 1.352
Meters	$ 0.613	$ 0.502	$ 0.111	$ 0.528
Hydrants	$ 0.211	$ 0.173	$ 0.038	$ 0.190
Equipment	$ 1.479	$ 1.211	$ 0.268	$ 1.289
TOTAL	$ 43.965	$ 36.000	$ 7.965	$ 38.049

Non-specific capital budgets con't
Unified
2011

Descriptions	Cal Water Direct	DRA Report	Difference	Settlement
Land	$ 0.042	$ 0.034	$ 0.008	$ 0.042
Structures	$ 3.423	$ 2.793	$ 0.630	$ 2.894
Wells	$ 0.169	$ 0.138	$ 0.031	$ 0.148
Storage	$ 0.169	$ 0.138	$ 0.031	$ 0.148
Pumps	$ 5.239	$ 4.275	$ 0.964	$ 4.437
Purification	$ 13.711	$ 11.188	$ 2.523	$ 11.577
Mains	$ 18.000	$ 14.687	$ 3.313	$ 15.211
Streets	$ 0.296	$ 0.241	$ 0.055	$ 0.254
Services	$ 1.606	$ 1.310	$ 0.296	$ 1.352
Meters	$ 0.613	$ 0.500	$ 0.113	$ 0.528
Hydrants	$ 0.211	$ 0.172	$ 0.039	$ 0.169
Equipment	$ 1.521	$ 1.241	$ 0.280	$ 1.289
TOTAL	$ 45.000	$ 36.718	$ 8.282	$ 38.049

2012

Descriptions	Cal Water Direct	DRA Report	Difference	Settlement
Land	$ 0.042	$ 0.035	$ 0.008	$ 0.042
Structures	$ 3.486	$ 2.858	$ 0.628	$ 2.873
Wells	$ 0.190	$ 0.156	$ 0.034	$ 0.148
Storage	$ 0.169	$ 0.139	$ 0.030	$ 0.148
Pumps	$ 5.345	$ 4.382	$ 0.963	$ 4.415
Purification	$ 14.007	$ 11.484	$ 2.523	$ 11.577
Mains	$ 18.401	$ 15.086	$ 3.315	$ 15.211
Streets	$ 0.296	$ 0.243	$ 0.053	$ 0.254
Services	$ 1.648	$ 1.351	$ 0.297	$ 1.373
Meters	$ 0.634	$ 0.520	$ 0.114	$ 0.528
Hydrants	$ 0.211	$ 0.173	$ 0.038	$ 0.169
Equipment	$ 1.542	$ 1.264	$ 0.278	$ 1.268
TOTAL	$ 45.972	$ 37.690	$ 8.281	$ 38.007

Coast Springs Rate Area

Controversial Projects

Source of Supply Report

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 19907	$21.9	$21.9	$0.0	$21.9	$0.0

ISSUE: The Coast Springs System has limited source capacity. In the last GRC, Cal Water was ordered to investigate the availability of obtaining water from different sources and evaluate the feasibility of alternative supplies. Cal Water indicated in data requests that this project had been cancelled. DRA recommended disallowing the capital additions associated with this project.

RESOLUTION: The Parties agree this project would not be included in Utility Plant.

Park Avenue Pipeline

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 20442	$252.6	$252.6	$0.0	$252.6	$0.0

ISSUE: Cal Water proposed installing a 6” pipeline in Park Avenue to eliminate leaks and to reduce unaccounted-for water. DRA indicated that this pipeline was primarily for fire protection improvements. Cal Water did not offer rebuttal on this project.

RESOLUTION: The Parties agree this project would be deferred to a future GRC.

Cliff Street Pipeline

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 20362	$318.0	$318.0	$0.0	$318.0	$300.0

ISSUE: Cal Water proposed installing a 6” pipeline in Cliff Street to eliminate leaks and to reduce unaccounted-for water. DRA indicated that this pipeline was primarily for fire protection improvements.

In Rebuttal, Cal Water indicated that the current main is 2” galvanized steel and was installed before 1960. The Rebuttal also explained some of the issues the district is facing in regards to this main.

RESOLUTION: The Parties agree this project would be included in Utility Plant in the year it was budgeted at no more than the Settlement estimate. Furthermore, the Parties agree Cal Water would bid this project out to local contractors.

Update to Water Supply & Facilities Master Plan

ISSUE: Prior to this rate case, Cal Water completed PID 18792, a Water Supply & Facilities Master Plan for Redwood Valley, the cost of which was allocated to the systems. While Mr. Young and DRA agree with the usefulness of the project, there were some major inconsistencies with regards to the information presented in the plan.

RESOLUTION: In Settlement The Parties agreed that Cal Water would revise the Water Supply & Facilities Master Plan to reflect accurate information with no additional charge to the ratepayers.

Coast Springs Beginning Balance for Utility Plant Issue

ISSUE: The major factor contributing to the difference in the beginning balance as of January 1, 2009, for Utility Plant in Cal Water's Coast Springs system was the cost of the Coast Springs Water Treatment Plant ("CSWTP")

Cal Water proposed $649,150 for the CWSTP in the 2005 general rate case. The CSTWP was a carryover project from the 2002 general rate case. Originally, the work for the project proceeded under PID 8087; however, due to a change in the design of the treatment plant, Cal Water created two additional projects, PIDs 14318 and 14319 in the 2005 general rate case. Cal Water applied for a low-interest loan to fund PID 8087 and intended to fund the remaining two projects with the $649,150. This figure was ultimately reduced to a capped amount of $341,800 by Advice Letter.

The treatment plant was ultimately completed and went online in 2006. The CSWTP has been operating very effectively since this time and the Company received no water quality violations in 2009, the first year it has not received a water quality violation in this system since the Company acquired the system in 2000.

The final cost of the three projects was $1,422,545. Cal Water filed Advice Letter 1945-A to add the capped amount of $341,800 to Utility Plant in 2009.

When Cal Water filed the 2009 GRC, it included the total amount of the project in the beginning balance of Utility Plant. However, it recognized the SRF loan proceeds as contributed plant.

In the Report on the Results of Operation, DRA indicated that it was not able to perform a reasonableness review of the cost overruns and that Cal Water did not submit proper justification to allow this analysis. DRA recommended that the

cost overruns be excluded from Utility Plant until Cal Water provides reasonable justifications for the large budget overruns.

Mr. Young raised essentially the same issue stating costs over the approved Advice Letter cap should be excluded.

Cal Water acknowledges that it should have done a better job in the initial project estimate relative to all of the potential costs. However, during the course of this project, the Company gained valuable surface water treatment plant knowledge and understanding that the Company then directly applied to the Lucerne Water Treatment Plant design and construction as well as other projects Company-wide.

The other contributing factor to the proposed adjustment in Utility Plant pertains to a main replacement project (PID 12499) budgeted in 2005. Cal Water initially proposed $63,800 to replace approximately 500 feet of main that through a creek. Cal Water and DRA later revised this cost downward to $40,500 to reflect a similar unit cost of another main replacement project. PID 12499 closed at $128,218, roughly $87,000 over the final estimate, mostly due to various environmental and regional factors.

In Settlement discussions, Cal Water agreed that the Coast Springs customers should not be required to bear the entire burden of the cost overruns.

Additional issues addressed during Settlement regarding beginning plant balance, pertained to PID 12561 and a manual entry for capitalized interest for PID 8087. PID 12561 was a project to construct a hydraulic model for the entire district; however, only the model for Lucerne was constructed. Finally, there was an issue with PID 8087 in which capitalized interest was incorrectly charged.

RESOLUTION: The Parties agree it is appropriate to reclassify a portion of the cost of the CSWTP as an impaired asset. Cal Water agrees to permanently exclude $320,000 of the cost of the project from Utility Plant, and instead fund this from Cal Water shareholders.

The Parties agree that because of the valuable expertise that Cal Water developed internally in design and construction of the CSWTP, there is a benefit to the Company and ratepayers in all other districts of the Company for other water treatment projects. Cal Water agrees to reclassify an additional amount of $189,000 and amortize it Company-wide over a three-year period as a component of the Company's overall general construction overhead.

The Parties agree Cal Water would exclude an additional $45,000 from project 12499, roughly half of the cost overrun of project, from Utility Plant due to the cost overrun on the main replacement project.

The Parties agreed to exclude PID 12561 from plant and correct the capitalized interest entry for PID 8087 to the correct amount of $25,126.

Non-specific capital budgets
Coast Springs
2009

Descriptions	Cal Water Direct	DRA Report	Difference	Settlement
Land	$ 0.034	$ 0.028	$ 0.006	$ 0.034
Structures	$ 2.620	$ 2.192	$ 0.428	$ 2.315
Wells	$ 0.135	$ 0.113	$ 0.022	$ 0.118
Storage	$ 0.118	$ 0.099	$ 0.019	$ 0.101
Pumps	$ 4.006	$ 3.351	$ 0.654	$ 3.532
Purification	$ 10.496	$ 8.782	$ 1.714	$ 9.262
Mains	$ 13.792	$ 11.539	$ 2.252	$ 12.169
Streets	$ 0.237	$ 0.198	$ 0.039	$ 0.203
Services	$ 1.234	$ 1.032	$ 0.201	$ 1.082
Meters	$ 0.473	$ 0.396	$ 0.077	$ 0.423
Hydrants	$ 0.152	$ 0.127	$ 0.025	$ 0.135
Equipment	$ 1.166	$ 0.976	$ 0.190	$ 1.031
TOTAL	$ 34.462	$ 28.834	$ 5.628	$ 30.406

2010

Descriptions	Cal Water Direct	DRA Report	Difference	Settlement
Land	$ 0.034	$ 0.028	$ 0.006	$ 0.034
Structures	$ 2.670	$ 2.187	$ 0.484	$ 2.315
Wells	$ 0.135	$ 0.111	$ 0.025	$ 0.118
Storage	$ 0.118	$ 0.097	$ 0.021	$ 0.101
Pumps	$ 4.090	$ 3.349	$ 0.741	$ 3.532
Purification	$ 10.715	$ 8.774	$ 1.941	$ 9.262
Mains	$ 14.079	$ 11.528	$ 2.551	$ 12.186
Streets	$ 0.237	$ 0.194	$ 0.043	$ 0.203
Services	$ 1.251	$ 1.024	$ 0.227	$ 1.082
Meters	$ 0.490	$ 0.401	$ 0.089	$ 0.423
Hydrants	$ 0.169	$ 0.138	$ 0.031	$ 0.152
Equipment	$ 1.183	$ 0.969	$ 0.214	$ 1.031
TOTAL	$ 35.172	$ 28.800	$ 6.372	$ 30.439

Non-specific capital budgets con't
Coast Springs
2011

Descriptions	Cal Water Direct	DRA Report	Difference	Settlement
Land	$ 0.034	$ 0.028	$ 0.006	$ 0.034
Structures	$ 2.738	$ 2.234	$ 0.504	$ 2.315
Wells	$ 0.135	$ 0.110	$ 0.025	$ 0.118
Storage	$ 0.135	$ 0.110	$ 0.025	$ 0.118
Pumps	$ 4.192	$ 3.420	$ 0.771	$ 3.549
Purification	$ 10.969	$ 8.950	$ 2.019	$ 9.262
Mains	$ 14.400	$ 11.750	$ 2.650	$ 12.169
Streets	$ 0.237	$ 0.193	$ 0.044	$ 0.203
Services	$ 1.285	$ 1.048	$ 0.236	$ 1.082
Meters	$ 0.490	$ 0.400	$ 0.090	$ 0.423
Hydrants	$ 0.169	$ 0.138	$ 0.031	$ 0.135
Equipment	$ 1.217	$ 0.993	$ 0.224	$ 1.031
TOTAL	$ 36.000	$ 29.375	$ 6.625	$ 30.439

2012

Descriptions	Cal Water Direct	DRA Report	Difference	Settlement
Land	$ 0.034	$ 0.028	$ 0.006	$ 0.034
Structures	$ 2.789	$ 2.286	$ 0.502	$ 2.299
Wells	$ 0.152	$ 0.125	$ 0.027	$ 0.118
Storage	$ 0.135	$ 0.111	$ 0.024	$ 0.118
Pumps	$ 4.276	$ 3.506	$ 0.770	$ 3.532
Purification	$ 11.206	$ 9.187	$ 2.019	$ 9.262
Mains	$ 14.721	$ 12.069	$ 2.652	$ 12.169
Streets	$ 0.237	$ 0.194	$ 0.043	$ 0.203
Services	$ 1.318	$ 1.081	$ 0.237	$ 1.099
Meters	$ 0.507	$ 0.416	$ 0.091	$ 0.423
Hydrants	$ 0.169	$ 0.139	$ 0.030	$ 0.135
Equipment	$ 1.234	$ 1.012	$ 0.222	$ 1.014
TOTAL	$ 36.777	$ 30.152	$ 6.625	$ 30.406

9.2.18 Salinas District Plant Settlement

Summary of Settlement and requests to the Commission:

The Parties request the Commission approve the Settlement plant values established herein under the conditions specified.

DRA and Cal Water request that the Commission allow Cal Water to file an offset Advice Letter for Project 9209 at any time until the effective date of rates in the next general rate case with a capital project cap of $445,000 excluding interest during construction. Project 9209 is budgeted for property purchase for a well in 2009/10, so Parties anticipate that it will be filed in 2011. Parties acknowledge that this cap is for advice letter purposes only and that the Commission will review final project costs in the next general rate case.

DRA and Cal Water request that the Commission allow Cal Water to file an offset Advice Letter for Project 15885 at any time until the effective date of rates in the next general rate case with a capital project cap of $552,600 excluding interest during construction. Project 15885 is budgeted to construct a well in 2009/10, so Parties anticipate that it will be filed in 2011 in conjunction with project 18952. Parties acknowledge that this cap is for advice letter purposes only and that the Commission will review final project costs in the next general rate case.

DRA and Cal Water request that the Commission allow Cal Water to file an offset Advice Letter for Project 18952 at any time until the effective date of rates in the next general rate case with a capital project cap of $694,700 excluding interest during construction. Project 18952 is budgeted for equipping a well and well-site improvements in 2009/10, so Parties anticipate that it will be filed in 2011 in conjunction with project 15885. Parties acknowledge that this cap is for advice letter purposes only and that the Commission will review final project costs in the next general rate case.

DRA and Cal Water request that the Commission allow Cal Water to file an offset Advice Letter for Project 23128 at any time until the effective date of rates in the next general rate case with a capital project cap of $195,600 excluding interest during construction. Project 23128 is budgeted for a panelboard replacement in 2010, so Parties anticipate that it will be filed in 2011. Parties acknowledge that

this cap is for advice letter purposes only and that the Commission will review final project costs in the next general rate case.

DRA and Cal Water request that the Commission allow Cal Water to file an offset Advice Letter for Project 23147 at any time until the effective date of rates in the next general rate case with a capital project cap of $349,600 excluding interest during construction. Project 23147 is budgeted for a pump replacement and installation of a genset in 2010/11, so Parties anticipate that it will be filed in 2011. Parties acknowledge that this cap is for advice letter purposes only and that the Commission will review final project costs in the next general rate case.

DRA and Cal Water request that the Commission allow Cal Water to file an offset Advice Letter for Project 15544 at any time until the effective date of rates in the next general rate case with a capital project cap of $1,224,200 excluding interest during construction. Project 15544 is budgeted for constructing a well in 2009/10, so Parties anticipate that it will be filed in 2011. Parties acknowledge that this cap is for advice letter purposes only and that the Commission will review final project costs in the next general rate case.

DRA and Cal Water request that the Commission allow Cal Water to file an offset Advice Letter for Project 15789 at any time until the effective date of rates in the next general rate case with a capital project cap of $803,800 excluding interest during construction. Project 15789 is budgeted for constructing and equipping a well along with site improvements in 2010/11, so Parties anticipate that it will be filed in 2011. Parties acknowledge that this cap is for advice letter purposes only and that the Commission will review final project costs in the next general rate case.

DRA and Cal Water request that the Commission allow Cal Water to file an offset Advice Letter for Project 20198 at any time until the effective date of rates in the next general rate case with a capital project cap of $514,100 excluding interest during construction. Project 20198 is budgeted to purchase property for a well in 2011, so Parties anticipate that it will be filed in 2012. Parties acknowledge that this cap is for advice letter purposes only and that the Commission will review final project costs in the next general rate case.

DRA and Cal Water request that the Commission allow Cal Water to file an offset Advice Letter for Project 23267 at any time until the effective date of rates in the next general rate case with a capital project cap of $1,700,200 excluding interest during construction. Project 23267 is budgeted to construct two storage tanks in 2010/11, so Parties anticipate that it will be filed in 2012. Parties acknowledge that this cap is for advice letter purposes only and that the Commission will review final project costs in the next general rate case.

Controversial Projects

The dollars (in thousands) shown in the tables below for various capital projects represent the funding for the capital investment and not the respective Test Year revenue requirement for that funding. The more detailed descriptions are for projects where there was a difference between Cal Water and DRA as noted in the DRA Report on the Results of Operation for the Salinas District and the resulting funding level agreed to in Settlement discussions.

Non-controversial Projects

In addition to the more detailed project descriptions that immediately follow, Cal Water's proposed capital budgets for the years 2009-2012 included a number of projects where DRA did not object to the need for the project and the requested funding. Table A (dollars in thousands)at the end of this section lists these projects, noting Cal Water's project number, a short project description, Cal Water's proposed funding, DRA's recommended funding, and Settlement funding. This table does not contain a Cal Water rebuttal column because DRA did not object to Cal Water's proposed project and related funding. The Parties agree that these projects should be approved for inclusion in Utility Plant in the year in which they are proposed to be in service.

Non-Specifics

Following Table A, are comparison tables showing the dollars (in thousands) for Cal Water's non-specific capital budget proposal, DRA's recommendation, the

difference and the Settlement. See the Antelope Valley District Plant Settlement for the general discussion on Non-Specific Plant Estimates.

Controversial Projects

Purchase properties and construct wells

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 9147 (2009)	$445.0	Project cancelled	$0.0 File separate application	$0.0	$0.0
15544 (2009)	$1,224.2	$1,553.2	$0.0	$1,224.2	$1,224.2 Advice Letter
15789 (2011)	$803.8	$1,132.1	$0.0 File separate application	$803.8	$803.8 Advice Letter
15790 (2011)	$803.8	$1,132.1	$0.0 File separate application	$803.8	$0.0 Defer
20198 (2011)	$514.1	$514.1	$0.0 File separate application	$514.1	$514.1 Advice Letter
20197 (2012)	$523.6	$523.6	$0.0 File separate application	$523.6	$0.0 Defer

ISSUE: Cal Water proposed purchasing three properties (PIDs 9174, 20198 and 20197) on which to construct wells (PIDs 15544, 15789 and 15790) in the

Salinas Hills. Cal Water's proposed property purchases and well constructions are based upon a 2006 Feasibility Study for a Long-Term Water Supply for the Salinas District that recommends extensive well construction to replace wells with elevated nitrate and MtBE contamination. The report suggests three wells in the Salinas Hills because there are no nitrate-affected wells in that area. This would avoid the additional cost for treatment. To be able to transfer the water from the Salinas Hills well-field, Cal Water proposed constructing a 24-inch main and pumping station.

DRA recommends removing these projects (exclusive of Project 15544) from this GRC and Cal Water file a separate application for approval of a cumulative Salinas Hills Well System containing justification for the three new wells and the 24-inch transmission main and pumping station. Cal Water's current proposal lacks cohesion and the consistency necessary to justify such a large undertaking. Cal Water's timeline for the property purchases and subsequent well construction is also unclear.

For Project 15544, Cal Water originally proposed constructing a well on the property to be purchased under Project 9147. However, in a response to a data request, Cal Water noted that because property had not been purchased yet under Project 9147, Cal Water was proposing to construct the well and related facilities at another location, its Station 47. DRA recommends disallowing this project due to insufficient evidence and justification.

In Rebuttal, Cal Water acknowledged that the property proposed to be purchased under Project 9147 had not been purchased. Instead, Cal Water proposed using the funds related to constructing a well and related facilities on the to-be-purchased property (Project 15544) and instead construct at Station 47 where there is a storage tank and booster station. This eliminates the need for constructing the 24-inch pipeline. Project 9147 will be cancelled. In order to avoid the nitrate in the upper aquifers, Cal Water proposes constructing a well

1,400 feet deep as opposed to the 700 feet planned for a well in the Salinas Hills. However, there is an additional cost associated with constructing a deeper well, so Cal Water requested an additional $328,300 for Project 15544.

For the other two proposed property purchases (20197 and 20198) and well constructions (15789 and 15790), Cal Water requested these projects be approved without having to file a separate application. Cal Water also requested an additional $328,300 for each well to construct deeper wells to avoid the nitrates in the higher groundwater.

RESOLUTION: The Parties agree, as part of an overall Settlement plan that included approval and deferral of several projects, to the projects and the Settlement dollars noted in the table above, and for the projects to have Advice Letter treatment.

Construct well in the 280 pressure zone

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 9209 (2009)	$445.0	None	$445.0 Advice Letter	$0.0 Advice Letter	$445.0 Advice Letter
15885 (2009)	$552.6	None	$552.6 Advice Letter	$0.0 Advice Letter	$552.6 Advice Letter
18952 (2009)	$694.7	None	$694.7 Advice Letter	$0.0 Advice Letter	$694.7 Advice Letter

ISSUE: Cal Water proposed purchasing property (PID 9209) and constructing (PID 15885) and equipping (PID 18952) a well in its 280 pressure zone to ensure

there is a sufficient supply for that zone. The existing wells in that zone produce approximately 2,300 gpm, whereas the maximum day demand approaches 3,500 gpm. DRA agrees with the necessity of the project, but the project schedule and costs associated are unclear, primarily because toward the end of 2009 the property had not yet been purchased. Due to the uncertain schedule, DRA recommends Advice Letters for all three related projects capped at the dollars Cal Water requested.

In Rebuttal, Cal Water agreed to the Advice Letter treatment.

RESOLUTION: The Parties agree to the estimated costs shown in the table above and for the projects to be each treated as Advice Letters.

Install treatment for nitrates at Station 24

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 17009 (2009)	$191.0	$191.0	$0.0	$191.0	$191.0

ISSUE: Cal Water proposed installing treatment for nitrate removal at Station 24 estimated to cost $191,000. In response to a data request from DRA, Cal Water noted that the funds proposed to be used for treatment at Station 24 were used for treatment for nitrates at Station 37. In the data request response, Cal Water noted no work would be completed under Project 17009 because the funds were transferred to another project, the nitrate treatment installed at Station 37. Based upon that statement, DRA removed the project budget from Cal Water's proposed 2009 capital additions.

In Rebuttal, Cal Water clarified the use of funds for Project 17009. As noted in Cal Water's application, Project 17009 was to install nitrate treatment at Station

24. However, after filing its application, the nitrate levels in Cal Water's well at Station 37 increased to where treatment was required at that station. Because Station 37 is more critical to the system operation than Station 24, the funds were transferred from Project 17009 to Project 26952. This meant that per Cal Water's accounting procedures, project 17009 would now have to be cancelled. However, the funds were used for the originally intended purpose, that being to install nitrate removal equipment. The project was completed and the treatment facility is in service. The final cost was $359,156.

RESOLUTION: The Parties agree to Cal Water's requested cost of $191,000 for the installation of nitrate treatment facilities because the project has been completed and is in service.

Construct booster station in the Buena Vista system

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 25669 (2009)	$374.6	$374.6	$0.0	$374.6	$374.6

ISSUE: Cal Water proposed constructing a booster station and pump house in the Buena Vista system. There are presently two 15 Hp, 50-gpm pumps that are not adequate for system demand, resulting in low pressure and the requirement to issue boil water notices for the customers in the higher elevations within this system. The system does not have any storage tanks. The proposed project will provide Cal Water the ability to supply the demand without allowing the system pressure to go below critical levels.

DRA disagreed with the necessity of the project. Since the Buena Vista system was connected to the Indian Springs' system, DRA believed no additional boil orders have been issued. DRA recommends disallowance of the project.

In Rebuttal, Cal Water noted the statement about no additional boil orders was not accurate. The homes at the top of the Buena Vista System are on a "permanent" Boil Order issued by the County Health Department (a copy of the order was provided). Cal Water sends out quarterly reminders to the customers.

The project is critical to this area of the Buena Vista system so that the "permanent" boil order can be lifted for the homes at the top of the system. The Indian Springs system connection served to bring water to homes in this area at Cal Water Station 70. This system connection was constructed to make sure the homes had water, but was never intended to resolve the pressure issues, especially for the upper homes. Currently customers at the bottom of the hill can have pressure reaching 300 psi, whereas homes at the top of the hill could have pressure as low as 0 psi. These low pressures at the top of the hill are why the "permanent" boil order is still in place. Adding additional booster capabilities at this station, along with the future tanks at the top of the hill will improve the pressures in the system and allow for the removal of the boil order.

The work involved for this project is already well under way. A third booster pump was added to the station in 2009 and the building work started as of 3/8/2010. Based on current costs and schedules, this project will be completed this year and within the original estimated budget.

RESOLUTION: The Parties agree to Cal Water's estimated cost of $374,600.

Relocate and install additional mains at Airport Bl/Highway 101

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 18997 (2010)	$502.6	$	$251.3	$	$390.0

ISSUE: Cal Water proposed relocating an existing transmission main due to a Caltrans construction project at the intersection of Airport Bl. and Highway 101. Caltrans has indicated it would pay for 50% of the cost of the project to relocate the main. Based upon Caltrans' project schedule, Cal Water's work needs to be completed by mid-2011.

DRA agreed with the necessity of the project, but disagrees with Cal Water's proposed budget year and estimated cost. DRA recommends approval of the project for 2011 instead of 2010 and reduced the estimated cost for Cal Water to $251,300, or 50% of Cal Water's estimated cost.

In Rebuttal, Cal Water noted clarifications in Caltrans' schedule and in the cost-sharing component. Caltrans is scheduled to start their roadway improvement project in April 2010, as described in the schedule as "Approve Construction Contract – 04/08/10." As directed by Caltrans, Cal Water needs to start their relocation and improvement work at the same time as the roadway work. Cal Water has indicated they are able to meet the Caltrans' schedule. Cal Water has chosen a contractor (received three bids) and the contract is in place for work to start in April 2010. Given the agreement in place with Caltrans, it is critical the Commission allow this project in 2010. For the cost-sharing, there are two portions of work for this project: Relocation work and Additional Improvement work. The relocation work is required; however, additional improvement work by Cal Water is being done at the same time due to ease of installation and cost savings. Caltrans is only paying *50% of the relocation work*, and none of the additional improvement work. Cal Water provided updated estimated costs based upon bids received. DRA recomputed the cost-sharing versus what is to be paid for solely by Cal Water, using the unit costs provided in Cal water's original submittal. Based upon this information, DRA's revised estimate is $390,000.

RESOLUTION: The Parties agree to DRA's revised estimate of $390,000.

Install nitrate treatment facilities at three wells

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 20154 (2010)	$207.2	$207.2	$0.0	$207.2	$207.2
20157 (2011)	$212.6	$212.6	$0.0	$212.6	$212.6
20160 (2012)	$217.9	$217.9	$0.0	$217.9	$0.0 Defer

ISSUE: Cal Water proposed installing nitrate removal facilities at three separate, to-be-constructed wells during 2010-2012 due to the likelihood the groundwater produced would have nitrate concentrations requiring treatment. DRA disagrees with the proposed projects because there is not sufficient evidence to justify the projects. The project justifications do not specify the wells where the treatment is proposed to be installed, nor do they provide a sufficient cost justification.

In Rebuttal, Cal Water noted the justifications that stated the proposed ion exchange treatment units were for new wells were incorrect. These treatment units are being proposed for existing wells with nitrate levels trending close to or exceeding the maximum contaminant level ("MCL") of 45 mg/L.

The justifications also failed to mention the proposed locations of these units. This information was later submitted to the DRA in response to Data Request # SWO-017. For 2010, 2011, and 2012, the ion exchange treatment units will be installed at wells 24-01, 13-01 and 17-01, respectively. Water quality data for these wells show an upward trend of nitrate concentration nearing or exceeding the MCL (attachment was provided). The scope of work includes installing an ion exchange unit with associated piping, site improvement work, electrical installation, and foundation work. Cal Water based the costs for these projects

on a similar ion exchange unit installed at Station 65 in Salinas under PID 16995 (2008). Cal Water provided an attachment for a breakdown of costs for the nitrate treatment project at Station 65.

RESOLUTION: The Parties agree, as part of an overall Settlement plan that included approval and deferral of several projects, to the projects and the Settlement dollars noted in the table above.

Buena Vista Station 72 improvements

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 23128 (2010)	$195.6	$195.6 OK w/ Advice Letter	$195.6 Advice Letter	$0.0	$195.6 Advice Letter
23147 (2010 & 2011)	$349.6	$349.6 OK w/ Advice Letter	$349.6 Advice Letter	$0.0	$349.6 Advice Letter

ISSUE: Cal Water proposed replacing an electric panelboard (PID 23128) and replacing a well pump and motor and install an emergency generator at Station 72 (PID 23147) in the Buena Vista system to provide additional supply and reliability to this area. DRA agrees with the necessity of the project, but due to the uncertainty of the schedule and costs, recommends Advice Letter treatment for the projects.

RESOLUTION: The Parties agree to the estimated costs for the projects as noted in the table above and that they will be treated as Advice Letters.

Construct two 150,000-gallon storage tanks in the Buena Vista system

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 23267 (2010 & 2011))	$1,700.2	$1,700.2 OK w/ Advice Letter	$1,700.2 Advice Letter	$0.0	$1,700.2 Advice Letter

ISSUE: Cal Water proposed constructing two 150,000-gallon storage tanks in the Buena Vista system over the 2010/2011 timeframe. The system currently does not have any storage tanks. DRA agrees with the necessity of the project, but the costs are uncertain as well as the number of tanks because Cal Water indicated in a response to a data request it may install three tanks of various sizes that total close to the 300,000 gallons.

RESOLUTION: The Parties agree to the estimated cost for the project as noted in the table above and that it will be treated as an Advice Letter.

Install mains in the Buena Vista system

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 25407 (2010)	$310.8	$310.8	$0.0	$310.8	$310.8

ISSUE: Cal Water proposed installing a dedicated transmission main from Station 70 to the Buena Vista system to alleviate the low pressures in that system. DRA disagrees with the necessity of the project. Since the Buena Vista system was connected to the Indian Springs' system no additional boil orders have been issued. DRA recommends disallowance of the project.

In Rebuttal, Cal Water noted the statement about no additional boil orders was not accurate. The homes at the top of the Buena Vista System are on a "permanent" Boil Order issued by the County Health Department (a copy of the order was provided). Cal Water sends quarterly reminders are sent to the customers.

The project is critical to this area of the Buena Vista system so that the "permanent" boil order can be lifted for the homes at the top of the system. The Indian Springs system connection served to bring water to homes in this area at Cal Water Station 70. This system connection was constructed to make sure the homes had water, but was never intended to resolve the pressure issues, especially for the upper homes. Currently customers at the bottom of the hill can have pressure reaching 300 psi, whereas homes at the top of the hill could have pressure as low as 0 psi. These low pressures at the top of the hill are why the "permanent" boil order is still in place. Adding this main in conjunction with the new tanks at the top of the hill will improve the pressures in the system and allow for the removal of the boil order. DRA testimony supported the installation of the tanks (Project 23267), but disagreed with approving the main to transport the water to these tanks.

The dedicated pipeline in this project will convey water from the improved booster station (Project 25669) where pressures can reach up to 300 psi and take the water to the proposed tanks at the top of the hill (Project 23267). Adding this pipeline will increase the pressures at the top of the hill to reduce the boil order, but will also reduce the high pressures at the bottom of the hill through the use of the proposed pressure reducing valves.

RESOLUTION: The Parties agree to Cal Water's estimated cost of $310,800.

Relocate/ install additional mains in the Harrison Rd/Highway 101/Russell-Espinosa

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 26708 (2010)	$1,265.9	$632.9 OK w/ Advice Letter	$632.9 Advice Letter	$0.0	$632.9

ISSUE: Cal Water proposed relocating existing transmission and distribution mains due to a Caltrans project to realign and re-grade Harrison Road and to construct a grade separation. DRA agrees with the necessity of the project, but disagrees with the proposed budget and schedule. Based upon the updated schedule from Caltrans, there appears to be a large construction window between March of 2011 and June of 2015. Also, Cal Water indicated Caltrans would pay for 50% of the costs. Therefore, DRA estimated Cal Water's costs at 50% of their estimate and recommends Advice Letter treatment.

In Rebuttal, the project schedule Cal Water provided from a data request response was accurate for the overall project, but was not clear as to how Cal Water's portion fits into it. The "Award" date of 3/02/11 shows the date that the Caltrans work will start, but the Cal Water work must be completely finished before this date. The Cal Water portion of the project takes place in a future interchange lane and therefore must be done first.

Per an attached schedule (Attachment A that was provided in Rebuttal) handed out by Caltrans at a recent project construction meeting, Cal Water needs to start construction by August 2010 to make sure Caltrans can hold the project schedule previously discussed. In fact, as shown, all of the Cal Water work needs to be complete by November 2010.

Cal Water has been working steadily on the plans and is positioned to go bid and start construction by August 2010. Given the agreement in place with Caltrans, it is critical that this project be allowed for year 2010.

RESOLUTION: The Parties agree to the estimated cost of $632,900 noted in the table above, and the project will not require Advice Letter treatment.

Construct a tank and booster station in Las Lomas

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 17232 (2012)	$928.0	None	$0.0 Defer	$928.0	$0.0 Defer

ISSUE: Cal Water proposed constructing a 1.0-MG storage tank booster pump, emergency generator and other site improvements to meet the storage requirements in the Las Lomas system. DRA recommends deferring the project until the next GRC.

Cal Water did not prepare any Rebuttal for this project.

RESOLUTION: The Parties agree to defer the project.

Replace main in Capitol Street

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 19042 (2012)	$392.1	$392.1	$0.0 Defer	$392.1	$392.1

ISSUE: Cal Water proposed replacing approximately 2,800 feet of 50 plus-year old main in Capital Street and reconnecting 64 services and four fire hydrants. Cal Water proposes replacing the main due to continued leaks and lack of fire flow. DRA recommends the project be deferred until the next GRC due to the

backlog of projects in the Salinas District as evidenced by the number of carryover projects.

In Rebuttal, Cal Water district personnel noted the delays in completing projects were mostly from regulatory and permitting issues and delays from City, County and regional agencies on projects other than main projects. Project 19042 is a main project, which only needs to go through a simple permit process. There will be no delays in this project. It will start and be completed in the 2012 budget year.

RESOLUTION: The Parties agree to the project at Cal Water's estimated cost.

Construct two 20,000-gallon tanks in the Buena Vista system

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 29351 (2012)	$380.8	OK to defer	$0.0 Defer	$0.0	$0.0 Defer

ISSUE: Cal Water proposed constructing two 20,000-gallon storage tanks, installing a 5,000-gallon pressure tank, along with related site improvements at a station in the Buena Vista system. DRA recommends deferring the project until the next GRC.

In Rebuttal, Cal Water agreed to defer the project to the next GRC.

RESOLUTION: The Parties agree to defer the project.

Install energy monitoring equipment at various well and booster stations

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 20278 (2010 - 2012)	$236.0	$236.0	$0.0	$236.0	$0.0 Defer

ISSUE: Cal Water proposed installing equipment and implementing its power monitoring program throughout the Company in 2010 and 2011. Cal Water stated in the December 22, 2009, meeting with DRA personnel that the pilot program in Marysville will have results and analysis in the form of a full cost-benefit analysis by November 2010. Cal Water has been including the energy monitoring equipment in all new pump stations. The addition of the equipment maximizes overall system management in daily operations by automatically tracking energy consumption, well levels and water flow from zone to zone, therefore minimizing manual data collection. The new equipment is important and fundamental to the way Cal Water conducts business, in the present and future. It will improve the level of customer service by enabling Cal Water to react quicker to problems with equipment and/or to minimize damage to equipment through real-time monitoring. In addition to providing important information for strategic operation, the power meters are critical in protecting the motors and other sensitive equipment, such as control transformers, instrumentation, and communication equipment from unexpected poor quality power from the electric utilities. The meters will detect phase rotation, under and over voltage, unbalanced voltage, and voltage loss, shutting down pumps and other devices to ensure longevity of equipment. DRA has concerns with implementation of this project Company-wide until Cal Water can provide an appropriate cost-benefit analysis. Therefore, DRA recommended deferring this project to a future GRC subject to the results of a pilot program.

RESOLUTION: The Parties agree to Cal Water deferring its Company-wide implementation of the energy monitoring program pending the results of pilot programs in two different districts. The Parties agree on two programs so that information could be gathered from two separate types of distribution system characteristics to give a broader evaluation of the equipment. The pilot programs will be in the Marysville and Mid-Peninsula Districts.

Table A: Non-controversial plant projects

2009

Project ID Number	Descriptions	Cal Water Direct	DRA Report	Difference	Settlement
00016671	Valve Casings & Covers Replacement - Various Locations	$ 48.5	$ 48.5	$ -	$ 48.5
00016674	Hydrant Heads Replacement - Various Locations as Directed by Fire Dept.	$ 45.2	$ 45.2	$ -	$ 45.2
00016691	Hydrants - Elkhorn Road (South)	$ 18.5	$ 18.5	$ -	$ 18.5
00016691	Elkhorn Road (South) - Las Lomas	$ 227.8	$ 227.8	$ -	$ 227.8
00016691	1" Services - Elkhorn Road (South)	$ 6.3	$ 6.3	$ -	$ 6.3
00016692	Hydrants - Easton Road	$ 9.1	$ 9.1	$ -	$ 9.1
00016692	Easton Road - Las Lomas	$ 60.8	$ 60.8	$ -	$ 60.8
00016692	1" Services - Easton Road	$ 7.7	$ 7.7	$ -	$ 7.7
00016916	Replace Motor - Sta. 301-01	$ 49.7	$ 49.7	$ -	$ 49.7
00016917	Replace Pump & Motor & Add Energy Efficient Monitoring - Sta. 20-01	$ 72.8	$ 72.8	$ -	$ 72.8
00016918	Replace Pump & Add Energy Efficient Monitoring - Sta. 24-01	$ 72.8	$ 72.8	$ -	$ 72.8
00017467	Replace Pressure Tank - Sta. 33	$ 99.2	$ 99.2	$ -	$ 99.2
00017731	0.5 Ton PU w/ Accessories Supervisor	$ 28.5	$ 28.5	$ -	$ 28.5
00017735	0.75 Ton Van w/ Upfit & Accessories	$ 32.9	$ 32.9	$ -	$ 32.9
00017815	Security Mitigation Improvements - Customer Service & Operations	$ 14.7	$ 14.7	$ -	$ 14.7
00017815	Security Mitigation Improvements - Salinas Facilities	$ 255.2	$ 255.2	$ -	$ 255.2
00023187	New Well Site - Buena Vista	$ 400.0	$ 400.0	$ -	$ 400.0
00023250	Panelboard - Sta. 71 Buena Vista	$ 150.0	$ 150.0	$ -	$ 150.0
	Small Meter Replacements	$ 295.2	$ 295.2	$ -	$ 295.2
	TOTAL	$ 1,894.9	$ 1,894.9	$ -	$ 1,894.9

Table A: Non-controversial plant projects con't

2010

Project ID Number	Descriptions	Cal Water Direct	DRA Report	Difference	Settlement
00017469	Replace Pressure Tank - Sta. 201-01	$ 87.3	$ 87.3	$ -	$ 87.3
00019609	Replace Pump - Sta. 106-01	$ 74.3	$ 74.3	$ -	$ 74.3
00020449	Replace Pump & Add Energy Efficient Monitoring - Sta. 27-01	$ 98.9	$ 98.9	$ -	$ 98.9
00020452	Replace Pump & Add Energy Efficient Monitoring - Sta. 32-01	$ 98.9	$ 98.9	$ -	$ 98.9
00020454	Replace Pump & Add Energy Efficient Monitoring - Sta. 201-01	$ 98.9	$ 98.9	$ -	$ 98.9
	Small Meter Replacements	$ 307.0	$ 307.0	$ -	$ 307.0
	TOTAL	$ 765.3	$ 765.3	$ -	$ 765.3

2011

Project ID Number	Descriptions	Cal Water Direct	DRA Report	Difference	Settlement
00020459	Replace Pump & Add Energy Efficient Monitoring - Sta. 303-01	$ 81.9	$ 81.9	$ -	$ 81.9
00020460	Replace Pump & Add Energy Efficient Monitoring - Sta. 103-01	$ 75.4	$ 75.4	$ -	$ 75.4
00020461	Replace Pump & Add Energy Efficient Monitoring - Sta. 60-01	$ 76.8	$ 76.8	$ -	$ 76.8
00020463	Replace Pump & Add Energy Efficient Monitoring - Sta. 16-01	$ 75.4	$ 75.4	$ -	$ 75.4
00020914	Mobile Radio	$ 2.2	$ 2.2	$ -	$ 2.2
00020914	Truck Upfitting - .75 PU - Pump Operator	$ 7.6	$ 7.6	$ -	$ 7.6
00020914	0.75 Ton Pickup - Pump Operator	$ 40.0	$ 40.0	$ -	$ 40.0
	Small Meter Replacements	$ 319.2	$ 319.2	$ -	$ 319.2
	TOTAL	$ 678.5	$ 678.5	$ -	$ 678.5

Table A: Non-controversial plant projects con't

2012

Project ID Number	Descriptions	Cal Water Direct	DRA Report	Difference	Settlement
00016933	Generator - Customer & Operations Centers	$ 131.9	$ 131.9	$ -	$ 131.9
00020828	Mobile Radio	$ 2,200	$ 2,200.0	$ -	$ 2,200.0
00020828	Truck Upfitting - 0.5 PU - Utility Worker	$ 7,800	$ 7,800.0	$ -	$ 7,800.0
00020828	0.5 Ton Pickup - Utility Worker	$ 34,000	$ 34,000.0	$ -	$ 34,000.0
00020829	Mobile Radio	$ 2,200	$ 2,200.0	$ -	$ 2,200.0
00020829	Truck Upfitting - .75 PU - Pump Operator	$ 7,800	$ 7,800.0	$ -	$ 7,800.0
00020829	0.75 Ton Pickup - Pump Operator	$ 39,800	$ 39,800.0	$ -	$ 39,800.0
	Small Meter Replacements	$ 332.0	$ 332.0	$ -	$ 332.0
	TOTAL	$ 94,263.9	$ 94,263.9	$ -	$ 94,263.9

Non-specific capital budgets

2009

Descriptions	Cal Water Direct	DRA Report	Difference	Settlement
Land	$ 9.1	$ 8.4	$ 0.7	$ 8.7
Structures	$ 145.5	$ 134.7	$ 10.8	$ 138.9
Wells	$ 154.2	$ 142.8	$ 11.4	$ 147.2
Storage	$ 46.0	$ 42.6	$ 3.4	$ 43.9
Pumps	$ 310.6	$ 287.6	$ 23.0	$ 296.4
Purification	$ 39.5	$ 36.6	$ 2.9	$ 37.7
Mains	$ 347.3	$ 321.6	$ 25.7	$ 331.5
Streets	$ 64.5	$ 59.7	$ 4.8	$ 61.6
Services	$ 251.2	$ 232.6	$ 18.6	$ 239.7
Meters	$ 243.2	$ 225.2	$ 18.0	$ 232.1
Hydrants	$ 25.6	$ 23.7	$ 1.9	$ 24.4
Equipment	$ 25.4	$ 23.5	$ 1.9	$ 24.2
TOTAL	$ 1,662.1	$ 1,539.1	$ 123.0	$ 1,586.3

2010

Descriptions	Cal Water Direct	DRA Report	Difference	Settlement
Land	$ 9.3	$ 8.4	$ 0.9	$ 8.7
Structures	$ 148.5	$ 134.5	$ 14.0	$ 139.5
Wells	$ 157.4	$ 142.6	$ 14.8	$ 147.8
Storage	$ 46.9	$ 42.5	$ 4.4	$ 44.0
Pumps	$ 317.1	$ 287.3	$ 29.8	$ 297.8
Purification	$ 40.3	$ 36.5	$ 3.8	$ 37.8
Mains	$ 354.7	$ 321.3	$ 33.4	$ 333.1
Streets	$ 65.9	$ 59.7	$ 6.2	$ 61.9
Services	$ 256.5	$ 232.4	$ 24.1	$ 240.9
Meters	$ 248.4	$ 225.0	$ 23.4	$ 233.3
Hydrants	$ 26.2	$ 23.7	$ 2.5	$ 24.6
Equipment	$ 26.0	$ 23.6	$ 2.4	$ 24.4
TOTAL	$ 1,697.2	$ 1,537.6	$ 159.6	$ 1,593.8

Non-specific capital budgets con't

2011

Descriptions	Cal Water Direct	DRA Report	Difference	Settlement
Land	$ 9.5	$ 8.6	$ 0.9	$ 8.9
Structures	$ 152.0	$ 137.3	$ 14.7	$ 142.3
Wells	$ 161.1	$ 145.5	$ 15.6	$ 150.9
Storage	$ 48.0	$ 43.4	$ 4.6	$ 45.0
Pumps	$ 324.4	$ 293.0	$ 31.4	$ 303.8
Purification	$ 41.2	$ 37.2	$ 4.0	$ 38.6
Mains	$ 362.9	$ 327.8	$ 35.1	$ 339.8
Streets	$ 67.4	$ 60.9	$ 6.5	$ 63.1
Services	$ 262.4	$ 237.0	$ 25.4	$ 245.7
Meters	$ 254.1	$ 229.5	$ 24.6	$ 238.0
Hydrants	$ 26.8	$ 24.2	$ 2.6	$ 25.1
Equipment	$ 26.6	$ 24.0	$ 2.6	$ 24.9
TOTAL	$ 1,736.4	$ 1,568.3	$ 168.1	$ 1,626.1

2012

Descriptions	Cal Water Direct	DRA Report	Difference	Settlement
Land	$ 9.7	$ 8.8	$ 0.9	$ 9.1
Structures	$ 155.3	$ 141.0	$ 14.3	$ 146.1
Wells	$ 164.6	$ 149.4	$ 15.2	$ 154.8
Storage	$ 49.1	$ 44.6	$ 4.5	$ 46.2
Pumps	$ 331.5	$ 300.9	$ 30.6	$ 311.8
Purification	$ 42.1	$ 38.2	$ 3.9	$ 39.6
Mains	$ 370.8	$ 336.6	$ 34.2	$ 348.8
Streets	$ 68.9	$ 62.5	$ 6.4	$ 64.8
Services	$ 268.1	$ 243.4	$ 24.7	$ 252.2
Meters	$ 259.6	$ 235.7	$ 23.9	$ 244.2
Hydrants	$ 27.4	$ 24.9	$ 2.5	$ 25.8
Equipment	$ 27.1	$ 24.6	$ 2.5	$ 25.5
TOTAL	$ 1,774.2	$ 1,610.7	$ 163.5	$ 1,668.9

9.2.19 Selma District Plant Settlement

Summary of Settlement and requests to the Commission:

The Parties request the Commission approve the Settlement plant values established herein under the conditions specified.

DRA and Cal Water request that the Commission allow Cal Water to file an offset Advice Letter for Project 21505 at any time until the effective date of rates in the next general rate case with a capital project cap of $92,300 excluding interest during construction. Project 21505 is budgeted for flat-to-meter conversions in 2010, so Parties anticipate that it will be filed in 2011. Parties acknowledge that this cap is for advice letter purposes only and that the Commission will review final project costs in the next general rate case.

DRA and Cal Water request that the Commission allow Cal Water to file an offset Advice Letter for Project 21508 at any time until the effective date of rates in the next general rate case with a capital project cap of $92,300 excluding interest during construction. Project 21508 is budgeted for flat-to-meter conversions in 2011, so Parties anticipate that it will be filed in 2012. Parties acknowledge that this cap is for advice letter purposes only and that the Commission will review final project costs in the next general rate case.

DRA and Cal Water request that the Commission allow Cal Water to file an offset Advice Letter for Project 21509 at any time until the effective date of rates in the next general rate case with a capital project cap of $80,200 excluding interest during construction. Project 21509 is budgeted for flat-to-meter conversions in 2012, so Parties anticipate that it will be filed in 2013. Parties acknowledge that this cap is for advice letter purposes only and that the Commission will review final project costs in the next general rate case.

Controversial Projects

The dollars (in thousands) shown in the tables below for various capital projects represent the funding for the capital investment and not the respective Test Year revenue requirement for that funding. The more detailed descriptions are for

projects where there was a difference between Cal Water and DRA as noted in the DRA Report on the Results of Operation for the Selma District, and the resulting funding level agreed to in Settlement discussions.

Non-controversial Projects

In addition to the more detailed project descriptions that immediately follow, Cal Water's proposed capital budgets for the years 2009-2012 included a number of projects where DRA did not object to the need for the project and the requested funding. Table A (dollars in thousands) at the end of this section lists these projects, noting Cal Water's project number, a short project description, Cal Water's proposed funding, DRA's recommended funding, and Settlement funding. This table does not contain a Cal Water rebuttal column because DRA did not object to Cal Water's proposed project and related funding. The Parties agree that these projects should be approved for inclusion in Utility Plant in the year in which they are proposed to be in service.

Non-Specifics

Following Table A are comparison tables showing the dollars (in thousands) for (1) Cal Water's non-specific capital budget proposal, (2) DRA's recommendation, (3) the difference between the Parties' positions, and (4) the Settlement amount. See the Antelope Valley District Plant Settlement for the general discussion on Non-Specific Plant Estimates.

Controversial Projects

Replace pump at Station 13-02

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 20358 (2009)	$66.4	$51.4	$0.0	$51.4	$51.4

ISSUE: Cal Water proposed replacing the pump at Station 13-02 and installing energy efficiency monitoring equipment. Cal Water noted low efficiency and water quality concerns associated with the existing oil-lubricated pump. DRA disagreed with the current necessity of this project because the most recent pump test report concluded that "the overall efficiency of this plant is considered to be very good." Also, the Selma Water Supply & Facilities Master Plan ("WS&FMP") recommended that the pump not be replaced until 2016. DRA recommended disallowing the project.

In Rebuttal, Cal Water reiterated the importance of replacing the oil-lubricated pump with a water-lubricated pump. If a leak developed in the lubrication mechanism, the oil could mix with the water and consequently be transmitted into the distribution system and/or contaminate the well. Cal Water requested DRA approve the replacement of the pump. Cal Water reduced the overall cost of the project to $51,400 by removing the power and energy monitoring equipment.

RESOLUTION: The Parties agree as part of an overall settlement plan that included approval and deferral of several projects to recommend approval of the project at a cost of $51,400.

Flat-to-meter conversion

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 17193 (2009)	$151.8	Request to book actual costs	$151.8 Advice Letter	Advice Letter	Book actual not to exceed $151.8
21505 (2010)	$111.2	$111.2	$111.2 Advice Letter	Advice Letter	$92.3 Advice Letter
21508 (2012)	$109.6	$109.6	$109.6 Advice Letter	Advice Letter	$92.3 Advice Letter
21509 (2012)	$111.2	$111.2	$111.2 Advice Letter	Advice Letter	$80.2 Advice Letter

ISSUE: AB 2572 requires Cal Water to convert all of its flat rate customers to metered services by January 1, 2025. In order to convert all of the flat rate customers in the Selma District by then, and to do so at a reasonable rate per year, Cal Water budgeted 130 conversions for 2009-2011, 113 conversions for 2012, and about 240 conversions for the 2013-2022 period. DRA did not disagree with the project or the rate of the conversions. However, DRA estimated a lower annual cost for the conversions for 2010-2012 based upon recorded data provided by Cal Water for 2009.

RESOLUTION: The Parties agree to book the actual cost for 2009 and for Cal Water to seek rate relief through Advice Letter filings for 2010-2012, capped at the dollars shown in the table above. The capped dollars for 2012 are lower than the two previous years due to fewer conversions budgeted.

Install energy monitoring equipment at various stations

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 20282 (2010-2012)	$80.2	$80.2	$0.0	$80.2	$0.0 Defer

ISSUE: Cal Water proposed installing equipment and implementing its power monitoring program throughout the Company in 2010-2012. Cal Water stated in the December 22, 2009 meeting with DRA personnel that the pilot program in Marysville will have results and analysis in the form of a full cost-benefit analysis by November 2010. Cal Water included the energy monitoring equipment in all new pump stations. The addition of the equipment maximizes overall system management in daily operations by automatically tracking energy consumption, well levels and water flow from zone to zone, therefore minimizing manual data collection. The new equipment is important and fundamental to the way Cal Water conducts business, in the present and future, and will improve the level of customer service by enabling Cal Water to react quicker to problems with equipment and/or to minimize damage to equipment through real-time monitoring. In addition to providing important information for strategic operation, the power meters are critical in protecting the motors and other sensitive equipment such as control transformers, instrumentation, and communication equipment from unexpected poor quality power from the electric utilities. The meters will detect phase rotation, under and over voltage, unbalanced voltage and voltage loss, and shut down pumps and other devices to ensure longevity of equipment. DRA had concerns with implementation of this project Company-wide until Cal Water could provide an appropriate cost-benefit analysis. Therefore, DRA recommended that Cal Water defer this project to a future GRC subject to the results of a pilot program.

RESOLUTION: The Parties agree to defer Cal Water's Company-wide implementation of the energy monitoring program pending the results of pilot programs in two different districts. The Parties agree on two programs so that information could be gathered from two separate types of distribution system characteristics to give a broader evaluation of the equipment. The pilot programs will be in the Marysville and Mid-Peninsula Districts.

Replace storeroom/warehouse

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 13854 (2010)	$198.0	$198.0	$0.0	$198.0	$198.0

ISSUE: Cal Water proposed replacing the existing storeroom/warehouse because the existing facility is not large enough to adequately store the required inventory. Therefore, Cal Water stored inventory outside, which resulted in the theft of various items. Also, the drainage of the site is inadequate, resulting in flooding inside the building at times during the year. The roof is deteriorated, resulting in leaks when it rains. The work proposed is comprised of a new metal building, foundation, pavement replacement, and drainage facilities. DRA disagreed with the necessity of the project. DRA inquired about whether Cal Water explored other options to mitigate the thefts. DRA recommended that Cal Water consider storage sheds or covered storage as options. During the field visit, DRA noted there was a large amount of open space surrounding the warehouse, which could be used to construct additional covered storage or to place sheds. DRA believed these options would be more cost-effective than constructing a new building along with the other the other work proposed. DRA recommended disallowing the project.

In Rebuttal, Cal Water attempted to address each of the concerns raised by DRA in its report. Cal Water's rebuttal stated as follows:

DRA states: "When asked whether the Company had looked at other options at the site to avoid thefts, the response was "it is not so much a security issue but a space issue." The material had been stolen previously. Cal Water took a proactive response to the theft and moved the material that would fit into storage into the cramped spaces of the existing warehouse and the other building on site (An inactive Well site/ Pump House). Selma Police reports theft has increased 30 percent over the past 5 years and recommended Cal Water decrease the visibility of material located in the open.

DRA states: CWS did not address other storage options (such as storage sheds or covered storage) Storage sheds or Covered storage were not recommended to Cal Water by the Selma Police Dept. as they are easily broken into and not very secure.

DRA states: During a field investigation of the warehouse, DRA noted that there was a large amount of space available at the site surrounding the warehouse. This would be helpful to installing additional covered storage (which already exists at the site) or even outdoor storage sheds (this is addressed in the prior statement above) to alleviate the space constraints. The existing covered storage DRA refers to is already packed with material and equipment.

DRA states: "These are viable alternatives to the demolition, construction, and site work associated with a new building. It is likely that these alternatives would also be more cost-effective." CWS should consider such alternatives. Cal Water does not believe this to be accurate. Smaller storage buildings are not what is needed. Cal Water needs room to store larger material like pipe, boxes, hydrants that are currently stored outside due to lack of space in the existing facilities; smaller storage buildings will not help the storage problem in Selma.

DRA states: “CWS could not provide any photographic evidence of the flooding conditions discussed in the Project Justification.” Cal Water did not provide photos; there was evidence of flooding on the walls and boxes of materials and through the roof. On the PUC tour one PUC tour participant stated “I can see the blue sky through the roof.”

RESOLUTION: The Parties agree as part of an overall settlement plan that included approval and deferral of several projects to recommend approval of the project at a cost of $198,000.

Replace pumps at various stations

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 20407 (2010)	$81.3	$0.0	$0.0	$0.0	$0.0
20409 (2011)	$63.1	$63.1	$0.0	$63.1	$0.0
20412 (2012)	$69.0	$69.0	$0.0	$69.0	$0.0

ISSUE: Cal Water proposed replacing pumps at Stations 7-01, 10-01 and 11-01 and installing energy efficiency monitoring equipment. The replacements were proposed due to low efficiency ratings, to meet changed operational characteristics, and to replace oil-lubed with water-lubed pumps. DRA disagreed with all of the proposed replacements as Cal Water did not provide evidence or documentation to support water quality concerns related to the oil-lubed pumps, nor any cost-benefit analysis related to the installation of the energy efficiency monitoring equipment. DRA recommended disallowance of all three proposed projects.

In Rebuttal, Cal Water noted that Project 20407 had been cancelled; Project 20409 had been cancelled for the pump requested to be replaced, but requested another station's pump be substituted; and the pump proposed in Project 20412 had been replaced in 2009, but requested another station's pump be substituted.

RESOLUTION: The Parties agree as part of an overall settlement plan that included approval and deferral of several projects that none of the three projects noted above would be recommended for approval in this GRC.

Table A: Non-controversial plant projects

2009

Project ID Number	Descriptions	Cal Water Direct	DRA Report	Difference	Settlement
00013821	Gen Set - Sta. 19-01	$ 100.0	$ 100.0	$ -	$ 100.0
00017519	Security Mitigation Improvements - Sta. 8, 11, 12, & 13	$ 9.7	$ 9.7	$ -	$ 9.7
00017533	Security Mitigation Improvements - Sta. 14, 16, 18, & 19	$ 7.1	$ 7.1	$ -	$ 7.1
00017678	Security Mitigation Improvements - Sta. 20-01	$ 2.5	$ 2.5	$ -	$ 2.5
00017678	Security Mitigation Improvements - Customer Service & Operations Center	$ 18.6	$ 18.6	$ -	$ 18.6
00017698	Security Mitigation Improvements - Customer Service & Operations Center	$ 26.0	$ 26.0	$ -	$ 26.0
00017698	Security Mitigation Improvements - Various Facilities	$ 14.0	$ 14.0	$ -	$ 14.0
00020622	Gen Set - Customer Service Center	$ 48.1	$ 48.1	$ -	$ 48.1
00021086	Mobile Radio	$ 2.2	$ 2.2	$ -	$ 2.2
00021086	New C&C	$ 36.4	$ 36.4	$ -	$ 36.4
00021086	Utility Body - C&C	$ 20.0	$ 20.0	$ -	$ 20.0
00021197	SCADA Remote Terminal Units	$ 71.3	$ 71.3	$ -	$ 71.3
	Small Meter Replacements	$ 23.1	$ 23.1	$ -	$ 23.1
	TOTAL	$ 379.0	$ 379.0	$ -	$ 379.0

2010

Project ID Number	Descriptions	Cal Water Direct	DRA Report	Difference	Settlement
00013883	GenSet - Sta. 13-02	$ 88.1	$ 88.1	$ -	$ 88.1
	Small Meter Replacements	$ 24.0	$ 24.0	$ -	$ 24.0
	TOTAL	$ 112.1	$ 112.1	$ -	$ 112.1

Table A: Non-controversial plant projects continued

2011

Project ID Number	Descriptions	Cal Water Direct	DRA Report	Difference	Settlement
00013822	GenSet - Sta. 20-01	$ 100.0	$ 100.0	$ -	$ 100.0
	Small Meter Replacements	$ 24.9	$ 24.9	$ -	$ 24.9
	TOTAL	$ 124.9	$ 124.9	$ -	$ 124.9

2012

Project ID Number	Descriptions	Cal Water Direct	DRA Report	Difference	Settlement
	Small Meter Replacements	$ 25.9	$ 25.9	$ -	$ 25.9
	TOTAL	$ 25.9	$ 25.9	$ -	$ 25.9

Non-specific capital budgets

2009

Descriptions	Cal Water Direct	DRA Report	Difference	Settlement
Land	$ 0.3	$ 0.3	$ 0.0	$ 0.3
Structures	$ -	$ -	$ -	$ -
Wells	$ 9.1	$ 8.4	$ 0.7	$ 8.7
Storage	$ -	$ -	$ -	$ -
Pumps	$ 15.6	$ 14.4	$ 1.2	$ 14.9
Purification	$ 6.9	$ 6.4	$ 0.5	$ 6.6
Mains	$ 14.3	$ 13.2	$ 1.1	$ 13.6
Streets	$ 2.2	$ 2.0	$ 0.2	$ 2.1
Services	$ 67.8	$ 62.8	$ 5.0	$ 64.7
Meters	$ 20.5	$ 19.0	$ 1.5	$ 19.6
Hydrants	$ 7.2	$ 6.7	$ 0.5	$ 6.9
Equipment	$ 1.8	$ 1.7	$ 0.1	$ 1.7
TOTAL	$ 145.7	$ 134.9	$ 10.8	$ 139.1

2010

Descriptions	Cal Water Direct	DRA Report	Difference	Settlement
Land	$ 0.3	$ 0.3	$ 0.0	$ 0.3
Structures	$ -	$ -	$ -	$ -
Wells	$ 9.3	$ 8.4	$ 0.9	$ 8.7
Storage	$ -	$ -	$ -	$ -
Pumps	$ 15.9	$ 14.4	$ 1.5	$ 14.9
Purification	$ 7.0	$ 6.3	$ 0.7	$ 6.6
Mains	$ 14.6	$ 13.2	$ 1.4	$ 13.7
Streets	$ 2.2	$ 2.0	$ 0.2	$ 2.1
Services	$ 69.3	$ 62.8	$ 6.5	$ 65.0
Meters	$ 20.9	$ 18.9	$ 2.0	$ 19.6
Hydrants	$ 7.4	$ 6.7	$ 0.7	$ 6.9
Equipment	$ 1.9	$ 1.7	$ 0.2	$ 1.8
TOTAL	$ 148.8	$ 134.8	$ 14.0	$ 139.6

Non-specific capital budgets con't

2011

Descriptions	Cal Water Direct	DRA Report	Difference	Settlement
Land	$ 0.3	$ 0.3	$ 0.0	$ 0.3
Structures	$ -	$ -	$ -	$ -
Wells	$ 9.5	$ 8.6	$ 0.9	$ 8.9
Storage	$ -	$ -	$ -	$ -
Pumps	$ 16.2	$ 14.6	$ 1.6	$ 15.2
Purification	$ 7.2	$ 6.5	$ 0.7	$ 6.7
Mains	$ 14.9	$ 13.5	$ 1.4	$ 14.0
Streets	$ 2.3	$ 2.1	$ 0.2	$ 2.2
Services	$ 70.9	$ 64.0	$ 6.9	$ 66.4
Meters	$ 21.4	$ 19.3	$ 2.1	$ 20.0
Hydrants	$ 7.6	$ 6.9	$ 0.7	$ 7.1
Equipment	$ 1.9	$ 1.7	$ 0.2	$ 1.8
TOTAL	$ 152.2	$ 137.5	$ 14.7	$ 142.6

2012

Descriptions	Cal Water Direct	DRA Report	Difference	Settlement
Land	$ 0.3	$ 0.3	$ 0.0	$ 0.3
Structures	$ -	$ -	$ -	$ -
Wells	$ 9.7	$ 8.8	$ 0.9	$ 9.1
Storage	$ -	$ -	$ -	$ -
Pumps	$ 16.6	$ 15.1	$ 1.5	$ 15.6
Purification	$ 7.4	$ 6.7	$ 0.7	$ 7.0
Mains	$ 15.3	$ 13.9	$ 1.4	$ 14.4
Streets	$ 2.3	$ 2.1	$ 0.2	$ 2.2
Services	$ 72.4	$ 65.7	$ 6.7	$ 68.1
Meters	$ 21.8	$ 19.8	$ 2.0	$ 20.5
Hydrants	$ 7.7	$ 7.0	$ 0.7	$ 7.2
Equipment	$ 2.0	$ 1.8	$ 0.2	$ 1.9
TOTAL	$ 155.5	$ 141.2	$ 14.3	$ 146.3

9.2.20 South San Francisco District Plant Settlement

Summary of Settlement and requests to the Commission:

The Parties request the Commission approve the Settlement plant values established herein under the conditions specified.

Controversial Projects

The dollars (in thousands) shown in the tables below for various capital projects represent the funding for the capital investment and not the respective Test Year revenue requirement for that funding. The more detailed descriptions are for projects where there was a difference between Cal Water and DRA as noted in the DRA Report on the Results of Operation for the South San Francisco District and the resulting funding level agreed to in Settlement discussions.

Non-Controversial Projects

In addition to the more detailed project descriptions that immediately follow, Cal Water's proposed capital budgets for the years 2009-2012 included a number of projects where DRA did not object to the need for the project and the requested funding. Table A (dollars in thousands) at the end of this section lists these projects, noting Cal Water's project number, a short project description, Cal Water's proposed funding, DRA's recommended funding, and Settlement funding. This table does not contain a Cal Water rebuttal column because there were no objections by DRA to Cal Water's proposed project and related funding. The Parties agree that these projects should be approved for inclusion in Utility Plant in the year in which they are proposed to be in service.

Non-Specifics

Following Table A, are comparison tables showing the dollars (in thousands) for Cal Water's non-specific capital budget proposal, DRA's recommendation, the difference and the Settlement. See the Antelope Valley District Plant Settlement for the general discussion on Non-Specific Plant Estimates.

Controversial Projects

Tank Coating Projects (various locations)

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 17303	$ 114.1	$ 114.1	$ 95.5	$ 18.6	$ 114.1
PID 20514	$ 97.9	$ 97.9	$ 41.6	$ 56.3	$ 41.6
Total	$ 212.0	$ 212.0	$ 137.1	$ 74.9	$ 155.7

ISSUE: Cal Water proposed tank coating projects for three tanks in this District. These coating projects are planned to prolong the life of the steel tanks by inhibiting corrosion.

For one of the tank projects, DRA and Cal Water have no differences, and that project is listed in the non-controversial issues area. DRA did agree with the need for all three projects, but disagreed on the per-unit cost for two of the coating projects. DRA argued that the referenced projects that Cal Water used were much smaller and therefore the per-unit cost should be based on similar projects. In Rebuttal, Cal Water provided completed costs for PID 17303. Cal Water provided no rebuttal on PID 20514.

RESOLUTION: The Parties agree on the completed costs for PID 17303 not to exceed $114,100. The Parties agreed to DRA's cost estimate of $41,600 for PID 20514 and that these projects would be added to Utility Plant in the year they were budgeted.

Energy Monitoring Program (2010 – 2012)

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 20323	$93.0	$93.0	$0.0	$93.0	$0.0

ISSUE: Cal Water proposed a Company-wide energy monitoring program. This program includes installing flow meters and power monitors to accurately determine instantaneous efficiencies via the SCADA system to allow the operator to make real-time operational decisions partially based on efficiency. DRA was skeptical of the Company-wide program and requested a pilot.

RESOLUTION: The Parties agree to perform pilot projects of this program in the Marysville and Mid-Peninsula Districts. After Cal Water completes the pilots, it will perform a cost/benefit analysis and the Commission will review this project again in the next GRC. The Parties agree to defer this project.

Rebuild Pump Station 2

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 20683	$501.0	$501.0	$0.0	$501.0	$0.0

ISSUE: Cal Water proposed rebuilding pump Station 2 to improve the reliability of this older station, which is the primary supply for the 265 Zone. The station contains three horizontal split case booster pumps. Due to the age of the pumps, replacement parts and castings are obsolete. Thus, repairing or replacing the pump in-kind is not possible. In the past, custom parts were fabricated causing long lead times and high maintenance costs.

DRA performed a hydraulic analysis which showed that CWS can meet the maximum day demand conditions for Zone 265 utilizing only the smallest pump

at Station 2 and pump 5-A at Station 5. DRA also noted that the WS&FMP did not comment on any deficiencies with these pumps or recommend their near-term replacement.

RESOLUTION: The Parties agree that this project will be deferred and addressed again in a future General Rate Case.

Integrated Long-Term Water Supply Study for SF Peninsula

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 29590	$121.5	$121.5	$0.0	$121.5	$121.5

ISSUE: Cal Water proposed a long-term regional study for supply alternatives. It proposed the cost of the study be split evenly among the three Peninsula districts. DRA disagreed with the need for this project.

RESOLUTION: The Parties agreed to include this project as part of a comprehensive settlement plan that included approval and deferral of several projects.

New Well C at Station 1

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 18019	$403.5	$403.5	$0.0	$403.5	$0.0

ISSUE: Cal Water proposed constructing a well at this site to increase the amount of groundwater to its customers. After filing its GRC, the Company agreed to remove this project from this GRC and allow the contamination proceeding related to MtBE to conclude first.

RESOLUTION: The Parties agree that this project should be handled under the contamination rulemaking.

New Well D

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 15982	$546.3	None	$0.0	$546.3	$0.0

ISSUE: Cal Water proposed constructing a well at this site to increase the amount of groundwater to its customers. DRA recommended disallowance of the project because Cal Water had not secured the property on which the well was proposed to be constructed.

Cal Water did not submit any Rebuttal.

RESOLUTION: The Parties agree that this project will be deferred.

Upgrade Booster Pumps (Various locations)

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 20611	$42.0	$42.0	$0.0	$42.0	$22.0
PID 20613	$56.0	$40.0	$0.0	$40.0	$40.0
PID 20621	$56.0	$25.0	$0.0	$25.0	$25.0
Total	$154.0	$107.0	$0.0	$107.0	$87.0

ISSUE: Cal Water proposed replacing various pumps and pump motors throughout the District primarily for improving electrical efficiency and increased reliability. DRA recommended deferring the three projects listed above because the particular pumps were not operating below a minimum efficiency level.

In Rebuttal, Cal Water provided additional efficiency test results for all the pumps. It also made a change to the project estimates by eliminating the energy monitoring equipment associated with these projects.

RESOLUTION: As part of an overall settlement offer centered on pump station improvements in this District, the Parties agree that these pump and motor replacement projects should be approved for a reduced amount and should be included in Utility Plant in the year in which they are proposed to be in service.

Driveway at Station 11

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 20688	$41.1	$41.1	$0.0	$41.1	$41.1

ISSUE: Cal Water proposed purchasing property at Station 11 to allow the Company to access this tank site. There is currently no official easement for this access. DRA indicated that there is no estimated cost to construct a driveway and that Cal Water has not demonstrated the benefits of this project.

In Rebuttal, Cal Water explained that this project includes the road construction cost and it reiterated the problems of potentially having the road closed by the property owner.

RESOLUTION: The Parties agree that this project should be completed and that it should be added to Utility Plant in the year it is proposed.

Specific Mains, Hydrants & Services Program

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
Various PIDs	$2,269.5	$2,269.5	$0.0	$2,269.5	$1,163.7

ISSUE: Cal Water proposed replacing various pipelines throughout the district for various reasons including low flows, leaks, pressure, and system reliability.

DRA recommended disallowing the specific main replacement program due to a lack of leak repair documentation, the absence of break rate data, a lack of repair vs. replacement analysis, and further noted that replacing mains merely for fire flow reasons is not justified by GO 103-A. DRA instead recommended approving the adjusted non-specific main replacement budgets to cover any main repairs or unforeseen maintenance work.

RESOLUTION: With the understanding that Cal Water would pursue a prioritized condition-based assessment for its next rate case, DRA and Cal Water agreed to a specific main, service, and hydrant budget. Based upon Cal Water's original specific main, service, and hydrant replacement budget of $2,269,500, the Parties agree to allow a total of $1,163,700 in mains, services and hydrant replacement which qualify under the small mains (less than 6") and unlined steel criteria. Cal Water provides the following list of main replacement projects which will comprise the $1.1637 million in funding during this rate case cycle.

Specific Main Replacement Budget (South San Francisco)

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
00017489	$ 295.1	$ 295.1	$ -	$ 295.1	$ 295.1
00020521	$ 215.9	$ 215.9	$ -	$ 215.9	$ 215.9
00020653	$ 53.1	$ 53.1	$ -	$ 53.1	$ 53.1
00020655	$ 117.8	$ 117.8	$ -	$ 117.8	$ 117.8
00020736	$ 127.0	$ 127.0	$ -	$ 127.0	$ 127.0
00020737	$ 354.8	$ 354.8	$ -	$ 354.8	$ 354.8
Total	**$ 1,163.7**	**$ 1,163.7**	**$ -**	**$ 1,163.7**	**$ 1,163.7**

Table A: Non-controversial plant projects

2009

Project ID Number	Descriptions	Cal Water Direct	DRA Report	Difference	Settlement
00017304	Replace CP Rectifier - Sta.101 Tank 1 - Broadmoor	$ 7.1	$ 7.1	$ -	$ 7.1
00017312	Paint Interior Tank 4, Paint Exterior Complete Tank 3 & 4, & Replace CP System - Sta. 4 Res. 4	$ 186.0	$ 186.0	$ -	$ 186.0
00017320	Seismic Retrofit - Sta. 101 Tank 1 - Broadmoor	$ 41.1	$ 41.1	$ -	$ 41.1
00017364	Replace Tank Berm - Sta. 4 Tank 3 & 4	$ 9.5	$ 9.5	$ -	$ 9.5
00017867	Security Mitigation Improvements - Facilities	$ 42.2	$ 42.2	$ -	$ 42.2
00017885	Security Mitigation Improvements - Various Facilities	$ 204.5	$ 204.5	$ -	$ 204.5
00021198	SCADA RTUs	$ 51.0	$ 51.0	$ -	$ 51.0
	Small Meter Replacements	$ 137.9	$ 137.9	$ -	$ 137.9
	TOTAL	$ 679.3	$ 679.3	$ -	$ 679.3

2010

Project ID Number	Descriptions	Cal Water Direct	DRA Report	Difference	Settlement
00020604	Replace Splitcase Pump, Upgrade Motor, & Add Energy Efficient Monitoring - Sta. 5-A	$ 52.0	$ 52.0	$ -	$ 52.0
	Small Meter Replacements	$ 143.4	$ 143.4	$ -	$ 143.4
	TOTAL	$ 195.4	$ 195.4	$ -	$ 195.4

2011

Project ID Number	Descriptions	Cal Water Direct	DRA Report	Difference	Settlement
	Small Meter Replacements	$ 149.2	$ 149.2	$ -	$ 149.2
	TOTAL	$ 149.2	$ 149.2	$ -	$ 149.2

2012

Project ID Number	Descriptions	Cal Water Direct	DRA Report	Difference	Settlement
	Small Meter Replacements	$ 155.1	$ 155.1	$ -	$ 155.1
	TOTAL	$ 155.1	$ 155.1	$ -	$ 155.1

Non-specific capital budgets

2009

Descriptions	Cal Water Direct	DRA Report	Difference	Settlement
Land	$ -	$ -	$ -	$ -
Structures	$ 1.3	$ 1.2	$ 0.1	$ 1.2
Wells	$ 4.2	$ 3.9	$ 0.3	$ 4.0
Storage	$ 3.1	$ 2.9	$ 0.2	$ 3.0
Pumps	$ 23.4	$ 21.7	$ 1.7	$ 22.3
Purification	$ 18.8	$ 17.4	$ 1.4	$ 18.0
Mains	$ 155.7	$ 144.2	$ 11.5	$ 148.7
Streets	$ 107.4	$ 99.5	$ 7.9	$ 102.6
Services	$ 172.6	$ 159.9	$ 12.7	$ 164.8
Meters	$ 92.5	$ 85.7	$ 6.8	$ 88.3
Hydrants	$ 23.8	$ 22.0	$ 1.8	$ 22.7
Equipment	$ 4.7	$ 4.4	$ 0.3	$ 4.5
TOTAL	$ 607.5	$ 562.8	$ 44.7	$ 580.1

2010

Descriptions	Cal Water Direct	DRA Report	Difference	Settlement
Land	$ -	$ -	$ -	$ -
Structures	$ 1.4	$ 1.3	$ 0.1	$ 1.3
Wells	$ 4.2	$ 3.8	$ 0.4	$ 3.9
Storage	$ 3.1	$ 2.8	$ 0.3	$ 2.9
Pumps	$ 23.9	$ 21.7	$ 2.2	$ 22.5
Purification	$ 19.2	$ 17.4	$ 1.8	$ 18.0
Mains	$ 159.0	$ 144.1	$ 14.9	$ 149.4
Streets	$ 109.7	$ 99.4	$ 10.3	$ 103.1
Services	$ 176.2	$ 159.7	$ 16.5	$ 165.6
Meters	$ 94.5	$ 85.6	$ 8.9	$ 88.8
Hydrants	$ 24.3	$ 22.0	$ 2.3	$ 22.8
Equipment	$ 4.8	$ 4.3	$ 0.5	$ 4.5
TOTAL	$ 620.3	$ 562.1	$ 58.2	$ 582.8

Non-specific capital budgets con't

2011

Descriptions	Cal Water Direct	DRA Report	Difference	Settlement
Land	$ -	$ -	$ -	$ -
Structures	$ 1.4	$ 1.3	$ 0.1	$ 1.3
Wells	$ 4.3	$ 3.9	$ 0.4	$ 4.0
Storage	$ 3.2	$ 2.9	$ 0.3	$ 3.0
Pumps	$ 24.5	$ 22.1	$ 2.4	$ 23.0
Purification	$ 19.6	$ 17.7	$ 1.9	$ 18.4
Mains	$ 162.7	$ 147.0	$ 15.7	$ 152.5
Streets	$ 112.2	$ 101.4	$ 10.8	$ 105.1
Services	$ 180.3	$ 162.9	$ 17.4	$ 169.0
Meters	$ 96.7	$ 87.4	$ 9.3	$ 90.6
Hydrants	$ 24.9	$ 22.5	$ 2.4	$ 23.3
Equipment	$ 4.9	$ 4.4	$ 0.5	$ 4.6
TOTAL	$ 634.7	$ 573.5	$ 61.2	$ 594.8

2012

Descriptions	Cal Water Direct	DRA Report	Difference	Settlement
Land	$ -	$ -	$ -	$ -
Structures	$ 1.4	$ 1.3	$ 0.1	$ 1.3
Wells	$ 4.4	$ 4.0	$ 0.4	$ 4.1
Storage	$ 3.3	$ 3.0	$ 0.3	$ 3.1
Pumps	$ 25.0	$ 22.7	$ 2.3	$ 23.5
Purification	$ 20.0	$ 18.2	$ 1.8	$ 18.8
Mains	$ 166.2	$ 151.0	$ 15.2	$ 156.4
Streets	$ 114.7	$ 104.2	$ 10.5	$ 108.0
Services	$ 184.2	$ 167.3	$ 16.9	$ 173.4
Meters	$ 98.8	$ 89.7	$ 9.1	$ 93.0
Hydrants	$ 25.4	$ 23.1	$ 2.3	$ 23.9
Equipment	$ 5.1	$ 4.6	$ 0.5	$ 4.8
TOTAL	$ 648.5	$ 589.0	$ 59.5	$ 610.3

9.2.21 Stockton District Plant Settlement

Summary of settlement and requests to the Commission:

The Parties request the Commission approve the Settlement plant values established herein under the conditions specified.

DRA and Cal Water request that the Commission allow Cal Water to file an offset Advice Letter for Project 16025 at any time until the effective date of rates in the next general rate case with a capital project cap of $1,215,000 excluding interest during construction. Project 16025 is budgeted for construction of a new customer service center in 2009, so Parties anticipate that it will be filed in 2011 as construction is not expected to be completed until 2011. Parties acknowledge that this cap is for advice letter purposes only and that the Commission will review final project costs in the next general rate case. Project 16025 was approved in the 2007 GRC as an Advice Letter with a cap of $1,215,000, and a filing deadline as the effective date for new rates in the current GRC, which is January 1, 2011. However, design changes and permitting issues placed the project behind schedule, resulting in its completion after the initial filing deadline.

DRA and Cal Water request that the Commission allow Cal Water to file an offset Advice Letter for Project 17203 at any time until the effective date of rates in the next general rate case with a capital project cap of $795,600 excluding interest during construction. Project 17203 is budgeted for a monitoring and production well in 2009/10, so Parties anticipate that it will be filed in 2011. Parties acknowledge that this cap is for advice letter purposes only and that the Commission will review final project costs in the next general rate case.

DRA and Cal Water request that the Commission allow Cal Water to file an offset Advice Letter for Project 20204 at any time until the effective date of rates in the next general rate case with a capital project cap of $2,121,100 excluding interest during construction. Project 20204 is budgeted for purchasing property and constructing a well in 2010/12, so Parties anticipate that it will be filed in 2013. Parties acknowledge that this cap is for advice letter purposes only and that the Commission will review final project costs in the next general rate case.

Controversial Projects

The dollars (in thousands) shown in the tables below for various capital projects represent the funding for the capital investment and not the respective Test Year revenue requirement for that funding. The more detailed descriptions are for projects where there was a difference between Cal Water and DRA as noted in the DRA Report on the Results of Operation for the Stockton District and the resulting funding level agreed to in Settlement discussions.

Non-controversial Projects

In addition to the more detailed project descriptions that immediately follow, Cal Water's proposed capital budgets for the years 2009-2012 included a number of projects where DRA did not object to the need for the project and the requested funding. Table A (dollars in thousands) at the end of this section lists these projects, noting Cal Water's project number, a short project description, Cal Water's proposed funding, DRA's recommended funding, and Settlement funding. This table does not contain a Cal Water rebuttal column because DRA did not object to Cal Water's proposed project and related funding. The Parties agree that these projects should be approved for inclusion in Utility Plant in the year in which they are proposed to be in service.

Non-Specifics

Following Table A, are comparison tables showing the dollars (in thousands) for Cal Water's non-specific capital budget proposal, DRA's recommendation, the difference and the Settlement. See the Antelope Valley District Plant Settlement for the general discussion on Non-Specific Plant Estimates.

Controversial Projects

Storage tank painting

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 15583 (2009)	$149.3	$129.2	$127.4	$121.8	$129.2
19707 (2009)	$324.9	$174.3	$159.1	$15.2	$174.3

ISSUE: Cal Water proposed painting the interior and exterior of Tank 1 at Station 80 (PID 15583) and the interior of Tank 7 at Station 82 (19707). DRA agreed with the projects, but, based upon information Cal Water provided, DRA reduced its estimated costs.

In Rebuttal, Cal Water provided final costs for each of the projects, which were slightly higher than the information provided earlier in data request responses.

RESOLUTION: The Parties agree to the actual final costs for the projects including capitalized interest as noted in the table above.

Pump replacement program

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 16907 (2009)	$23.8	$23.8	$0.0	$23.8	$23.8
17102 (2009)	$89.5	$89.5	$0.0	$89.5	$63.1
17103 (2009)	$94.6	$94.6	$0.0	$94.6	$67.0
17109 (2009)	$83.0	$83.0	$0.0	$83.0	$63.0
20472 (2010)	$87.5	Cancelled	$0.0	$0.0	$0.0
20476 (2010)	$98.9	$80.0	$0.0	$80.0	$80.0
20477 (2011)	$95.2	Cancelled	$0.0	$0.0	$0.0
20479 (2011)	$94.3	$70.0	$0.0	$70.0	$70.0
20481 (2012)	$90.0	$47.0	$0.0	$47.0	$47.0
20484 (2012)	$98.1	$67.0	$0.0	$67.0	$67.0

ISSUE: Cal Water proposed replacing ten pumps/motors and adding associated energy monitoring equipment in their 2009-2012 budgets. Cal Water proposed the replacements because of their low efficiencies. DRA discovered in their review of the efficiency reports Cal Water submitted that in seven of the originally proposed projects, the pump's efficiency was rated either "Fair" or "Good," and in only three cases were pumps rated in the "Poor" category in terms of overall

operational plant efficiency according to the table in the Commission's Standard Practice U-3-SM. DRA recommended disallowance of all ten proposed replacement projects that total approximately $855,000. DRA recommended that Cal Water use DRA's proposed non-specific pump replacement budget of $633,100, and prioritize the replacement projects that will produce the greatest operational cost and energy savings.

In Rebuttal, Cal Water addressed each of the replacement projects. Cal Water cancelled two of the projects, reduced four of the estimated replacement costs, and requested four at their original estimate.

RESOLUTION: The Parties agree, as part of an overall settlement plan that included approval and deferral of several projects, to recommend approval of the projects and their estimated costs as noted in the table above.

Convert to liquid chlorination

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 16921 (2009)	$30.7	$30.7	$0.0	$30.7	$30.7
19985 (2010)	$32.4	$32.4	$0.0	$32.4	$32.4
19986 (2011)	$34.6	$34.6	$0.0	$34.6	$34.6
19987 (2012)	$37.8	$37.8	$0.0	$37.8	$37.8

ISSUE: Cal Water proposed converting four of its eight well sites from tablet-based calcium hypochlorite disinfection to liquid sodium hypochlorite-based disinfection. Cal Water proposed the conversion to improve the reliability of the chlorine dosing to eliminate the labor to periodically refill the dosing device with the tablets. DRA, based upon discussions with various Cal Water district personnel, noted that many districts use the tablets without any significant

problems, such as the dissolution of tablets and clogging of the feed system as the Stockton Water Supply & Facilities Master Plan ("WS&FMP") alleges. Also, DRA noted that the liquid system does not operate during a power outage, whereas they stated the tablet system would. None of the proposed well sites have an emergency generator; therefore, DRA states that the chlorine residual could drop significantly if the power was lost for a period of time. DRA recommends against the conversion until the stations are equipped with emergency generators.

In Rebuttal, Cal Water noted that the Stockton District has been using calcium hypochlorite for many years and has indeed experienced problems with the dissolution of the tablets when they do not slide through the feeder tube. This results in an absence of chlorine residual in the discharge water and clearly becomes a public health concern. District staff has encountered these situations at numerous stations throughout Stockton and believes that the calcium hypochlorite tablet feeders are unreliable. In response to the DRA's claim that many districts use the calcium tablets without any significant problems, Cal Water's engineering staff contacted various districts to inquire about the reliability of the tablet chlorinators. All District staff contacted for this inquiry confirmed experiencing similar problems as the Stockton District.

DRA also believed that a power failure would lead to the absence of chlorine residual in the discharge water if a sodium hypochlorite injection system is installed. If a power failure were to occur at these stations, the motor for the discharge pump would not operate and thus, no groundwater would be conveyed to the distribution system. Hence, installing a sodium hypochlorite injection system would not "cause a significant drop in chlorine residual if these stations are converted and electrical power is lost for any length of time." The Stockton District currently has stations that disinfect with sodium hypochlorite and all have proven to be reliable. Based on Cal Water's experience, a sodium hypochlorite

injection system will help Cal Water protect public health concerns by constantly maintaining appropriate chlorine residuals in the distribution system.

RESOLUTION: The Parties agree, as part of an overall settlement plan that included approval and deferral of several projects, to recommend approval of the projects and their estimated costs as noted in the table above.

Manganese treatment

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 19804 (2010)	$975.7	$975.7	$723.6	$252.1	$975.7
17404 (2011)	$1,902.9	$1,902.9	$1,155.6	$747.3	$0.0 Defer
19799 (2012)	$1,024.0	$1,024.0	$723.6	$300.4	$1,024.0

ISSUE: Cal Water proposed installing treatment for the removal of manganese at Station 36 (PID 19804) and Station 69 (PID 19799) and for manganese and trichloroethylene at Station 78 (PID 17404). After DRA reviewed the water quality data for these stations, it determined the projects are necessary and prudent. However, DRA disagreed with the estimated costs for each of the three projects.

Based upon review of the cost for a recently completed treatment facility at Station 78 in Stockton for the removal of manganese, DRA used that project's cost to estimate the cost for Cal Water projects 19404 and 19799. For project 17404, DRA used the same methodology for the manganese removal, to which it added a cost for GAC treatment based upon another Stockton facility.

In Rebuttal, Cal Water addressed each project, and the line items that it stated DRA neglected to include in its cost estimate. Further detail of these specific line items can be found in Cal Water's Rebuttal testimony.

RESOLUTION: The Parties agree, as part of an overall Settlement plan that included approval and deferral of several projects, to recommend approval of Projects 19804 and 19799 and their estimated costs as noted in the table above, and to defer Project 17404.

Construct 3.25-MG storage tank and pumping station

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 20296 (2010-2012)	$3,874.5	$3,874.5	$0.0	$3,874.5	$0.0 Defer

ISSUE: Cal Water proposed purchasing property on which to construct a 3.25-MG storage tank and pumping station at a yet to be determined location. The additional storage is being added to alleviate the 3.2 MG deficit based upon the Stockton WS&FMP. DRA strongly disagreed with the need for the proposed project. DRA believes the project is not justified, primarily due to the criteria Cal Water used to determine the overall storage requirements. DRA disagreed with the fundamental assumptions of the WS&FMP regarding operational and emergency storage, and believes that Cal Water would be able to use the backup power on its groundwater wells (including future wells) as a cost-effective alternative to additional storage. DRA also noted that Cal Water has a portable generator it can use in the event of a power outage, as well as the district has access to the Stockton East Water District source of supply, which has backup power. DRA recommended disallowance of this project.

In Rebuttal, Cal Water addressed the more global issue related to its criteria in the WS&FMPs related to emergency storage. That document is too voluminous to include here. The Rebuttal also included specific narrative on the storage in the Stockton District.

RESOLUTION: The Parties agree to disagree on the validity of the assumptions of the WS&FMP. The Parties agree to continue discussions regarding the WS&FMP after the GRC to determine reasonable assumptions Company-wide in regard to storage requirements. For Project 20296, the Parties agree, as part of an overall settlement plan that included approval and deferral of several projects, to defer the project to a future GRC.

Property purchases and well construction

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
20204 (2010-2012)	$3,917.1	$3,917.1	$0.0	$3,917.1	$2,121.1 Advice Letter
26807 (2012)	$325.0	$325.0	$0.0	$325.0	$0.0

ISSUE: Cal Water proposed purchasing two separate parcels on which to construct wells. Project 20204 included the construction of two wells on that property, whereas Project 26807 is for the purchase of property for the construction of a future well. Cal Water proposed constructing the wells to meet pumping capacity requirements as stated in GO 103-A, and to provide production capable of meeting fire flow under peak hour demand conditions. DRA disagreed with the premises upon which Cal Water is proposing the projects. DRA contended the projects are not needed to meet hydraulic restrictions, fire

flow or peak hour demand conditions, and therefore recommended disallowance of these projects.

In Rebuttal, Cal Water reiterated its position related to its current pumping capacity and the production as well as how much water would be available from Stockton East if Cal Water were to lose any of those wells due to contamination or electrical or mechanical failures.

RESOLUTION: The Parties agree, as part of an overall settlement plan that included approval and deferral of several projects, to recommend approval of Project 20204 for the property purchase and well construction at the estimated cost noted in the table above, and for rate relief to be requested through an Advice Letter filing. For Project 20204, only one of the two wells originally proposed would be constructed, and the second well would be deferred to the 2012 GRC. The property purchase proposed in Project 26807 is deferred for consideration in a future GRC.

Install energy monitoring equipment at various well and booster stations

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 20273 (2010 - 2012)	$236.0	$236.0	$0.0	$236.0	$0.0 Defer

ISSUE: Cal Water proposed installing equipment and implementing its power monitoring program throughout the Company in 2010 and 2011. Cal Water stated in the December 22, 2009, meeting with DRA personnel that the pilot program in Marysville will have results and analysis in the form of a full cost-benefit analysis by November 2010. Cal Water has been including the energy monitoring equipment in all new pump stations. The addition of the equipment

maximizes overall system management in daily operations by automatically tracking energy consumption, well levels and water flow from zone to zone, therefore minimizing manual data collection. The new equipment is important and fundamental to the way Cal Water conducts business, in the present and future, and will improve the level of customer service by enabling Cal Water to react quicker to problems with equipment and/or to minimize damage to equipment through real-time monitoring. In addition to providing important information for strategic operation, the power meters are critical in protecting the motors and other sensitive equipment such as control transformers, instrumentation, and communication equipment from unexpected poor quality power from the electric utilities. The meters will detect phase rotation, under and over voltage, unbalanced voltage, and voltage loss, shutting down pumps and other devices to ensure longevity of equipment. DRA has concerns with implementation of this project Company-wide until Cal Water can provide an appropriate cost-benefit analysis. Therefore, DRA recommended that this project be deferred to a future GRC subject to the results of a pilot program.

RESOLUTION: The Parties agree Cal Water will defer its Company-wide implementation of the energy monitoring program pending the results of pilot programs in two different districts. The Parties agree on two programs so that information could be gathered from two separate types of distribution system characteristics to give a broader evaluation of the equipment. The pilot programs will be in the Marysville and Mid-Peninsula Districts.

Security system upgrade

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 20673 (2010)	$27.0	$27.0	$0.0	$27.0	$27.0

ISSUE: Cal Water proposed upgrading the security system at the new customer service center. DRA disagrees with the project because it believes that hiring a security guard should be classified as an expense and not a capital addition.

In Rebuttal, Cal Water explained that they were not planning to hire a guard, but to install security equipment.

RESOLUTION: The Parties agree, as part of an overall settlement plan that included approval and deferral of several projects, to recommend approval of the project.

Convert property into parking/storage for new customer center

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 20989 (2010)	$102.6	$102.6	$0.0	$102.6	$102.6

ISSUE: Cal Water proposed converting the existing property it owns into additional parking/storage to accommodate the new customer service center requirements. DRA did not agree with the necessity of the project since there appeared to be ample parking during the field tour. Also, Cal Water did not provide a justification for the estimated cost.

In Rebuttal, Cal Water noted the new customer service center building design requires a number of spaces for both standard and handicap access. It also requires a number of spaces for the employees who will work out of the new building.

Cal Water further stated that in an effort to provide a safe working environment, Cal Water has to create a division between the field office utility vehicles and the

customer service center traffic (vehicle & pedestrian) needs. Cal Water believes the proposed project allows it to shift both existing vehicle parking spaces and storage to accomplish this safety measure. The design for the new Customer Service Center is complete. This design incorporates the additional space requirement.

RESOLUTION: The Parties agree, as part of an overall settlement plan that included approval and deferral of several projects, to recommend approval of the project.

Construct monitoring and production well

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 17203 (2009-2011)	$1,797.8	$1,797.8	$795.6 Advice Letter	$1,002.2	$795.6 Advice Letter

ISSUE: Cal Water proposed constructing a monitoring and production well on property purchased several years ago. Arsenic is quite prevalent in the groundwater in many, but not all, areas in Stockton. Cal Water has decided not to treat for arsenic in Stockton due to the high operational costs of the treatment plants. Instead, Cal Water has constructed blending facilities that result in arsenic levels in the water it supplies to customers that are below the MCL. However, based upon the water quality at nearby wells, the site of this proposed well is expected to have arsenic levels below the MCL. Therefore, treatment or blending should not be required. Over 50% of Stockton's wells are either on standby or are classified with DPH as inactive due to water quality issues including, but not limited to, manganese, arsenic, and volatile organic compounds. The proposed well will add needed supply in anticipation that more wells will have to become inactive or have treatment installed to remain viable.

The monitoring well will be constructed first in order to verify that the proposed production well water quality will meet all applicable standards without having to install treatment. Cal Water proposes the monitoring well because it is less expensive than constructing a production well. If the water quality results obtained from the monitoring well verify that treatment is not required, Cal Water will proceed with the construction of the production well. Should the water quality indicate contaminants such as arsenic are over the MCL or any other constituent that would require treatment to be installed, Cal Water will evaluate whether or not it is prudent to continue with the production well construction based upon those water quality results.

Cal Water submitted this project for review and received approval in the 2007 GRC. The estimated cost approved was $795,600 and it was to be filed as an Advice Letter after the project had been completed and in service. Cal Water inadvertently included project 17203 in the 2009 filing for budget years 2009-2011, and increased the estimated cost of the project to $1,797,800. Cal Water should have noted the review that took place in the 2007 GRC and differentiated the reasons for the additional funding to do the project.

DRA noted in its Report that Cal Water sought to move the construction of the well into rates without following the Advice Letter process and to increase the cost of the project by about $1 million. DRA recommends that the project remain as an Advice Letter at the deadline of January 1, 2011, and at the budgetary cap of $795,600, because Cal Water did not provide an explanation why the estimated costs increased by $1 million.

Cal Water did not submit any Rebuttal for this project.

RESOLUTION: The Parties agree that the project would remain as an Advice Letter at the capped estimated from the 2007 GRC, but that the deadline to file the Advice Letter would be extended to the effective date of rates in the next general rate case due to scheduling issues related to the construction of the

monitoring well, from which the construction of the production well will follow based upon the water quality data.

Specific Mains, Hydrants & Services Program

ISSUE: Cal Water proposed specific main replacements/installations, along with hydrant and service reconnections, totaling $4,318,000 for the Stockton District for 2009-2012. Cal Water budgeted the replacements/installations to reduce leaks, improve fire flow and for reliability. Cal Water also requests $1,986,300 in non-specific mains/services/streets in this GRC.

DRA disagreed with Cal Water's proposed specific budgets because Cal Water could not provide historical costs for mains and services, did not provide the number of leaks per 100 miles of main, did not provide any analysis to show the cost to repair was higher than the cost to replace the targeted mains for this GRC, and noted that replacing mains merely to improve fire flow reasons is not justified by GO 103-A. DRA therefore recommended disallowing the specific main and service replacement program while allowing the adjusted non-specific main, service and hydrant replacement budgets.

In Settlement discussions, the Parties did not address any individual specific main/service replacement projects. Instead, the Parties agree that Cal Water would prepare a spreadsheet that itemized all of the proposed main replacement projects totaling $4,837,300, from which it would single out those that met Cal Water's main replacement criteria of 4-inch and smaller cast iron and steel mains as well as 6-inch bare and unlined steel mains. Of the proposed total of $4,837,300, there are main replacement projects totaling $3,354.300 that met the small main and bare steel criteria.

RESOLUTION: The Parties agree, as part of an overall settlement plan that included approval and deferral of several projects, to $3,354.300 for specific

main replacements for the 2009-2012 budgets. The individual projects are noted in the table that follows.

Specific Main Replacement Budget (Stockton)

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
00016831	$ 78.6	$ 78.6	$ -	$ 78.6	$ 78.6
00016872	$ 113.9	$ 113.9	$ -	$ 113.9	$ 113.9
00017023	$ 235.3	$ 235.3	$ -	$ 235.3	$ 235.3
00017024	$ 619.1	$ 619.1	$ -	$ 619.1	$ 619.1
00017028	$ 332.5	$ 332.5	$ -	$ 332.5	$ 332.5
00017048	$ 117.4	$ 117.4	$ -	$ 117.4	$ 117.4
00020779	$ 29.0	$ 29.0	$ -	$ 29.0	$ 29.0
00020784	$ 704.4	$ 704.4	$ -	$ 704.4	$ 704.4
00020792	$ 34.3	$ 34.3	$ -	$ 34.3	$ 34.3
00020985	$ 276.1	$ 276.1	$ -	$ 276.1	$ 276.1
00020795	$ 71.6	$ 71.6	$ -	$ 71.6	$ 71.6
00020796	$ 96.6	$ 96.6	$ -	$ 96.6	$ 96.6
00020801	$ 118.7	$ 118.7	$ -	$ 118.7	$ 118.7
00020869	$ 195.4	$ 195.4	$ -	$ 195.4	$ 195.4
00020928	$ 238.7	$ 238.7	$ -	$ 238.7	$ 238.7
00020964	$ 92.7	$ 92.7	$ -	$ 92.7	$ 92.7
Total	**$ 3,354.3**	**$ 3,354.3**	**$ -**	**$ 3,354.3**	**$ 3,354.3**

Table A: Non-controversial plant projects

2009

Project ID Number	Descriptions	Cal Water Direct	DRA Report	Difference	Settlement
00015409	Remote / ERT Meters	$ 15.7	$ 15.7	$ -	$ 15.7
00016833	Fe & Mn Ttmnt & Site Improvements	$ 673.6	$ 673.6	$ -	$ 673.6
00017736	Vehicle	$ 27.5	$ -	$ 27.5	$ -
00017737	Replace V200093	$ 27.5	$ 27.5	$ -	$ 27.5
00017738	0.5 Ton Pickup w/ Accessories	$ 27.5	$ 27.5	$ -	$ 27.5
00017739	Replace V202048; >125K Miles	$ 27.5	$ 27.5	$ -	$ 27.5
00017966	Security Mitigation Improvements	$ 38.8	$ 38.8	$ -	$ 38.8
00021071	0.5 Ton Pickup	$ 26.7	$ 26.7	$ -	$ 26.7
00021072	Replace V200095; >120K Miles	$ 26.7	$ 26.7	$ -	$ 26.7
00021073	Replace V202063; >120K Miles	$ 27.6	$ 27.6	$ -	$ 27.6
00021074	Vehicle	$ 27.6	$ -	$ 27.6	$ -
	Small Meter Replacements	$ 197.6	$ 197.6	$ -	$ 197.6
	TOTAL	$ 1,144.3	$ 1,144.3	$ -	$ 1,144.3

2010

Project ID Number	Descriptions	Cal Water Direct	DRA Report	Difference	Settlement
00019902	New Concrete Building - Sta. 1-F Booster Pump	$ 32.4	$ 32.4	$ -	$ 32.4
00020771	Delaware Ave. - Oxford to South of Elmwood	$ 25.2	$ 25.2	$ -	$ 25.2
00020776	D Street - Hackberry to Poplar St.	$ 81.1	$ 81.1	$ -	$ 81.1
00021014	Vehicles & Equipment	$ 41.6	$ 41.6	$ -	$ 41.6
00021018	Vehicles & Equipment	$ 41.6	$ 41.6	$ -	$ 41.6
00021021	Vehicles & Equipment	$ 41.6	$ 41.6	$ -	$ 41.6
00021022	Vehicular Equipment	$ 36.8	$ 36.8	$ -	$ 36.8
00021253	Generator	$ 163.0	$ 120.0	$ 43.0	$ 120.0
	Large Meter Replacements	$ 10.0	$ 10.0	$ -	$ 10.0
	Small Meter Replacements	$ 205.5	$ 205.5	$ -	$ 205.5
	TOTAL	$ 678.8	$ 678.8	$ -	$ 678.8

Table A: Non-controversial plant projects con't

2011

Project ID Number	Descriptions	Cal Water Direct	DRA Report	Difference	Settlement
00020916	Vehicles & Equipment	$ 42.8	$ 42.8	$ -	$ 42.8
00020918	Vehicles & Equipment	$ 42.8	$ 42.8	$ -	$ 42.8
00020923	Vehicles & Equipment	$ 43.3	$ 43.3	$ -	$ 43.3
00020924	Vehicles & Equipment	$ 39.6	$ 39.6	$ -	$ 39.6
00020994	Structures	$ 21.6	$ 21.6	$ -	$ 21.6
	Large Meter Replacements	$ 10.4	$ 10.4	$ -	$ 10.4
	Small Meter Replacements	$ 213.8	$ 213.8	$ -	$ 213.8
	TOTAL	$ 414.3	$ 414.3	$ -	$ 414.3

2012

Project ID Number	Descriptions	Cal Water Direct	DRA Report	Difference	Settlement
00020427	Forklift	$ 48.6	$ 48.6	$ -	$ 48.6
00020675	Field Equipment (Tools)	$ 21.6	$ 21.6	$ -	$ 21.6
00020832	Vehicles & Equipment	$ 39.7	$ 39.7	$ -	$ 39.7
	Structures	$ 147.2	$ 147.2	$ -	$ 147.2
	Large Meter Replacements	$ 10.9	$ 10.9	$ -	$ 10.9
	Small Meter Replacements	$ 222.3	$ 222.3	$ -	$ 222.3
	TOTAL	$ 490.3	$ 490.3	$ -	$ 490.3

Non-specific capital budgets

2009

Descriptions	Cal Water Direct	DRA Report	Difference	Settlement
Land	$ 30.9	$ 28.6	$ 2.3	$ 29.5
Structures	$ 9.4	$ 8.7	$ 0.7	$ 9.0
Wells	$ 22.9	$ 21.2	$ 1.7	$ 21.9
Storage	$ 5.7	$ 5.3	$ 0.4	$ 5.4
Pumps	$ 168.1	$ 155.8	$ 12.3	$ 160.5
Purification	$ 12.8	$ 11.9	$ 0.9	$ 12.2
Mains	$ 109.9	$ 101.8	$ 8.1	$ 104.9
Streets	$ 91.2	$ 84.5	$ 6.7	$ 87.1
Services	$ 279.5	$ 259.0	$ 20.5	$ 266.9
Meters	$ 179.8	$ 166.6	$ 13.2	$ 171.7
Hydrants	$ -	$ -	$ -	$ -
Equipment	$ 17.6	$ 16.3	$ 1.3	$ 16.8
TOTAL	$ 927.8	$ 859.7	$ 68.1	$ 885.9

2010

Descriptions	Cal Water Direct	DRA Report	Difference	Settlement
Land	$ 31.6	$ 28.6	$ 3.0	$ 29.7
Structures	$ 9.6	$ 8.7	$ 0.9	$ 9.0
Wells	$ 23.4	$ 21.2	$ 2.2	$ 22.0
Storage	$ 5.8	$ 5.3	$ 0.5	$ 5.4
Pumps	$ 171.7	$ 155.6	$ 16.1	$ 161.3
Purification	$ 13.1	$ 11.9	$ 1.2	$ 12.3
Mains	$ 112.2	$ 101.7	$ 10.5	$ 105.4
Streets	$ 93.1	$ 84.4	$ 8.7	$ 87.5
Services	$ 285.4	$ 258.7	$ 26.7	$ 268.1
Meters	$ 183.7	$ 166.5	$ 17.2	$ 172.6
Hydrants	$ -	$ -	$ -	$ -
Equipment	$ 18.0	$ 16.3	$ 1.7	$ 16.9
TOTAL	$ 947.6	$ 858.8	$ 88.8	$ 890.2

Non-specific capital budgets con't

2011

Descriptions	Cal Water Direct	DRA Report	Difference	Settlement
Land	$ 32.3	$ 29.2	$ 3.1	$ 30.3
Structures	$ 9.9	$ 8.9	$ 1.0	$ 9.3
Wells	$ 24.0	$ 21.7	$ 2.3	$ 22.5
Storage	$ 5.9	$ 5.3	$ 0.6	$ 5.5
Pumps	$ 175.6	$ 158.7	$ 16.9	$ 164.5
Purification	$ 13.4	$ 12.1	$ 1.3	$ 12.6
Mains	$ 114.8	$ 103.7	$ 11.1	$ 107.6
Streets	$ 95.3	$ 86.1	$ 9.2	$ 89.3
Services	$ 291.9	$ 263.8	$ 28.1	$ 273.5
Meters	$ 187.9	$ 169.8	$ 18.1	$ 176.0
Hydrants	$ -	$ -	$ -	$ -
Equipment	$ 18.4	$ 16.6	$ 1.8	$ 17.2
TOTAL	$ 969.4	$ 876.0	$ 93.4	$ 908.3

2012

Descriptions	Cal Water Direct	DRA Report	Difference	Settlement
Land	$ 33.0	$ 30.0	$ 3.0	$ 31.1
Structures	$ 10.1	$ 9.2	$ 0.9	$ 9.5
Wells	$ 24.5	$ 22.2	$ 2.3	$ 23.1
Storage	$ 6.1	$ 5.5	$ 0.6	$ 5.7
Pumps	$ 179.5	$ 163.0	$ 16.5	$ 168.9
Purification	$ 13.7	$ 12.4	$ 1.3	$ 12.9
Mains	$ 117.3	$ 106.5	$ 10.8	$ 110.4
Streets	$ 97.4	$ 88.5	$ 8.9	$ 91.6
Services	$ 298.3	$ 270.9	$ 27.4	$ 280.7
Meters	$ 192.0	$ 174.4	$ 17.6	$ 180.7
Hydrants	$ -	$ -	$ -	$ -
Equipment	$ 18.8	$ 17.1	$ 1.7	$ 17.7
TOTAL	$ 990.7	$ 899.7	$ 91.0	$ 932.3

9.2.22 Visalia District Plant Settlement

Summary of Settlement and requests to the Commission:

The Parties request the Commission approve the Settlement plant values established herein under the conditions specified.

DRA and Cal Water request that the Commission allow Cal Water to file an offset Advice Letter for Project 16776 at any time until the effective date of rates in the next general rate case with a capital project cap of $1,385,555 excluding interest during construction. Project 16776 is budgeted for construction of a new well in 2009, so Parties anticipate that it will be filed in 2011 as construction is not expected to be completed until 2011. Parties acknowledge that this cap is for advice letter purposes only and that the Commission will review final project costs in the next general rate case. Project 16776 was approved in the 2007 GRC as an Advice Letter with a cap of $1,385,555, and a filing deadline as the effective date for new rates in the current GRC, which is January 1, 2011. However, equipping the well and installation of the electrical components are behind the project behind schedule, resulting in its completion after the initial filing deadline.

DRA and Cal Water request that the Commission allow Cal Water to file an offset Advice Letter for Project 16782 at any time until the effective date of rates in the next general rate case with a capital project cap of $1,496,800 excluding interest during construction. Project 16782 is budgeted for a well construction in 2009, so Parties anticipate that it will be filed in 2011. Parties acknowledge that this cap is for advice letter purposes only and that the Commission will review final project costs in the next general rate case.

DRA and Cal Water request that the Commission allow Cal Water to file an offset Advice Letter for Project 21123 at any time until the effective date of rates in the next general rate case with a capital project cap of $1,716,400 excluding interest during construction. Project 21123 is budgeted for flat-to-meter conversions in 2011, so Parties anticipate that it will be filed in 2012. Parties acknowledge that

this cap is for advice letter purposes only and that the Commission will review final project costs in the next general rate case.

DRA and Cal Water request that the Commission allow Cal Water to file an offset Advice Letter for Project 21140 at any time until the effective date of rates in the next general rate case with a capital project cap of $1,798,100 excluding interest during construction. Project 21140 is budgeted for flat-to-meter conversions in 2012, so Parties anticipate that it will be filed in 2013. Parties acknowledge that this cap is for advice letter purposes only and that the Commission will review final project costs in the next general rate case.

Controversial Projects

The dollars (in thousands) shown in the tables below for various capital projects represent the funding for the capital investment and not the respective Test Year revenue requirement for that funding. The more detailed descriptions are for projects where there was a difference between Cal Water and DRA as noted in the DRA Report on the Results of Operation for the Visalia District, and the resulting funding level agreed to in Settlement discussions.

Non-controversial Projects

In addition to the more detailed project descriptions that immediately follow, Cal Water's proposed capital budgets for the years 2009-2012 included a number of projects where DRA did not object to the need for the project and the requested funding. Table A (dollars in thousands) at the end of this section lists these projects, noting Cal Water's project number, a short project description, Cal Water's proposed funding, DRA's recommended funding, and Settlement funding. This table does not contain a Cal Water rebuttal column because DRA did not object to Cal Water's proposed project and related funding. The Parties agree that these projects should be approved for inclusion in Utility Plant in the year in which they are proposed to be in service.

Non-Specifics

Following Table A, are comparison tables showing the dollars (in thousands) for Cal Water's non-specific capital budget proposal, DRA's recommendation, the difference and the Settlement. See the Antelope Valley District Plant Settlement for the general discussion on Non-Specific Plant Estimates.

Controversial Projects

Construct Station 95 Well

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 16776 (2009)	$1,483.2	$1,385.6	$1,385.6 Advice Letter	$0.0 Advice Letter	$1,385.6 Advice Letter

ISSUE: Cal Water proposed constructing its Station 95 well in 2009. DRA noted in its report that this project was reviewed and approved in the 2007 GRC for Advice Letter treatment at an estimated cost of $1,385,555. DRA recommends the project continue as an Advice Letter at the same cap as designated in the 2007 GRC decision, and that the existing deadline for filing the Advice Letter, which is the effective date for the new rates filed for in the 2009 GRC, remain.

In Rebuttal, Cal Water noted the project is expected to be complete by the end of the year.

RESOLUTION: The Parties agree to the cost of $1,385,600 from the 2007 GRC. The Parties also agree that the Advice Letter filing deadline would be extended to the effective date of rates in the next general rate case.

Purchase property for a future well and tank

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 16781 (2009)	$313.2	$313.2	$0.0	$313.2	$290.0

ISSUE: Cal Water proposed purchasing property for constructing a well and a storage tank in the future. DRA disagrees with the necessity of the project at this time. In response to a data request, Cal Water indicated that no parcels had been identified at the time of the data request, which was in November of 2009. Additionally, DRA noted that the development intended to be served by the future well had been put on hold due to the economy. DRA recommends the project be deferred until the next GRC.

In Rebuttal, Cal Water noted the project was reviewed and approved in the 2007 GRC for $290,000.

RESOLUTION: The Parties agree to the cost of $290,000 from the 2007 GRC.

Construct Mill Creek Well

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 16782 (2009)	$1,496.8	$1,496.8	$1,496.8 Advice Letter	$0.0 Advice Letter	$1,496.8 Advice Letter

ISSUE: Cal Water proposed constructing a well at the Mill Creek well site in 2009 to help support the three large subdivisions constructed in 2005. DRA noted in its report that this project was reviewed and approved in the 2007 GRC

for Advice Letter treatment at an estimated cost of $1,496,800. DRA recommends the project continue as an Advice Letter at the same cap as designated in the 2007 GRC decision, but that the existing deadline for filing the Advice Letter, which is the effective date for the new rates filed for in the 2009 GRC, remains.

In Rebuttal, it was noted that Cal Water and the owner of the property, the City of Visalia, have reached a sales agreement. Because of the delay in acquiring the property Cal Water would like to extend the deadline for completion of the project to December of 2011 with no changes to the funding.

RESOLUTION: The Parties agree to the cost of $1,496,800 from the 2007 GRC. The Parties also agree that the Advice Letter filing deadline would be extended to the effective date of rates in the next general rate case.

Install a 200,000-gallon tank in the Mullen system

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 16934 (2009 & 2010)	$904.5	$904.5 Agree to move to 2011	$904.5 Move to 2011	None	$904.5 Move to 2011

ISSUE: Cal Water proposed constructing a 200,000-gallon storage tank in the Mullen system over 2009/2010. Mullen is a stand-alone system and currently does not have any storage. DRA agreed with the necessity of the project and estimated cost. In response to a data request, Cal Water noted the project would be complete and in service by mid-2011. Therefore, DRA recommended the construction costs be moved to budget year 2011.

In Rebuttal, Cal Water agreed with DRA's recommendation to move the construction costs to 2011.

RESOLUTION: The Parties agree to the cost of $904,500 from the 2007 GRC, and to use a completion year of 2011.

Replace main in Willow Street

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 17005 (2009)	$119.1	None	$0.0 Project cancelled	$0.0	$0.0

ISSUE: Cal Water proposed replacing approximately 800 feet of 4-inch transite main in Willow Street with 8-inch main due to the proposed development in the future. Willow Street is a high traffic street in an area with a number of existing businesses making it difficult to work in. DRA removed this project from consideration in this GRC based upon a data request response in which Cal Water noted it had canceled the project.

RESOLUTION: The Parties agree to remove this project from consideration for the 2009 GRC.

Flat-to-meter conversion

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 17192 (2009)	$2,725.5	$2,082.6	$2,725.5 Advice Letter	$0.0 Advice Letter	$2,092.3 Recorded
21113 (2010)	$2,755.5	$2,755.5	$2,755.5 Advice Letter	$0.0 Advice Letter	$2,755.5 No Advice Letter
21123 (2011)	$2,912.9	$2,912.9	$2,912.9 Advice Letter	$0.0 Advice Letter	$1,716.4 Advice Letter
21140 (2012)	$3,012.8	$3,012.8	$3,012.8 Advice Letter	$0.0 Advice Letter	$1,798.1 Advice Letter

ISSUE: Cal Water is required by AB 2572 to convert all of its flat rate customers to meter by January 1, 2025. In order to convert all of the flat rate customers in the Visalia District by 2025, in the 2007 GRC Cal Water initially planned to convert its 17,770 flat-rate services in the range of 1,100 to 1,300 a year over a 16-year period from 2008 to 2023. However, in the interest of conservation due to a declining groundwater level, the City of Visalia wanted the conversions to be done at a faster rate. Cal Water agreed in the 2007 GRC to escalate the conversions to an 8-year schedule, or in the range of 2,200 to 2,300 a year. In 2008, the City of Visalia requested this conversion be escalated further to a four-year schedule, with the conversions to be completed by the end of 2012. DRA does not disagree with the project. However, due to the uncertainty as to whether Cal Water can meet the proposed schedule, DRA recommends the conversions for 2009-2012 be approved for Advice Letter treatment, capped at the amounts shown in the table above in the DRA Report column.

In Rebuttal, Cal Water requested it be allowed to book recorded 2009 costs to plant. For 2010-2012, Cal Water noted the Visalia District made significant

progress in 2009, converting almost 4,200 services. Therefore, Cal water requested that their budget for 2010-2012 not have Advice Letter treatment.

In Settlement, DRA agreed to 2009 recorded costs of $2,092,300. However, for 2010-2012, they used the recorded 2009 cost per conversion times the number of scheduled conversions to project 2010-2012 costs.

RESOLUTION: The Parties agree to book the actual cost for 2009, use Cal Water's estimated cost for 2010 without Advice Letter treatment, and for 2011 and 2012 use DRA's estimated cost and to have Cal Water seek rate relief through Advice Letter filings capped at the amounts shown in the table above in the Settlement column.

Install energy monitoring equipment at various well and booster stations

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 20261 (2010 - 2012)	$315.0	$315.0	$0.0	$315.0	$0.0 Defer

ISSUE: Cal Water proposed the installing equipment and implementing its power monitoring program throughout the Company in 2010 and 2011. Cal Water stated in the December 22, 2009, meeting with DRA personnel that the pilot program in Marysville will have results and analysis in the form of a full cost-benefit analysis by November 2010. Cal Water has been including the energy monitoring equipment in all new pump stations. The addition of the equipment maximizes overall system management in daily operations by automatically tracking energy consumption, well levels and water flow from zone to zone, therefore minimizing manual data collection. The new equipment is important and fundamental to the way Cal Water conducts business, in the present and

future, and will improve the level of customer service by enabling Cal Water to react quicker to problems with equipment and/or to minimize damage to equipment through real-time monitoring. In addition to providing important information for strategic operation, the power meters are critical in protecting the motors and other sensitive equipment such as control transformers, instrumentation, and communication equipment from unexpected poor quality power from the electric utilities. The meters will detect phase rotation, under and over voltage, unbalanced voltage, and voltage loss, shutting down pumps and other devices to ensure longevity of equipment. DRA has concerns with implementation of this project Company-wide until an appropriate cost-benefit analysis can be provided. Therefore, DRA recommended that this project be deferred to a future GRC subject to the results of a pilot program.

RESOLUTION: The Parties agree to Cal Water deferring its Company-wide implementation of the energy monitoring program pending the results of pilot programs in two different districts. The Parties agree on two programs so that information could be gathered from two separate types of distribution system characteristics to give a broader evaluation of the equipment. The pilot programs will be in the Marysville and Mid-Peninsula Districts.

Electrical & pumping equipment, site improvements for new well at Station 28

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 18982 (2009)	$595.6	None	$0.0 Project cancelled	$0.0	$0.0

ISSUE: Cal Water proposed installing electrical and pumping equipment, as well as site improvements, for a well it had proposed constructing at Station 28. However, due to the location of aboveground power lines at the site, the well

could not be constructed, therefore mitigating the need for this project. The project was cancelled by Cal Water, as was noted in a data request response to DRA. Based upon the response, DRA removed this project from consideration in this GRC.

RESOLUTION: The Parties agree to remove this project from consideration for the 2009 GRC.

Replace emergency generator and pumping equipment at Station 76-01

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 17087 (2010)	$228.6	None	$0.0 Project cancelled	$0.0	$0.0

ISSUE: Cal Water proposed replacing the emergency generator and the oil-lubed pump for the well at Station 76-01. However, the nitrate level in the well has risen to the level where treatment would be required in order to continue to use the well. Cal Water cancelled this project as the age of the well does not justify the cost of treatment. Cal Water noted the project cancellation in a data request response to DRA. Based upon that response, DRA removed this project from consideration in this GRC.

RESOLUTION: The Parties agree to remove this project from consideration for the 2009 GRC.

Replace main in Mineral King Avenue

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 20907 (2010)	$935.4	$729.4 Agrees w/ DRA est.	$729.4	$0.0	$729.4

ISSUE: Cal Water proposed replacing 3,500 feet of main, and reconnecting existing services and hydrants, at an estimated cost of $935,400. However, DRA determined there was a discrepancy between Cal Water's estimated cost in the project justification and that in the capital budget. The cost in the project justification was $602,400. Based on a response to a data request, the higher estimate was due to an additional 1,200 feet of main to be replaced over that proposed in the original justification, and at a higher cost per foot. DRA revised the estimate for the longer replacement to the lower per foot cost in the original justification to arrive at the $729,400.

In Rebuttal, Cal Water indicated they would agree to DRA's revised cost of $729,400.

RESOLUTION: The Parties agree to DRA's revised estimate for this project.

Update Water Supply & Facilities Master Plan

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 29730 (2010-2011)	$588.5	$588.5	$0.0	$0.0	$506.6

ISSUE: Cal Water proposed updating the Water Supply & Facilities Master Plan ("WS&FMP") for the Visalia District that was last prepared in 2005. Cal Water also notes that it was prepared without the criteria used for the more recent WS&FMPs, and the recorded data referenced is now ten years old. DRA disagrees with the necessity of the project. The WS&FMP is only five years old, and did provide a review of the district's existing facilities and recommendations for future demand conditions. It also provided information regarding hydrologic, hydro-geologic, groundwater and water quality conditions. DRA contends no dramatic changes have occurred in the Visalia District that warrant an update at this time. DRA recommends the project be disallowed.

In Rebuttal, Cal Water noted the proposed project consists of two separate, but related, tasks. The first is the WS&FMP, and the second, and more important, is the redevelopment of the hydraulic model. The existing Visalia Water Supply and Facility Master Plan is lacking in several key components which are summarized as follows:

- The WS&FMP document was completed in 2005; however, the latest historical data used for the projections was 1999, making it over 10-years old.
- The current WS&FMP does not fully address all of the items in the most recent Performance Criteria as used in the more recent documents.
- A comprehensive facility assessment was not fully conducted for the existing WS&FMP.
- And most importantly, the existing WS&FMP does not identify a supply independent of groundwater that will balance Cal Water's water supply portfolio against the projected demand and resultant overdraft.

The second task, which will require the most effort, is the hydraulic model for the District's distribution system. The present hydraulic model was developed during a pre-GIS (Geographic Information System) era, using mostly manual tools for

network construction and layout, demand and elevation allocation, etc. The model was also developed prior to Cal Water's current infrastructure design and performance criteria (mentioned above), and model calibration and verification criteria. This model will need to be rebuilt and not just updated to Cal Water's current hydraulic modeling environment. Only a fully rebuilt hydraulic model will guarantee a complete integration of all Cal Water's current data that includes: network and GIS information, operational logic and control rules, and other system changes.

In settlement discussions, DRA requested Cal Water to provide additional information for it to consider relative to the project. This information consisted of bids received and the actual cost of the Bakersfield updated WS&FMP, which Cal Water provided. After review of the information, DRA recommended approval of the project, but at an estimated cost of $506,000.

RESOLUTION: The Parties agree to DRA's revised estimate for this project.

Replace emergency generator at Station 48-01

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 11271 (2011)	$126.6	Cancelled project	$0.0	$0.0	$0.0

ISSUE: Cal Water proposed replacing the emergency generator at Station 48-01 because it is close to failing the San Joaquin Valley United Air Pollution Control District's yearly test. The engine requires frequent repairs and expensive replacement parts. Because of the frequent repairs, it cannot be considered a reliable backup source of power. DRA does not believe that Cal Water provided sufficient evidence to justify the project.

In Rebuttal, Cal Water noted that the generator currently passes the air quality tests required, and could not provide additional reasons for replacement.

RESOLUTION: The Parties agree to remove this project from consideration in the 2009 GRC.

Construct Well and storage tank

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 19748 (2011 & 2012)	$1,556.3	$1,556.3	$0.0	$1,556.3	$0.0 Defer

ISSUE: Cal Water initially proposed constructing a well, 1-MG storage tank, and booster station to add supply and help reduce pressure fluctuations in a portion of the service area. One of the primary reasons for the additional supply is the growth experienced in the Visalia District over the past ten years, as well as the expected continued growth. DRA disagrees with the necessity of the project at this time. According to DRA, Cal Water takes a general approach of looking at the overall past and future growth. DRA looked at the existing capacity as well as the capacity of four additional wells approved in the 2007 GRC. Based upon DRA's analysis, they recommended disallowance of the project.

In Rebuttal, Cal Water noted that during the district tour DRA acknowledged property is not readily available downtown. One of the properties viewed during the CPUC tour as being considered for purchase is available and Cal Water has the first right of refusal. The site is located at 139 N. Cain Street in Visalia. An executive summary of the property was provided. This 5-acre parcel is of adequate size to meet current and future needs in the eastern downtown area of the District. It is properly zoned and it has an existing office and shop building. Listing price is $1.8M. Based upon the size of the site, it could accommodate:

- Two new wells

- Up to 4 – 1-million gallon storage tanks
- The existing office can adequately house the entire Production Department including shop area for the Electrical Mechanical Technicians.
- The existing shop building will meet the majority of the Operations Center needs with adequate building space for warehousing and equipment storage.
- The site has adequate room to build a Customer Center at some point in the future.

Cal Water has an existing well, Station 30-01 across the street from this site. The well is 350' deep and was constructed in 1967. The water quality at Station 30 is good, which indicates the same would be true across the street. Cal Water proposes to use the funds proposed for the well, tank and booster station to purchase this property.

RESOLUTION: The Parties agree to defer the project and remove it from consideration in this GRC.

Main replacement projects

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 20724 (2011)	$503.7	$431.0	$289.6	$141.4	$289.6
20971 (2011)	$652.4	$525.7	$345.4	$180.3	$345.4

ISSUE: Cal Water proposed replacing about 1,800 feet of main and replacing existing flat-rate services in project 20724, and replacing about 2,200 feet of main and replacing existing flat-rate services in project 20971. The existing mains are located in the back yards and are hard to access for repairs. DRA

agrees with the necessity of the projects, but revised the estimated costs to reflect the shifting of the service replacements costs for both projects to the flat-to-meter conversion program. The revised DRA estimates were based upon information received in data requests.

RESOLUTION: The Parties agree on the revised estimates for the two main replacements, as shown in the table above.

Vehicle purchases

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 21117 (2011)	$42.8	$42.8 If needed	$0.0	$42.8	If needed
21118 (2012)	$44.0	None	$0.0	$0.0	$0.0

ISSUE: Cal Water proposed purchasing a pickup for a meter reader in 2011 and for an Operations Maintenance Worker ("OMW") in 2012. The additional meter reader is related to the flat-to-meter conversion program and the OMW is an additional field employee requested. DRA recommends no new positions for the Visalia District. Therefore, DRA recommends disallowance of these vehicles.

In Settlement, the Parties agreed to file for rate relief for the requested personnel associated with the flat-to-meter conversion programs through an Advice Letter filing. All costs associated with these projects, including those for personnel and vehicles, will be included separately in the Advice Letter filing. The filing will take place at the end of each year as noted in the district plant Settlement section. In Settlement, DRA and Cal Water agree on twenty-nine additional employees for the districts. Should Visalia hire the additional OMW in 2012, then they would also be able to purchase the vehicle for that employee.

RESOLUTION: The Parties agree that the vehicle for the meter reader would be included in the Advice Letter filing for the flat-to-meter program in 2011, and the vehicle for the OMW is contingent upon Visalia hiring the employee in 2012.

Table A: Non-controversial plant projects

2009

Project ID Number	Descriptions	Cal Water Direct	DRA Report	Difference	Settlement
00015198	Hydrant Replacement / Upgrade	$ 39.2	$ 39.2	$ -	$ 39.2
00016937	Replace Gen Set, Panelboard, & Conduit - Sta. 41-01	$ 89.0	$ 89.0	$ -	$ 89.0
00016981	Conference Room Tables & Chairs - Customer Service Center	$ 16.8	$ 16.8	$ -	$ 16.8
00016987	1" Services - Burke & K Road	$ 28.5	$ 28.5	$ -	$ 28.5
00016987	Burke & K Road	$ 78.6	$ 78.6	$ -	$ 78.6
00016987	Hydrants - Burke & K Road	$ 10.8	$ 10.8	$ -	$ 10.8
00016997	Liquid Chlorinators	$ 94.9	$ 94.9	$ -	$ 94.9
00017004	Replace Liquid Chlorine Pumps	$ 6.6	$ 6.6	$ -	$ 6.6
00017021	Customer Information Booklets	$ 21.2	$ 21.2	$ -	$ 21.2
00017027	1" Services - Road 68	$ 74.4	$ 74.4	$ -	$ 74.4
00017027	Hydrants - Road 68	$ 10.8	$ 10.8	$ -	$ 10.8
00017027	Road 68	$ 193.7	$ 193.7	$ -	$ 193.7
00017038	1" Services - Hurley & Bollinger	$ 217.9	$ 217.9	$ -	$ 217.9
00017038	Hurley & Bollinger	$ 198.9	$ 198.9	$ -	$ 198.9
00017038	Hydrants - Hurley & Bollinger	$ 43.3	$ 43.3	$ -	$ 43.3
00017086	Replace Pumping Equipment - Sta. 78-01	$ 89.8	$ 89.8	$ -	$ 89.8
00017088	Replace Booster Pump & Site Improvements - Sta. 59-A	$ 20.1	$ 20.1	$ -	$ 20.1
00017088	Replace Pump & Add Energy Efficient Monitoring - Sta. 59-A	$ 63.5	$ 63.5	$ -	$ 63.5
00017101	1" Service - Main Street & Santa Fe	$ 5.1	$ 5.1	$ -	$ 5.1
00017101	4" Service - Main Street & Santa Fe	$ 6.6	$ 6.6	$ -	$ 6.6
00017101	Hydrants - Main Street & Santa Fe	$ 6.8	$ 6.8	$ -	$ 6.8
00017101	Main Street - Santa Fe to Bridge & Santa Fe - Main to Center St.	$ 19.7	$ 19.7	$ -	$ 19.7

1 **Table A: Non-controversial plant projects continued**

00017101	12" DI	$ 153.7	$ 153.7	$ -	$ 153.7
00017101	12" CL&C	$ 12.2	$ 12.2	$ -	$ 12.2
00017316	Replace Pump & Add Energy Efficient Monitoring - Sta. 19-01	$ 83.2	$ 83.2	$ -	$ 83.2
00017703	Security Mitigation Improvements - Facilities	$ 8.7	$ 8.7	$ -	$ 8.7
00017703	Miscellaneous	$ 223.5	$ 223.5	$ -	$ 223.5
00017703	Security Mitigation Improvements - Service & Operations Center	$ 24.6	$ 24.6	$ -	$ 24.6
00017743	0.5 Ton Pickup w/ Accessories	$ 27.5	$ 27.5	$ -	$ 27.5
00017744	SUV w/ Accessories - Supervisor	$ 28.5	$ 28.5	$ -	$ 28.5
00020231	CARB Regulation - Retrofit V205059	$ 20.0	$ 20.0	$ -	$ 20.0
00020232	CARB Regulation - Retrofit V205060	$ 20.0	$ 20.0	$ -	$ 20.0
00020487	Landscape Sta. 30-01	$ 14.8	$ 14.8	$ -	$ 14.8
00021075	0.5 Ton Pickup	$ 26.7	$ 26.7	$ -	$ 26.7
00021077	Vehicles	$ 32.0	$ 32.0	$ -	$ 32.0
	Small Meter Replacements	$ 86.4	$ 86.4	$ -	$ 86.4
	TOTAL	$ 2,098.0	$ 2,098.0	$ -	$ 2,098.0

2010

Project ID Number	Descriptions	Cal Water Direct	DRA Report	Difference	Settlement
00015940	Replace LMI Injection Pumps with Prominent Pumps - Various Stations	$ 13.0	$ 13.0	$ -	$ 13.0
00020230	CARB Regulation - Retrofit V204041	$ 20.0	$ 20.0	$ -	$ 20.0
00020233	CARB Regulation - Retrofit V206021	$ 20.0	$ 20.0	$ -	$ 20.0
00020235	CARB Regulation - Retrofit V206092	$ 20.0	$ 20.0	$ -	$ 20.0
00020340	Replace Pump - Sta. 63-01	$ 68.9	$ 68.9	$ -	$ 68.9
00020346	Replace Pump - Sta. 63-02	$ 68.9	$ 68.9	$ -	$ 68.9
00020450	Gen-Set - Operations/Customer Center	$ 270.0	$ 270.0	$ -	$ 270.0
00020455	Remove Existing Pressure Vessel & Modify Piping to Pump Directly into System - Sta. 89-01	$ 15.4	$ 15.4	$ -	$ 15.4

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Table A: Non-controversial plant projects continued

00020739	Replace Front End Loader	$ 33.3	$ 33.3	$ -	$ 33.3
00020881	Riggin - New Tank to 76	$ 324.0	$ 324.0	$ -	$ 324.0
00021010	District Evaluation	$ 6.0	$ 6.0	$ -	$ 6.0
00021026	Remodel Customer Center Lobby & Add Security Measures	$ 139.1	$ 139.1	$ -	$ 139.1
00021026	Remodel Customer Center Lobby & Add Security Measures - Security Camera	$ 11.0	$ 11.0	$ -	$ 11.0
00021032	Mobile Radio	$ 2.2	$ 2.2	$ -	$ 2.2
00021032	Vehicle - General Superintendent	$ 32.5	$ 32.5	$ -	$ 32.5
00021090	SCADA RTUs - Phase 3	$ 282.1	$ 282.1	$ -	$ 282.1
	Small Meter Replacements	$ 89.8	$ 89.8	$ -	$ 89.8
	TOTAL	$ 1,416.2	$ 1,416.2	$ -	$ 1,416.2

2011

Project ID Number	Descriptions	Cal Water Direct	DRA Report	Difference	Settlement
00020353	Replace Pump - Sta. 25-01	$ 78.7	$ 78.7	$ -	$ 78.7
00020355	Replace Pump - Sta. 56-01	$ 69.1	$ 69.1	$ -	$ 69.1
00020444	GenSet - Sta. 37-01	$ 128.0	$ 128.0	$ -	$ 128.0
00020444	Replace Pump & Add Energy Efficient Monitoring - Sta. 37-01	$ 84.7	$ 84.7	$ -	$ 84.7
00020465	GenSet - Sta. 73-01	$ 126.8	$ 126.8	$ -	$ 126.8
00020483	Replace Sodium Hypochlorite Pumps	$ 7.9	$ 7.9	$ -	$ 7.9
00020601	Hydrant Replacement/Upgrade Program	$ 54.9	$ 54.9	$ -	$ 54.9
00020926	Mobile Radio	$ 2.2	$ 2.2	$ -	$ 2.2
00020926	Vehicle - Construction Superintendent	$ 33.5	$ 33.5	$ -	$ 33.5
00021045	Additional Computers - Customer Center & Operations Center	$ 16.4	$ 16.4	$ -	$ 16.4
00021092	SCADA RTUs - Phase 4	$ 286.7	$ 286.7	$ -	$ 286.7
	Small Meter Replacements	$ 93.4	$ 93.4	$ -	$ 93.4
	TOTAL	$ 982.3	$ 982.3	$ -	$ 982.3

Table A: Non-controversial plant projects continued

2012

Project ID Number	Descriptions	Cal Water Direct	DRA Report	Difference	Settlement
00020382	Replace Pump - Sta. 11-02	$ 79.0	$ 79.0	$ -	$ 79.0
00020445	GenSet - Sta. 74-01	$ 139.5	$ 139.5	$ -	$ 139.5
00020445	Replace Pump & Add Energy Efficient Monitoring - Sta. 74-01	$ 84.9	$ 84.9	$ -	$ 84.9
00020485	Replace Sodium Hypochlorite Pumps	$ 8.1	$ 8.1	$ -	$ 8.1
00020605	Hydrant Replacement/Upgrade Program	$ 61.4	$ 61.4	$ -	$ 61.4
00020833	0.5 Ton Pick Up - Utility Worker	$ 34.0	$ 34.0	$ -	$ 34.0
00020833	Mobile Radio	$ 2.2	$ 2.2	$ -	$ 2.2
00020833	Truck Upfitting - 0.5 PU - Utility Worker	$ 7.8	$ 7.8	$ -	$ 7.8
00020834	0.5 Ton Pick Up - Collector	$ 34.0	$ 34.0	$ -	$ 34.0
00020834	Equipment	$ 2.2	$ 2.2	$ -	$ 2.2
00020834	Truck Upfitting - 0.5 PU - Collector	$ 7.8	$ 7.8	$ -	$ 7.8
00020835	0.75 Ton Pick Up - Utility Worker	$ 39.8	$ 39.8	$ -	$ 39.8
00020835	Equipment	$ 2.2	$ 2.2	$ -	$ 2.2
00020835	Truck Upfitting - .75 PU - Utility Worker	$ 7.8	$ 7.8	$ -	$ 7.8
00020836	Equipment	$ 2.2	$ 2.2	$ -	$ 2.2
00020836	Truck Upfitting - Prod. Superintendent	$ 3.0	$ 3.0	$ -	$ 3.0
00020836	Vehicle - Production Superintendant	$ 34.5	$ 34.5	$ -	$ 34.5
00020837	Equipment	$ 2.2	$ 2.2	$ -	$ 2.2
00020837	Truck Upfitting - Dist. Superintendent	$ 3.0	$ 3.0	$ -	$ 3.0
00020837	Vehicle - Distribution Superintendant	$ 34.5	$ 34.5	$ -	$ 34.5
00021093	SCADA RTUs - Phase 5	$ 291.3	$ 291.3	$ -	$ 291.3
	Small Meter Replacements	$ 97.2	$ 97.2	$ -	$ 97.2
	TOTAL	$ 978.6	$ 978.6	$ -	$ 978.6

Non-specific capital budgets

2009

Descriptions	Cal Water Direct	DRA Report	Difference	Settlement
Land	$ 9.9	$ 9.2	$ 0.7	$ 9.4
Structures	$ 8.0	$ 7.4	$ 0.6	$ 7.6
Wells	$ -	$ -	$ -	$ -
Storage	$ 0.5	$ 0.5	$ 0.0	$ 0.5
Pumps	$ 98.6	$ 91.3	$ 7.3	$ 94.1
Purification	$ 58.1	$ 53.8	$ 4.3	$ 55.4
Mains	$ 338.2	$ 313.2	$ 25.0	$ 322.7
Streets	$ 111.1	$ 102.9	$ 8.2	$ 106.0
Services	$ 320.0	$ 296.3	$ 23.7	$ 305.3
Meters	$ 232.8	$ 215.6	$ 17.2	$ 222.1
Hydrants	$ 14.9	$ 13.8	$ 1.1	$ 14.2
Equipment	$ 29.9	$ 27.7	$ 2.2	$ 28.5
TOTAL	$ 1,222.0	$ 1,131.6	$ 90.4	$ 1,165.8

2010

Descriptions	Cal Water Direct	DRA Report	Difference	Settlement
Land	$ 10.2	$ 9.2	$ 1.0	$ 9.6
Structures	$ 8.1	$ 7.3	$ 0.8	$ 7.6
Wells	$ -	$ -	$ -	$ -
Storage	$ 0.5	$ 0.5	$ 0.0	$ 0.5
Pumps	$ 100.6	$ 91.1	$ 9.5	$ 94.4
Purification	$ 59.4	$ 53.8	$ 5.6	$ 55.8
Mains	$ 345.3	$ 312.8	$ 32.5	$ 324.2
Streets	$ 113.4	$ 102.7	$ 10.7	$ 106.5
Services	$ 326.8	$ 296.1	$ 30.7	$ 306.8
Meters	$ 237.8	$ 215.4	$ 22.4	$ 223.2
Hydrants	$ 15.2	$ 13.8	$ 1.4	$ 14.3
Equipment	$ 30.5	$ 27.6	$ 2.9	$ 28.6
TOTAL	$ 1,247.8	$ 1,130.4	$ 117.4	$ 1,171.5

Non-specific capital budgets con't

2011

Descriptions	Cal Water Direct	DRA Report	Difference	Settlement
Land	$ 10.4	$ 9.4	$ 1.0	$ 9.7
Structures	$ 8.3	$ 7.5	$ 0.8	$ 7.8
Wells	$ -	$ -	$ -	$ -
Storage	$ 0.5	$ 0.5	$ 0.0	$ 0.5
Pumps	$ 103.0	$ 93.0	$ 10.0	$ 96.4
Purification	$ 60.7	$ 54.8	$ 5.9	$ 56.8
Mains	$ 353.3	$ 319.1	$ 34.2	$ 330.7
Streets	$ 116.0	$ 104.8	$ 11.2	$ 108.6
Services	$ 334.3	$ 302.0	$ 32.3	$ 313.0
Meters	$ 243.2	$ 219.7	$ 23.5	$ 227.7
Hydrants	$ 15.6	$ 14.1	$ 1.5	$ 14.6
Equipment	$ 31.2	$ 28.2	$ 3.0	$ 29.2
TOTAL	$ 1,276.5	$ 1,153.1	$ 123.5	$ 1,195.0

2012

Descriptions	Cal Water Direct	DRA Report	Difference	Settlement
Land	$ 10.6	$ 9.6	$ 1.0	$ 10.0
Structures	$ 8.5	$ 7.7	$ 0.8	$ 8.0
Wells	$ -	$ -	$ -	$ -
Storage	$ 0.5	$ 0.5	$ 0.0	$ 0.5
Pumps	$ 105.2	$ 95.5	$ 9.7	$ 98.9
Purification	$ 62.1	$ 56.4	$ 5.7	$ 58.4
Mains	$ 361.0	$ 327.7	$ 33.3	$ 339.5
Streets	$ 118.6	$ 107.7	$ 10.9	$ 111.5
Services	$ 341.6	$ 310.1	$ 31.5	$ 321.2
Meters	$ 248.5	$ 225.6	$ 22.9	$ 233.7
Hydrants	$ 15.9	$ 14.4	$ 1.5	$ 15.0
Equipment	$ 31.9	$ 29.0	$ 2.9	$ 30.0
TOTAL	$ 1,304.4	$ 1,184.2	$ 120.2	$ 1,226.7

9.2.23 Westlake District Plant Settlement

Summary of Settlement and requests to the Commission:

The Parties request the Commission approve the Settlement plant values established herein under the conditions specified.

DRA and Cal Water request that the Commission allow Cal Water to file an offset Advice Letter for Project 14384 at any time until the effective date of rates in the next general rate case with a capital project cap of $8,800,000 excluding interest during construction. Project 14384 is budgeted for replacement of the Harris reservoir in 2010, so Parties anticipate that it will be filed in 2011. Parties acknowledge that this cap is for advice letter purposes only and that the Commission will review final project costs in the next general rate case.

Controversial Projects

The dollars (in thousands) shown in the tables below for various capital projects represent the funding for the capital investment and not the respective Test Year revenue requirement for that funding. The more detailed descriptions are for projects where there was a difference between Cal Water and DRA as noted in the DRA Report on the Results of Operation for the Westlake District, and the resulting funding level agreed to in Settlement discussions.

Non-controversial Projects

In addition to the more detailed project descriptions that immediately follow, Cal Water's proposed capital budgets for the years 2009-2012 included a number of projects where DRA did not object to the need for the project and the requested funding. Table A (dollars in thousands) at the end of this section lists these projects, noting Cal Water's project number, a short project description, Cal Water's proposed funding, DRA's recommended funding, and Settlement funding. This table does not contain a Cal Water rebuttal column because DRA did not object to Cal Water's proposed project and related funding. The Parties

agree that these projects should be approved for inclusion in Utility Plant in the year in which they are proposed to be in service.

Non-Specifics

Following Table A are comparison tables showing the dollars (in thousands) for Cal Water's non-specific capital budget proposal, DRA's recommendation, the difference between these Parties' positions, and the Settlement amount. See the Antelope Valley District Plant Settlement for the general discussion on Non-Specific Plant Estimates.

Controversial Projects

Harris Reservoir replacement

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 14384 (2009-2010)	$12,815.2	$8,800.0	$12,815.2 Advice Letter	$($4,015.2)	$8,800.0 Advice Letter

ISSUE: Cal Water proposed replacing the 4-MG Harris Reservoir. The existing 33-year old structure, most of which is buried, has experienced significant structural distress due to slope instability and an alkali-silica reaction in the concrete, resulting in significant spalling of the concrete around the exposed areas of the reservoir. The replacement reservoir will be constructed inside the existing reservoir. The existing walls will be used as shoring while the new reservoir is constructed. The new reservoir will be somewhat higher and the floor lower than the existing level. Cal Water expects to complete the project in late 2010 or early 2011. Upgrades at three booster stations preceded the reservoir construction to allow the 4-MG reservoir to be out of service for a year. A more detailed explanation of the project and its components, as well as

background on the reason for the project, can be found in the project justification submitted with Cal Water's application.

DRA reviewed the justification provided by Cal Water, the Harris reservoir Alternatives Study prepared by Boyle Engineering Corporation, and additional information provided in response to a data request. During the field investigation of the district, DRA discussed the project with a representative of the California Department of Public Health, who strongly endorsed the project. Based on this analysis, DRA agrees with the necessity of the project. In response to a DRA data request after the field tour, Cal Water provided a revised estimated cost of $8,800,000 based upon bids received. Due to the size of the project and the uncertainty of the final cost and schedule, DRA recommended Advice Letter treatment for this project.

RESOLUTION: The Parties agree on a cost of $8,800,000 for this project, with rate relief granted after completion of the project and filing of an Advice Letter.

Replace service vehicle and associated equipment

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 17623 (2009)	$71.3	N/A	$71.3 Defer to 2011	None	$71.3 in 2011

ISSUE: Cal Water proposed replacing service vehicle V202070, along with its associated equipment, in 2009. After reviewing the current mileage and the expected annual miles driven, DRA recommended the replacement be deferred until 2011 when it is expected to have reached the mileage criteria for replacement vehicles adopted in D.06-01-025.

RESOLUTION: The Parties agree to defer replacement of this vehicle until 2011.

Replace 2,500 feet of main in Sunnyhill Street

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 20103 (2010)	$381.4	$381.4	$0.0	$381.4	$381.4

ISSUE: Cal Water proposed replacing 1,250 feet of 6-inch transite main with 8-inch PVC in Sunnyhill Street. Cal Water proposed to replace and increase the main size to eliminate a restriction in the distribution system that currently prohibits full utilization of a recently relocated pump station. The relocated pump station, which was adjacent to the Harris Reservoir, also experienced significant movement over time due to the slope instability. The main replacement and upgrade will improve the fire flows in the zone supplied by the pump station where fire flows are less than the requirement.

DRA reviewed the project justification and additional information in response to a data request. DRA disagreed with the necessity of the project, primarily the justification for increased flows for fire protection. DRA referred to General Order 103-A, related to utility responsibility for replacing or modifying existing facilities, for fire flow that would otherwise be adequate.

In Rebuttal, Cal Water reiterated its rational for replacing and upsizing the main. At the time the booster station had to be replaced/relocated, it was no longer adequate for its intended purpose. The booster station upgrade was incorporated as part of its relocation, and that upgrade cost was agreed to by the Commission as a prudent investment related to economies of scale when it approved the overall relocation. Cal Water believed that the pipeline project proposed was essentially a continuation of that project allowing the pump station to be fully utilized not only for fire flow but also to enable the zone to meet its

peak hour demand. Finally, the Westlake District started this 2010 project in January and has since completed the project.

RESOLUTION: The Parties agree to allow the project to be included in 2010 plant in service.

Install energy monitoring equipment at various booster stations

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 20334 (2010 - 2012)	$93.0	$93.0	$0.0	$93.0	$0.0 Defer

ISSUE: Cal Water proposed installing equipment and implementing its power monitoring program throughout the Company in 2010 and 2011. Cal Water stated in the December 22, 2009, meeting with DRA personnel that the pilot program in Marysville would have results and analysis in the form of a full cost-benefit analysis by November 2010. Cal Water included the energy monitoring equipment in all new pump stations. The addition of the equipment maximizes overall system management in daily operations by automatically tracking energy consumption, well levels and water flow from zone to zone, therefore minimizing manual data collection. The new equipment is important and fundamental to the way Cal Water conducts business, in the present and future, and will improve the level of customer service by enabling Cal Water to react quicker to problems with equipment and/or to minimize damage to equipment through real-time monitoring. In addition to providing important information for strategic operation, the power meters are critical in protecting the motors and other sensitive equipment such as control transformers, instrumentation, and communication equipment from unexpected poor quality power from the electric utilities. The meters will detect phase rotation, under and over voltage, unbalanced voltage

and voltage loss, and shut down pumps and other devices to ensure longevity of equipment. DRA had concerns with implementation of this project Company-wide until Cal Water could provide an appropriate cost-benefit analysis. Therefore, DRA recommended that Cal Water defer this project to a future GRC subject to the results of a pilot program.

RESOLUTION: The Parties agree to defer Cal Water's Company-wide implementation of the energy monitoring program pending the results of pilot programs in two different districts. The Parties agree on two programs so that information could be gathered from two separate types of distribution system characteristics to give a broader evaluation of the equipment. The pilot programs will be in the Marysville and Mid-Peninsula Districts.

Table A: Non-controversial plant projects

2009

Project ID Number	Descriptions	Cal Water Direct	DRA Report	Difference	Settlement
00017675	Solar Bee Tank Circulation Equipment - Sta. 1 T1 - Johnson Reservoir	$ 62.0	$ 62.0	$ -	$ 62.0
00019429	Replace CP System - Sta. 9 Res. 1 - Notter	$ 13.6	$ 13.6	$ -	$ 13.6
00019896	Radio Tower - Sta. 2	$ 17.1	$ 17.1	$ -	$ 17.1
00019897	Radio Tower - Field Office	$ 17.1	$ 17.1	$ -	$ 17.1
00020065	Gen-Set Repeater Station - Sta. 8 T1 - Kanan	$ 7.3	$ 7.3	$ -	$ 7.3
00020101	Portable Gen Transfer Switches @ Cravitz - Sta. 5 & 6	$ 44.3	$ 44.3	$ -	$ 44.3
00020183	Pump Station Flow Meters - Sta. 2, 3, & 5	$ 35.8	$ 35.8	$ -	$ 35.8
	Small Meter Replacements	$ 108.9	$ 108.9	$ -	$ 108.9
	TOTAL	$ 306.1	$ 306.1	$ -	$ 306.1

2010

Project ID Number	Descriptions	Cal Water Direct	DRA Report	Difference	Settlement
00015817	Zone 4-B Water into Portion of Zone 3 - Boundary Change	$ 49.5	$ 49.5	$ -	$ 49.5
00017634	Security Mitigation Improvements - CMWD Connections - Sta. 2, 5, & 10	$ 33.4	$ 33.4	$ -	$ 33.4
00017635	Security Mitigation Improvements - Sta. 1 T1 Johnson Reservoir	$ 5.6	$ 5.6	$ -	$ 5.6
00017636	Security Mitigation Improvements - Sta. 6 T1 Galanis Reservoir	$ 23.0	$ 23.0	$ -	$ 23.0
00017638	Security Mitigation Improvements - Sta. 2, 5, 6, & 10	$ 19.8	$ 19.8	$ -	$ 19.8
00017639	Security Mitigation Improvements - SCADA System	$ 10.5	$ 10.5	$ -	$ 10.5

Table A: Non-controversial plant projects continued

00017640	Security Mitigation Improvements - Customer Service & Operations Center	$ 3.9	$ 3.9	$ -	$ 3.9
00017641	Security Mitigation Improvements - CMWD Connections - Sta. 2	$ 6.3	$ 6.3	$ -	$ 6.3
00017642	Security Mitigation Improvements - Sta. 1 T1 Johnson Reservoir & Sta. 6 T1 Galanis Reservoir	$ 12.8	$ 12.8	$ -	$ 12.8
00017643	Miscellaneous Structures	$ 25.3	$ 25.3	$ -	$ 25.3
00017644	Auxiliary Pumps	$ 3.7	$ 3.7	$ -	$ 3.7
00020102	Electrical Conduit - Sta. 9 - Notter	$ 61.2	$ 61.2	$ -	$ 61.2
00020150	101 Freeway	$ 83.9	$ 83.9	$ -	$ 83.9
	Small Meter Replacements	$ 113.2	$ 113.2	$ -	$ 113.2
	TOTAL	$ 452.1	$ 452.1	$ -	$ 452.1

2011

Project ID Number	Descriptions	Cal Water Direct	DRA Report	Difference	Settlement
00020933	Mobile Radio	$ 2.2	$ 2.2	$ -	$ 2.2
00020933	Vehicle - General Superintendent	$ 33.5	$ 33.5	$ -	$ 33.5
	Small Meter Replacements	$ 117.8	$ 117.8	$ -	$ 117.8
	TOTAL	$ 153.5	$ 153.5	$ -	$ 153.5

2012

Project ID Number	Descriptions	Cal Water Direct	DRA Report	Difference	Settlement
00020841	0.5 Ton Pick Up	$ 34.5	$ 34.5	$ -	$ 34.5
00020841	Mobile Radio	$ 2.2	$ 2.2	$ -	$ 2.2
00020841	Truck Upfitting - 0.5 PU	$ 7.8	$ 7.8	$ -	$ 7.8
	Small Meter Replacements	$ 122.5	$ 122.5	$ -	$ 122.5
	TOTAL	$ 167.0	$ 167.0	$ -	$ 167.0

Non-specific capital budgets

2009

Descriptions	Cal Water Direct	DRA Report	Difference	Settlement
Land	$ 3.4	$ 3.1	$ 0.3	$ 3.2
Structures	$ 0.3	$ 0.3	$ 0.0	$ 0.3
Wells	$ -	$ -	$ -	$ -
Storage	$ 0.2	$ 0.2	$ 0.0	$ 0.2
Pumps	$ 25.6	$ 23.7	$ 1.9	$ 24.4
Purification	$ -	$ -	$ -	$ -
Mains	$ 31.6	$ 29.3	$ 2.3	$ 30.2
Streets	$ -	$ -	$ -	$ -
Services	$ 46.6	$ 43.2	$ 3.4	$ 44.5
Meters	$ 42.2	$ 39.1	$ 3.1	$ 40.3
Hydrants	$ 0.9	$ 0.8	$ 0.1	$ 0.9
Equipment	$ 5.2	$ 4.8	$ 0.4	$ 5.0
TOTAL	$ 156.0	$ 144.5	$ 11.5	$ 149.0

2010

Descriptions	Cal Water Direct	DRA Report	Difference	Settlement
Land	$ 3.4	$ 3.1	$ 0.3	$ 3.2
Structures	$ 0.4	$ 0.4	$ 0.0	$ 0.4
Wells	$ -	$ -	$ -	$ -
Storage	$ 0.2	$ 0.2	$ 0.0	$ 0.2
Pumps	$ 26.2	$ 23.7	$ 2.5	$ 24.6
Purification	$ -	$ -	$ -	$ -
Mains	$ 32.3	$ 29.3	$ 3.0	$ 30.3
Streets	$ -	$ -	$ -	$ -
Services	$ 47.5	$ 43.0	$ 4.5	$ 44.6
Meters	$ 43.1	$ 39.0	$ 4.1	$ 40.5
Hydrants	$ 0.9	$ 0.8	$ 0.1	$ 0.8
Equipment	$ 5.3	$ 4.8	$ 0.5	$ 5.0
TOTAL	$ 159.3	$ 144.3	$ 15.0	$ 149.6

Non-specific capital budgets con't

2011

Descriptions	Cal Water Direct	DRA Report	Difference	Settlement
Land	$ 3.5	$ 3.2	$ 0.3	$ 3.3
Structures	$ 0.4	$ 0.4	$ 0.0	$ 0.4
Wells	$ -	$ -	$ -	$ -
Storage	$ 0.2	$ 0.2	$ 0.0	$ 0.2
Pumps	$ 26.8	$ 24.2	$ 2.6	$ 25.1
Purification	$ -	$ -	$ -	$ -
Mains	$ 33.0	$ 29.8	$ 3.2	$ 30.9
Streets	$ -	$ -	$ -	$ -
Services	$ 48.6	$ 43.9	$ 4.7	$ 45.5
Meters	$ 44.1	$ 39.8	$ 4.3	$ 41.3
Hydrants	$ 0.9	$ 0.8	$ 0.1	$ 0.8
Equipment	$ 5.4	$ 4.9	$ 0.5	$ 5.1
TOTAL	$ 162.9	$ 147.2	$ 15.7	$ 152.6

2012

Descriptions	Cal Water Direct	DRA Report	Difference	Settlement
Land	$ 3.6	$ 3.3	$ 0.3	$ 3.4
Structures	$ 0.4	$ 0.4	$ 0.0	$ 0.4
Wells	$ -	$ -	$ -	$ -
Storage	$ 0.3	$ 0.3	$ 0.0	$ 0.3
Pumps	$ 27.4	$ 24.9	$ 2.5	$ 25.8
Purification	$ -	$ -	$ -	$ -
Mains	$ 33.7	$ 30.6	$ 3.1	$ 31.7
Streets	$ -	$ -	$ -	$ -
Services	$ 49.7	$ 45.1	$ 4.6	$ 46.8
Meters	$ 45.0	$ 40.9	$ 4.1	$ 42.4
Hydrants	$ 0.9	$ 0.8	$ 0.1	$ 0.8
Equipment	$ 5.5	$ 5.0	$ 0.5	$ 5.2
TOTAL	$ 166.5	$ 151.2	$ 15.3	$ 156.8

9.2.24 Willows District Plant Settlement

Summary of Settlement and requests to the Commission:

The Parties request the Commission approve the Settlement plant values established herein under the conditions specified.

DRA and Cal Water request that the Commission allow Cal Water to file an offset Advice Letter for Projects 15433, 15436 and 15440 at any time until the effective date of rates in the next general rate case with a total capital project cap of $1,366,100 excluding interest during construction. The projects were budgeted for the purchase of property and subsequent construction of a storage tank and booster station in 2007/08, so Parties anticipate that it will be filed in 2011 as construction is not expected to be completed until 2011. Parties acknowledge that this cap is for advice letter purposes only and that the Commission will review final project costs in the next general rate case. The projects were approved in the 2006 GRC as Advice Letters with a total cap of $1,366,100, and a filing deadline as the effective date for new rates in the current GRC, which is January 1, 2011. However, the construction is behind schedule, resulting in its completion after the initial filing deadline.

DRA and Cal Water request that the Commission allow Cal Water to file an offset Advice Letter for Project 20922 at any time until the effective date of rates in the next general rate case with a capital project cap of $28,400 excluding interest during construction. Project 20922 is budgeted for flat-to-meter conversions in 2010, so Parties anticipate that it will be filed in 2011. Parties acknowledge that this cap is for advice letter purposes only and that the Commission will review final project costs in the next general rate case.

DRA and Cal Water request that the Commission allow Cal Water to file an offset Advice Letter for Project 20972 at any time until the effective date of rates in the next general rate case with a capital project cap of $28,400 excluding interest during construction. Project 20972 is budgeted for flat-to-meter conversions in 2011, so Parties anticipate that it will be filed in 2012. Parties acknowledge that

this cap is for advice letter purposes only and that the Commission will review final project costs in the next general rate case.

DRA and Cal Water request that the Commission allow Cal Water to file an offset Advice Letter for Project 20987 at any time until the effective date of rates in the next general rate case with a capital project cap of $28,400 excluding interest during construction. Project 20987 is budgeted for flat-to-meter conversions in 2012, so Parties anticipate that it will be filed in 2013. Parties acknowledge that this cap is for advice letter purposes only and that the Commission will review final project costs in the next general rate case.

DRA and Cal Water request that the Commission allow Cal Water to file an offset Advice Letter for Project 20953 at any time until the effective date of rates in the next general rate case with a capital project cap of $179,800 excluding interest during construction. Project 20953 is budgeted for work on the well at Station 6 in 2011, so Parties anticipate that it will be filed in 2012. Parties acknowledge that this cap is for advice letter purposes only and that the Commission will review final project costs in the next general rate case.

Controversial Projects

The dollars (in thousands) shown in the tables below for various capital projects represent the funding for the capital investment and not the respective Test Year revenue requirement for that funding. The more detailed descriptions are for projects where there was a difference between Cal Water and DRA as noted in the DRA Report on the Results of Operation for the Willows District, and the resulting funding level agreed to in settlement discussions.

Non-controversial Projects

In addition to the more detailed project descriptions that immediately follow, Cal Water's proposed capital budgets for the years 2009-2012 included a number of projects where DRA did not object to the need for the project and the requested funding. Table A (dollars in thousands) at the end of this section lists these projects, noting Cal Water's project number, a short project description, Cal

Water's proposed funding, DRA's recommended funding, and settlement funding. This table does not contain a Cal Water rebuttal column because DRA did not object to Cal Water's proposed project and related funding. The Parties agree that these projects should be approved for inclusion in Utility Plant in the year in which they are proposed to be in service.

Non-Specifics

Following Table A are comparison tables showing the dollars (in thousands) for Cal Water's non-specific capital budget proposal, DRA's recommendation, the difference between these Parties' positions, and the Settlement amount. See the Antelope Valley District Plant Settlement for the general discussion on Non-Specific Plant Estimates.

Controversial Projects

Flat-to-meter conversion

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 17197 (2009)	$64.0	Request to book actual costs	$33.4 Advice Letter	Actual versus $34.4	Actual not to exceed $64.0
20922 (2010)	$33.4	$33.4	$33.4 Advice Letter	Advice Letter	$28.4 Advice Letter
20972 (2011)	$33.4	$33.4	$33.4 Advice Letter	Advice Letter	$28.4 Advice Letter
20987 (2012)	$33.4	$33.4	$33.4 Advice Letter	Advice Letter	$28.4 Advice Letter

ISSUE: AB 2572 requires Cal Water to convert all of its flat rate customers to metered services by January 1, 2025. In order to convert all of the flat rate customers in the Willows District by then, and to do so at a reasonable rate per year, Cal Water budgets 45 conversions each year for 2009-2012, and 106 conversions for each year for the 2013-2018 period. DRA does not disagree with the project or the rate of the conversions. However, DRA estimated a lower annual cost for the conversions for 2010-2012 based upon recorded data provided by Cal Water for 2009.

RESOLUTION: The Parties agree to book the actual cost for 2009 and for Cal Water to seek rate relief through Advice Letter filings for 2010-2012, capped at the dollars shown in the table above.

Replace mains, hydrants and gate valves at various stations

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 17396 (2009)	$69.1	$69.1	$0.0	$69.1	Actual not to exceed $69.1
17398 (2009)	$22.4	$22.4	$0.0	$22.4	Actual not to exceed $22.4
21273 (2009)	$176.9	$176.9	$0.0	$176.9	Actual not to exceed $176.9
15084 (2010)	$76.0	$76.0	$0.0	$76.0	$76.0
17336 (2010)	$210.7	$210.7	$0.0	$210.7	$210.7
17388 (2010)	$69.7	$69.7	$0.0	$69.7	$69.7
20612 (2010)	$23.5	$23.5	$0.0	$23.5	$23.5
20256 (2011)	$23.1	$23.1	$0.0	$23.1	$23.1
20579 (2011)	$249.3	$249.3	$0.0	$249.3	$249.3
20263 (2012)	$23.8	$23.8	$0.0	$23.8	$0.0

ISSUE: Cal Water Project 17396 proposed installing ten (10) gate valves at various locations to enable smaller sections of the distribution system to be isolated during planned and emergency shutdowns. Project 17398 proposed

replacing two non-operational dry-barrel fire hydrants. Project 21273 proposed installing 920 feet of 8-inch main in Elm Street between Marshall and Culver to improve fire flow and eliminate several dead-end mains by creating a looped system in that section of the service area. Project 15084 proposed replacing 320 feet of 2-inch cast and wrought iron main, along with some 6-inch transite, due to extensive leaks. Project 17336 proposed replacing 1,000 feet of main comprised of a combination of 2-inch cast iron, 4-inch steel, and some 4-inch and 6-inch transite, due to extensive leaks.

DRA did not specifically review and comment on these five projects. Instead, DRA addressed the main, hydrant, and service replacement program proposed by Cal Water for the Willows system using a more global approach. Cal Water requested a total of $2,279,000 in company-funded specific mains, service, and hydrant replacement projects for 2009-2012. DRA noted that Cal Water neither provided historical costs for these types of projects, and DRA recommended disallowing the specific main replacement program due to a lack of leak repair documentation, the absence of break rate data, a lack of repair vs. replacement analysis, and further noted that replacing main merely for fire flow reasons is not justified by GO 103-A. Cal Water did not provide any analysis to determine whether it was more cost-effective to continue to repair rather than replace a main.

DRA instead recommended approving the adjusted non-specific main replacement budgets to cover any main repairs or unforeseen maintenance work. DRA also recommended that Cal Water should be directed to develop a "condition-based assessment prepared by a licensed professional engineer, including a prioritization plan, comparison of the cost to repair versus replacement, and an analysis of leaks/100 miles to justify its main replacement program in future rate cases.

In Rebuttal, Cal Water noted that three of the above 2009 budgeted projects had been completed, and that two of the 2010 projects were about 95% complete as of March.

RESOLUTION: The Parties agree to include in plant for 2009 the actual costs associated with the three 2009 projects, but not to exceed the requested dollars noted in the table above. In addition, the Parties agree that the total amount proposed for approval, exclusive of the 2009 projects, is $656,000. The total for the projects noted in the table above, exclusive of the 2009 projects, is $652,300. The Parties also agree that in future GRCs, Cal Water would utilize a condition-based assessment to help identify mains targeted for replacement.

Replace 940 feet of 6-inch steel main in Culver Avenue

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 20577 (2010)	$188.8	$188.8	$0.0	$188.8	$188.8

ISSUE: Cal Water proposed replacing 940 feet of 6-inch steel main in Culver Avenue between Sycamore and Laurel Streets due to numerous leaks resulting in service interruptions to customers.

In Rebuttal, Cal Water included copies of the eight leak reports that were included with the initial justification, along with a letter of support for the project from the Fire Chief in Willows.

RESOLUTION: The Parties agree as part of an overall settlement plan that included approval and deferral of several projects to recommend approval of the project at a cost of $188,834.

Replace pump at Station 7

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 20679 (2010)	$74.5	$59.0	$0.0	$59.0	$59.0

ISSUE: Cal Water proposed replacing the well pump at Station 7 and add energy monitoring equipment. The pump is requested to be replaced to increase its overall efficiency and reliability. DRA maintained that pumps and motors should only be replaced when efficiency tests and cost savings provide reasonable justification for their replacement. The most recent pump test showed an efficiency of 53.8%, which would place it in the fair rating according to the PUC's rating chart. Cal Water did not provide any specific cost savings that would result from this replacement. DRA recommended disallowance of this project.

In Rebuttal, Cal Water noted that both the submersible pump/motor was installed in 1964, and therefore have been in service for over 45 years. Based upon resistance readings taken on the motor, Cal Water does not consider it to be reliable. Based upon the age of the unit, repairs would be problematic. This well is critical to the operation of the Willows system, particularly in the higher-demand summer months. Cal Water revised its estimate to $59,000 by excluding the energy monitoring equipment.

RESOLUTION: The Parties agree to the project at the revised estimate of $59,000.

Replace 960 feet of 6-inch cast iron main in Shasta Street

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 20579 (2011)	$249.0	$249.0	$0.0	$249.0	$249.0

ISSUE: Cal Water proposed replacing 960 feet of 6-inch cast iron main in Shasta Street between Cedar and Ash Streets due to numerous leaks resulting in service interruptions to the customers. DRA recommended disallowance of this project.

In Rebuttal, Cal Water included copies of the eight leak reports, including the six that were included with the initial justification, along with a letter of support for the project from the Fire Chief in Willows and pictures showing the condition of sections of main that had been replaced recently.

RESOLUTION: The Parties agree as part of an overall settlement plan, related to the mains proposed to be replaced, which included approval and deferral of several projects, to approve this project.

Install 12-inch main under Interstate 5

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 21141 (2011)	$164.4	$164.4	$0.0	$164.4	$164.4
21141 (2012)	$981.8	$981.8	$0.0	$981.8	$0.0 Defer

ISSUE: Cal Water proposed to design and install about 300 feet of 12-inch cement-lined and coated steel main under Interstate 5 using a jack and bore technique. Cal Water proposed the project to provide a second connection to a storage tank and pumping station being constructed, and for redundancy should there be an issue with the existing main under the freeway. The schedule called for a feasibility study, involving Caltrans, to be done in 2011 to determine if the best option is to hang the 12-inch main on the side of a Caltrans bridge crossing the freeway or to bore it under the freeway. The project would be designed and construction completed in 2012. After discussions with Caltrans, boring appears to be the only viable option.

DRA did not agree with the need for the project as Cal Water has not provided evidence for the likelihood of a catastrophic main failure in the existing main that could not be repaired in a timely fashion. Cal Water was unable to substantiate any leak history since the existing main has not experienced any leaks. Also, Cal Water was not able to quantify the additional costs that it would need to include in next GRC filing to complete the project. Finally, DRA stated that the WS&FMP recommendation to pursue this project was based on a flawed design and planning criteria related to maintaining 40 psi during peak hour demand. Since GO 103-A does not contain any such criteria, (instead it requires 30 psi during peak hour demand conditions) DRA recommended disallowance of this project.

In Rebuttal, Cal Water emphasized the need for reliability in the event of a catastrophic failure in the I-5 main crossing and that repairing a leak could take weeks by its own estimate.

The City of Willows Fire Department supported this project and provided a letter (Attachment A) detailing their desire for a looped system to help with reliability and fire protection.

RESOLUTION: The Parties agree as part of an overall settlement plan that included approval and deferral of several projects to recommend approval of the feasibility study at a cost not to exceed $164,389, and to defer consideration of the remainder of the project until the 2012 GRC.

Zone Test Repair at Station 6

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 20953 (2011)	$179.8	OK w/ Advice Letter	$179.8 Advice Letter	$0.0	$179.8 Advice Letter

ISSUE: Cal Water proposed to perform repair work at Station 6 based upon the results of zone testing to determine if some of the perforated zones produce higher levels of nitrate. If so, then Cal Water would isolate those zones in the well casing by installing blank liners. DRA did not disagree with the project, but due to the uncertain results from the proposed zone testing, recommended the project be approved with Advice Letter treatment with a cap of $179,800.

In Rebuttal, Cal Water agreed with the proposed Advice Letter treatment.

RESOLUTION: The Parties agree to the project at the estimated cost noted above, and for the project to have Advice Letter treatment.

Table A: Non-controversial plant projects

2009

Project ID Number	Descriptions	Cal Water Direct	DRA Report	Difference	Settlement
00017418	Locating Equipment - Metrotech & Stick Type Locator	$ 5.4	$ 5.4	$ -	$ 5.4
00017464	Replace Chain Link Fence - Sta. 5-01	$ 10.0	$ 10.0	$ -	$ 10.0
00017477	Add Electronic Gate - Sta. 2-01	$ 6.3	$ 6.3	$ -	$ 6.3
00017745	0.75 Ton Pickup w/ Accessories	$ 32.9	$ 32.9	$ -	$ 32.9
00017745	Mobile Radio	$ 2.8	$ 2.8	$ -	$ 2.8
00017808	Security Mitigation Improvements - Customer Service & Operations Center	$ 7.2	$ 7.2	$ -	$ 7.2
00017808	Security Mitigation Improvements - Various Facilities	$ 15.9	$ 15.9	$ -	$ 15.9
00017809	Miscellaneous	$ 3.9	$ 3.9	$ -	$ 3.9
00017809	Miscellaneous	$ 74.9	$ 74.9	$ -	$ 74.9
00021199	SCADA RTUs	$ 79.7	$ 79.7	$ -	$ 79.7
	Small Meter Replacements	$ 3.8	$ 3.8	$ -	$ 3.8
	TOTAL	$ 242.8	$ 242.8	$ -	$ 242.8

Table A: Non-controversial plant projects continued

2010

Project ID Number	Descriptions	Cal Water Direct	DRA Report	Difference	Settlement
	Small Meter Replacements	$ 4.0	$ 4.0	$ -	$ 4.0
NONE	TOTAL	$ 4.0	$ 4.0	$ -	$ 4.0

2011

Project ID Number	Descriptions	Cal Water Direct	DRA Report	Difference	Settlement
00020252	Replace Locating Equipment	$ 5.2	$ 5.2	$ -	$ 5.2
00020876	Zone Test - Sta. 6-01	$ 73.0	$ 73.0	$ -	$ 73.0
	Small Meter Replacements	$ 4.1	$ 4.1	$ -	$ 4.1
	TOTAL	$ 82.3	$ 82.3	$ -	$ 82.3

2012

Project ID Number	Descriptions	Cal Water Direct	DRA Report	Difference	Settlement
00020840	Mobile Radio	$ 2.2	$ 2.2	$ -	$ 2.2
00020840	Sedan - Local Manager	$ 34.5	$ 34.5	$ -	$ 34.5
	Small Meter Replacements	$ 3.2	$ 3.2	$ -	$ 3.2
	TOTAL	$ 39.9	$ 39.9	$ -	$ 39.9

Non-specific capital budgets

2009

Descriptions	Cal Water Direct	DRA Report	Difference	Settlement
Land	$ -	$ -	$ -	$ -
Structures	$ 0.3	$ 0.3	$ 0.0	$ 0.3
Wells	$ -	$ -	$ -	$ -
Storage	$ 0.9	$ 0.8	$ 0.1	$ 0.9
Pumps	$ 3.6	$ 3.3	$ 0.3	$ 3.4
Purification	$ -	$ -	$ -	$ -
Mains	$ 4.4	$ 4.1	$ 0.3	$ 4.2
Streets	$ 30.8	$ 28.5	$ 2.3	$ 29.4
Services	$ 15.8	$ 14.6	$ 1.2	$ 15.1
Meters	$ 6.4	$ 5.9	$ 0.5	$ 6.1
Hydrants	$ 3.0	$ 2.8	$ 0.2	$ 2.9
Equipment	$ -	$ -	$ -	$ -
TOTAL	$ 65.2	$ 60.4	$ 4.8	$ 62.3

2010

Descriptions	Cal Water Direct	DRA Report	Difference	Settlement
Land	$ -	$ -	$ -	$ -
Structures	$ 0.3	$ 0.3	$ 0.0	$ 0.3
Wells	$ -	$ -	$ -	$ -
Storage	$ 0.9	$ 0.8	$ 0.1	$ 0.8
Pumps	$ 3.6	$ 3.3	$ 0.3	$ 3.4
Purification	$ -	$ -	$ -	$ -
Mains	$ 4.5	$ 4.1	$ 0.4	$ 4.2
Streets	$ 31.5	$ 28.6	$ 2.9	$ 29.6
Services	$ 16.1	$ 14.6	$ 1.5	$ 15.1
Meters	$ 6.6	$ 6.0	$ 0.6	$ 6.2
Hydrants	$ 3.1	$ 2.8	$ 0.3	$ 2.9
Equipment	$ -	$ -	$ -	$ -
TOTAL	$ 66.6	$ 60.4	$ 6.2	$ 62.5

Non-specific capital budgets con't

2011

Descriptions	Cal Water Direct	DRA Report	Difference	Settlement
Land	$ -	$ -	$ -	$ -
Structures	$ 0.4	$ 0.4	$ 0.0	$ 0.4
Wells	$ -	$ -	$ -	$ -
Storage	$ 0.9	$ 0.8	$ 0.1	$ 0.8
Pumps	$ 3.7	$ 3.4	$ 0.3	$ 3.5
Purification	$ -	$ -	$ -	$ -
Mains	$ 4.6	$ 4.2	$ 0.4	$ 4.3
Streets	$ 32.2	$ 29.2	$ 3.0	$ 30.2
Services	$ 16.5	$ 14.9	$ 1.6	$ 15.5
Meters	$ 6.7	$ 6.1	$ 0.6	$ 6.3
Hydrants	$ 3.1	$ 2.8	$ 0.3	$ 2.9
Equipment	$ -	$ -	$ -	$ -
TOTAL	$ 68.1	$ 61.7	$ 6.4	$ 63.9

2012

Descriptions	Cal Water Direct	DRA Report	Difference	Settlement
Land	$ -	$ -	$ -	$ -
Structures	$ 0.4	$ 0.4	$ 0.0	$ 0.4
Wells	$ -	$ -	$ -	$ -
Storage	$ 1.0	$ 0.9	$ 0.1	$ 0.9
Pumps	$ 3.8	$ 3.5	$ 0.3	$ 3.6
Purification	$ -	$ -	$ -	$ -
Mains	$ 4.7	$ 4.3	$ 0.4	$ 4.4
Streets	$ 32.9	$ 29.9	$ 3.0	$ 30.9
Services	$ 16.8	$ 15.3	$ 1.5	$ 15.8
Meters	$ 6.9	$ 6.3	$ 0.6	$ 6.5
Hydrants	$ 3.2	$ 2.9	$ 0.3	$ 3.0
Equipment	$ -	$ -	$ -	$ -
TOTAL	$ 69.7	$ 63.3	$ 6.4	$ 65.5

9.2.25 Bayshore District Plant Settlement

Summary of Settlement and requests to the Commission:

The Parties request the Commission approve the Settlement plant values established herein under the conditions specified.

The Bayshore District is comprised of the Mid-Peninsula (Mid-Pen) and South San Francisco (SSF) Districts. The Bayshore District designation is the umbrella structure in which vehicles and other equipment that can be used in either the Mid-Pen or SSF District is placed. The plant for the Bayshore District is allocated to the Mid-Pen and South San Francisco Districts. All other plant is budgeted within the individual districts. The Bayshore District proposed capital budgets for 2009-2012 for vehicles, miscellaneous equipment and non-specifics were submitted by Cal Water in its application.

Controversial/non-controversial/non-specific projects

The dollars (in thousands) shown in the Proposed/Approved Plant Projects tables below for various capital projects represent the funding for the capital investment and not the respective Test Year revenue requirement for that funding. Because there are very few projects that comprise the capital budget for the Bayshore District, the three areas of controversial, non-controversial and non-specific were combined in the table below.

The Bayshore District was not discussed during Settlement. The information within the table below is based upon Cal Water's application, DRA's Report on the Results of Operation, responses to data requests regarding the Bayshore District budget, primarily related to vehicle mileage, and discussions with the DRA witness assigned to review the Bayshore proposed budget.

There were only two non-controversial projects, both related to vehicle replacements. However, a clarification is required related to the estimated costs and project numbers for the vehicles recommended for approval by DRA, along

with the project designation. In a data request response to DRA by Cal Water, Cal Water inserted the original cost of the vehicles proposed to be replaced as opposed to the budgeted cost for their replacement. In DRA's Report on the Results of Operation, they used those original costs of the vehicles to be replaced as the estimated cost for the new vehicles they were recommending for approval. Also, in the column that designated the Cal Water project number (PID), the numbers were off by one row. Therefore, the vehicle related to Project 20213 in the data request response should have been Project 17758, and the vehicle related to Project 17773 should have been Project 20850, which are in agreement with the Cal Water budget submitted in the application. For PID 20213 (17758), the original and budgeted costs are $18,900 and $27,500, respectively. For PID 17773 (20850), the original and budgeted costs are $23,700 and $44,500, respectively. The estimated cost for the replacement for PID 17773 is significantly higher because it includes a two-way radio and additional equipment. It should be noted that DRA incorporated the correct estimated costs in their settlement work paper spreadsheet.

PIDs 20213, 20214 and 20215 (as referenced in Cal Water's proposed 2009 capital budget) all requested funds, $20,000 each, to retrofit existing vehicles in order to comply with the California Air Resources Board (CARB) regulation for on-road heavy duty diesel trucks in public utility fleets. The vehicles either had to be retrofit or they could no longer be used on the highways. All three vehicles have a current and projected mileage that would not qualify them for replacement in this GRC cycle based upon mileage alone. The cost to retrofit is less than the cost of a new vehicle with all of the requisite equipment. Therefore, it was deemed prudent to retrofit the vehicles. The retrofits were all completed in 2009 at a cost of $28,977; $28,977; and $24,090 for PIDs 20213, 21214 and 21215, respectively.

For the non-specific budgets for 2009-2012, the factors used to determine the non-specific dollars in the Settlement for the South San Francisco District were

applied to those requested for the Bayshore District to arrive at a Settlement figure in the tables.

The Parties agree that these projects and related costs should be approved for inclusion in Utility Plant in the year in which they are proposed to be in service.

Proposed/Approved Plant Projects

2009

Project ID Number	Descriptions	Cal Water Direct	DRA Report	Difference	Settlement
00017758	0.5 Ton Pickup w/ Accessories	$ 27.5	$ 27.5	$ -	$ 27.5
00020213	CARB Retrofit	$ 20.0	$ -	$ 20.0	$ 20.0
00020214	CARB Retrofit	$ 20.0	$ -	$ 20.0	$ 20.0
00020215	CARB Retrofit	$ 20.0	$ -	$ 20.0	$ 20.0
00020620	Tools & Equipment	$ 8.1	$ -	$ 8.1	$ -
	Non-Specific Equipment	$ 82.5	$ 76.4	$ 6.1	$ 78.7
		$ 178.1	**$ 103.9**	**$ 74.2**	**$ 166.2**

2010

Project ID Number	Descriptions	Cal Water Direct	DRA Report	Difference	Settlement
00020506	Equipment Trailer	$ 2.7	$ -	$ 2.7	$ -
	Non-Specific Equipment	$ 84.2	$ 76.3	$ 7.9	$ 79.1
		$ 86.9	**$ 76.3**	**$ 10.6**	**$ 79.1**

2011

Project ID Number	Descriptions	Cal Water Direct	DRA Report	Difference	Settlement
00017622	1.5 Ton C&C w/ Accessories	$ 71.3	$ 71.3	$ -	$ -
00020628	Tools	$ 5.4	$ -	$ 5.4	$ -
00020850	0.5 Ton Pickup & Equip	$ 44.5	$ 44.5	$ -	$ 44.5
00020944	0.5 Ton Pickup & Equip	$ 42.8	$ -	$ 42.8	$ -
00020947	0.5 Ton Pickup & Equip	$ 42.8	$ -	$ 42.8	$ -
00020949	0.5 Ton Pickup & Equip	$ 42.8	$ -	$ 42.8	$ -
00020952	0.5 Ton Pickup & Equip	$ 42.8	$ -	$ 42.8	$ -
	Non-Specific Equipment	$ 86.2	$ 77.9	$ 8.3	$ 80.7
		$ 378.6	**$ 193.7**	**$ 184.9**	**$ 125.2**

2012

Project ID Number	Descriptions	Cal Water Direct	DRA Report	Difference	Settlement
00020843	0.5 Ton Pickup & Equip	$ 44.0	$ -	$ 44.0	$ -
00020844	0.5 Ton Pickup & Equip	$ 44.0	$ -	$ 44.0	$ -
00020846	0.5 Ton Pickup & Equip	$ 44.0	$ -	$ 44.0	$ -
00020847	Leak Truck & Equip	$ 89.4	$ -	$ 89.4	$ -
00020848	0.5 Ton Pickup & Equip	$ 44.5	$ -	$ 44.5	$ -
	Non-Specific Equipment	$ 88.1	$ 80.0	$ 8.1	$ 82.9
		$ 44.0	**$ -**	**$ 44.0**	**$ -**

9.2.26 Rancho Dominguez District Plant Settlement

Summary of Settlement and requests to the Commission:

The Parties request the Commission approve the Settlement plant values established herein under the conditions specified.

The Rancho Dominguez District is comprised of the Dominguez, Palos Verdes and Hermosa-Redondo Districts. The Rancho Dominguez District designation is the umbrella structure under which vehicles and other equipment that can be used in any of the three districts noted above is placed. The plant for the Rancho Dominguez District is allocated to the Dominguez, Palos Verdes and Hermosa-Redondo Districts. All other plant is budgeted within the individual districts. The Rancho Dominguez District proposed capital budgets for 2009-2012 for vehicles, miscellaneous equipment and non-specifics were submitted by Cal Water in its application.

Controversial Projects

There were no controversial projects in the Rancho Dominguez District capital budgets proposed for 2009-2012.

Non-controversial Projects

Proposed/Approved Plant Projects tables (dollars in thousands) at the end of this section lists these projects, noting Cal Water's project number, a short project description, Cal Water's proposed funding, DRA's recommended funding, and settlement funding. This table does not contain a Cal Water rebuttal column because DRA did not object to Cal Water's proposed project and related funding. The Parties agree that these projects should be approved for inclusion in Utility Plant in the year in which they are proposed to be in service.

Non-Specifics

For the Rancho Dominguez District, the non-specifics are included in the Proposed/Approved Plant Projects tables.

Corrected 10/15/2010

Proposed/Approved Plant Projects

2009

Project ID Number	Descriptions	Cal Water Direct	DRA Report	Difference	Settlement
00014798	0.5 Ton Pickup	$ 26.7	$ 26.7	$ -	$ 26.7
00014800	0.5 Ton Pickup	$ 26.7	$ 26.7	$ -	$ 26.7
00014803	1.75 Ton C&C and Dump Bed	$ 64.9	$ 64.9	$ -	$ 64.9
00017224	Field Equipment	$ 13.2	$ 13.2	$ -	$ 13.2
00017234	Truck Mounted Valve Operator	$ 27.2	$ 27.2	$ -	$ 27.2
00017264	Bobcat Loader w/ Backhoe Attachment	$ 55.4	$ 55.4	$ -	$ 55.4
00017747	0.5 Ton Pickup w/ Accessories	$ 27.5	$ 27.5	$ -	$ 27.5
00017748	0.5 Ton Pickup w/ Accessories	$ 27.5	$ 27.5	$ -	$ 27.5
00017749	0.5 Ton Pickup w/ Accessories	$ 27.5	$ 27.5	$ -	$ 27.5
00017750	0.5 Ton Pickup w/ Accessories	$ 27.5	$ 27.5	$ -	$ 27.5
00017751	0.5 Ton Pickup w/ Accessories	$ 27.5	$ 27.5	$ -	$ 27.5
00017752	0.5 Ton Pickup w/ Accessories	$ 27.5	$ 27.5	$ -	$ 27.5
00017753	0.5 Ton Pickup w/ Accessories	$ 27.5	$ 27.5	$ -	$ 27.5
00017754	0.5 Ton Pickup w/ Accessories	$ 27.5	$ 27.5	$ -	$ 27.5
00017756	0.5 Ton Pickup w/ Accessories	$ 27.5	$ 27.5	$ -	$ 27.5
00017757	0.5 Ton Pickup w/ Accessories	$ 27.5	$ 27.5	$ -	$ 27.5
00018184	1.75 Ton C&C and Dump Bed	$ 62.5	$ 62.5	$ -	$ 62.5
00019830	Office Equipment	$ 44.3	$ 44.3	$ -	$ 44.3
00020226	CARB Regulation Retrofit	$ 20.0	$ 20.0	$ -	$ 20.0
00020228	CARB Regulation Retrofit	$ 20.0	$ 20.0	$ -	$ 20.0
00021218	SCADA Radios	$ 17.6	$ 17.6	$ -	$ 17.6
00021219	SCADA Ops Center	$ 10.3	$ 10.3	$ -	$ 10.3
	Non-Specific Structures	$ 3.2	$ 3.2	$ -	$ 3.2
	Non-Specific Pumps	$ 2.3	$ 2.3	$ -	$ 2.3
	Non-Specific Equipment	$ 53.9	$ 53.9	$ -	$ 53.9
		$ 723.2	**$ 723.2**	**$ -**	**$ 723.2**

Corrected 10/15/2010

Proposed/Approved Plant Projects Con't

2010

Project ID Number	Descriptions	Cal Water Direct	DRA Report	Difference	Settlement
00020227	CARB Regulation Retrofit	$ 20.0	$ 20.0	$ -	$ 20.0
00020542	Equipment	$ 12.1	$ 12.1	$ -	$ 12.1
00020665	Upgrade Sample Room	$ 50.2	$ 50.2	$ -	$ 50.2
00020672	Upgrade Office	$ 14.1	$ 14.1	$ -	$ 14.1
00020698	Office Equipment	$ 5.9	$ 5.9	$ -	$ 5.9
00020856	Office Equipment	$ 27.0	$ 27.0	$ -	$ 27.0
00021157	Office Furniture	$ 10.8	$ 10.8	$ -	$ 10.8
00021171	Paint Office	$ 21.6	$ 21.6	$ -	$ 21.6
00021174	Upgrade Parking Lot	$ 21.8	$ 21.8	$ -	$ 21.8
00021302	Security Equipment	$ 22.3	$ 22.3	$ -	$ 22.3
	Non-Specific Structures	$ 3.3	$ 3.3	$ -	$ 3.3
	Non-Specific Pumps	$ 2.3	$ 2.3	$ -	$ 2.3
	Non-Specific Equipment	$ 55.0	$ 55.0	$ -	$ 55.0
		$ 266.4	**$ 266.4**	**$ -**	**$ 266.4**

2011

Project ID Number	Descriptions	Cal Water Direct	DRA Report	Difference	Settlement
00020694	Upgrade CS Center	$ 16.2	$ 16.2	$ -	$ 16.2
00020718	Office Equipment	$ 6.5	$ 6.5	$ -	$ 6.5
00021172	Upgrade Office	$ 27.0	$ 27.0	$ -	$ 27.0
00021176	Upgrade Parking Lot	$ 13.0	$ 13.0	$ -	$ 13.0
	Non-Specific Structures	$ 3.3	$ 3.3	$ -	$ 3.3
	Non-Specific Pumps	$ 2.4	$ 2.4	$ -	$ 2.4
	Non-Specific Equipment	$ 56.3	$ 56.3	$ -	$ 56.3
		$ 124.7	**$ 124.7**	**$ -**	**$ 124.7**

2012

Project ID Number	Descriptions	Cal Water Direct	DRA Report	Difference	Settlement
00020839	Office Equipment	$ 7.2	$ 7.2	$ -	$ 7.2
00021087	Pickup and Uplifting	$ 41.8	$ 41.8	$ -	$ 41.8
00021088	Pickup	$ 38.5	$ 38.5	$ -	$ 38.5
00021089	Pickup and Uplifting	$ 41.8	$ 41.8	$ -	$ 41.8
	Non-Specific Structures	$ 3.4	$ 3.4	$ -	$ 3.4
	Non-Specific Pumps	$ 2.4	$ 2.4	$ -	$ 2.4
	Non-Specific Equipment	$ 57.5	$ 57.5	$ -	$ 57.5
		$ 192.6	**$ 192.6**	**$ -**	**$ 192.6**

9.3 GENERAL OFFICE PLANT

Summary of Settlement and requests to the Commission:

The Parties request the Commission approve the Settlement plant values established herein under the conditions specified.

DRA and Cal Water request that the Commission allow Cal Water to file an offset Advice Letter for Project 16976 at any time until the effective date of rates in the next general rate case with a capital project cap of $140,300 excluding interest during construction. Project 16976 is budgeted to eliminate a standing water issue in the engineering building basement in 2010, so Parties anticipate that it will be filed in 2011. Parties acknowledge that this cap is for advice letter purposes only and that the Commission will review final project costs in the next general rate case.

Controversial Projects

The dollars (in thousands) shown in the tables below for various capital projects represent the funding for the capital investment and not the respective Test Year revenue requirement for that funding. The more detailed descriptions are for projects where there was a difference between Cal Water and DRA as noted in the DRA Report on the Results of Operation for the General Office and the resulting funding level agreed to in Settlement discussions.

Non-Controversial Projects

In addition to the more detailed project descriptions that immediately follow, Cal Water's proposed capital budgets for the years 2009-2012 included a number of projects where DRA did not object to the need for the project and the requested funding. Table A (dollars in thousands) at the end of this section lists these projects, noting Cal Water's project number, a short project description, Cal Water's proposed funding, DRA's recommended funding, and settlement funding. This table does not contain a Cal Water rebuttal column because DRA did not object to Cal Water's proposed project and related funding. The Parties agree

that these projects should be approved for inclusion in Utility Plant in the year in which they are proposed to be in service.

Non-Specifics

Following Table A are comparison tables showing the dollars (in thousands) for Cal Water's non-specific capital budget proposal, DRA's recommendation, the difference and the Settlement. See the Antelope Valley District Plant Settlement for the general discussion on Non-Specific Plant Estimates.

Controversial Projects

Engineering Basement Modifications

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 16976	$249.3	$140.3	$50.0	$90.3	$140.3 Advice Letter

ISSUE: The Engineering Building in San Jose has a problem with standing water in the basement. Cal Water proposed installing a series of extraction wells, under-drains, and a pumping system to remedy this problem. At the site visit, Cal Water indicated that a concrete waterproofing sealant may be a less invasive direction to proceed. DRA recommended that Cal Water pursue this approach and recommended an advice letter capped at $50,000.

In Rebuttal, Cal Water agreed with DRA's recommendation, but indicated that this option would cost more than a $50,000 cap, as additional conduits and equipment would still need to be installed. In Settlement, Cal Water provided quotes from contractors to perform this work.

RESOLUTION: The Parties agree that this project should be handled through an Advice Letter to be capped at $140,250.

GPS Pilot

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 17146	$80.0	$80.0	$0.0	$80.0	$0.0

ISSUE: Cal Water proposed a GPS pilot program to allow it to track its GO pool vehicles. The pool vehicles are a fleet of primarily older sedans that are available for GO employees to use for short periods, primarily for visits to the various districts, because they do not have an assigned Cal Water vehicle. DRA believed the project was unnecessary because other options exist for emergency communications and Cal Water has not had a problem with stolen pool vehicles. Cal Water agreed with this recommendation and offered no rebuttal on this project.

RESOLUTION: The Parties agree to remove this project from the capital budget.

Network Enhancements

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 18111	$1,331.0	$1,331.0	$1,000.0	$331.0	$1,000.0
PID 21004	$1,425.0	$1,425.0	$1,000.0	$425.0	$1,000.0
PID 21028	$1,400.0	$1,400.0	$1,000.0	$400.0	$1,000.0
PID 21047	$1,400.0	$1,400.0	$1,000.0	$400.0	$1,000.0
Total	$5,556.0	$5,556.0	$4,000.0	$1,556.0	$4,000.0

ISSUE: As part of Cal Water's Information Technology Master Plan, Cal Water proposed a series of projects for network enhancements. The goals of these network enhancements are to improve the speed, availability, and stability of the Company's network. DRA indicated that Cal Water did not reflect any associated expense savings into these estimates. It also noted that Cal Water did not scale back the non-specific budgets to account for routine replacements. DRA recommended reducing these projects to $1,000,000 per year per project.

In Rebuttal, Cal Water noted that the investments requested were at the same levels that the Company has historically experienced for information technology infrastructure. More specifically, while the Commission approved $1 million each year for the Network Enhancement projects in the 2007 rate case, Cal Water

spent close to $1.4 million in 2007 and 2008 on infrastructure improvements. Therefore, based upon historical spending and inflation, Cal Water reasoned that $1 million would not be an adequate amount for the future spending level in the 2009 GRC.

RESOLUTION: The Parties agree to DRA's $1 million per year per project and that these projects would be included in Utility Plant in the years that they were budgeted.

Intranet Upgrade

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 24196	$400.0	$369.0	$0.0	$369.0	$369.0

ISSUE: Cal Water proposed intranet upgrades to allow better functionality of the intranet to allow for enhanced customer service by allowing employees to access needed information in a timelier manner. DRA recommended moving this project to non-specifics based upon information Cal Water supplied in a data request response.

In Rebuttal, Cal Water noted that the project had been completed for $369,000.

RESOLUTION: The Parties agree to include the completed cost of this project in Utility Plant in 2009 as a specific capital project.

Hyperion

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 25687	$750.0	$750.0	$0.0	$750.0	$750.0

ISSUE: Cal Water proposed purchasing a financial database module known as Hyperion. The goal of this project is to allow for enhanced financial analysis of the Company's capital budget, operating budget, and Rate Case. DRA stated that Cal Water did not provide the required support for this project and recommended disallowing the project.

In settlement discussions, Cal Water submitted further project justification and the Parties discussed the benefits of the project.

RESOLUTION: The Parties agree to include the Hyperion project in Utility Plant in the year budgeted.

Mobile Dispatch Pilot Project

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 28228	$690.0	$880.0	$0.0	$880.0	$0.0

ISSUE: Cal Water proposed a mobile dispatch pilot project. This will allow the field employees to obtain their work assignments via mobile devices. The intent is to reduce trips back to the District Operations or Customer Service Centers for additional assignments. This will lead to more efficient utilization of the field employees and save natural resources by eliminating unneeded trips. DRA stated that Cal Water did not provide the required support for this project and recommended disallowing the project.

In Rebuttal, Cal Water indicated that this project had been completed for $880,000.

RESOLUTION: The Parties agree that the completed project will not be included in Utility Plant at this time. In the next GRC, Cal Water will add this project to

beginning balance of Utility Plant and will provide a detailed explanation and accounting of the project.

Business Continuity & Mobile Emergency Response Center

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 27248	$406.0	$406.0	$0.0	$406.0	$0.0
PID 20919	$864.6	$864.6	$0.0	$864.6	$0.0
PID 21130	$300.0	$300.0	$0.0	$300.0	$300.0
PID 21097	$396.4	$396.4	$0.0	$396.4	$396.4
Total	$1,967.0	$1,967.0	$0.0	$1,967.0	$696.4

ISSUE: Cal Water proposed a business continuity project under PID 27248 and PID 20919. Currently, Cal Water has a backup data center located in its Rancho Dominguez District office. However, Cal Water cannot fully use the backup data center to replace the primary data center at this time. These projects propose specific equipment to allow for a timely cut-over to full operations from the backup data center in the event of a disaster to the primary data center. DRA indicated that the project would be 100% for backup and would not be used and useful. It also indicated that Cal Water did not provide adequate justification for this facility.

Cal Water offered no rebuttal on this project.

Cal Water proposed a completely separate mobile emergency response center under PID 21130 and PID 21097 to help restore utility operations after a disaster. DRA indicated that this project would also not be used and useful.

Cal Water provided a very late Rebuttal on Projects 21120 and 21097 discussing the benefits to the customers of this mobile emergency response center.

RESOLUTION: The Parties discussed the business continuity project along with the mobile emergency response center. The Parties came to consensus that, following a major disaster, the Company's first priority would be to restore utility operations to individual customers. Therefore, the mobile emergency response center is a higher priority. The Parties agree to include PID 21130 and PID 21097 in Utility Plant and agree to defer PID 27248 and PID 20919 to another GRC, where Cal Water would provide more refined justification.

Remodel IS / HR Building

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 16992	$8,683.2	$8,683.2	$0.0	$8,683.2	Separate Application

ISSUE: Cal Water proposed a major expansion to the Information Technology / Human Resources Building at its San Jose General Office. The purpose of this expansion is to create workspace for anticipated new employees. The offices and cubicles are anticipated to conform to Cal Water's new space criteria and to allow the maximum number of employees at the San Jose facility.

DRA indicated that Cal Water did not provide sufficient information to support this request. It did not demonstrate a clear need for this project. It did not demonstrate that it selected the least cost option and it provided no ratemaking impacts of the project.

In Rebuttal, Cal Water pointed out its efforts to maximize space use intensity, regionalize positions, and using remote work sites. It explained how it has worked to reduce the cost of the office expansion project. Cal Water also explained how it has now received bids and clarified the certainty of the timing of the project.

The Parties attended a mediation session regarding this project that Administrative Law Judge Victor Ryerson facilitated. The Parties were able to find common ground in this session and agree that, while there were still a number of differences of opinion, Cal Water would file a separate application for the Information Technology / Human Resources Building at its San Jose General Office.

RESOLUTION: The Parties agree that a separate application with detailed analysis could be submitted for this project.

Customer Call Center Enhancements

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 17902	$150.0	$0.0	$0.0	$0.0	$0.0

ISSUE: Cal Water proposed enhancements to the Customer Call Center to increase customer problem-solving efficiency. After Cal Water filed the GRC, it internally cancelled this project. DRA recommended removing this project from plant additions.

RESOLUTION: The Parties agree to the cancellation of this project.

Color Printer for Publishing

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 20982	$217.3	$0.0	$0.0	$0.0	$0.0

ISSUE: Cal Water proposed purchasing a high speed/high volume color printer for the publishing area. It did not prepare a project justification and cancelled this project after the filing of the GRC.

RESOLUTION: The Parties agree to the cancellation of this project.

Remodel Cash Remittance Area

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 21125	$100.0	$0.0	$0.0	$0.0	$0.0

ISSUE: Cal Water proposed remodeling the cash remittance area in the IT building. It did not prepare a project justification and cancelled this project after the filing of the GRC.

RESOLUTION: The Parties agree to the cancellation of this project.

Video Conferencing Equipment

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 21128	$300.0	$0.0	$0.0	$0.0	$0.0

ISSUE: Cal Water proposed a video conferencing project to connect the General Office to the Rancho Dominguez District office facility. It did not prepare a project justification and cancelled this project after the filing of the GRC.

RESOLUTION: The Parties agree to the cancellation of this project.

Additional HVAC system

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 21129	$80.0	$80.0	$0.0	$80.0	$0.0

ISSUE: Cal Water proposed installing an additional HVAC unit in the IT building to handle cooling and heating in a "dead area" of this building. DRA indicated that during the site visit, the system appeared to be operating correctly, and did not believe the project was needed. Cal Water did not agree with this analysis, but failed to provide additional information on the project. Cal Water is in the process of a major remodel to this building. Cal Water will address any deficiencies as a part of that project.

RESOLUTION: The Parties agree that this project should not be included in Utility Plant.

Zero Landscaping

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 21132	$500.0	$0.0	$0.0	$0.0	$0.0

ISSUE: In order to elevate water awareness activities and show customers the benefits of a low-water usage landscape, Cal Water proposed a zero landscaping project at the General Office property. This concept would eliminate all lawns and non-water wise facilities, such as the campus fountain. DRA indicated that Cal Water did not include any project justification for this project. Cal Water cancelled this project after it filed the GRC.

RESOLUTION: The Parties agree to the cancellation of this project.

Natural Gas Powered Vehicle Pilot

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 21147	$250.0	$0.0	$0.0	$0.0	$0.0

ISSUE: Cal Water proposed a pilot program for evaluating the benefits of natural gas powered vehicles. It did not prepare a project justification and cancelled this project after the filing of the GRC.

RESOLUTION: The Parties agree to the cancellation of this project.

New Patio

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 21135	$80.0	$80.0	$0.0	$80.0	$0.0

ISSUE: Cal Water proposed an additional patio area for the GO Campus. There are now more employees and consultants at this site than were in the past. Cal Water believes that additional patio areas will help alleviate congestion at other patio areas. DRA visited the campus on the GO Tour and indicated that it believed that the number of patios and break areas were adequate for employee needs. Cal Water did not submit Rebuttal on this project.

RESOLUTION: The Parties agree that during the current economic conditions, projects such as additional patio areas can be deferred.

Dual Pane Window Upgrade

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 21136	$300.0	$0.0	$0.0	$0.0	$0.0

ISSUE: Cal Water proposed a project to replace all of the single pane windows on the San Jose General Office Campus with energy-efficient dual pane windows. It did not prepare a project justification and cancelled this project after the filing of the GRC.

RESOLUTION: The Parties agree to the cancellation of this project.

Supplemental / Redundant Air Handling

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 21420	$120.0	$0.0	$0.0	$0.0	$0.0

ISSUE: Cal Water proposed a project to increase the efficiency of its air handling equipment. It did not prepare a project justification and cancelled this project after the filing of the GRC.

RESOLUTION: The Parties agree to the cancellation of this project.

Intelligent Motor Controllers

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 21422	$150.0	$150.0	$0.0	$150.0	$0.0

ISSUE: Cal Water proposed intelligent motor controllers for its Liebert equipment at the data center. The intent of this project is to optimize the heating and cooling systems. DRA indicated that Cal Water's justification for the project did not have enough information to satisfy the Rate Case Plan and recommended removing the project from plant additions.

RESOLUTION: The Parties agree that this project should not be included in Utility Plant.

Lighting Improvements in the Data Center

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 21423	$275.0	$0.0	$0.0	$0.0	$0.0

ISSUE: Cal Water proposed a project to increase the efficiency of its lighting in the Data Center and in certain offices in General Office. It did not prepare a project justification and cancelled this project after the filing of the GRC.

RESOLUTION: The Parties agree to the cancellation of this project.

Active Power Management

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 21424	$150.0	$150.0	$0.0	$150.0	$0.0

ISSUE: Cal Water proposed an active power management system where the Company could switch to alternative energy during peak demand times. Cal Water anticipated that the Company would use this project along with other improvements to save energy costs. DRA indicated that Cal Water did not provide a detailed justification for this project and recommended removing this from plant additions.

RESOLUTION: The Parties agree that this project should be considered in the future as a part of an overall energy management program. The Parties agree to remove this project from Utility Plant.

New Furniture

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 26907	$345.8	$345.8	$67.9	$277.9	$160.6

ISSUE: Cal Water proposed an additional 62 employees in this GRC for the General Office. The intent of this project is to purchase office furniture, such as desks, chairs, tables, and cubicles for each of the new employees. DRA recognized the need for the new furniture and recommended that the level of funding be reduced to correlate to the level of employees that will be added. Originally, DRA recommended 11 of the 62 requested employees and made the corresponding recommendation to reduce funding for this project from $345,800 to $67,900.

RESOLUTION: The Parties agree to include office furniture from this project for the 34 new employees. This equates to a prorated amount of $160,550.

Advanced Meter Infrastructure

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 29588	$776.0	$776.0	$0.0	$776.0	$0.0

ISSUE: Cal Water proposed an advanced meter infrastructure pilot ("AMI") in the East Los Angeles District as a part of this General Rate Case. Cal Water's concept was to pilot the requirements of a program and determine the costs and problems associated with AMI before moving ahead on a full-scale implementation. DRA indicated that the Cal Water plan lacks necessary detail for an effective pilot.

RESOLUTION: The Parties agree to defer the project. The Parties indicated that they would be willing to work through a Commission Order Instituting Investigation ("OII") with other Class A water companies to determine a resolution on this issue.

Geospatial Data Integration

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 17901	$954.0	$954.0	$0.0	$954.0	$954.0

ISSUE: Cal Water proposed a Geospatial Data Integration Project in this GRC. The Company explained that this program is part of a core business strategy to enhance the efficiency of all Cal Water services by increasing information accessibility and analytical capabilities through integration with IT systems. Since 2001, the program has improved the quality, currency, and availability of task-specific information to directly improve customer service. Cal Water has made progress in streamlining information access and has enabled alternatives analysis, thereby lowering the cost of planning, engineering, and operational activities. Cal Water anticipates that the Geospatial Data Integration program will integrate and enable the execution of existing and planned IT systems as an integral component. DRA indicated that Cal Water still had activities to perform on Phase I of this project that was approved in the 2007 GRC. DRA recommended completing those portions of the work before proceeding to this more aggressive phase of the project. In Settlement, the Parties discussed the project including the potential benefits to ratepayers over the long-term. The Parties also discussed the needs of utilities to stay abreast of this technology because an enhanced Geospatial Data Integration project will improve workforce efficiency and effectiveness and provide recurring benefits year after year that will directly benefit ratepayers.

RESOLUTION: As part of the overall General Office Plant Settlement, the Parties agree that this program would be included in Utility Plant in the years it is anticipated to be complete.

New Sedan CEO

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 20855	$84.5	$32.5	$28.5	$4.0	$32.5

ISSUE: Cal Water inadvertently requested the full price of the CEO vehicle. It was anticipated that only the typical cost of a sedan would be included in this GRC. DRA indicated that it did not believe it was necessary to have a higher cost vehicle for the CEO simply due to a difference in classification.

RESOLUTION: The Parties agree to cap this project at $32,500.

PS FIN/HCM Upgrade

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 21131	$890.0	$0.0	$0.0	$0.0	$0.0

ISSUE: Cal Water proposed an upgrade to the PeopleSoft financial module. It did not prepare a project justification and cancelled this project after the filing of the GRC.

RESOLUTION: The Parties agree to the cancellation of this project.

Retrofit Light Fixtures

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 21137	$200.0	$0.0	$0.0	$0.0	$0.0

ISSUE: Cal Water proposed a project to increase the efficiency of its lighting on the General Office Campus. It did not prepare a project justification and cancelled this project after the filing of the GRC.

RESOLUTION: The Parties agree to the cancellation of this project.

Remodel Executive Building

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 21143	$380.0	$0.0	$0.0	$0.0	$0.0

ISSUE: Cal Water proposed a project to remodel the Executive Building at the Company's General Office. This project would serve to increase the number of offices and cubicles and would make the building American Disability Act compliant. It did not prepare a project justification and cancelled this project after the filing of the GRC.

RESOLUTION: The Parties agree to the cancellation of this project.

New LC-MS-MS System

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 21212	$351.0	$351.0	$0.0	$351.0	$0.0

ISSUE: Cal Water proposed purchasing a Liquid Chromatograph / Mass Spectrometer / Mass Spectrometer ("LC/MS/MS"). Cal Water believes this equipment will enable it to take a leading position on the detection and study of Personal Care Products ("PCC") and Pharmaceuticals and Endocrine Disruptors ("EDC"). Cal Water stated that this equipment would provide Cal Water's laboratory with the analytical capability to detect contaminants on the growing list

of emerging contaminants. DRA's position was that since none of these contaminants are currently being regulated by the Department of Public Health ("DPH"), DRA did not believe that this equipment was needed at this time. In Settlement, the Parties discussed this project and determined that it was prudent to defer the purchase of this equipment until DPH adds these compounds to its regulated contaminants list.

RESOLUTION: The Parties agree to defer this project until DPH requires further investigation into these compounds.

Cooling Technologies in the Data Center

	Cal Water Direct	Cal Water Rebuttal	DRA Report	Difference	Settlement
PID 21425	$350.0	$0.0	$0.0	$0.0	$0.0

ISSUE: Cal Water proposed a project to increase the efficiency of the cooling system in the Data Center and in certain offices in General Office. It did not prepare a project justification and cancelled this project after the filing of the GRC.

RESOLUTION: The Parties agree to the cancellation of this project.

Table A: Non-controversial plant projects

2009

Project ID Number	Descriptions	Cal Water Direct	DRA Report	Difference	Settlement
00016975	Mailroom Counters - 1 Peninsula & 1 Wall Counter	$ 11.3	$ 11.3	$ -	$ 11.3
00016996	Additional Storage Space	$ 75.6	$ 75.6	$ -	$ 75.6
00017239	EMT & TMM Tools	$ 30.2	$ 30.2	$ -	$ 30.2
00017269	Mobile Radio - EMT Truck - Northern CA	$ 2.2	$ 2.2	$ -	$ 2.2
00017269	Utility Body - EMT Truck - Northern CA	$ 30.0	$ 30.0	$ -	$ 30.0
00017269	Truck - EMT - Northern California	$ 42.0	$ 42.0	$ -	$ 42.0
00017271	Tools - EMT Northern California	$ 27.0	$ 27.0	$ -	$ 27.0
00017328	Additional Printers & Copiers - Various	$ 132.2	$ 132.2	$ -	$ 132.2
00017340	Truck - EMT - Southern California	$ 43.0	$ 43.0	$ -	$ 43.0
00017340	Mobile Radio - EMT Truck - Southern CA	$ 2.2	$ 2.2	$ -	$ 2.2
00017340	Utility Body - EMT Truck - Southern CA	$ 20.0	$ 20.0	$ -	$ 20.0
00017341	Tools - EMT - Southern California	$ 27.0	$ 27.0	$ -	$ 27.0
00017762	Sedan - Department Head	$ 32.9	$ 32.9	$ -	$ 32.9
00017766	Replace V204006; >125K Miles	$ 28.5	$ 28.5	$ -	$ 28.5
00017767	Replace V204055; >125K Miles	$ 28.5	$ 28.5	$ -	$ 28.5
00017769	Sedan - Supervisor	$ 28.5	$ 28.5	$ -	$ 28.5
00017770	Replace V204051; >125K Miles	$ 28.5	$ 28.5	$ -	$ 28.5
00017771	SUV 4x4 - Nor Cal Pool Vehicle	$ 28.5	$ 28.5	$ -	$ 28.5
00017773	0.5 Ton 4x4 Pickup w/ Accessories - Corporate Officer	$ 40.2	$ 40.2	$ -	$ 40.2
00017903	SCADA Enhancements - IS	$ 200.0	$ 200.0	$ -	$ 200.0
00018118	PowerPlant System	$ 155.0	$ 155.0	$ -	$ 155.0
00018119	Operations Data Management	$ 325.0	$ 325.0	$ -	$ 325.0

Table A: Non-controversial plant projects continued

00018139	Enterprise Reporting Analysis	$ 25.0	$ 25.0	$ -	$ 25.0
00018165	Hybrid - Environmental Affairs Manager	$ 31.8	$ 31.8	$ -	$ 31.8
00018170	Hybrid - Water Quality Program Manager	$ 31.8	$ 31.8	$ -	$ 31.8
00020943	Replace Unisys Medical Claims System	$ 649.4	$ 649.4	$ -	$ 649.4
00021013	Power Data Logger	$ 6.5	$ 6.5	$ -	$ 6.5
00021165	Color Copier & Scanner - Southern Engineering	$ 24.0	$ 24.0	$ -	$ 24.0
00021167	Handheld Data Transfer Unit w/ 6 Electronic Pressure Data Recorders & Accessories	$ 8.8	$ 8.8	$ -	$ 8.8
00021168	Surge Tank Sizing Stand-Alone - 1 License / User Software	$ 2.4	$ 2.4	$ -	$ 2.4
00021213	3 Hole Punch Addition to Copier	$ 1.1	$ 1.1	$ -	$ 1.1
00021214	Office Equipment & Supplies	$ 15.2	$ 15.2	$ -	$ 15.2
00021217	SUV - SCADA Program Manager	$ 34.6	$ 34.6	$ -	$ 34.6
00021222	Medium Hybrid SUV - SCADA Technicians	$ 40.1	$ 40.1	$ -	$ 40.1
00026887	CAD Software Updates	$ 58.2	$ 58.2	$ -	$ 58.2
00028047	Replace Portable Booster Pump	$ 94.4	$ 94.4	$ -	$ 94.4
00029788	IT Strategic Plan - 2009	$ 46.1	$ 46.1	$ -	$ 46.1
00017900	Enterprise Asset Management	$ 600.0	$ 600.0	$ -	$ 600.0
00018117	Peoplesoft FIN / HCM Upgrade	$ 935.0	$ 935.0	$ -	$ 935.0
00017901	Geospatial Data Integration	$ 604.6	$ 604.6	$ -	$ 604.6
	TOTAL	$ 4,547.3	$ 4,547.3	$ -	$ 4,547.3

2010

Project ID Number	Descriptions	Cal Water Direct	DRA Report	Difference	Settlement
00017281	Mobile Radio - Instrument Technician - Northern California	$ 2.2	$ 2.2	$ -	$ 2.2
00017281	Truck - Instrument Technician - Northern California	$ 64.8	$ 64.8	$ -	$ 64.8

Table A: Non-controversial plant projects continued

00017284	Tools - Instrument Technician - Northern CA	$ 25.9	$ 25.9	$ -	$ 25.9
00017900	Enterprise Asset Management	$ 885.0	$ 885.0	$ -	$ 885.0
00018117	Peoplesoft FIN / HCM Upgrade	$ 415.0	$ 415.0	$ -	$ 415.0
00018123	Customer Care & Billing	$ 100.0	$ 100.0	$ -	$ 100.0
00020219	CARB Regulation - Retrofit V202034	$ 20.0	$ 20.0	$ -	$ 20.0
00020430	Tools - TMM	$ 8.1	$ 8.1	$ -	$ 8.1
00020658	Replace OCE Scanner/Plotter	$ 56.6	$ 56.6	$ -	$ 56.6
00020695	EMT Tools	$ 32.4	$ 32.4	$ -	$ 32.4
00020719	Laser Pump Alignment Tools	$ 25.9	$ 25.9	$ -	$ 25.9
00020748	Infrared Cameras	$ 25.9	$ 25.9	$ -	$ 25.9
00020751	Extensible Business Reporting Language(XBRL) Implementation	$ 43.2	$ 43.2	$ -	$ 43.2
00020984	Duplicator for Publishing	$ 16.3	$ 16.3	$ -	$ 16.3
00021015	3 Phase Power Data Loggers	$ 6.5	$ 6.5	$ -	$ 6.5
00021016	Network Test Lab	$ 250.1	$ 250.1	$ -	$ 250.1
00021039	1.5 Ton C&C - TMM	$ 48.5	$ 48.5	$ -	$ 48.5
00021039	Mobile Radio	$ 2.2	$ 2.2	$ -	$ 2.2
00021039	Utility Body - 1.5 C&C - TMM	$ 32.8	$ 32.8	$ -	$ 32.8
00021041	New Vehicle - Lab Manager	$ 32.5	$ 32.5	$ -	$ 32.5
00021041	Field Equipment	$ 2.2	$ 2.2	$ -	$ 2.2
00021042	1.0 Ton Van - EMT Truck	$ 47.4	$ 47.4	$ -	$ 47.4
00021042	Field Equipment	$ 2.2	$ 2.2	$ -	$ 2.2
00021042	Utility Body - 1.0 Van - EMT Truck	$ 32.8	$ 32.8	$ -	$ 32.8
00021046	New Vehicle - No Cal Pool	$ 32.5	$ 32.5	$ -	$ 32.5
00021046	Field Equipment	$ 2.2	$ 2.2	$ -	$ 2.2
00021048	0.5 4x4 Pickup Truck - No Cal Pool	$ 37.7	$ 37.7	$ -	$ 37.7
00021048	Field Equipment	$ 2.2	$ 2.2	$ -	$ 2.2
00021049	New Vehicle - Government Affairs Manager	$ 32.5	$ 32.5	$ -	$ 32.5
00021051	1.0 TON C&C - EMT Truck	$ 48.5	$ 48.5	$ -	$ 48.5

Table A: Non-controversial plant projects continued

00021051	Utility Body - 1.0 C&C - EMT Truck	$ 32.8	$ 32.8	$ -	$ 32.8
00021051	Field Equipment	$ 2.2	$ 2.2	$ -	$ 2.2
00021080	New Sedan	$ 32.5	$ 32.5	$ -	$ 32.5
00021098	Data Integration	$ 191.0	$ 191.0	$ -	$ 191.0
00021133	Replace Restroom Fixtures	$ 50.0	$ 50.0	$ -	$ 50.0
00021160	Pipe-Flo Software - One license w/ Support	$ 6.9	$ 6.9	$ -	$ 6.9
00021161	Handheld GPS Unit - Trimble GeoXH - Southern Engineering Group	$ 9.8	$ 9.8	$ -	$ 9.8
00021162	AWWA "M" Manuals - GO & Southern Engineering	$ 5.3	$ 5.3	$ -	$ 5.3
00021164	Land Surveying Equipment with Robotic Functionality	$ 48.7	$ 48.7	$ -	$ 48.7
00021169	Portable Projector	$ 1.6	$ 1.6	$ -	$ 1.6
00021177	Replace Polycon Phone - Engineering Conference Room	$ 0.6	$ 0.6	$ -	$ 0.6
00021200	SCADA Network Field Lab - Dixon - Sta. 1	$ 69.0	$ 69.0	$ -	$ 69.0
00021206	GC & Autosampler	$ 37.8	$ 37.8	$ -	$ 37.8
00021207	Replace GCMS System including Purge, Trap, and Autosampler	$ 115.6	$ 115.6	$ -	$ 115.6
00021208	LC-Mass Spec System	$ 162.0	$ 162.0	$ -	$ 162.0
00021221	SCADA Support Facility	$ 600.0	$ 600.0	$ -	$ 600.0
00021223	Field Maintenance Laptops	$ 143.4	$ 143.4	$ -	$ 143.4
00021224	Rugged Laptops - SCADA Staff	$ 41.9	$ 41.9	$ -	$ 41.9
00021419	IT Energy Optimization	$ 40.0	$ 40.0	$ -	$ 40.0
00022368	AutoCAD New Seats	$ 15.1	$ 15.1	$ -	$ 15.1
00027847	Bill Payment Kiosks	$ 31.9	$ 31.9	$ -	$ 31.9
00029587	Replace E-Billing System	$ 872.4	$ 872.4	$ -	$ 872.4
00021102	Enterprise Reporting and Analysis	$ 750.0	$ 750.0	$ -	$ 750.0
00021107	SCADA Enhancements	$ 100.0	$ 100.0	$ -	$ 100.0
00020991	Mobile Workforce Management	$ 666.7	$ 666.7	$ -	$ 666.7
00026327	Project Planning & Monitoring Software	$ 100.0	$ 100.0	$ -	$ 100.0
	TOTAL	$ 6,461.3	$ 6,461.3	$ -	$ 6,461.3

Table A: Non-controversial plant projects continued

2011

Project ID Number	Descriptions	Cal Water Direct	DRA Report	Difference	Settlement
00017627	70.4				
00020433	TMM Tools	$ 8.1	$ 8.1	$ -	$ 8.1
00020702	EMT Tools	$ 34.6	$ 34.6	$ -	$ 34.6
00020721	Laser Pump Alignment Tools	$ 25.9	$ 25.9	$ -	$ 25.9
00020749	Infrared Cameras	$ 23.8	$ 23.8	$ -	$ 23.8
00020955	Mobile Radio	$ 2.2	$ 2.2	$ -	$ 2.2
00020955	Utility Body - EMT Truck	$ 32.8	$ 32.8	$ -	$ 32.8
00020955	C&C - EMT Truck	$ 53.9	$ 53.9	$ -	$ 53.9
00020960	Vehicle & Equipment	$ 34.7	$ 34.7	$ -	$ 34.7
00020961	Vehicle	$ 32.5	$ 32.5	$ -	$ 32.5
00020962	Field Equipment	$ 2.2	$ 2.2	$ -	$ 2.2
00020962	Utility Body - Spinter Van - EMT Truck	$ 32.8	$ 32.8	$ -	$ 32.8
00020962	New Spinter Van - EMT Truck	$ 48.8	$ 48.8	$ -	$ 48.8
00020965	Field Equipment	$ 2.2	$ 2.2	$ -	$ 2.2
00020965	New SUV - No. Cal. Pool	$ 34.0	$ 34.0	$ -	$ 34.0
00020966	New Vehicle - CFO	$ 45.1	$ 45.1	$ -	$ 45.1
00020968	Field Equipment	$ 2.2	$ 2.2	$ -	$ 2.2
00020968	New Vehicle - No. Cal. EMT Supervisor	$ 33.5	$ 33.5	$ -	$ 33.5
00021017	3 Phase Power Data Loggers	$ 6.5	$ 6.5	$ -	$ 6.5
00021033	IT Security	$ 325.0	$ 325.0	$ -	$ 325.0
00021102	Enterprise Reporting and Analysis	$ 750.0	$ 750.0	$ -	$ 750.0
00021107	SCADA Enhancements	$ 100.0	$ 100.0	$ -	$ 100.0
00021166	Replace Existing Work Stations - Southern California Engineering Office	$ 71.6	$ 71.6	$ -	$ 71.6
00021209	Replacement ICP Mass Spec System	$ 200.9	$ 200.9	$ -	$ 200.9
00021210	Replace Mass Spec System including Mass	$ 115.6	$ 115.6	$ -	$ 115.6
00022292	AutoCAD New Seats	$ 12.5	$ 12.5	$ -	$ 12.5
00020708	Enterprise Asset Management	$ 786.9	$ 786.9	$ -	$ 786.9
00020942	Records Management	$ 648.0	$ 648.0	$ -	$ 648.0
00020991	Mobile Workforce Management	$ 666.7	$ 666.7	$ -	$ 666.7
00021131	PS FIN/HCM Upgrade	$ 275.0	$ 275.0	$ -	$ 275.0
00026327	Project Planning & Monitoring Software	$ 534.6	$ 534.6	$ -	$ 534.6

Table A: Non-controversial plant projects continued

00028087	Telephone System Upgrade	$ 800.0	$ 800.0	$ -	$ 800.0
00029737	1.5 Ton C&C EMT Truck F-350 - WTP	$ 49.4	$ 49.4	$ -	$ 49.4
00029823	1.5 Ton C&C EMT Truck F-350 - WTP	$ 96.0	$ 96.0	$ -	$ 96.0
00029737	Utility Body - 1.5 Ton C&C EMT - WTP	$ 35.5	$ 35.5	$ -	$ 35.5
00029823	Utility Body - 1.5 Ton C&C EMT - WTP	$ 70.9	$ 70.9	$ -	$ 70.9
	TOTAL	$ 5,994.2	$ 5,994.2	$ -	$ 5,994.2

2012

Project ID Number	Descriptions	Cal Water Direct	DRA Report	Difference	Settlement
00020434	TMM Tools	$ 8.1	$ 8.1	$ -	$ 8.1
00020705	EMT Tools	$ 35.6	$ 35.6	$ -	$ 35.6
00020708	Enterprise Asset Management	$ 424.4	$ 424.4	$ -	$ 424.4
00020725	Laser Pump Alignment Tools	$ 25.9	$ 25.9	$ -	$ 25.9
00020750	Infrared Cameras	$ 25.9	$ 25.9	$ -	$ 25.9
00020851	Mobile Radio	$ 2.2	$ 2.2	$ -	$ 2.2
00020851	Utility Body - EMT Truck	$ 33.8	$ 33.8	$ -	$ 33.8
00020851	New Vehicle - EMT Truck	$ 50.4	$ 50.4	$ -	$ 50.4
00020852	Field Equipment	$ 2.2	$ 2.2	$ -	$ 2.2
00020852	New Vehicle - Engineering Maintenance Manager	$ 38.5	$ 38.5	$ -	$ 38.5
00020853	New Vehicle - Director of Corporate Communications	$ 38.5	$ 38.5	$ -	$ 38.5
00020854	Field Equipment	$ 34.7	$ 34.7	$ -	$ 34.7
00020857	New Sedan - No. Cal. Pool	$ 34.5	$ 34.5	$ -	$ 34.5
00020859	Vehicle	$ 32.5	$ 32.5	$ -	$ 32.5
00020860	Field Equipment	$ 34.7	$ 34.7	$ -	$ 34.7
00020862	New Sedan - VP of Operations	$ 46.5	$ 46.5	$ -	$ 46.5
00020942	Records Management	$ 1,233.4	$ 1,233.4	$ -	$ 1,233.4
00020991	Mobile Workforce Management	$ 666.7	$ 666.7	$ -	$ 666.7
00021019	3-Phase Power Data Loggers	$ 6.5	$ 6.5	$ -	$ 6.5
00021081	New Sedan	$ 34.5	$ 34.5	$ -	$ 34.5

Table A: Non-controversial plant projects continued

00021104	Customer Care & Billing Upgrade	$ 3,424.7	$ 3,424.7	$ -	$ 3,424.7
00021131	PS FIN/HCM Upgrade	$ 200.0	$ 200.0	$ -	$ 200.0
00021163	Color Copier/Printer/Fax/Scanner - S. Engineering.	$ 20.0	$ 20.0	$ -	$ 20.0
00021226	SCADA Replacement Specification	$ 270.0	$ 270.0	$ -	$ 270.0
00022269	AutoCAD New Seats	$ 16.1	$ 16.1	$ -	$ 16.1
00026327	Project Planning & Monitoring Software	$ 188.0	$ 188.0	$ -	$ 188.0
00028048	Replace Portable Booster Pump - BK2	$ 95.7	$ 95.7	$ -	$ 95.7
00028087	Telephone System Upgrade	$ 521.9	$ 521.9	$ -	$ 521.9
	TOTAL	$ 7,545.9	$ 7,545.9	$ -	$ 7,545.9

Non-specific capital budgets

2009

Descriptions	Cal Water Direct	DRA Report	Difference	Settlement
Land	$ -	$ -	$ -	$ -
Structures	$ 134.0	$ 134.0	$ -	$ 134.0
Wells	$ -	$ -	$ -	$ -
Storage	$ -	$ -	$ -	$ -
Pumps	$ -	$ -	$ -	$ -
Purification	$ -	$ -	$ -	$ -
Mains	$ -	$ -	$ -	$ -
Streets	$ -	$ -	$ -	$ -
Services	$ -	$ -	$ -	$ -
Meters	$ -	$ -	$ -	$ -
Hydrants	$ -	$ -	$ -	$ -
Equipment	$ 803.0	$ 803.0	$ -	$ 803.0
TOTAL	$ 937.0	$ 937.0	$ -	$ 937.0

2010

Descriptions	Cal Water Direct	DRA Report	Difference	Settlement
Land	$ -	$ -	$ -	$ -
Structures	$ 136.8	$ 136.8	$ -	$ 136.8
Wells	$ -	$ -	$ -	$ -
Storage	$ -	$ -	$ -	$ -
Pumps	$ -	$ -	$ -	$ -
Purification	$ -	$ -	$ -	$ -
Mains	$ -	$ -	$ -	$ -
Streets	$ -	$ -	$ -	$ -
Services	$ -	$ -	$ -	$ -
Meters	$ -	$ -	$ -	$ -
Hydrants	$ -	$ -	$ -	$ -
Equipment	$ 820.1	$ 820.1	$ -	$ 820.1
TOTAL	$ 956.9	$ 956.9	$ -	$ 956.9

Non-specific capital budgets con't

2011

Descriptions	Cal Water Direct	DRA Report	Difference	Settlement
Land	$ -	$ -	$ -	$ -
Structures	$ 140.0	$ 140.0	$ -	$ 140.0
Wells	$ -	$ -	$ -	$ -
Storage	$ -	$ -	$ -	$ -
Pumps	$ -	$ -	$ -	$ -
Purification	$ -	$ -	$ -	$ -
Mains	$ -	$ -	$ -	$ -
Streets	$ -	$ -	$ -	$ -
Services	$ -	$ -	$ -	$ -
Meters	$ -	$ -	$ -	$ -
Hydrants	$ -	$ -	$ -	$ -
Equipment	$ 838.9	$ 838.9	$ -	$ 838.9
TOTAL	$ 978.9	$ 978.9	$ -	$ 978.9

2012

Descriptions	Cal Water Direct	DRA Report	Difference	Settlement
Land	$ -	$ -	$ -	$ -
Structures	$ 143.0	$ 143.0	$ -	$ 143.0
Wells	$ -	$ -	$ -	$ -
Storage	$ -	$ -	$ -	$ -
Pumps	$ -	$ -	$ -	$ -
Purification	$ -	$ -	$ -	$ -
Mains	$ -	$ -	$ -	$ -
Streets	$ -	$ -	$ -	$ -
Services	$ -	$ -	$ -	$ -
Meters	$ -	$ -	$ -	$ -
Hydrants	$ -	$ -	$ -	$ -
Equipment	$ 857.2	$ 857.2	$ -	$ 857.2
TOTAL	$ 1,000.2	$ 1,000.2	$ -	$ 1,000.2

9.4 Summary of Advice Letter Projects

The table that follows lists all of the Advice Letter projects and their pertinent information by district. It is a combination of projects that were proposed in the 2009 Application in addition to those projects that were addressed in previous GRCs for which a filing extension was requested by Cal Water and recommended for approval by DRA. There is some duplication of the projects that appear in the table below and the top half of the table in Special Request #8 related to the projects where a filing extension was requested and recommended for approval.

SUMMARY OF ADVICE LETTER PROJECTS

Capped Amount $000

District	Budget Year	Project IDs	Current GRC	Prior GRC with filing extension	Description
Antelope Valley	2010	10391	$ 810.0		AVEK connection - Lancaster
	Before 2009	14467		$ 108.0	Chloramination equipment - Leona Valley
	Before 2009	14468		$ 108.0	Chloramination equipment - Lancaster
	2009	17663	$ 288.8		150,000-gallon storage tank - Sta. 1 - Leona Valley
	2010	20642	$ 619.0		Construct well - Fremont Valley
Bakersfield	2010	20557	$ 2,739.5		Conversion of flat rate services to metered
	2011	20780	$ 2,825.0		Conversion of flat rate services to metered
	2012	20781	$ 2,923.8		Conversion of flat rate services to metered
Bear Gulch	Before 2009	4288, 12920, 12922 & 13154		$ 1,045.0	Habitat compliance
	2011	20196	$ 1,315.0		Fish passage facility
Chico	2009	16923		$ 667.8	Construct Well in Sta. 80
	2010-12	16952	$ 780.0		Central Plume Remediation 3
	2009	17098	$ -	$ 677.1	Equip well in Sta. 80
	2010	17195	$ 412.0		Conversion of flat rate services to metered
	2012	20375	$ 99.1		Replace pump, add energy efficient monitoring - Sta. 35-01
	2011	20873	$ 481.1		Conversion of flat rate services to metered
	2012	20889	$ 462.5		Conversion of flat rate services to metered
	2010	21024	$ 37.4		Conversion of flat rate services to metered
	2011	21034	$ 39.6		Conversion of flat rate services to metered
	2012	21052	$ 41.9		Conversion of flat rate services to metered
Dominguez	Before 2009	13540-43		$ 1,094.0	Construct and equip well
	2010	20772	$ 1,181.1		Install treatment - Sta. 294-01
	2011	20775	$ 1,920.2		Construct well and GAC Treatment
	2012	20838	$ 1,953.8		Construct well and GAC Treatment
	2010	20973	$ 455.3		Property for new well
	2011	20978	$ 468.2		Property for new well
East Los Angeles	2009	18197	$ -	$ 1,911.2	Iron and manganese treatment - Sta. 51 Well 01
	2010	20583	$ 3,833.0		Construct well with treatment
	2012	20670	$ 3,524.0		Construct 2-MG storage tank
	2012	20763	$ 4,626.0		Construct well with treatment
General Office	2009	16976	$ 140.3		Engineering building basement modifications
Marysville	2010	25969	$ 150.0		Conversion of flat rate services to metered
	2011	26208	$ 150.0		Conversion of flat rate services to metered
	2012	26209	$ 150.0		Conversion of flat rate services to metered
Mid-Peninsula	2010-2012	20315	$ 458.2		Energy monitoring program
Oroville	2010	26248	$ 26.2		Conversion of flat rate services to metered
	2011	26590	$ 26.2		Conversion of flat rate services to metered
	2012	26591	$ 26.2		Conversion of flat rate services to metered
Palos Verdes	2010	17330	$ 430.0		Replace panelboard - Sta. 30
	2010	17331	$ 345.0		Replace panelboard - Sta. 22
	2009	20510	$ 849.2		Power recovery turbine - Phase 2 - Sta. 37
	2012	21173	$ 2,360.0		Property for 2.0 MG reservoir - Via Olivera (500 Zone)
	2009	21175	$ 2,144.6		Trans. main: Palos Verdes Drive East - Colt to Sta. 23
	2011	26747	$ 576.9		Replace pumping equipment - Sta. 23
Salinas	2009	9209	$ 445.0		Property for new well
	2009	15544	$ 1,224.2		Construct and equip well - River Road
	2011	15789	$ 803.8		Construct well
	2009	15885	$ 552.6		Construct well
	2009	18952	$ 694.7		Equip well and site improvements
	2011	20198	$ 514.1		Property for new well
	2010	23128	$ 195.6		Panelboard - Sta. 72 - Buena Vista
	2010 & 2011	23147	$ 349.6		Pump, motor & generator - Sta. 72 - Buena Vista
	2010 & 2011	23267	$ 1,700.2		Construct two storage tanks - Buena Vista
Selma	2010	21505	$ 92.3		Conversion of flat rate services to metered
	2011	21508	$ 92.3		Conversion of flat rate services to metered
	2012	21509	$ 80.2		Conversion of flat rate services to metered
Stockton	Before 2009	16025		$ 1,215.0	Construct customer service center
	2009	17203	$ -	$ 795.6	Equip new well - including monitoring well
	2010-2012	20204	$ 2,121.1		Construct and equip well
Visalia	2009	16776	$ -	$ 1,385.6	Construct and equip well - Sta. 95
	2009	16782	$ -	$ 1,496.8	Construct and equip well - Mill Creek
	2011	21123	$ 1,716.4		Conversion of flat rate services to metered
	2012	21140	$ 1,798.1		Conversion of flat rate services to metered
Westlake	2009 - 2010	14384	$ 8,800.0		Replace Harris Reservoir - 4.0-MG concrete reservoir
Willows	Before 2009	15433, 15436 & 15440	$ -	$ 1,366.1	Property purchase, construct storage tank and booster station.
	2010	20922	$ 28.4		Conversion of flat rate services to metered
	2011	20953	$ 179.8		Install liner in well at Sta. 6
	2011	20972	$ 28.4		Conversion of flat rate services to metered
	2012	20987	$ 28.4		Conversion of flat rate services to metered
Totals			$ 61,114.3	$ 11,870.2	

10.0 SPECIAL REQUESTS

Special Request #1 – Request for additional phase for rate design

ISSUE: There was no significant dispute on this issue in the Parties' testimony. Cal Water had proposed (Smegal Direct, p. 2-3) a "carve out" of an additional phase of the proceeding for rate design issues. DRA and Cal Water agree that the scoping memo set the schedule of this proceeding. The Parties may need as much time as possible to prepare adopted quantities tables for the Commission's consideration, which will include adopted revenue requirements for interim periods as discussed in the settlement of Special Request #9.

SETTLEMENT: The Parties agree to work together to prepare tariffs and other tables necessary for a full and complete adoption of the decision during the time provided.

Special Request #2 – Request for coordination with A.09-07-011

ISSUE: There was no significant dispute on this issue in the Parties' testimony. Both Cal Water and DRA recognize the need to coordinate this proceeding with A.09-07-011, which is Cal Water's request for accounting treatment of MtBE litigation settlement proceeds. Cal Water had pointed out that DRA's proposed revenue requirements might need to be modified to reflect the correct revenue requirements from removing MtBE-related plant from test year rates. Cal Water is recording this plant in service in a memorandum account for disposition after the Commission issues a final decision in A.09-07-011.

SETTLEMENT: The Parties agree to provide the Commission the proper revenue requirement tables that clearly identify and remove MtBE-related plant from this proceeding, including the effect of deferred federal income taxes, as those amounts are being recorded in a memorandum account until the conclusion of A.09-07-011.

Special Request #3 – Request for coordination with R.09-04-012 (and potentially relating to A.08-05-019, A.08-07-004)

ISSUE: There was no significant dispute on this issue in the Parties' testimony. DRA's Report agrees with Cal Water's proposal that any revenue requirement related to affiliate or excess capacity relationships may need to be adjusted after conclusion of these proceedings. However, as Cal Water stated in Rebuttal, R.09-04-012 will not be decided until after the record closes in this proceeding.

SETTLEMENT: The Parties expect a final decision in R.09-04-012 will outline compliance timelines and procedures to ensure that Cal Water is properly accounting for its affiliate and excess capacity transactions. The Parties agree to the affiliate allocations and excess capacity revenue sharing DRA proposed in this proceeding for purposes of determining test year rates.

Special request #4 – Request for A) clarification of interim rate request procedures, and B) determination of interim revenue requirements

ISSUE: There was no significant dispute on this issue in the Parties' testimony. ALJ O'Donnell's ruling and subsequent record clarification resolved Part A of this special request. DRA's testimony did not address Part B of this request, as noted in Cal Water's Rebuttal testimony. In Part B, Cal Water requested that the Commission adopt revenue requirements for each transitional interim ratemaking period, specifically the 2009-2010 fiscal test year and the 2010-2011 fiscal test year. Cal Water additionally requested the Commission order an amortization of differences between revenue collected at interim rates and adopted revenue requirements for these periods.

SETTLEMENT: The Parties agree to provide revenue requirements for each transitional interim period so that, subject to an order in this case, Cal Water may file to amortize the difference between adopted interim rates and final revenue requirements for those periods. The Parties request the Commission adopt those revenue requirements and order Cal Water to amortize the difference. The

difference between interim adopted revenue requirements and the settlement revenue requirements is shown below ($ in thousands). To normalize for changes to water costs and sales which were and are captured in the WRAM/MCBA, the table reflects revenue requirements less MCBA amounts for the interim periods. If the Commission modifies the settlement revenue requirements, this table will need to be updated.

District	Interim Revenue Requirement (Less MCBA)		Settlement Interim Revenue Requirement (less MCBA)		Difference		Total For Recovery	Recovered from RSF Surcharge Fund	Recovered through Surcharge/Surcredit
	2009-10	2010-11	2009-10	2010-11	2009-10	2010-11†			
Antelope Valley	1,499	1,499	1,555.8	1,842.5	57	172	229	1	228
Bakersfield*		46,146.5		47,238.4		546	546		546
Bear Gulch	15,281.3	15,281.3	15,802.8	17,256.7	521	988	1,509		1,509
Dixon*		1,589.3		2,021.9		216	216		216
Dominguez	16,543.9	16,543.9	16,576.6	18,227.6	33	842	875		875
Hermosa Redondo	12,677.9	12,677.9	12,720.2	14,138.1	42	730	772		772
Kern River Valley	4,630.9	4,630.9	4,656.9	4,965.8	26	167	194	38	156
King City*		2,046.4		2,555.4		254	254		254
Marysville	2,445.6	2,445.6	2,870.0	3,087.6	424	321	745		745
Oroville*		3,022.4		3,297.9		138	138		138
Palos Verdes	12,567.2	12,567.2	12,508.6	13,709.4	(59)	571	513		513
Redwood - COS	253.9	253.9	344.4	383.7	91	65	155	14	142
Redwood - LUC	1,165.7	1,165.7	1,484.1	1,532.7	318	183	502	41	461
Redwood - UNI	562.2	562.2	496.7	527.1	(66)	(18)	(83)	(2)	(81)
Selma*		3,146.5		3,703.1		278	278		278
So. San Francisco*		7,656.3		7,882.1		113	113		113
Westlake*		4,732.8		5,181.1		224	224		224
Willows*		1,431.1		1,754.7		162	162		162
Total	67,627.6	137,398.9	69,016.0	149,305.7	1,388.5	5,953.4	7,341.9	91.5	7,250.4

SETTLEMENT: The Parties agree to amortize these balances over 12 months for balances up to 5% of the district revenue requirement, 24 months for balances 5% up to 10% of the district revenue requirement, and 36 months for balances over 10% of the district revenue requirement.

Special Request #5 – Increased fees

ISSUE: There was no significant dispute on this issue in the Parties' testimony. Cal Water's Rebuttal testimony agreed with DRA's modification of Cal Water's proposed fees.

SETTLEMENT: The Parties agree that it is reasonable to charge $525 to perform fire-flow tests, $50 to restore service after disconnection for nonpayment during working hours, and $90 to restore service after hours in all Cal Water districts.

The Parties request the Commission adopt these fees as part of its Decision in this proceeding.

Special Request #6 – Non-residential Tiered Rates

ISSUE: In Cal Water and DRA's testimony, both Parties agreed that Cal Water should not be required to implement increasing block rates for non-residential customers in this general rate case. DRA pointed out that more information is necessary to determine which rate design methods to use to design equitable enhanced conservation rate designs for non-residential customers. DRA recommended that Cal Water evaluate the effects of its current non-residential rate designs as well as methods to enhance conservation rate designs for non-residential customers and present this information in the next general rate case. In addition to these recommendations, DRA had raised an issue about removing commercial customers from the Water Revenue Adjustment Mechanism/ Modified Cost Balancing Account ("WRAM/MCBA") decoupling mechanism because the WRAM/MCBA is a revenue decoupling mechanism that provides the financial incentive to adopt effective price and non-price conservation programs. DRA argued that since Cal Water is not implementing increasing block rates, it does not need revenue decoupling for non-residential customers. Cal Water noted in Rebuttal that it has proposed cost-effective conservation programs aimed at non-residential customers and that its current non-residential rate structure, while not tiered, is a conservation rate design since more of the revenue requirement is covered by volumetric charges.

SETTLEMENT: The Parties agree to defer consideration of non-residential tiered rates until the next general rate case. The Parties agree not to limit the application of WRAM/MCBA to residential customers in this Settlement. The Parties agree that the fundamental mechanism of the WRAM/MCBA, as it was adopted in D.08-02-036, will not change in this rate case cycle. The Parties also agree to a minimum data requirement for Cal Water's 2012 GRC on conservation

data as described below. Details of the WRAM/MCBA and minimum data requirement are discussed in Special Request #11 in this Settlement.

Special Request #7 – Rates for residential customers with private fire protection service

ISSUE: Cal Water proposed eliminating special rates for residential customers with fire sprinkler systems who require a larger service line. This request stemmed from Ordering Paragraph 10 of D.08-07-008, which also required Cal Water to conduct a study on where these rates might apply, and how many customers the rates could impact. Because Cal Water's proposal eliminated special consideration for this type of service, Cal Water had not performed this study.

SETTLEMENT: The Parties agree that for the duration of this GRC cycle, CWS will not implement any generic change to rate design for residential customers to address customers who pay for 1-inch metered service solely to meet fire protection requirements. CWS will delay providing the information from ordering paragraph 10 of D.08-07-008 until its next GRC.

Special Request #8 – Recognize subsequent offsets

ISSUE: This was not a controversial issue. Cal Water requested that the final decision reflect any offset rate increases received during the rate case processing period. DRA agreed. However, in the course of negotiating a settlement, Parties realized this issue may extend to previously authorized advice letter rate base offsets. The Parties then expanded their Settlement to cover this situation.

SETTLEMENT: The Parties agree to reflect the present rates and last adopted offset water production costs (purchased water, purchased power, and pump taxes) in the final tables attached to the decision.

The Parties agree that the Commission has authorized Cal Water to file advice letters to recover costs of certain capital projects in past GRCs. The Parties have individually and independently agreed on treatment of these projects in the capital projects settlement, reflecting updates to timing, costs, and need for these projects.

The Parties note, however, that certain of these previously authorized advice letter projects continue to be excluded from the revenue requirement in the Settlement. This is the case for projects where the Parties agree to extend the deadline for advice letter filing or for other advice letter projects where costs are still too uncertain to include in adopted revenue requirements. In order to ensure reasonable continuing recovery of costs, the Parties agree that the adopted rates in this decision should not discontinue any surcharge or delineated rate component for a rate base offset advice letter approved prior to the implementation of rates from this proceeding.

Cal Water agrees to clearly indicate to the Division of Water and Audit in its advice letter filings whether the project is included in adopted revenue requirements agreed to in this Settlement. If a project is included in the revenue requirement, Cal Water will file for rate recovery only for the period until the rates from this proceeding are effective. If an advice letter capital project is not included in the test year revenue requirement, Cal Water will request a dedicated rate component such as a surcharge to enable the revenue requirement to survive the adoption of rates in this proceeding.

Cal Water Advice Letter Project Extensions (05, 06, and 07 GRCs)						
District	GRC Year	Project	Short Description	New Deadline	Advice Letter Cap	Included in 2011 plant?
Antelope Valley	2005	14467	Chloramination Facilities	1/1/2014	$ 108,000	No
Antelope Valley	2005	14468	Chloramination Facilities	1/1/2014	$ 108,000	No
Bear Gulch	2005	4288, 12920,12922, 13154	Fish Passage Improvements	1/1/2014	$ 1,045,000	No
Chico	2007	16923	Drill & Develop New Well	1/1/2012	$ 667,800	No
Chico	2007	17098	Equip a new well at station 80	1/1/2012	$ 677,200	No
Dominguez	2005	13540-13543	Well construction	1/1/2014	$ 1,094,000	No
East Los Angeles	2007	18197	Iron and Manganese treatment at Sta 51	1/1/2014	$ 1,911,200	No
Stockton	2007	17203	Construct Well	1/1/2014	$ 795,000	No
Stockton	2007	16025	Construct Customer Service Center	1/1/2014	$ 1,215,000	No
Visalia	2007	16782	New well at Mill Creek	1/1/2014	$ 1,496,800	No
Visalia	2007	16776	New Well at Station 95	1/1/2014	$ 1,385,555	No
Willows	2006	15433, 15436, 15440	Pumped Storage facility	1/1/2014	$ 1,366,100	No

Cal Water Advice Letter Projects to be filed prior to 1/1/2011 (2005, 06, and 07 GRCs)						
District	GRC Year	Project	Short Description	New Deadline	Advice Letter Cap	Included in 2011 plant?
Bakersfield	2006	15379	Reconstruction of Parking Area at Center	1/1/2011	$ 400,000	No
Bakersfield	2006	15108	Expand Northeast Treatment Plant	1/1/2011	$ 648,000	No
Chico	2007	17108	Equip new well on Springfield Drive	1/1/2011	$ 679,900	No
Chico	2007	17002	Main Replacement	1/1/2011	$ 938,300	No
East Los Angeles	2007	16077	New well and pump house - Station 39	1/1/2011	$ 1,362,500	No
Selma	2006	14673	New Well	1/1/2011	$ 871,250	No
Selma	2006	13828	Pumped Storage Facility	1/1/2011	$ 1,255,625	No
Stockton	2007	16821	Arsenic Reduction at Sta 51-01 or 70-01	1/1/2011	$ 132,085	No
Westlake	2006	14370	Upgrade Booster Station 5	1/1/2011	$ 492,000	No

Special Request #9 – Amortization of balancing and memorandum account balances

ISSUE: Cal Water requested amortization of various memorandum and balancing accounts. DRA's Report concluded that Cal Water should amortize balances by filing advice letters under General Order 96-B. Cal Water generally agreed with this analysis in its Rebuttal, except for memorandum and balancing accounts with specific provisions for amortization in a general rate case.

SETTLEMENT: The Parties agree Cal Water should be ordered to file an advice letter within 90 days to amortize the remaining balances in its incremental cost balancing accounts for all districts that have not previously met the 2% trigger stated in D.03-06-072. The Parties further agree that Cal Water should be ordered to file an advice letter within 90 days to amortize its water conservation memorandum account and its water conservation one-way balancing accounts. The Parties further agree that Cal Water will seek recovery of other

memorandum account balances by filing advice letters in accordance with General Order 96-B.

Special Request #10 – Merger of South San Francisco and Mid-Peninsula ratemaking areas

ISSUE: This was not a controversial issue. Cal Water proposed merging the rates of two rate areas, which are operated out of a shared customer and operations center. DRA agreed, conditioned on recovery of administrative savings, which it asked Cal Water to define in its Rebuttal Testimony. Cal Water's Rebuttal explained that it could expect administrative savings of $20,000 per year through a rate consolidation.

SETTLEMENT: The Parties agree to merge the South San Francisco and Mid - Peninsula Districts for ratemaking purposes, subject to a reduction in annual revenue requirement of $20,000 to be applied in this rate cycle to the South San Francisco District, whose customers have slightly increased rates as a result of the merger. In the rate design period, DRA and Cal Water will propose rates that reflect a merged revenue requirement.

Special Request #11 – Review parameters of conservation rates

ISSUE: Cal Water proposed a general review of conservation rate designs to be addressed in its proposed (Special Request #1) rate design phase of the proceeding. Cal Water did not propose specific new rate designs (apart from its Special Request #7 to implement lower service charge ratios for larger residential meters). Cal Water anticipated that minor changes might need to be made to tier breakpoints, the Commission might want to increase tier separation, and the Commission might want to consider long-run marginal cost pricing. DRA disagreed with changing the rate design parameters or policies at this time, due primarily to lack of data regarding the effect of the present rate designs and lack of specific rate design proposals. DRA also pointed out that Cal Water's

workpapers erroneously changed conservation rate designs. Cal Water acknowledged in Rebuttal that the scoping memo for this proceeding, limiting the rate design window, would likely prevent any comprehensive analysis of rate structures, but wished to retain the ability to make minor fixes in rates to further the principles agreed-to in D.08-02-036.

SETTLEMENT: As stated in Cal Water's Rebuttal Testimony, DRA and Cal Water's positions were not significantly different. Therefore, the Parties agree they will make no changes to conservation rate principles adopted in their Settlement in D.08-02-036. When given the opportunity, the Parties will design rates to implement the revenue requirements in this proceeding using these rate design principles. The Parties acknowledge they will be required by their settlement of Special Request #10 to develop new combined conservation rates for the Bayshore (South San Francisco and Mid Peninsula) District. The Parties also agree, in conjunction with Special Requests 6 and 28 and with DRA's testimony on treatment of WRAM under-collections, that Cal Water will provide additional data and analysis as a minimum data requirement of filing its 2012 GRC. This data and analysis will enable the Commission to determine, for instance, whether it is reasonable and appropriate to design a "last tier" at the long-run marginal cost of water in a district, or whether adjustments are necessary to tier breakpoints.

GENERAL SETTLEMENT ON WRAM/MCBA ISSUES:

In order to resolve multiple proposed changes to the Water Revenue Adjustment Mechanism and Modified Cost Balancing Account by both Cal Water and DRA, the Parties agree to the following:

1. In this rate case cycle, the Commission should not change the fundamental mechanism of the WRAM/MCBA as it was adopted in D.08-02-036. Specifically, other than the modifications listed below in this special request, and in Cal

Water's anticipated petition to modify D.08-02-036 mentioned in Special Request #29, the Parties agree not to change stipulations on the WRAM/MCBA adopted in D.08-02-036, such as the customer classes, and the recovery of over- and under-collections, consistent with adopted amortization periods.

2. The Trial Program referenced in Section III of the settlement adopted in ordering paragraph 1 of D.08-02-036 will be extended for the duration of this general rate case cycle, and reviewed in the next general rate case filing.

3. To remove potential double-counting and under-counting inequities, the Commission should include recycled water sales in the WRAM/MCBA in the districts with recycled water tariffs as of the anticipated effective date of rates in this proceeding (January 1, 2011). As of the adoption of this change, Cal Water should concurrently cancel its recycled water memorandum account.

4. Cal Water agrees to provide a report, as an additional "Minimum Data Requirement" of its 2012 General Rate Case filing, detailing and analyzing at least the following:

a. Data, analysis, and narrative of usage trends by customer class and district, with particular emphasis on changing patterns of use (seasonal variations and differences in tier use). Cal Water should also include customer usage information by month for the duration of the pilot program as available when it files the 2012 GRC application.

b. Data and analysis of customer disconnection activity, by customer class and district, including data on the following:

1. Total disconnections
2. Disconnections of LIRA customers
3. Time periods meters are inactive

c. Data and analysis on how customer bill patterns have changed, by customer class and district.

d. Data and analysis demonstrating the long-run marginal cost of water supplies in each district.

e. Analysis and evaluation of increasing block rates or other enhanced conservation rate designs, such as seasonal rates for non-residential customers. Cal Water should present the results of its analysis and resulting proposal to enhance conservation rate designs for non-residential customers in its next GRC.

f. Cost and time estimates associated with any proposals for conservation rate design changes in the next GRC.

g. Calculation of the dollar differences between adopted and actual quantity revenues, including WRAM/MCBA surcharges and surcredits by customer class, for each customer class included in the WRAM/MCBA.

5. Cal Water agrees that in the event information on long-run marginal costs is available prior to the 2012 rate case filing, it will meet and confer with DRA to provide and explain this information at a mutually agreeable time.

Special Request #12 – Continuation and enhancement of Rate Support Fund

ISSUE: Cal Water requested increasing the amount of Rate Support Fund ("RSF") surcredit in each of the five ratemaking areas. DRA recommended Cal Water continue the RSF balancing account and subsidy program, while maintaining the same volumetric surcharge of $0.009/Ccf.

SETTLEMENT: This issue is the subject of a separate settlement agreement..

Special Request #13 – Rate Phase In

ISSUE: Cal Water proposed phasing-in rates in certain districts with a combination of large rate increases, large past rate increases, and economic

conditions. DRA proposed to phase in rates using the Commission's standard phase-in practice for increases greater than 50%.

SETTLEMENT: The Parties agree to phase-in rates over two years in the Coast Springs service area due to the proposed 71.3% increase in rates, No other district meets the criteria set out by DRA or Cal Water in their respective testimony in this proceeding. However, the Parties did agree to phasing-in the rates proposed for the Kern River Valley District over a two-year period based upon the immediate rate impact of amortizing the 2009 WRAM/MCBA balances in 2011 that Cal Water proposes in its application to modify D.08-02-036. The proposed rate increase for the Kern River Valley District is 25.4% for the test year before the phase-in.

Special Request #14 – Modify Methods of Escalation

ISSUE: a) Cal Water requested to deviate in this proceeding from the Rate Case Plan method of escalation by including greater escalation for health care expenses, adding a provision for employees hired during the test year or during an escalation year, and by including a provision for expense changes due to capital projects. DRA did not agree that the Commission should allow such deviations in a single company rate case., b) DRA argued that a personnel "offset" approved by settlement in D.08-07-008 was subject to a P.U. Code section 792.5 reserve account that would record Cal Water's underspending on personnel. In Rebuttal, Cal Water argued that the provision in D.08-07-008 was not an offset within the meaning of section 792.5. Cal Water further argued that even if a reserve account had been triggered, the net balance would reflect a small under-collection.

SETTLEMENT: The Parties do not propose changing the escalation procedures outlined in the Rate Case Plan. The Parties do, however, elect to isolate three significant expense items from escalation in accordance with procedures outlined in Step 4 on page A-19 of D.07-05-062. The Parties exclude these three

significant line items, employee health insurance, retiree health insurance, and conservation expenses, from escalation but enumerate a fixed 3-year budget for those specific costs. Please refer to the settlement of Special Request #22 and to the conservation settlement for more detail.

The Parties also agree to require Cal Water to make an information-only filing with the Division of Water and Audits ("DWA") to document its calculations that pertain to a minimal net impact of a hiring lag on the general office offset approved in D.08-07-008. The Parties agree not to require a Section 792.5 reserve account for this expense change at this time.

The Parties further agree as a result of their discussions of the flat-to-meter program discussed extensively above, that Cal Water should verify the progress of its flat-to-meter conversions in the escalation years. In each escalation filing advice letter for the Bakersfield, Chico, Marysville, Oroville, Selma, Visalia, and Willows Districts, Cal Water will show the progress through September 30 of the flat-to-meter conversions and adjust the adopted flat and metered service counts for the escalation year rate design and adopted quantities to ensure escalation-year WRAM adopted quantities accurately reflect customers served. The Parties agree this process is necessary and reasonable to ensure that a delay or acceleration in the metering program does not cause Cal Water to make illogical entries into the WRAM balancing account.

Special Request #15 – Weather Normalized Earnings Test

ISSUE: Cal Water requested to eliminate the weather normalized earnings test on escalation increases, or alternatively to allow Cal Water to defer its escalation filings until such time as it would meet the test. Cal Water stated that this delay would be consistent with the provisions of the Water Action Plan. DRA argued that these changes should not be made in a single company general rate case.

SETTLEMENT: The Parties agree to not change the calculation or application of the weather normalized earnings test for escalation and attrition filings in this General Rate Case.

Special Request #16 – Finding on Water Quality

ISSUE: There is no dispute in this area. Cal Water requested that the Commission make a finding on Water Quality. While DRA does not recommend a particular finding on water quality, its Reports on the Operation of Cal Water districts do contain its opinions on the status of water quality in each district. Moreover, based on DWA's report from Ms. Rocha, the Commission should find that Cal Water complies with state and federal water quality standards.

SETTLEMENT: There is no issue to settle.

Special Request #17 – Conditional Waiver of Notice for escalation increases

ISSUE: There is no issue between the Parties. In response to DRA's testimony, Cal Water withdrew its request.

SETTLEMENT: No settlement is necessary as Cal Water withdrew its request.

Special Request #18 – AMI Pilot in East Los Angeles

ISSUE: Cal Water proposed a pilot evaluation of advanced metering infrastructure in its East Los Angeles District. Cal Water management believed it was required by its response to Ordering Paragraph 10 of D.07-12-055 to propose this pilot. DRA's Report suggested that the pilot was misplaced as the Commission had an interest in the AMI opportunity in Bakersfield coincident with the large flat-to-meter conversion project there. DRA also stated that the pilot had limited goals and would not yield comprehensive results. DRA suggested that the Commission institute a Rulemaking on AMI for water companies. Cal Water stated in Rebuttal that the East Los Angeles pilot selection was due to opportunity, because the district already had AMI network equipment in place for some industrial customers there. Cal Water's Rebuttal also described the potential measurable benefits of the pilot.

SETTLEMENT: The Parties agree not to include funds for an AMI pilot in East Los Angeles in this General Rate Case. Parties anticipate examining this subject within a generic proceeding, such as a new Rulemaking or a continuation of the Conservation OII.

Special Request #19 – Continue Rate Base offset pilot methodology and delay reporting on pilot program

ISSUE: Cal Water requested continuing a pilot first adopted in D.08-07-008, which allowed immediate implementation of rates for rate base offsets while the advice letter is being reviewed. Cal Water also requested delaying reporting on the results of the pilot because no advice letters had been filed under its provisions at the time of the application filing. DRA's Report pointed out that the Commission had amended General Order 96-B since Cal Water's pilot had been authorized. The amendment allows DWA to process "capped" advice letters as Tier 2 (30-day) filings. Therefore, DRA argued that the relief granted in the pilot was no longer necessary. Cal Water in its Rebuttal Testimony agreed to this provision.

SETTLEMENT: The Parties agree to end the advice letter rate base offset pilot as originally contemplated. The Parties request that the Commission find that it is no longer necessary for Cal Water to comply with Ordering Paragraph 9 from D.08-07-008.

Special Request #20 – Request for confirmation of compliance with D.08-03-020

ISSUE: Cal Water requested the Commission find it in compliance with Ordering Paragraphs 3, 4, 5, and 8 of D.08-03-020. DRA stated in its testimony that Cal Water had only partially complied with the Ordering Paragraphs and that more information must be provided. In its Redwood Valley Results of Operation

Report, CWS presented an appendix that addresses the requirements of the Ordering Paragraphs of D.08-03-020. Based upon DRA's review of the Report contained in the appendix, CWS has complied with most aspects of the Orders of the Decision. Cal Water agreed with DRA that it had more tasks to complete before it was fully in compliance with the Order, but stated that it pursued solutions in good faith and needed more time to comply.

SETTLEMENT: Cal Water should be ordered to complete compliance with Ordering Paragraphs 3, 4, 5, and 8 of D.08-03-020 by making an information-only filing with the Division of Water and Audit within 90 days of the date of a Decision in this proceeding or March 31, 2011, whichever is sooner. Parties agree on capital budgets for the Coast Springs rate area as part of this Settlement agreement for 2009-2012, so any capital project contemplated as part of this informational filing can be evaluated for inclusion in rates in the next General Rate Case.

The information only filing should describe project costs, the amount of additional water the project expects to produce, the required permits for each project, and the timeframe for completion for:

1) altering the physical characteristics of Dillon Creek
2) installing an additional well downstream of Well No. 4
3) diverting downstream water to above-ground storage near Well No. 4

In addition, the information filing will provide information on Coast Springs' rate area meters, including their age, size, type, rated accuracy, and last date of maintenance or testing.

Special Request #21- Pension Balancing Account

ISSUE: There was no significant dispute on this issue in the Parties' testimony. Cal Water sought a finding and order authorizing a balancing account to track the difference between authorized pension contributions included in rates in this proceeding and the costs actually incurred. Cal Water cited other Commission-regulated utilities with Pension balancing accounts and examples of volatile

market conditions, which made pension contributions volatile and outside Cal Water's control. (Application at 12) DRA recommended the balancing account be approved subject to certain conditions, namely:

(a) The amounts to be recorded in the proposed balancing account will be limited to the actual cash contributions to the Plan with CWS' recovery of costs for ratemaking purposes capped at the minimum level of Plan expense calculated according to CWS' prescribed method of rate recovery for each concurrent year.

(b) The balancing account should track for possible future recovery only prospective costs, that is, costs accumulated as of the date the balancing account is approved.

(c) The balancing account should be subject to a prudency/reasonableness review, and be subject to recovery one of two ways: (1) through a separate application or a Tier 3 advice letter, or (2) as part of a general rate case filing. Recovery of Plan costs should be subject to CWS meeting its burden of proof that such costs were reasonable and prudent.

(d) CWS should not be permitted to change its method of the Plan's accounting for ratemaking purposes for a period of five years after the start of the balancing account.

(e) CWS should only be allowed to file a Tier 3 advice letter for recovery/refund of any under or over collection if the amount exceeds 2% of currently authorized revenue requirement for each district. (DRA Special Request Report pages 21-2 through 21-3)

Cal Water's Rebuttal Testimony on this point requested clarification on 1) the definition of qualifying expenses, 2) the process for recovery; and 3) conditions under which Cal Water may change its pension accounting. These clarifications would allow the balancing account to function properly. (Cal Water Rebuttal p.322) Cal Water wished to clarify that it would record SFAS 87 expense to the account that normally has a component to adjust for past under- or over-funding. The annual SFAS 87 expense is a prospective cost in any year regardless of its

components. Cal Water also pointed out that the tracked expense is allocated among expense, capital, overhead, and unregulated activities. The tracking should be clear in the accounting mechanism to ensure no omitted or duplicated recovery of costs. Second, Cal Water pointed out that DRA's request for Tier 3 processing was not consistent with other pension balancing accounts. Cal Water proposed Tier 2 processing any time the total Company balance exceeds 2% of revenue requirement or in a general rate case. Finally, Cal Water requested clarification that changes in assumptions reflecting current market, interest rate, or demographic conditions should not be considered "changes in accounting" as these are standard practices used to develop SFAS 87 requirements. In addition, Cal Water may be required by changes to federal or state law including any ERISA or FASB changes. Cal Water should be allowed adjust its accounting, with justification, to comply with laws or actions of regulatory authorities.

SETTLEMENT: The Parties agree to Cal Water's modification of DRA's conditions and request the Commission adopt a balancing account for pension costs, which reflects the following:

(a) The amounts to be recorded in the balancing account will be limited to the difference between SFAS 87 expense calculated by Cal Water's actuarial expert and recorded as expense[11] and Cal Water's recovery of costs for ratemaking purposes. In any filing, Cal Water will demonstrate its continued compliance with SFAS 87.

(b) The balancing account should have an effective date concurrent with the effective date of rates in this proceeding and shall apply to Cal Water's expensed SFAS 87 amounts after that date.

(c) The balancing account should be subject to recovery one of two ways: (1) through a Tier 2 advice letter if the accumulated balance in the plan exceeds 2% of Cal Water's total company adopted revenue requirement, or (2) as part of a general rate case filing. Recovery of

[11] To differentiate from capitalized benefits or those attributable to non-regulated or out-of-state areas.

Plan costs should be subject to Cal Water meeting its burden of proof that such costs were reasonable and prudent.

(d) Cal Water should not be permitted to change its method of the Plan's accounting for ratemaking purposes except as required by changes in state or federal law, or as directed by the FASB. Changes in assumptions reflecting current market, interest rate, or demographic conditions should not be considered "changes in accounting" as these are standard practices used to develop SFAS 87 requirements. Cal Water must prove the reasonableness of any change in accounting in a general rate case proceeding.

The Parties agree that Cal Water shall file an Advice Letter to amortize the balancing account for pension costs if the balance exceeds the 2% threshold.

Special Request #22 - Memorandum account for health care expenses

ISSUE: Cal Water had requested a memorandum account for health care and retiree health care expenses. DRA had objected to the memorandum account based on duplication of the request for health care escalation adjustments and because it undermined test year ratemaking principles.

SETTLEMENT: The Parties agree on an estimate for test year health care and retiree health care expenses. The Parties agree to remove health care expense and retiree health care expense from any calculations of revenue requirement changes for Cal Water's 2012 escalation and 2013 attrition advice letter filings. Health care is a significant expense item subject to exclusion from escalation according to the Rate Case Plan. The Commission's Rate Case Plan requires an adjustment for "all non-recurring and significant expense items," and thus expressly removes certain items from the escalation process. (D.07-05-062, Appendix A, p. A-19 (Step 4)) In lieu of escalation, the Parties agree on a specific employee and retiree health care expense to be used for 2012 and 2013 in the escalation and attrition filings. In aggregate and before allocation, these values are $12,038,300 in the test year, $12,820,800 in 2012, and $13,654,200

in 2013 for employee health care cost; $5,591,300 in 2011, $5,587,800 in 2012, and $5,587,800 in 2013 for retiree health care cost. These totals are allocated to ratemaking districts as shown below (numbers are in thousands).

Group Health Benefits Summary

	2011	2012	2013
Antelope Valley	47.7	50.8	54.1
Bakersfield	1,429.9	1,522.8	1,621.8
Bear Gulch	367.7	391.6	417.0
Chico	490.2	522.1	556.1
Dixon	40.9	43.5	46.3
East Los Angeles	626.4	667.1	710.5
King City	54.5	58.0	61.8
Livermore	245.1	261.1	278.0
Los Altos Suburban	326.8	348.1	370.7
Marysville	102.1	108.8	115.8
Oroville	136.2	145.0	154.5
Salinas	503.9	536.6	571.5
Selma	108.9	116.0	123.6
Stockton	735.4	783.2	834.1
Visalia	667.3	710.7	756.8
Willows	54.5	58.0	61.8
Westlake	122.6	130.5	139.0
Kern River Valley	136.2	145.0	154.5
Redwood Valley			
CS	10.5	11.2	11.9
LUC	53.3	56.7	60.4
UNI	17.9	19.1	20.3
Rancho Dominguez			
DOM	553.6	589.6	627.9
HR	443.4	472.2	502.9
PV	405.6	432.0	460.1
Bayshore District			
SSF	170.9	182.0	193.9
MPS	373.8	398.1	424.0
GO	3,813.0	4,060.9	4,324.8
TOTAL	12,038.3	12,820.8	13,654.2

Retiree Group Health Benefits Summary

	2011	2012	2013
Antelope Valley	22.1	22.1	22.1
Bakersfield	670.5	670.0	670.0
Bear Gulch	170.8	170.7	170.7
Chico	234.0	233.9	233.9
Dixon	19.0	19.0	19.0
East Los Angeles	284.6	284.4	284.4
King City	25.3	25.3	25.3
Livermore	113.9	113.8	113.8
Los Altos Suburban	151.8	151.7	151.7
Marysville	47.4	47.4	47.4
Oroville	63.3	63.2	63.2
Salinas	234.0	233.9	233.9
Selma	50.6	50.6	50.6
Stockton	347.9	347.7	347.7
Visalia	291.0	290.8	290.8
Willows	25.3	25.3	25.3
Westlake	56.9	56.9	56.9
Kern River Valley	63.3	63.2	63.2
Redwood Valley			-
CS	4.9	4.9	4.9
LUC	24.7	24.7	24.7
UNI	8.3	8.3	8.3
Rancho Dominguez			-
DOM	257.1	257.0	257.0
HR	205.9	205.8	205.8
PV	188.4	188.3	188.3
Bayshore District			-
SSF	79.4	79.3	79.3
MPS	173.6	173.5	173.5
GO	1,777.3	1,776.2	1,776.2
TOTAL	5,591.3	5,587.8	5,587.8

As a part of this Settlement, the Parties agree to a limited and specific memorandum account that covers unknown and potentially significant changes to costs related to the federal health care bill passed by Congress in April 2010. The account should be limited to tracking differences in cost for the following provisions:

1. Any reimbursement received from the temporary reinsurance program for pre-Medicare retirees, that, according to currently available information, will provide 80% coverage for claims between $15,000 and $90,000 for retirees aged 55 through 64. The Parties are unable to determine at this

time whether Cal Water's health plan is eligible for such a subsidy, or how long funds may be available. Congress has set a $5 billion limit until 2013 for this reinsurance program.

2. Any incremental costs for health care stop-loss insurance, provided that Cal Water will not lower its stop-loss deductible from the current amount of $275,000 per covered individual. The federal legislation removes lifetime caps on coverage, which are currently set in Cal Water's Health Care Plan at $1 million per covered individual. In addition, if Cal Water is unable to obtain health care cost stop-loss coverage, the memorandum account will record claims expenses, which would have previously been covered by Cal Water's stop-loss policies.
3. Any incremental costs for dependents of employees who qualify for coverage under the new federal legislation (dependents until age 26), but who would not have been covered under previous terms of Cal Water's plan. Federal legislation requires health care plans to cover dependents up **to** age 26, while Cal Water's current plan covers dependents up to age 19 unless they are full-time students up to age 23 or permanently disabled while eligible for coverage.

Special Request #23 – Blanket Water Quality Memorandum Account

ISSUE: There is no issue between the Parties. In response to DRA's testimony, Cal Water withdrew its request.

SETTLEMENT: No settlement is necessary. Cal Water withdrew its request.

Special Request #24 - FLUORIDE MEMO ACCT

ISSUE: There is no issue between the Parties. In response to DRA's testimony, Cal Water withdrew its request.

SETTLEMENT: No settlement is necessary. Cal Water withdrew its request.

Special Request #25 – Higher AFUDC rate for large capital projects

ISSUE: Cal Water requested accruing Allowance for Funds Used During Construction (AFUDC) at its cost of capital for its projects to construct a second transmission pipeline and related facilities in Palos Verdes and a large treatment plant in Bakersfield. DRA responded that Cal Water had not requested a revenue requirement for either project in this GRC, that the Palos Verdes project was uncertain as to timing, and that the Bakersfield treatment plant was not a large investment due to the shared benefit of the plant with the City of Bakersfield (a neighboring municipal water utility). DRA proposed that Cal Water should book interest during construction (IDC) at a 90-day commercial paper rate.

SETTLEMENT: The Parties agree Cal Water will calculate IDC for all projects consistent with SFAS 34, which the Parties understand Cal Water applies by weighting outstanding short-term debt and long-term debt to calculate total interest applicable to construction work in progress. Cal Water will calculate the weighted interest rate monthly and adjust its IDC rates applied to projects at least quarterly. With respect to Special Request 25, Cal Water agrees that this methodology should be applied in its separate application filings for the General Office building expansion, Bakersfield treatment plant, and Palos Verdes pipeline project.

Special Request #26 - RATEBASE TREATMENT FOR CONSERVATION FIXTURES

ISSUE: Cal Water requested a ruling that it could treat installations of certain fixed devices for conservation purposes as an investment, subject to recovery in rates over time. Cal Water stated that since the benefit lasts longer than the current year, future ratepayers should share in the funding of the projects. DRA objected that Cal Water did not specify the particular projects and that the request was therefore difficult to evaluate in this proceeding. DRA also was concerned about liability for these devices and other legal concerns regarding

ownership. Cal Water explained in Rebuttal that the ratemaking treatment was not connected to legal ownership but rather the effective statistical life of the devices.

SETTLEMENT: Cal Water withdrew this request as part of the conservation program settlement.

Special Request #27 – Recovery for unanticipated "Green" projects

(This issue is not settled)

Special Request #28 – Modified WRAM/MCBA for Recycled water

ISSUE: Cal Water proposed including recycled water in its WRAM and MCBA to avoid unintended consequences from changes in customer usage between the two classes of service. DRA conditionally agreed, though it also proposed to eliminate all non-residential service from the WRAM and MCBA mechanism.

SETTLEMENT: The Parties agree to include revenue from recycled water in the WRAM. Parties agree to include costs of recycled water in the MCBA. Cal Water should be required to file an Advice Letter to modify its preliminary statement M to reflect these changes within 30 days of the effective date of the decision in this proceeding. Cal Water should concurrently close its Recycled Water memorandum account. Cal Water should report on any balance in the Recycled Water memorandum account in its next General Rate Case and request any amortization in that proceeding.

Special Request #29 - Modified Recovery for WRAM/MCBA balances which do not trigger

ISSUE: Cal Water had proposed to modify the amortization of balances in its WRAM and MCBA accounts to allow it to comply with Emerging Issues Task Force (EITF) paper 92-7. The Settlement between DRA, Cal Water, and TURN had placed a "trigger" on amortizations of 2.5% of district revenue requirement.

Therefore, if a district balance in the WRAM/MCBA did not reach the trigger, the balance would not be recovered until a GRC. Cal Water requested to allow recovery of these balances at least every other year. DRA objected to this change as it stated the Commission could not change a decision in this other proceeding, and the Commission was not obligated to change its regulation to meet accounting rules. DRA also stated that Cal Water should have known about EITF 92-7 when it agreed to the Settlement adopted in D.08-02-036.

SETTLEMENT:
During and after settlement discussions, Cal Water realized this was a larger issue involving situations and factors beyond the triggering mechanism. Therefore, Cal Water is addressing this issue as part of its anticipated petition to modify D.08-02-036. Therefore, there is no need for the Commission to address this issue in the general rate case proceeding.

Special Request #30 - Cal Water's request for a memorandum account for conversion to International Financial Reporting Standards ("IFRS")

ISSUE: Cal Water requested the account to capture the costs associated with the proposed conversion. DRA was not convinced in its testimony that International Financial Reporting Standards ("IFRS") would be implemented in the rate case cycle.

SETTLEMENT: The Parties agree that based on presently available information, the costs Cal Water may incur as a result of a potential conversion to IFRS are unknown and may be significant. Cal Water's compliance with SEC mandates is beneficial to ratepayers because it allows Cal Water continuing access to capital markets to finance capital investments. However, the Parties do not have a clear understanding that the IFRS will be adopted and whether any adoption will impact Cal Water's revenue requirements before 2014, the next GRC effective date.

The Parties agree that Cal Water should be authorized to file, by a Tier 2 Advice Letter, a memorandum account to track costs required to comply with a conversion to IFRS. Such Advice Letter can only be filed after the Securities and Exchange Commission provides clear guidance for companies on the timelines and actions necessary to implement IFRS. Cal Water's Advice Letter filing should provide a clear explanation and documentation of the SEC action. This memorandum account, if approved, will expire at the beginning of the test year of the next general rate case.

11.0 RATEBASE COMPARISON TABLES

RATEBASE COMPARISON TABLE

Antelope Valley District

WEIGHTED AVERAGE DEPRECIATED RATE BASE

TEST YEAR 2011

Item	Utility	DRA	Settlement
	(Thousands of $)		
Wtd.Avg. Plant in Serv.	12,025.7	9,136.2	9,605.6
Materials & Supplies	22.4	22.4	22.4
Working Cash-Lead/Lag	86.9	39.5	76.9
Working Cash-W/H Empl.	(0.5)	(0.5)	(0.5)
Total Working Cash.	86.4	39.0	76.4
Wtd. Avg. Depr. Res.	2,728.2	2,655.4	2,660.7
Adjustments:			
Advances	450.4	450.4	450.4
Contributions	387.2	388.5	388.4
Amort. of Intang.	25.8	0.0	0.0
Deferred Taxes	380.0	350.4	360.8
Unamort. ITC	5.3	5.3	5.3
Prorated G. O. R.B.	172.8	116.3	133.1
Taxes on - Advances	8.2	8.2	8.2
Taxes on - CIAC	30.5	30.5	30.5
Average Rate Base	8,369.1	5,502.6	6,010.5
			6,010.5

RATEBASE COMPARISON TABLE

Antelope Valley District

WEIGHTED AVERAGE DEPRECIATED RATE BASE

ATTRITION YEAR 2012

Item	Utility	DRA	Settlement
	(Thousands of $)		
Wtd.Avg. Plant in Service	15,291.6	9,801.2	10,303.2
Material & Supplies	22.4	22.4	22.4
Working Cash - Lead / Lag	90.4	23.0	73.5
Working Cash - W/H Empl.	(0.5)	(0.5)	(0.5)
Total Working Cash.	89.9	22.5	72.9
Wtd. Avg. Depr. Reserve	3,149.5	2,919.9	2,941.6
Adjustments:			
Advances	464.4	464.4	464.4
Contributions	389.8	392.2	392.0
Amort. of Intang.	36.2	0.0	0.0
Deferred Taxes	414.2	364.0	380.8
Unamortized ITC	5.0	5.0	5.0
Prorated G. O. Rate Base	167.8	101.1	124.5
Taxes on - Advances	9.3	9.3	9.3
Taxes on - CIAC	30.6	30.6	30.6
Average Rate Base	11,152.5	5,841.6	6,379.1
			6,379.1

RATEBASE COMPARISON TABLE

Bakersfield District

WEIGHTED AVERAGE DEPRECIATED RATE BASE

TEST YEAR 2011

Item	Utility	DRA	Settlement
	(Thousands of $)		
Wtd.Avg. Plant in Serv.	273,731.9	246,497.3	255,739.8
Materials & Supplies	602.0	602.0	602.0
Working Cash-Lead/Lag	4,828.7	3,662.0	4,508.4
Working Cash-W/H Empl.	(19.2)	(19.2)	(19.2)
Total Working Cash.	4,809.5	3,642.8	4,489.2
Wtd. Avg. Depr. Res.	80,241.0	79,263.9	78,740.0
Adjustments:			
Advances	54,150.8	54,150.8	54,150.8
Contributions	17,798.1	10,472.7	10,488.8
Amort. of Intang.	420.4	420.4	420.4
Deferred Taxes	18,851.1	18,851.1	17,836.9
Unamort. ITC	284.6	284.6	284.6
Prorated G. O. R.B.	6,217.9	4,181.0	4,790.2
Taxes on - Advances	1,851.9	1,851.9	1,851.9
Taxes on - CIAC	511.3	516.7	511.3
Average Rate Base	115,978.5	93,848.2	106,062.8
			106,062.8

RATEBASE COMPARISON TABLE

Bakersfield District

WEIGHTED AVERAGE DEPRECIATED RATE BASE

ATTRITION YEAR 2012

Item	Utility	DRA	Settlement
	(Thousands of $)		
Wtd.Avg. Plant in Service	288,296.2	254,654.9	265,868.5
Material & Supplies	602.0	602.0	602.0
Working Cash - Lead / Lag	4,944.5	3,599.2	4,556.0
Working Cash - W/H Empl.	(19.2)	(19.2)	(19.2)
Total Working Cash.	4,925.3	3,580.0	4,536.8
Wtd. Avg. Depr. Reserve	87,439.4	85,772.8	85,796.5
Adjustments:			
Advances	57,534.1	57,534.1	57,534.1
Contributions	17,541.6	10,450.1	10,469.4
Amort. of Intang.	504.4	504.4	504.4
Deferred Taxes	19,246.9	19,246.9	16,323.1
Unamortized ITC	270.0	270.0	270.0
Prorated G. O. Rate Base	6,032.8	3,638.7	4,481.2
Taxes on - Advances	1,719.1	1,719.1	1,719.1
Taxes on - CIAC	463.6	470.6	463.6
Average Rate Base	119,502.6	90,887.0	106,773.7
			106,773.7

RATEBASE COMPARISON TABLE

Bear Gulch District

WEIGHTED AVERAGE DEPRECIATED RATE BASE

TEST YEAR 2011

Item	Utility	DRA	Settlement
	(Thousands of $)		
Wtd.Avg. Plant in Serv.	96,663.9	83,968.1	90,806.4
Materials & Supplies	290.7	290.7	290.7
Working Cash-Lead/Lag	452.8	72.4	337.0
Working Cash-W/H Empl.	(6.8)	(6.8)	(6.8)
Total Working Cash.	446.0	65.6	330.3
Wtd. Avg. Depr. Res.	29,500.2	29,235.5	29,307.1
Adjustments:			
Advances	1,153.4	1,153.4	1,153.4
Contributions	5,088.7	5,091.0	5,091.5
Amort. of Intang.	234.7	228.3	206.0
Deferred Taxes	6,132.9	6,132.9	6,078.5
Unamort. ITC	126.5	126.5	126.5
Prorated G. O. R.B.	2,189.3	2,189.3	1,686.6
Taxes on - Advances	68.4	68.4	68.4
Taxes on - CIAC	280.6	280.6	280.6
Average Rate Base	57,702.5	44,895.1	51,500.0
			51,500.0

RATEBASE COMPARISON TABLE

Bear Gulch District

WEIGHTED AVERAGE DEPRECIATED RATE BASE

ATTRITION YEAR 2012

Item	Utility	DRA	Settlement
	(Thousands of $)		
Wtd.Avg. Plant in Service	105,047.8	87,466.0	95,268.0
Material & Supplies	290.7	290.7	290.7
Working Cash - Lead / Lag	448.6	45.1	342.8
Working Cash - W/H Empl.	(6.8)	(6.8)	(6.8)
Total Working Cash.	441.8	38.3	336.1
Wtd. Avg. Depr. Reserve	31,888.2	31,350.6	31,518.2
Adjustments:			
Advances	1,087.7	1,087.7	1,087.7
Contributions	5,169.3	5,170.4	5,171.6
Amort. of Intang.	332.3	312.9	275.8
Deferred Taxes	6,234.1	6,234.1	6,160.3
Unamortized ITC	119.6	119.6	119.6
Prorated G. O. Rate Base	2,124.1	2,124.1	1,577.8
Taxes on - Advances	59.2	59.2	59.2
Taxes on - CIAC	273.5	273.5	273.5
Average Rate Base	63,405.9	45,976.5	53,472.0
			53,472.0

RATEBASE COMPARISON TABLE

Chico District

WEIGHTED AVERAGE DEPRECIATED RATE BASE

TEST YEAR 2011

Item	Utility	DRA	Settlement
	(Thousands of $)		
Wtd.Avg. Plant in Serv.	120,128.2	117,853.9	117,404.2
Materials & Supplies	218.4	218.4	218.4
Working Cash-Lead/Lag	510.9	194.1	436.7
Working Cash-W/H Empl.	(6.9)	(6.9)	(6.9)
Total Working Cash.	504.0	187.2	429.7
Wtd. Avg. Depr. Res.	31,874.2	31,808.7	31,785.4
Adjustments:			
Advances	29,788.0	29,788.0	30,430.3
Contributions	10,039.7	10,042.7	10,041.0
Amort. of Intang.	234.2	234.2	234.2
Deferred Taxes	8,121.1	8,121.1	8,092.1
Unamort. ITC	112.3	112.3	112.3
Prorated G. O. R.B.	2,246.9	1,510.9	1,730.9
Taxes on - Advances	1,419.8	1,419.8	1,419.8
Taxes on - CIAC	317.7	317.7	317.7
Average Rate Base	44,665.5	41,400.9	40,825.4
			40,825.4

RATEBASE COMPARISON TABLE

Chico District

WEIGHTED AVERAGE DEPRECIATED RATE BASE

ATTRITION YEAR 2012

Item	Utility	DRA	Settlement
	(Thousands of $)		
Wtd.Avg. Plant in Service	128,467.2	122,979.9	124,711.6
Material & Supplies	218.4	218.4	218.4
Working Cash - Lead / Lag	510.5	114.4	433.9
Working Cash - W/H Empl.	(6.9)	(6.9)	(6.9)
Total Working Cash.	503.6	107.5	426.9
Wtd. Avg. Depr. Reserve	34,987.9	34,797.1	34,796.9
Adjustments:			
Advances	30,952.0	30,952.0	31,786.3
Contributions	10,371.4	10,380.5	10,374.1
Amort. of Intang.	295.9	295.9	295.9
Deferred Taxes	8,237.4	8,237.4	8,191.0
Unamortized ITC	107.1	107.1	107.1
Prorated G. O. Rate Base	2,180.0	1,314.9	1,619.3
Taxes on - Advances	1,404.0	1404.0	1,404.0
Taxes on - CIAC	314.9	314.9	314.9
Average Rate Base	48,136.4	41,569.6	43,143.9
			43,143.9

RATEBASE COMPARISON TABLE

Dixon District

WEIGHTED AVERAGE DEPRECIATED RATE BASE

TEST YEAR 2011

Item	Utility	DRA	Settlement
	(Thousands of $)		
Wtd.Avg. Plant in Serv.	10,372.6	8,457.9	10,668.7
Materials & Supplies	49.9	49.9	49.9
Working Cash-Lead/Lag	95.8	83.7	81.6
Working Cash-W/H Empl.	(0.7)	(0.7)	(0.7)
Total Working Cash.	95.1	83.0	80.9
Wtd. Avg. Depr. Res.	2,413.1	2,389.0	2,402.8
Adjustments:			
Advances	434.1	434.1	424.0
Contributions	394.2	394.1	394.2
Amort. of Intang.	82.0	45.1	70.7
Deferred Taxes	419.3	419.3	422.0
Unamort. ITC	10.3	10.3	10.3
Prorated G. O. R.B.	218.1	218.1	168.1
Taxes on - Advances	77.5	77.5	77.5
Taxes on - CIAC	15.4	15.4	15.4
Average Rate Base	7,075.6	5,209.9	7,336.3
			7,336.3

RATEBASE COMPARISON TABLE

Dixon District

WEIGHTED AVERAGE DEPRECIATED RATE BASE

ATTRITION YEAR 2012

Item	Utility	DRA	Settlement
	(Thousands of $)		
Wtd.Avg. Plant in Service	11,015.2	8,573.4	11,721.8
Material & Supplies	49.9	49.9	49.9
Working Cash - Lead / Lag	93.5	81.8	80.9
Working Cash - W/H Empl.	(0.7)	(0.7)	(0.7)
Total Working Cash.	92.8	81.1	80.3
Wtd. Avg. Depr. Reserve	2,533.4	2,480.1	2,544.9
Adjustments:			
Advances	446.1	446.1	432.6
Contributions	388.4	388.0	388.5
Amort. of Intang.	111.6	50.1	92.8
Deferred Taxes	468.8	468.8	471.7
Unamortized ITC	9.7	9.7	9.7
Prorated G. O. Rate Base	211.6	211.6	157.2
Taxes on - Advances	21.7	21.7	21.7
Taxes on - CIAC	14.2	14.2	14.2
Average Rate Base	7,447.4	5,109.1	8,104.9
			8,104.9

RATEBASE COMPARISON TABLE

Dominguez District

WEIGHTED AVERAGE DEPRECIATED RATE BASE

TEST YEAR 2011

Item	Utility	DRA	Settlement
	(Thousands of $)		
Wtd.Avg. Plant in Serv.	117,597.3	114,753.7	116,506.6
Materials & Supplies	195.5	195.5	195.5
Working Cash-Lead/Lag	(94.7)	(662.2)	(635.0)
Working Cash-W/H Empl.	(9.8)	(9.8)	(9.8)
Total Working Cash.	(104.5)	(672.0)	(644.8)
Wtd. Avg. Depr. Res.	42,853.3	42,752.8	42,783.8
Adjustments:			
Advances	3,550.1	3,550.1	3,550.1
Contributions	10,930.3	10,936.6	10,935.8
Amort. of Intang.	95.0	90.1	90.1
Deferred Taxes	3,496.3	3,466.0	3,485.5
Unamort. ITC	164.2	164.2	164.2
Prorated G. O. R.B.	3,172.7	2,133.5	2,444.3
Taxes on - Advances	38.6	38.6	38.6
Taxes on - CIAC	210.9	210.9	210.9
Average Rate Base	60,021.3	55,700.4	57,741.6
			57,741.6

RATEBASE COMPARISON TABLE

Dominguez District

WEIGHTED AVERAGE DEPRECIATED RATE BASE

ATTRITION YEAR 2012

Item	Utility	DRA	Settlement
	(Thousands of $)		
Wtd.Avg. Plant in Service	121,534.8	116,641.1	119,569.5
Material & Supplies	195.5	195.5	195.5
Working Cash - Lead / Lag	(233.8)	(707.1)	(782.0)
Working Cash - W/H Empl.	(9.8)	(9.8)	(9.8)
Total Working Cash.	(243.6)	(716.9)	(791.8)
Wtd. Avg. Depr. Reserve	44,460.0	44,258.6	44,327.4
Adjustments:			
Advances	3,480.3	3,480.3	3,480.3
Contributions	10,930.6	10,943.7	10,941.1
Amort. of Intang.	135.8	127.7	127.7
Deferred Taxes	3,583.8	3,537.0	3,565.3
Unamortized ITC	156.2	156.2	156.2
Prorated G. O. Rate Base	3,078.4	1,856.8	2,286.6
Taxes on - Advances	41.2	41.2	41.2
Taxes on - CIAC	225.0	225.0	225.0
Average Rate Base	62,084.6	55,739.2	58,927.9
			58,927.9

RATEBASE COMPARISON TABLE

East Los Angeles District

WEIGHTED AVERAGE DEPRECIATED RATE BASE

TEST YEAR 2011

Item	Utility	DRA	Settlement
	(Thousands of $)		
Wtd.Avg. Plant in Serv.	88,725.9	77,680.4	79,150.8
Materials & Supplies	260.6	260.6	260.6
Working Cash-Lead/Lag	520.9	(28.3)	209.7
Working Cash-W/H Empl.	(7.4)	(7.4)	(7.4)
Total Working Cash.	513.5	(35.7)	202.3
Wtd. Avg. Depr. Res.	28,770.7	28,631.0	28,664.8
Adjustments:			
Advances	105.2	105.2	105.2
Contributions	9,287.6	9,274.7	9,266.0
Amort. of Intang.	243.7	243.7	283.4
Deferred Taxes	4,079.8	3,961.8	3,997.5
Unamort. ITC	102.7	102.7	102.7
Prorated G. O. R.B.	2,399.1	1,613.2	1,848.2
Taxes on - Advances	0.0	0.0	0.0
Taxes on - CIAC	397.5	397.5	397.5
Average Rate Base	49,706.9	37,596.9	39,439.8
			39,439.8

RATEBASE COMPARISON TABLE

East Los Angeles District

WEIGHTED AVERAGE DEPRECIATED RATE BASE

ATTRITION YEAR 2012

Item	Utility	DRA	Settlement
	(Thousands of $)		
Wtd.Avg. Plant in Service	99,721.0	80,870.4	83,283.4
Material & Supplies	260.6	260.6	260.6
Working Cash - Lead / Lag	496.7	(138.9)	228.4
Working Cash - W/H Empl.	(7.4)	(7.4)	(7.4)
Total Working Cash.	489.3	(146.3)	221.0
Wtd. Avg. Depr. Reserve	30,527.2	30,192.1	30,288.0
Adjustments:			
Advances	97.5	97.5	97.5
Contributions	9,826.9	9,792.9	9,771.1
Amort. of Intang.	271.8	271.8	327.4
Deferred Taxes	4,175.7	3,978.0	4,029.6
Unamortized ITC	96.9	96.9	96.9
Prorated G. O. Rate Base	2,327.7	1,403.9	1,729.0
Taxes on - Advances	0.0	0.0	0.0
Taxes on - CIAC	399.8	399.8	399.8
Average Rate Base	58,202.4	38,359.2	41,283.3
			41,283.3

RATEBASE COMPARISON TABLE

Hermosa Redondo District

WEIGHTED AVERAGE DEPRECIATED RATE BASE

TEST YEAR 2011

Item	Utility	DRA	Settlement
	(Thousands of $)		
Wtd.Avg. Plant in Serv.	63,974.7	62,572.4	64,212.6
Materials & Supplies	129.5	129.5	129.5
Working Cash-Lead/Lag	430.6	(12.5)	168.3
Working Cash-W/H Empl.	(6.5)	(6.5)	(6.5)
Total Working Cash.	424.1	(19.0)	161.8
Wtd. Avg. Depr. Res.	24,670.4	24,641.0	24,697.5
Adjustments:			
Advances	326.5	326.5	326.5
Contributions	1,686.7	1,687.1	1,686.8
Amort. of Intang.	156.9	156.9	156.9
Deferred Taxes	3,698.6	3,680.9	3,720.8
Unamort. ITC	90.4	90.4	90.4
Prorated G. O. R.B.	2,102.8	1,414.0	1,619.9
Taxes on - Advances	29.6	29.6	29.6
Taxes on - CIAC	112.7	112.7	112.7
Average Rate Base	36,143.9	33,656.4	35,587.2
			35,587.2

Corrected 10/15/10

RATEBASE COMPARISON TABLE

Hermosa Redondo District

WEIGHTED AVERAGE DEPRECIATED RATE BASE

ATTRITION YEAR 2012

Item	Utility	DRA	Settlement
	(Thousands of $)		
Wtd.Avg. Plant in Service	66,362.3	64,300.2	66,145.0
Material & Supplies	129.5	129.5	129.5
Working Cash - Lead / Lag	501.8	4.7	218.3
Working Cash - W/H Empl.	(6.5)	(6.5)	(6.5)
Total Working Cash.	495.3	(1.8)	211.8
Wtd. Avg. Depr. Reserve	25,955.0	25,873.8	25,982.2
Adjustments:			
Advances	311.2	311.2	311.2
Contributions	1,685.2	1,686.3	1,685.7
Amort. of Intang.	191.1	191.1	191.1
Deferred Taxes	3,863.7	3,829.3	3,886.9
Unamortized ITC	85.2	85.2	85.2
Prorated G. O. Rate Base	2,040.1	1,230.5	1,515.5
Taxes on - Advances	27.9	27.9	27.9
Taxes on - CIAC	110.6	110.6	110.6
Average Rate Base	37,074.3	33,820.0	35,997.8
			35,997.8

RATEBASE COMPARISON TABLE

King City District

WEIGHTED AVERAGE DEPRECIATED RATE BASE

TEST YEAR 2011

Item	Utility	DRA	Settlement
	(Thousands of $)		
Wtd.Avg. Plant in Serv.	13,640.4	12,687.1	13,134.8
Materials & Supplies	30.6	30.6	30.6
Working Cash-Lead/Lag	78.4	51.0	69.2
Working Cash-W/H Empl.	(0.7)	(0.7)	(0.7)
Total Working Cash.	77.7	50.3	68.5
Wtd. Avg. Depr. Res.	3,319.7	3,288.6	3,294.7
Adjustments:			
Advances	1,439.0	1,439.0	1,419.9
Contributions	390.8	390.5	390.7
Amort. of Intang.	6.1	6.1	6.1
Deferred Taxes	565.4	554.6	559.4
Unamort. ITC	7.4	7.4	7.4
Prorated G. O. R.B.	242.9	163.3	242.9
Taxes on - Advances	266.6	266.6	266.6
Taxes on - CIAC	18.3	18.3	18.3
Average Rate Base	8,548.1	7,530.0	8,083.7
			8,083.7

RATEBASE COMPARISON TABLE

King City District

WEIGHTED AVERAGE DEPRECIATED RATE BASE

ATTRITION YEAR 2012

Item	Utility	DRA	Settlement
	(Thousands of $)		
Wtd.Avg. Plant in Service	14,402.4	12,911.1	13,727.0
Material & Supplies	30.6	30.6	30.6
Working Cash - Lead / Lag	95.8	46.9	87.0
Working Cash - W/H Empl.	(0.7)	(0.7)	(0.7)
Total Working Cash.	95.1	46.2	86.2
Wtd. Avg. Depr. Reserve	3,692.7	3,628.9	3,651.3
Adjustments:			
Advances	1,479.5	1,479.5	1,446.5
Contributions	378.3	377.8	378.2
Amort. of Intang.	7.1	7.1	7.1
Deferred Taxes	577.5	558.5	567.1
Unamortized ITC	7.0	7.0	7.0
Prorated G. O. Rate Base	235.6	142.1	235.6
Taxes on - Advances	253.5	253.5	253.5
Taxes on - CIAC	16.4	16.4	16.4
Average Rate Base	8,891.5	7,341.1	8,292.4
			8,292.4

Corrected 10/15/10

RATEBASE COMPARISON TABLE

Kern River Valley District

WEIGHTED AVERAGE DEPRECIATED RATE BASE

TEST YEAR 2011

Item	Utility	DRA	Settlement
	(Thousands of $)		
Wtd.Avg. Plant in Serv.	24,907.5	21,634.4	22,800.1
Materials & Supplies	40.9	40.9	40.9
Working Cash-Lead/Lag	301.7	210.4	269.2
Working Cash-W/H Empl.	(1.6)	(1.6)	(1.6)
Total Working Cash.	300.1	208.8	267.7
Wtd. Avg. Depr. Res.	6,873.1	6,583.3	7,409.5
Adjustments:			
Advances	18.7	18.7	18.7
Contributions	578.9	581.9	557.5
Amort. of Intang.	19.8	3.4	19.8
Deferred Taxes	697.8	704.9	674.7
Unamort. ITC	6.6	6.6	6.6
Prorated G. O. R.B.	506.1	340.4	389.9
Taxes on - Advances	0.0	0.0	0.0
Taxes on - CIAC	48.6	48.7	48.7
Average Rate Base	17,608.3	14,374.4	14,860.6
			14,860.6

RATEBASE COMPARISON TABLE

Kern River Valley District

WEIGHTED AVERAGE DEPRECIATED RATE BASE

ATTRITION YEAR 2012

Item	Utility	DRA	Settlement
	(Thousands of $)		
Wtd.Avg. Plant in Service	26,132.1	22,577.4	24,697.8
Material & Supplies	40.9	40.9	40.9
Working Cash - Lead / Lag	309.7	214.9	276.6
Working Cash - W/H Empl.	(1.6)	(1.6)	(1.6)
Total Working Cash.	308.1	213.3	275.0
Wtd. Avg. Depr. Reserve	7,825.2	7,392.3	8,278.6
Adjustments:			
Advances	17.6	17.6	17.6
Contributions	589.5	593.1	568.5
Amort. of Intang.	26.7	3.8	26.7
Deferred Taxes	700.2	709.4	676.7
Unamortized ITC	6.4	6.4	6.4
Prorated G. O. Rate Base	491.1	296.2	364.8
Taxes on - Advances	0.0	0.0	0.0
Taxes on - CIAC	47.4	47.5	47.5
Average Rate Base	17,854.0	14,452.7	15,851.5
			15,851.5

Corrected 10/15/10

RATEBASE COMPARISON TABLE

Livermore District

WEIGHTED AVERAGE DEPRECIATED RATE BASE

TEST YEAR 2011

Item	Utility	DRA	Settlement
	(Thousands of $)		
Wtd.Avg. Plant in Serv.	60,908.7	55,353.1	58,372.3
Materials & Supplies	92.1	92.1	92.1
Working Cash-Lead/Lag	(343.3)	(400.6)	(321.5)
Working Cash-W/H Empl.	(4.7)	(4.7)	(4.7)
Total Working Cash.	(348.0)	(405.3)	(326.2)
Wtd. Avg. Depr. Res.	17,525.6	17,401.5	17,483.1
Adjustments:			
Advances	8,795.4	8,795.4	8,795.4
Contributions	3,487.1	3,485.8	3,486.1
Amort. of Intang.	37.5	37.5	37.5
Deferred Taxes	3,766.2	3,766.2	3,742.4
Unamort. ITC	86.2	86.2	86.2
Prorated G. O. R.B.	1,518.5	1,518.5	1,169.8
Taxes on - Advances	946.7	946.7	946.7
Taxes on - CIAC	246.3	246.3	246.3
Average Rate Base	29,666.3	24,178.8	26,870.3
			26,870.3

RATEBASE COMPARISON TABLE

Livermore District

WEIGHTED AVERAGE DEPRECIATED RATE BASE

ATTRITION YEAR 2012

Item	Utility	DRA	Settlement
	(Thousands of $)		
Wtd.Avg. Plant in Service	64,352.5	57,174.1	61,009.8
Material & Supplies	92.1	92.1	92.1
Working Cash - Lead / Lag	(357.6)	(426.5)	(328.1)
Working Cash - W/H Empl.	(4.7)	(4.7)	(4.7)
Total Working Cash.	(362.3)	(431.2)	(332.8)
Wtd. Avg. Depr. Reserve	19,112.7	18,838.8	19,008.1
Adjustments:			
Advances	8,852.5	8,852.5	8,852.5
Contributions	3,600.0	3,596.7	3,597.8
Amort. of Intang.	48.2	48.2	48.2
Deferred Taxes	3,787.8	3,787.8	3,748.9
Unamortized ITC	82.1	82.1	82.1
Prorated G. O. Rate Base	1,473.3	1,473.3	1,094.3
Taxes on - Advances	899.3	899.3	899.3
Taxes on - CIAC	236.9	236.9	236.9
Average Rate Base	31,208.5	24,238.4	27,662.0
			27,662.0

RATEBASE COMPARISON TABLE

Los Altos District

WEIGHTED AVERAGE DEPRECIATED RATE BASE

TEST YEAR 2011

Item	Utility	DRA	Settlement
	(Thousands of $)		
Wtd.Avg. Plant in Serv.	64,956.3	62,481.5	65,010.0
Materials & Supplies	216.3	216.3	216.3
Working Cash-Lead/Lag	420.0	172.8	310.8
Working Cash-W/H Empl.	(5.9)	(5.9)	(5.9)
Total Working Cash.	414.1	166.9	304.9
Wtd. Avg. Depr. Res.	20,385.8	20,301.4	20,373.4
Adjustments:			
Advances	1,521.0	1,521.0	1,521.0
Contributions	8,437.7	8,436.7	8,438.9
Amort. of Intang.	141.2	126.1	126.1
Deferred Taxes	3,583.1	3,583.1	3,575.9
Unamort. ITC	92.3	92.3	92.3
Prorated G. O. R.B.	1,917.6	1,289.5	1,477.3
Taxes on - Advances	195.0	195.0	195.0
Taxes on - CIAC	319.9	319.9	319.9
Average Rate Base	33,858.1	30,608.5	33,395.9
			33,395.9

RATEBASE COMPARISON TABLE

Los Altos District

WEIGHTED AVERAGE DEPRECIATED RATE BASE

ATTRITION YEAR 2012

Item	Utility	DRA	Settlement
	(Thousands of $)		
Wtd.Avg. Plant in Service	67,881.7	64,322.5	67,403.1
Material & Supplies	216.3	216.3	216.3
Working Cash - Lead / Lag	509.7	138.0	400.2
Working Cash - W/H Empl.	(5.9)	(5.9)	(5.9)
Total Working Cash.	503.8	132.1	394.3
Wtd. Avg. Depr. Reserve	21,759.9	21,597.0	21,738.8
Adjustments:			
Advances	1,453.2	1,453.2	1,453.2
Contributions	8,936.0	8,934.4	8,938.3
Amort. of Intang.	191.3	145.9	145.9
Deferred Taxes	3,615.8	3,615.8	3,603.8
Unamortized ITC	87.3	87.3	87.3
Prorated G. O. Rate Base	1,860.6	1,122.3	1,382.0
Taxes on - Advances	164.5	164.5	164.5
Taxes on - CIAC	337.4	337.4	337.4
Average Rate Base	34,920.8	30,461.5	33,930.3
			33,930.3

RATEBASE COMPARISON TABLE

Mid-Peninsula District

WEIGHTED AVERAGE DEPRECIATED RATE BASE

TEST YEAR 2011

Item	Utility	DRA	Settlement
	(Thousands of $)		
Wtd.Avg. Plant in Serv.	97,809.3	84,803.6	88,243.0
Materials & Supplies	200.3	200.3	200.3
Working Cash-Lead/Lag	820.6	471.5	756.9
Working Cash-W/H Empl.	(8.1)	(8.1)	(8.1)
Total Working Cash.	812.5	463.4	748.8
Wtd. Avg. Depr. Res.	33,085.0	32,836.7	32,982.5
Adjustments:			
Advances	2,354.9	2,354.9	2,354.9
Contributions	5,586.7	5,585.9	5,585.2
Amort. of Intang.	40.7	32.9	40.7
Deferred Taxes	6,474.6	6,474.6	6,368.4
Unamort. ITC	181.8	181.8	181.8
Prorated G. O. R.B.	2,621.3	1,762.7	2,019.5
Taxes on - Advances	105.8	105.8	105.8
Taxes on - CIAC	389.7	389.7	389.7
Average Rate Base	54,215.2	40,258.7	44,193.6
			44,193.6

RATEBASE COMPARISON TABLE

Mid-Peninsula District

WEIGHTED AVERAGE DEPRECIATED RATE BASE

ATTRITION YEAR 2012

Item	Utility	DRA	Settlement
	(Thousands of $)		
Wtd.Avg. Plant in Service	109,325.4	87,621.9	95,397.2
Material & Supplies	200.3	200.3	200.3
Working Cash - Lead / Lag	1,032.9	373.1	890.8
Working Cash - W/H Empl.	(8.1)	(8.1)	(8.1)
Total Working Cash.	1,024.8	365.0	882.7
Wtd. Avg. Depr. Reserve	35,701.7	35,049.1	35,389.7
Adjustments:			
Advances	2,501.3	2,501.3	2,501.3
Contributions	5,588.3	5,586.6	5,583.2
Amort. of Intang.	61.3	37.9	61.3
Deferred Taxes	6,622.7	6,622.7	6,422.5
Unamortized ITC	171.7	171.7	171.7
Prorated G. O. Rate Base	2,543.3	1,534.1	1,889.1
Taxes on - Advances	90.1	90.1	90.1
Taxes on - CIAC	364.9	364.9	364.9
Average Rate Base	62,901.8	40,207.0	48,694.6
			48,694.6

RATEBASE COMPARISON TABLE

Marysville District

WEIGHTED AVERAGE DEPRECIATED RATE BASE

TEST YEAR 2011

Item	Utility	DRA	Settlement
	(Thousands of $)		
Wtd.Avg. Plant in Serv.	15,151.2	9,308.7	12,477.9
Materials & Supplies	57.3	57.3	57.3
Working Cash-Lead/Lag	72.2	51.8	65.6
Working Cash-W/H Empl.	(1.1)	(1.1)	(1.1)
Total Working Cash.	71.1	50.7	64.6
Wtd. Avg. Depr. Res.	4,267.7	4,302.3	4,358.0
Adjustments:			
Advances	195.9	195.9	195.9
Contributions	2,540.2	567.2	566.9
Amort. of Intang.	71.0	59.7	71.0
Deferred Taxes	707.7	707.7	681.8
Unamort. ITC	17.4	17.4	17.4
Prorated G. O. R.B.	345.7	232.4	345.7
Taxes on - Advances	16.0	16.0	16.0
Taxes on - CIAC	38.3	38.3	38.3
Average Rate Base	7,879.7	3,853.2	7,108.6
			7,108.6

RATEBASE COMPARISON TABLE

Marysville District

WEIGHTED AVERAGE DEPRECIATED RATE BASE

ATTRITION YEAR 2012

Item	Utility	DRA	Settlement
	(Thousands of $)		
Wtd.Avg. Plant in Service	17,703.9	9,485.3	13,038.4
Material & Supplies	57.3	57.3	57.3
Working Cash - Lead / Lag	65.5	12.2	67.3
Working Cash - W/H Empl.	(1.1)	(1.1)	(1.1)
Total Working Cash.	64.4	11.1	66.3
Wtd. Avg. Depr. Reserve	4,596.0	4,578.7	4,676.5
Adjustments:			
Advances	184.2	184.2	184.2
Contributions	2,477.3	571.2	570.4
Amort. of Intang.	88.7	69.8	88.7
Deferred Taxes	739.9	739.9	686.7
Unamortized ITC	16.4	16.4	16.4
Prorated G. O. Rate Base	335.4	202.3	335.4
Taxes on - Advances	16.7	16.7	16.7
Taxes on - CIAC	34.2	34.2	34.2
Average Rate Base	10,109.4	3,646.7	7,325.3
			7,325.3

RATEBASE COMPARISON TABLE

Oroville District

WEIGHTED AVERAGE DEPRECIATED RATE BASE

TEST YEAR 2011

Item	Utility	DRA	Settlement
	(Thousands of $)		
Wtd.Avg. Plant in Serv.	16,114.7	14,985.7	14,867.2
Materials & Supplies	87.0	87.0	87.0
Working Cash-Lead/Lag	338.4	147.0	334.8
Working Cash-W/H Empl.	(1.3)	(1.3)	(1.3)
Total Working Cash.	337.1	145.7	333.6
Wtd. Avg. Depr. Res.	6,027.2	6,003.9	5,998.5
Adjustments:			
Advances	224.4	224.4	224.4
Contributions	768.4	768.1	767.8
Amort. of Intang.	107.9	107.9	107.9
Deferred Taxes	814.1	814.1	801.3
Unamort. ITC	24.4	24.4	24.4
Prorated G. O. R.B.	415.5	279.3	320.1
Taxes on - Advances	26.6	26.6	26.6
Taxes on - CIAC	32.4	32.4	32.4
Average Rate Base	9,046.9	7,613.9	7,742.5
			7,742.5

RATEBASE COMPARISON TABLE

Oroville District

WEIGHTED AVERAGE DEPRECIATED RATE BASE

ATTRITION YEAR 2012

Item	Utility	DRA	Settlement
	(Thousands of $)		
Wtd.Avg. Plant in Service	18,114.7	15,800.3	15,944.5
Material & Supplies	87.0	87.0	87.0
Working Cash - Lead / Lag	367.3	112.6	352.2
Working Cash - W/H Empl.	(1.3)	(1.3)	(1.3)
Total Working Cash.	366.0	111.3	350.9
Wtd. Avg. Depr. Reserve	6,481.7	6,426.0	6,424.8
Adjustments:			
Advances	234.9	234.9	234.9
Contributions	779.5	768.1	777.7
Amort. of Intang.	139.6	139.6	139.6
Deferred Taxes	828.6	828.6	806.5
Unamortized ITC	22.9	22.9	22.9
Prorated G. O. Rate Base	403.1	243.2	299.5
Taxes on - Advances	22.3	22.3	22.3
Taxes on - CIAC	31.2	31.2	31.2
Average Rate Base	10,537.1	7,875.2	8,328.9
			8,328.9

RATEBASE COMPARISON TABLE

Palos Verdes District

WEIGHTED AVERAGE DEPRECIATED RATE BASE

TEST YEAR 2011

Item	Utility	DRA	Settlement
	(Thousands of $)		
Wtd.Avg. Plant in Serv.	66,259.9	62,053.8	62,580.8
Materials & Supplies	393.1	393.1	393.1
Working Cash-Lead/Lag	213.1	(215.9)	(110.4)
Working Cash-W/H Empl.	(7.5)	(7.5)	(7.5)
Total Working Cash.	205.6	(223.4)	(117.9)
Wtd. Avg. Depr. Res.	29,779.2	29,766.9	29,738.6
Adjustments:			
Advances	2,133.4	2,133.4	2,133.4
Contributions	1,503.4	1,503.4	1,502.9
Amort. of Intang.	83.3	83.3	83.3
Deferred Taxes	3,851.9	3,811.9	3,817.6
Unamort. ITC	158.3	158.3	158.3
Prorated G. O. R.B.	2,436.0	1,638.1	1,876.6
Taxes on - Advances	224.0	224.0	224.0
Taxes on - CIAC	106.8	106.8	106.8
Average Rate Base	32,115.9	26,735.2	27,629.4
			27,629.4

RATEBASE COMPARISON TABLE

Palos Verdes District

WEIGHTED AVERAGE DEPRECIATED RATE BASE

ATTRITION YEAR 2012

Item	Utility	DRA	Settlement
	(Thousands of $)		
Wtd.Avg. Plant in Service	68,226.6	63,422.2	64,579.0
Material & Supplies	393.1	393.1	393.1
Working Cash - Lead / Lag	233.1	(262.9)	(111.8)
Working Cash - W/H Empl.	(7.5)	(7.5)	(7.5)
Total Working Cash.	225.6	(270.4)	(119.4)
Wtd. Avg. Depr. Reserve	31,040.1	31,013.3	30,917.2
Adjustments:			
Advances	2,206.0	2,206.0	2,206.0
Contributions	1,478.1	1,476.9	1,476.6
Amort. of Intang.	114.3	114.3	114.3
Deferred Taxes	3,856.2	3,794.6	3,808.3
Unamortized ITC	149.3	149.3	149.3
Prorated G. O. Rate Base	2,363.6	1,425.6	1,755.7
Taxes on - Advances	148.2	148.2	148.2
Taxes on - CIAC	98.2	98.2	98.2
Average Rate Base	32,611.3	26,462.5	28,183.2
			28,183.2

RATEBASE COMPARISON TABLE

Redwood Valley - Coast Springs District

WEIGHTED AVERAGE DEPRECIATED RATE BASE

TEST YEAR 2011

Item	Utility	DRA	Settlement
	(Thousands of $)		
Wtd.Avg. Plant in Serv.	2,284.6	990.2	1,684.0
Materials & Supplies	1.6	1.6	1.6
Working Cash-Lead/Lag	39.4	28.8	30.7
Working Cash-W/H Empl.	(0.2)	0.2	(0.2)
Total Working Cash.	39.2	29.0	30.6
Wtd. Avg. Depr. Res.	451.5	446.3	355.4
Adjustments:			
Advances	0.0	0.0	0.0
Contributions	(1.0)	(1.0)	0.0
Amort. of Intang.	57.8	52.4	53.7
Deferred Taxes	73.3	73.3	72.2
Unamort. ITC	0.0	0.0	0.0
Prorated G. O. R.B.	49.4	49.4	38.1
Taxes on - Advances	0.0	0.0	0.0
Taxes on - CIAC	21.7	21.7	0.0
Average Rate Base	1,814.9	520.9	1,272.8
			1,272.8

RATEBASE COMPARISON TABLE

Redwood Valley - Coast Springs District

WEIGHTED AVERAGE DEPRECIATED RATE BASE

ATTRITION YEAR 2012

Item	Utility	DRA	Settlement
	(Thousands of $)		
Wtd.Avg. Plant in Service	2,321.4	988.6	1,712.7
Material & Supplies	1.6	1.6	1.6
Working Cash - Lead / Lag	41.0	26.6	31.5
Working Cash - W/H Empl.	(0.2)	0.2	(0.2)
Total Working Cash.	40.8	26.8	31.4
Wtd. Avg. Depr. Reserve	545.4	532.8	402.7
Adjustments:			
Advances	0.0	0.0	0.0
Contributions	(1.0)	(1.0)	0.0
Amort. of Intang.	72.4	63.4	65.6
Deferred Taxes	78.4	78.4	77.0
Unamortized ITC	0.0	0.0	0.0
Prorated G. O. Rate Base	48.0	48.0	35.6
Taxes on - Advances	0.0	0.0	0.0
Taxes on - CIAC	20.8	20.8	0.0
Average Rate Base	1,737.4	412.2	1,235.9
			1,235.9

RATEBASE COMPARISON TABLE

Redwood Valley - Lucerne District

WEIGHTED AVERAGE DEPRECIATED RATE BASE

TEST YEAR 2011

Item	Utility	DRA	Settlement
	(Thousands of $)		
Wtd.Avg. Plant in Serv.	6,302.1	5,147.6	5,637.2
Materials & Supplies	4.5	4.5	4.5
Working Cash-Lead/Lag	146.7	113.2	130.1
Working Cash-W/H Empl.	(0.6)	0.6	(0.6)
Total Working Cash.	146.1	113.8	129.5
Wtd. Avg. Depr. Res.	1,253.0	1,223.7	1,216.9
Adjustments:			
Advances	0.0	0.0	0.0
Contributions	166.4	166.2	166.2
Amort. of Intang.	19.2	8.6	13.5
Deferred Taxes	447.9	447.9	436.2
Unamort. ITC	0.0	0.0	0.0
Prorated G. O. R.B.	181.0	181.0	139.5
Taxes on - Advances	0.0	0.0	0.0
Taxes on - CIAC	23.0	23.0	23.0
Average Rate Base	4,770.2	3,623.5	4,100.9
			4,100.9

RATEBASE COMPARISON TABLE

Redwood Valley - Lucerne District

WEIGHTED AVERAGE DEPRECIATED RATE BASE

ATTRITION YEAR 2012

Item	Utility	DRA	Settlement
	(Thousands of $)		
Wtd.Avg. Plant in Service	6,988.3	5,571.0	5,951.8
Material & Supplies	4.5	4.5	4.5
Working Cash - Lead / Lag	153.0	110.3	132.8
Working Cash - W/H Empl.	(0.6)	0.6	(0.6)
Total Working Cash.	152.4	110.9	132.3
Wtd. Avg. Depr. Reserve	1,435.7	1,388.4	1,374.8
Adjustments:			
Advances	0.0	0.0	0.0
Contributions	178.7	178.1	178.2
Amort. of Intang.	27.2	9.5	17.6
Deferred Taxes	467.3	467.3	452.8
Unamortized ITC	0.0	0.0	0.0
Prorated G. O. Rate Base	175.6	175.6	130.5
Taxes on - Advances	0.0	0.0	0.0
Taxes on - CIAC	22.5	22.5	22.5
Average Rate Base	5,234.4	3,841.2	4,218.1
			4,218.1

RATEBASE COMPARISON TABLE

Redwood Valley - Unified Area District

WEIGHTED AVERAGE DEPRECIATED RATE BASE

TEST YEAR 2011

Item	Utility	DRA	Settlement
	(Thousands of $)		
Wtd.Avg. Plant in Serv.	2,801.4	1,485.0	1,609.5
Materials & Supplies	1.9	1.9	1.9
Working Cash-Lead/Lag	52.7	30.8	44.2
Working Cash-W/H Empl.	(0.2)	(0.2)	(0.2)
Total Working Cash.	52.5	30.6	44.0
Wtd. Avg. Depr. Res.	641.4	600.2	557.6
Adjustments:			
Advances	0.0	0.0	0.0
Contributions	28.8	28.9	28.9
Amort. of Intang.	2.8	2.8	(0.8)
Deferred Taxes	124.7	124.7	112.2
Unamort. ITC	0.0	0.0	0.0
Prorated G. O. R.B.	61.7	41.5	47.5
Taxes on - Advances	0.0	0.0	0.0
Taxes on - CIAC	2.8	2.8	2.8
Average Rate Base	2,122.6	805.2	1,007.8
			1,007.8

RATEBASE COMPARISON TABLE

Redwood Valley - Unified Area District

WEIGHTED AVERAGE DEPRECIATED RATE BASE

ATTRITION YEAR 2012

Item	Utility	DRA	Settlement
	(Thousands of $)		
Wtd.Avg. Plant in Service	2,889.5	1,488.3	1,651.7
Material & Supplies	1.9	1.9	1.9
Working Cash - Lead / Lag	73.4	31.2	53.6
Working Cash - W/H Empl.	(0.2)	(0.2)	(0.2)
Total Working Cash.	73.2	31.0	53.4
Wtd. Avg. Depr. Reserve	782.7	670.0	619.3
Adjustments:			
Advances	0.0	0.0	0.0
Contributions	30.3	30.3	30.7
Amort. of Intang.	5.8	5.8	(0.2)
Deferred Taxes	168.5	168.5	150.7
Unamortized ITC	0.0	0.0	0.0
Prorated G. O. Rate Base	59.8	36.0	44.4
Taxes on - Advances	0.0	0.0	0.0
Taxes on - CIAC	2.8	2.8	2.8
Average Rate Base	2,039.9	685.4	953.6
			953.6

RATEBASE COMPARISON TABLE

Salinas District

WEIGHTED AVERAGE DEPRECIATED RATE BASE

TEST YEAR 2011

Item	Utility	DRA	Settlement
	(Thousands of $)		
Wtd.Avg. Plant in Serv.	115,469.5	106,418.7	110,209.3
Materials & Supplies	434.5	434.5	434.5
Working Cash-Lead/Lag	1,268.3	941.0	1,229.2
Working Cash-W/H Empl.	(8.5)	(8.5)	(8.5)
Total Working Cash.	1,259.8	932.5	1,220.7
Wtd. Avg. Depr. Res.	32,015.4	32,093.4	32,134.7
Adjustments:			
Advances	13,607.0	13,607.0	13,766.0
Contributions	13,286.8	7,482.7	7,482.6
Amort. of Intang.	265.6	265.6	265.6
Deferred Taxes	7,112.9	7,031.0	7,054.2
Unamort. ITC	115.4	115.4	115.4
Prorated G. O. R.B.	2,757.0	1,853.9	2,124.1
Taxes on - Advances	1,166.1	1,166.1	1,166.1
Taxes on - CIAC	376.8	376.8	376.8
Average Rate Base	55,060.6	50,587.4	54,713.0
			54,713.0

RATEBASE COMPARISON TABLE

Salinas District

WEIGHTED AVERAGE DEPRECIATED RATE BASE

ATTRITION YEAR 2012

Item	Utility	DRA	Settlement
	(Thousands of $)		
Wtd.Avg. Plant in Service	122,412.2	109,893.2	115,001.7
Material & Supplies	434.5	434.5	434.5
Working Cash - Lead / Lag	1,365.7	642.2	1,252.3
Working Cash - W/H Empl.	(8.5)	(8.5)	(8.5)
Total Working Cash.	1,357.2	633.7	1,243.8
Wtd. Avg. Depr. Reserve	34,615.8	33,327.7	34,806.4
Adjustments:			
Advances	13,317.0	13,317.0	13,533.0
Contributions	12,919.8	7,298.1	7,299.7
Amort. of Intang.	320.7	320.7	320.7
Deferred Taxes	7,189.1	7,057.5	7,091.2
Unamortized ITC	109.1	109.1	109.1
Prorated G. O. Rate Base	2,675.0	1,613.5	1,987.0
Taxes on - Advances	1,174.8	1174.8	1,174.8
Taxes on - CIAC	324.0	324.0	324.0
Average Rate Base	59,906.2	52,643.6	57,005.6
			57,005.6

RATEBASE COMPARISON TABLE

Selma District

WEIGHTED AVERAGE DEPRECIATED RATE BASE

TEST YEAR 2011

Item	Utility	DRA	Settlement
	(Thousands of $)		
Wtd.Avg. Plant in Serv.	24,252.0	21,381.5	21,920.2
Materials & Supplies	72.6	72.6	72.6
Working Cash-Lead/Lag	139.6	125.6	125.2
Working Cash-W/H Empl.	(1.5)	(1.5)	(1.5)
Total Working Cash.	138.1	124.1	123.8
Wtd. Avg. Depr. Res.	5,801.7	5,703.7	5,723.9
Adjustments:			
Advances	3,757.3	3,757.3	3,727.6
Contributions	1,233.4	1,234.6	1,234.3
Amort. of Intang.	0.7	0.7	0.7
Deferred Taxes	1,342.7	1,311.3	1,321.1
Unamort. ITC	21.1	21.1	21.1
Prorated G. O. R.B.	477.3	321.0	367.7
Taxes on - Advances	430.3	430.3	430.3
Taxes on - CIAC	66.4	66.4	66.4
Average Rate Base	13,279.8	10,367.2	10,952.3
			10,952.3

RATEBASE COMPARISON TABLE

Selma District

WEIGHTED AVERAGE DEPRECIATED RATE BASE

ATTRITION YEAR 2012

Item	Utility	DRA	Settlement
	(Thousands of $)		
Wtd.Avg. Plant in Service	24,974.5	21,938.1	22,426.4
Material & Supplies	72.6	72.6	72.6
Working Cash - Lead / Lag	149.4	85.1	131.3
Working Cash - W/H Empl.	(1.5)	(1.5)	(1.5)
Total Working Cash.	147.9	83.6	129.8
Wtd. Avg. Depr. Reserve	6,365.4	6,187.4	6,225.3
Adjustments:			
Advances	3,931.2	3,931.2	3,882.6
Contributions	1,243.3	1,243.9	1,243.5
Amort. of Intang.	0.9	0.9	0.9
Deferred Taxes	1,325.9	1,283.0	1,295.6
Unamortized ITC	20.1	20.1	20.1
Prorated G. O. Rate Base	463.2	279.3	344.0
Taxes on - Advances	389.5	389.5	389.5
Taxes on - CIAC	60.6	60.6	60.6
Average Rate Base	13,221.5	10,157.2	10,755.0
			10,755.0

RATEBASE COMPARISON TABLE

So. San Francisco District

WEIGHTED AVERAGE DEPRECIATED RATE BASE

TEST YEAR 2011

Item	Utility	DRA	Settlement
	(Thousands of $)		
Wtd.Avg. Plant in Serv.	54,492.1	48,213.0	49,335.9
Materials & Supplies	100.8	100.8	100.8
Working Cash-Lead/Lag	565.2	325.0	573.1
Working Cash-W/H Empl.	(4.1)	4.1	(4.1)
Total Working Cash.	561.1	329.1	569.0
Wtd. Avg. Depr. Res.	16,809.9	16,688.9	16,796.2
Adjustments:			
Advances	4,782.0	4,782.0	4,782.0
Contributions	6,730.6	6,346.6	6,346.7
Amort. of Intang.	373.1	354.9	373.1
Deferred Taxes	2,896.4	2,896.4	2,821.1
Unamort. ITC	52.8	52.8	52.8
Prorated G. O. R.B.	1,312.7	1,312.7	1,312.7
Taxes on - Advances	127.2	127.2	127.2
Taxes on - CIAC	265.6	265.6	265.6
Average Rate Base	25,214.7	19,226.8	20,539.2
			20,539.2

RATEBASE COMPARISON TABLE

So. San Francisco District

WEIGHTED AVERAGE DEPRECIATED RATE BASE

ATTRITION YEAR 2012

Item	Utility	DRA	Settlement
	(Thousands of $)		
Wtd.Avg. Plant in Service	57,558.3	49,183.3	50,525.0
Material & Supplies	100.8	100.8	100.8
Working Cash - Lead / Lag	560.1	287.7	570.2
Working Cash - W/H Empl.	(4.1)	4.1	(4.1)
Total Working Cash.	556.0	291.8	566.2
Wtd. Avg. Depr. Reserve	17,964.2	17,660.4	17,833.8
Adjustments:			
Advances	4,806.7	4,806.7	4,806.7
Contributions	6,509.1	6,137.9	6,137.9
Amort. of Intang.	462.4	432.0	462.4
Deferred Taxes	2,973.9	2,973.9	2,849.8
Unamortized ITC	49.6	49.6	49.6
Prorated G. O. Rate Base	1,273.7	1,273.7	1,273.7
Taxes on - Advances	117.6	117.6	117.6
Taxes on - CIAC	244.5	244.5	244.5
Average Rate Base	27,085.0	19,151.2	20,687.5
			20,687.5

RATEBASE COMPARISON TABLE

Stockton District

WEIGHTED AVERAGE DEPRECIATED RATE BASE

TEST YEAR 2011

Item	Utility	DRA	Settlement
	(Thousands of $)		
Wtd.Avg. Plant in Serv.	118,455.5	103,034.2	105,962.1
Materials & Supplies	378.6	378.6	378.6
Working Cash-Lead/Lag	1,405.5	495.7	1,346.4
Working Cash-W/H Empl.	(10.1)	(10.1)	(10.1)
Total Working Cash.	1,395.4	485.6	1,336.3
Wtd. Avg. Depr. Res.	39,013.0	38,514.4	38,676.5
Adjustments:			
Advances	4,525.7	4,525.7	4,525.7
Contributions	4,172.6	4,176.1	4,172.7
Amort. of Intang.	87.0	87.0	87.0
Deferred Taxes	6,574.4	6,574.4	6,390.3
Unamort. ITC	121.2	121.2	121.2
Prorated G. O. R.B.	3,267.3	3,267.3	2,517.1
Taxes on - Advances	590.7	590.7	590.7
Taxes on - CIAC	217.4	217.4	217.4
Average Rate Base	69,811.0	53,975.0	57,028.7
			57,028.7

RATEBASE COMPARISON TABLE

Stockton District

WEIGHTED AVERAGE DEPRECIATED RATE BASE

ATTRITION YEAR 2012

Item	Utility	DRA	Settlement
	(Thousands of $)		
Wtd.Avg. Plant in Service	126,409.5	105,389.4	107,948.5
Material & Supplies	378.6	378.6	378.6
Working Cash - Lead / Lag	1,579.1	412.9	1,437.0
Working Cash - W/H Empl.	(10.1)	(10.1)	(10.1)
Total Working Cash.	1,569.0	402.8	1,426.9
Wtd. Avg. Depr. Reserve	41,954.9	41,030.1	41,266.4
Adjustments:			
Advances	4,370.2	4,370.2	4,370.2
Contributions	4,189.6	4,190.9	4,186.6
Amort. of Intang.	156.5	156.5	156.5
Deferred Taxes	6,799.6	6,799.6	6,509.3
Unamortized ITC	114.4	114.4	114.4
Prorated G. O. Rate Base	3,170.0	3,170.0	2,354.8
Taxes on - Advances	306.0	306.0	306.0
Taxes on - CIAC	211.8	211.8	211.8
Average Rate Base	74,459.7	53,196.9	56,023.2
			56,023.2

RATEBASE COMPARISON TABLE

Visalia District

WEIGHTED AVERAGE DEPRECIATED RATE BASE

TEST YEAR 2011

Item	Utility	DRA	Settlement
	(Thousands of $)		
Wtd.Avg. Plant in Serv.	143,725.3	127,918.9	135,176.6
Materials & Supplies	228.1	228.1	228.1
Working Cash-Lead/Lag	938.5	829.4	863.6
Working Cash-W/H Empl.	(7.9)	(7.9)	(7.9)
Total Working Cash.	930.6	821.5	855.7
Wtd. Avg. Depr. Res.	31,195.5	30,751.5	31,758.4
Adjustments:			
Advances	41,023.2	41,023.2	42,026.2
Contributions	8,247.1	8,252.2	8,107.2
Amort. of Intang.	167.6	158.5	158.8
Deferred Taxes	7,107.9	6,795.3	6,850.1
Unamort. ITC	89.6	89.6	89.6
Prorated G. O. R.B.	2,563.6	1,723.8	1,975.1
Taxes on - Advances	2,622.5	2,622.5	2,622.5
Taxes on - CIAC	668.0	668.0	668.0
Average Rate Base	62,907.2	46,912.5	52,535.6
			52,535.6

RATEBASE COMPARISON TABLE

Visalia District

WEIGHTED AVERAGE DEPRECIATED RATE BASE

ATTRITION YEAR 2012

Item	Utility	DRA	Settlement
	(Thousands of $)		
Wtd.Avg. Plant in Service	155,008.2	135,271.0	142,932.7
Material & Supplies	228.1	228.1	228.1
Working Cash - Lead / Lag	1,312.5	740.9	1,118.7
Working Cash - W/H Empl.	(7.9)	(7.9)	(7.9)
Total Working Cash.	1,304.6	733.0	1,110.7
Wtd. Avg. Depr. Reserve	34,987.1	33,922.5	35,223.8
Adjustments:			
Advances	43,197.3	43,197.3	44,503.3
Contributions	8,520.5	8,536.2	8,382.0
Amort. of Intang.	213.0	185.7	186.6
Deferred Taxes	7,450.1	7,021.8	7,109.0
Unamortized ITC	85.1	85.1	85.1
Prorated G. O. Rate Base	2,487.3	1,500.2	1,847.6
Taxes on - Advances	2,355.3	2,355.3	2,355.3
Taxes on - CIAC	656.4	656.4	656.4
Average Rate Base	67,586.8	47,795.4	53,641.0
			53,641.0

RATEBASE COMPARISON TABLE

Willows District

WEIGHTED AVERAGE DEPRECIATED RATE BASE

TEST YEAR 2011

Item	Utility	DRA	Settlement
	(Thousands of $)		
Wtd.Avg. Plant in Serv.	10,248.1	6,647.9	7,946.4
Materials & Supplies	28.6	28.6	28.6
Working Cash-Lead/Lag	58.7	56.2	53.6
Working Cash-W/H Empl.	(0.6)	(0.6)	(0.6)
Total Working Cash.	58.1	55.6	52.9
Wtd. Avg. Depr. Res.	2,554.4	2,504.4	2,535.3
Adjustments:			
Advances	1,788.3	1,788.3	879.8
Contributions	285.4	284.9	285.2
Amort. of Intang.	22.5	0.0	0.0
Deferred Taxes	501.8	501.8	481.6
Unamort. ITC	9.0	9.0	9.0
Prorated G. O. R.B.	209.8	141.0	161.7
Taxes on - Advances	92.0	92.0	92.0
Taxes on - CIAC	20.6	20.6	20.6
Average Rate Base	5,495.8	1,897.3	4,111.4
			4,111.4

Corrected 10/15/10

RATEBASE COMPARISON TABLE

Willows District

WEIGHTED AVERAGE DEPRECIATED RATE BASE

ATTRITION YEAR 2012

Item	Utility	DRA	Settlement
	(Thousands of $)		
Wtd.Avg. Plant in Service	11,268.6	6,923.4	8,381.0
Material & Supplies	28.6	28.6	28.6
Working Cash - Lead / Lag	63.2	39.0	59.4
Working Cash - W/H Empl.	(0.6)	(0.6)	(0.6)
Total Working Cash.	62.6	38.4	58.8
Wtd. Avg. Depr. Reserve	2,774.1	2,652.3	2,718.7
Adjustments:			
Advances	1,922.5	1,922.5	1,014.0
Contributions	282.4	280.5	281.1
Amort. of Intang.	37.5	0.0	0.0
Deferred Taxes	561.9	561.9	523.5
Unamortized ITC	8.5	8.5	8.5
Prorated G. O. Rate Base	203.5	122.7	151.2
Taxes on - Advances	72.6	72.6	72.6
Taxes on - CIAC	17.2	17.2	17.2
Average Rate Base	6,066.2	1,777.2	4,163.5
			4,163.5

RATEBASE COMPARISON TABLE

Westlake District

WEIGHTED AVERAGE DEPRECIATED RATE BASE

TEST YEAR 2011

Item	Utility	DRA	Settlement
	(Thousands of $)		
Wtd.Avg. Plant in Serv.	42,444.3	36,258.5	28,392.6
Materials & Supplies	102.1	102.1	102.1
Working Cash-Lead/Lag	354.1	168.5	347.6
Working Cash-W/H Empl.	(2.9)	(2.9)	(2.9)
Total Working Cash.	351.2	165.6	344.7
Wtd. Avg. Depr. Res.	10,558.1	10,352.9	10,219.7
Adjustments:			
Advances	3,124.7	3,124.7	3,124.7
Contributions	3,543.0	3,542.4	3,544.4
Amort. of Intang.	50.0	50.0	50.0
Deferred Taxes	2,424.7	2,326.9	2,282.5
Unamort. ITC	40.3	40.3	40.3
Prorated G. O. R.B.	954.7	642.0	735.5
Taxes on - Advances	30.8	30.8	30.8
Taxes on - CIAC	36.2	36.2	36.2
Average Rate Base	24,178.5	17,798.0	10,380.3
			10,380.3

RATEBASE COMPARISON TABLE

Westlake District

WEIGHTED AVERAGE DEPRECIATED RATE BASE

ATTRITION YEAR 2012

Item	Utility	DRA	Settlement
	(Thousands of $)		
Wtd.Avg. Plant in Service	42,916.8	36,740.5	28,901.6
Material & Supplies	102.1	102.1	102.1
Working Cash - Lead / Lag	354.6	168.9	354.2
Working Cash - W/H Empl.	(2.9)	(2.9)	(2.9)
Total Working Cash.	351.7	166.0	351.2
Wtd. Avg. Depr. Reserve	11,589.8	11,203.8	10,837.4
Adjustments:			
Advances	3,050.8	3,050.8	3,050.8
Contributions	3,442.5	3,441.5	3,446.4
Amort. of Intang.	73.0	73.0	73.0
Deferred Taxes	2,447.5	2,323.4	2,260.8
Unamortized ITC	38.3	38.3	38.3
Prorated G. O. Rate Base	926.3	558.7	688.0
Taxes on - Advances	31.1	31.1	31.1
Taxes on - CIAC	33.8	33.8	33.8
Average Rate Base	23,719.9	17,501.4	10,401.2
			10,401.2

12.0 SUMMARY OF EARNINGS COMPARISON TABLES

COMPARISON TABLE

Antelope Valley District
Test Year 2011

SUMMARY OF EARNINGS
(Present Rates)

Item	Utility Estimate	DRA Estimate	Settlement
	(Thousands of $)		
Operating revenues	1,658.8	1,516.1	1,623.0
Operating expenses:			
Operation & Maintenance	935.2	718.4	798.7
Administrative & General	245.3	220.4	212.3
G. O. Prorated Exp.	192.0	118.9	149.5
Dep'n & Amortization	353.6	257.3	295.8
Taxes other than income	128.4	102.7	108.5
State Corp. Franchise Tax	(51.6)	(15.3)	(28.3)
Federal Income Tax	(139.3)	(20.7)	(21.8)
Total operating exp.	1,663.6	1,381.7	1,514.8
Net operating revenue	(4.8)	134.4	108.2
Rate base	8,369.0	5,502.6	6,010.5
Return on rate base	-0.06%	2.44%	1.80%

Corrected 10/15/10

COMPARISON TABLE

Antelope Valley District
Test Year 2011

SUMMARY OF EARNINGS

	(Proposed Rates)		
Item	Utility Estimate	DRA Estimate	Settlement
	(Thousands of $)		
Operating revenues	2,870.6	2,077.2	2,298.2
Operating expenses:			
Operation & Maintenance	947.4	724.1	805.5
Administrative & General	245.3	223.7	212.3
G. O. Prorated Exp.	192.0	118.9	149.5
Dep'n & Amortization	353.6	257.3	295.8
Taxes other than income	135.6	102.7	112.5
State Corp. Franchise Tax	53.8	33.5	30.4
Federal Income Tax	225.0	144.9	176.4
Total operating exp.	2,152.7	1,605.1	1,782.5
Net operating revenue	717.7	472.1	515.7
Rate base	8,369.0	5,502.6	6,010.5
Return on rate base	8.58%	8.58%	8.58%

COMPARISON TABLE

Bakersfield District
Test Year 2011

SUMMARY OF EARNINGS
(Present Rates)

Item	Utility Estimate	DRA Estimate	Settlement
	(Thousands of $)		
Operating revenues	59,962.0	61,006.0	63,193.9
Operating expenses:			
Operation & Maintenance	28,187.4	25,488.8	26,147.2
Administrative & General	6,673.5	5,920.4	5,569.6
G. O. Prorated Exp.	10,213.5	7,578.5	8,678.9
Dep'n & Amortization	7,383.4	6,854.3	7,068.2
Taxes other than income	2,653.6	2,283.0	2,505.7
State Corp. Franchise Tax	(115.0)	678.0	698.8
Federal Income Tax	496.2	3,258.3	3,257.1
Total operating exp.	55,492.6	52,061.3	53,925.7
Net operating revenue	4,469.4	8,944.7	9,268.2
Rate base	115,978.4	93,848.3	106,062.8
Return on rate base	3.85%	9.53%	8.74%

COMPARISON TABLE

Bakersfield District
Test Year 2011

SUMMARY OF EARNINGS

Item	Utility Estimate	DRA Estimate	Settlement
	(Proposed Rates)		
	(Thousands of $)		
Operating revenues	69,034.8	59,526.6	62,915.2
Operating expenses:			
Operation & Maintenance	28,327.0	25,473.8	26,144.4
Administrative & General	6,673.5	5,902.8	5,569.6
G. O. Prorated Exp.	10,213.5	7,578.5	8,678.9
Dep'n & Amortization	7,383.4	6,854.3	7,068.2
Taxes other than income	2,762.8	2,283.0	2,502.4
State Corp. Franchise Tax	665.1	550.1	674.7
Federal Income Tax	3,058.3	2,832.0	3,176.8
Total operating exp.	59,083.6	51,474.5	53,815.0
Net operating revenue	9,951.0	8,052.1	9,100.2
Rate base	115,978.4	93,848.3	106,062.8
Return on rate base	8.58%	8.58%	8.58%

COMPARISON TABLE

Bear Gulch District
Test Year 2011

SUMMARY OF EARNINGS
(Present Rates)

Item	Utility Estimate	DRA Estimate	Settlement
	(Thousands of $)		
Operating revenues	26,899.9	25,705.1	28,172.7
Operating expenses:			
Operation & Maintenance	15,834.7	14,177.6	16,669.0
Administrative & General	1,818.4	1,653.5	1,739.4
G. O. Prorated Exp.	3,596.1	2,668.3	3,055.7
Dep'n & Amortization	2,392.6	2,201.9	2,265.7
Taxes other than income	1,002.9	848.2	949.1
State Corp. Franchise Tax	(37.0)	185.3	124.5
Federal Income Tax	222.3	989.1	786.5
Total operating exp.	24,830.0	22,723.9	25,590.0
Net operating revenue	2,069.9	2,981.2	2,582.7
Rate base	57,702.5	44,888.8	51,500.0
Return on rate base	3.59%	6.64%	5.02%

COMPARISON TABLE

Bear Gulch District
Test Year 2011

SUMMARY OF EARNINGS

Item	Utility Estimate	DRA Estimate	Settlement
	(Proposed Rates)		
	(Thousands of $)		
Operating revenues	31,580.8	27,181.1	31,289.2
Operating expenses:			
Operation & Maintenance	15,839.6	14,179.0	16,671.9
Administrative & General	1,818.4	1,664.8	1,739.4
G. O. Prorated Exp.	3,596.1	2,668.3	3,055.7
Dep'n & Amortization	2,392.6	2,201.9	2,265.7
Taxes other than income	1,042.8	848.2	975.6
State Corp. Franchise Tax	373.1	314.7	397.4
Federal Income Tax	1,567.6	1,452.7	1,764.7
Total operating exp.	26,630.2	23,329.6	26,870.5
Net operating revenue	4,950.4	3,851.5	4,418.7
Rate base	57,702.5	44,888.8	51,500.0
Return on rate base	8.58%	8.58%	8.58%

COMPARISON TABLE

Chico District
Test Year 2011

SUMMARY OF EARNINGS
(Present Rates)

Item	Utility Estimate	DRA Estimate	Settlement
	(Thousands of $)		
Operating revenues	18,377.6	19,152.9	18,326.0
Operating expenses:			
Operation & Maintenance	6,299.0	5,498.4	5,793.7
Administrative & General	2,222.1	2,011.9	2,056.5
G. O. Prorated Exp.	3,690.5	2,738.4	3,136.0
Dep'n & Amortization	3,091.7	3,031.0	3,007.2
Taxes other than income	686.5	653.0	654.2
State Corp. Franchise Tax	(0.5)	253.9	137.7
Federal Income Tax	307.5	1,137.0	799.0
Total operating exp.	16,296.8	15,323.6	15,584.3
Net operating revenue	2,080.8	3,829.3	2,741.7
Rate base	44,665.5	41,400.9	40,825.4
Return on rate base	4.66%	9.25%	6.72%

COMPARISON TABLE

Chico District
Test Year 2011

SUMMARY OF EARNINGS

	(Proposed Rates)		
Item	Utility Estimate	DRA Estimate	Settlement
	(Thousands of $)		
Operating revenues	21,204.0	18,705.7	19,554.0
Operating expenses:			
Operation & Maintenance	6,306.0	5,497.3	5,796.7
Administrative & General	2,222.1	2,011.9	2,056.5
G. O. Prorated Exp.	3,690.5	2,738.4	3,136.0
Dep'n & Amortization	3,091.7	3,031.0	3,007.2
Taxes other than income	686.5	653.0	654.2
State Corp. Franchise Tax	248.7	214.4	246.0
Federal Income Tax	1,126.1	1,007.5	1,154.7
Total operating exp.	17,371.6	15,153.5	16,051.2
Net operating revenue	3,832.2	3,552.2	3,502.8
Rate base	44,665.5	41,400.9	40,825.4
Return on rate base	8.58%	8.58%	8.58%

COMPARISON TABLE

Dixon District
Test Year 2011

SUMMARY OF EARNINGS
(Present Rates)

Item	Utility Estimate	DRA Estimate	Settlement
	(Thousands of $)		
Operating revenues	1,756.4	1,713.7	1,796.7
Operating expenses:			
Operation & Maintenance	750.0	585.0	636.1
Administrative & General	230.8	214.0	210.6
G. O. Prorated Exp.	358.3	265.9	304.4
Dep'n & Amortization	216.1	202.7	224.2
Taxes other than income	103.1	86.1	96.1
State Corp. Franchise Tax	(12.9)	15.4	(2.1)
Federal Income Tax	(23.3)	69.3	43.8
Total operating exp.	1,622.1	1,438.4	1,513.2
Net operating revenue	134.3	275.3	283.5
Rate base	7,075.6	5,209.8	7,336.3
Return on rate base	1.90%	5.28%	3.86%

COMPARISON TABLE

Dixon District
Test Year 2011

SUMMARY OF EARNINGS

	(Proposed Rates)		
Item	Utility Estimate	DRA Estimate	Settlement
	(Thousands of $)		
Operating revenues	2,534.8	1,991.5	2,356.2
Operating expenses:			
Operation & Maintenance	753.9	586.4	639.0
Administrative & General	230.5	214.0	210.6
G. O. Prorated Exp.	358.3	265.9	304.4
Dep'n & Amortization	216.1	202.7	224.2
Taxes other than income	103.1	86.1	96.1
State Corp. Franchise Tax	55.6	39.8	47.1
Federal Income Tax	209.5	149.6	205.4
Total operating exp.	1,927.0	1,544.5	1,726.8
Net operating revenue	607.6	447.0	629.5
Rate base	7,075.6	5,209.8	7,336.3
Return on rate base	8.59%	8.58%	8.58%

COMPARISON TABLE

Dominguez So. Bay District
Test Year 2011

SUMMARY OF EARNINGS
(Present Rates)

Item	Utility Estimate	DRA Estimate	Settlement
	(Thousands of $)		
Operating revenues	41,975.3	40,114.2	45,959.6
Operating expenses:			
Operation & Maintenance	33,184.5	30,414.2	37,090.0
Administrative & General	2,756.0	2,194.1	2,494.8
G. O. Prorated Exp.	1,462.8	118.3	679.9
Dep'n & Amortization	2,465.6	1,683.0	2,421.9
Taxes other than income	911.9	833.5	865.2
State Corp. Franchise Tax	6.4	271.4	128.8
Federal Income Tax	(104.6)	917.1	500.3
Total operating exp.	40,682.6	36,431.6	44,181.0
Net operating revenue	1,292.7	3,682.6	1,778.6
Rate base	60,021.3	55,700.4	57,741.6
Return on rate base	2.15%	6.61%	3.08%

Corrected 10/15/10

COMPARISON TABLE

Dominguez So. Bay District
Test Year 2011

SUMMARY OF EARNINGS

	(Proposed Rates)		
Item	Utility Estimate	DRA Estimate	Settlement
	(Thousands of $)		
Operating revenues	48,402.2	41,909.7	51,327.2
Operating expenses:			
Operation & Maintenance	33,197.6	30,416.5	37,097.1
Administrative & General	2,756.0	2,194.2	2,494.8
G. O. Prorated Exp.	1,462.8	118.3	679.9
Dep'n & Amortization	2,465.6	1,683.0	2,421.9
Taxes other than income	912.3	833.5	865.5
State Corp. Franchise Tax	573.3	429.9	602.6
Federal Income Tax	1,884.3	1,455.2	2,211.1
Total operating exp.	43,251.9	37,130.6	46,373.0
Net operating revenue	5,150.1	4,779.1	4,954.2
Rate base	60,021.3	55,700.4	57,741.6
Return on rate base	8.58%	8.58%	8.58%

COMPARISON TABLE

East Los Angeles District
Test Year 2011

SUMMARY OF EARNINGS
(Present Rates)

Item	Utility Estimate	DRA Estimate	Settlement
	(Thousands of $)		
Operating revenues	26,536.9	26,818.8	30,355.7
Operating expenses:			
Operation & Maintenance	15,719.7	14,156.5	17,424.6
Administrative & General	2,872.2	2,513.3	2,578.8
G. O. Prorated Exp.	3,940.8	2,924.1	3,348.6
Dep'n & Amortization	1,865.3	1,756.2	1,795.5
Taxes other than income	1,152.4	1,029.4	1,101.7
State Corp. Franchise Tax	(119.9)	233.0	233.2
Federal Income Tax	(147.2)	1,046.8	1,024.4
Total operating exp.	25,283.3	23,659.3	27,506.8
Net operating revenue	1,253.6	3,159.5	2,848.9
Rate base	49,707.0	37,597.0	39,439.8
Return on rate base	2.52%	8.40%	7.22%

COMPARISON TABLE

East Los Angeles District
Test Year 2011

SUMMARY OF EARNINGS

	(Proposed Rates)		
Item	Utility Estimate	DRA Estimate	Settlement
	(Thousands of $)		
Operating revenues	31,478.4	26,931.5	31,262.8
Operating expenses:			
Operation & Maintenance	15,731.0	14,156.8	17,426.7
Administrative & General	2,872.2	2,515.2	2,578.8
G. O. Prorated Exp.	3,940.8	2,924.1	3,348.6
Dep'n & Amortization	1,865.3	1,756.2	1,795.5
Taxes other than income	1,235.3	1,029.4	1,116.9
State Corp. Franchise Tax	308.6	242.7	311.8
Federal Income Tax	1,260.2	1,081.2	1,300.6
Total operating exp.	27,213.4	23,705.6	27,878.9
Net operating revenue	4,264.8	3,225.9	3,383.9
Rate base	49,707.0	37,597.0	39,439.8
Return on rate base	8.58%	8.58%	8.58%

COMPARISON TABLE

Hermosa Redondo District
Test Year 2011

SUMMARY OF EARNINGS
(Present Rates)

Item	Utility Estimate	DRA Estimate	Settlement
	(Thousands of $)		
Operating revenues	22,813.4	22,665.4	24,912.3
Operating expenses:			
Operation & Maintenance	12,985.8	11,494.1	14,090.9
Administrative & General	2,157.8	1,801.1	1,948.0
G. O. Prorated Exp.	3,454.1	2,562.9	2,935.0
Dep'n & Amortization	1,450.9	1,412.7	1,438.5
Taxes other than income	590.6	538.3	566.1
State Corp. Franchise Tax	56.3	294.8	218.0
Federal Income Tax	327.7	1,263.1	1,057.4
Total operating exp.	21,023.2	19,367.0	22,254.1
Net operating revenue	1,790.2	3,298.4	2,658.2
Rate base	36,144.1	33,656.5	35,587.2
Return on rate base	4.95%	9.80%	7.47%

COMPARISON TABLE

Hermosa Redondo District
Test Year 2011

SUMMARY OF EARNINGS

	(Proposed Rates)		
Item	Utility Estimate	DRA Estimate	Settlement
	(Thousands of $)		
Operating revenues	25,031.3	21,978.3	25,573.4
Operating expenses:			
Operation & Maintenance	12,988.2	11,493.4	14,091.7
Administrative & General	2,157.8	1,800.8	1,948.0
G. O. Prorated Exp.	3,454.1	2,562.9	2,935.0
Dep'n & Amortization	1,450.9	1,412.7	1,438.5
Taxes other than income	591.4	538.3	566.4
State Corp. Franchise Tax	252.1	234.2	276.4
Federal Income Tax	1,035.6	1,048.4	1,264.1
Total operating exp.	21,930.1	19,090.7	22,520.0
Net operating revenue	3,101.0	2,887.6	3,053.4
Rate base	36,144.1	33,656.5	35,587.2
Return on rate base	8.58%	8.58%	8.58%

COMPARISON TABLE

King City District
Test Year 2011

SUMMARY OF EARNINGS
(Present Rates)

Item	Utility Estimate	DRA Estimate	Settlement
	(Thousands of $)		
Operating revenues	2,481.6	2,517.5	2,517.4
Operating expenses:			
Operation & Maintenance	893.0	658.0	677.2
Administrative & General	286.0	255.2	267.9
G. O. Prorated Exp.	398.9	295.9	404.9
Dep'n & Amortization	372.6	346.0	356.8
Taxes other than income	173.3	160.7	162.8
State Corp. Franchise Tax	(0.1)	42.0	27.6
Federal Income Tax	30.5	166.4	118.7
Total operating exp.	2,154.2	1,924.2	2,015.9
Net operating revenue	327.4	593.3	501.5
Rate base	8,548.2	7,530.1	8,083.7
Return on rate base	3.83%	7.88%	6.20%

COMPARISON TABLE

King City District
Test Year 2011

SUMMARY OF EARNINGS

Item	Utility Estimate	DRA Estimate	Settlement
	(Proposed Rates)		
	(Thousands of $)		
Operating revenues	3,145.9	2,603.6	2,830.8
Operating expenses:			
Operation & Maintenance	897.5	658.4	678.5
Administrative & General	286.0	256.0	267.9
G. O. Prorated Exp.	398.9	295.9	404.9
Dep'n & Amortization	372.6	346.0	356.8
Taxes other than income	179.5	160.7	165.7
State Corp. Franchise Tax	57.7	49.5	55.0
Federal Income Tax	220.3	191.1	208.4
Total operating exp.	2,412.5	1,957.6	2,137.2
Net operating revenue	733.2	646.0	693.6
Rate base	8,548.2	7,530.1	8,083.7
Return on rate base	8.58%	8.58%	8.58%

COMPARISON TABLE

Kern River Valley District
Test Year 2011

SUMMARY OF EARNINGS
(Present Rates)

Item	Utility Estimate	DRA Estimate	Settlement
	(Thousands of $)		
Operating revenues	4,623.4	4,296.8	4,302.0
Operating expenses:			
Operation & Maintenance	1,600.6	1,373.2	1,411.7
Administrative & General	618.5	558.3	548.9
G. O. Prorated Exp.	694.0	479.6	569.2
Dep'n & Amortization	921.9	781.5	822.7
Taxes other than income	283.7	237.2	238.0
State Corp. Franchise Tax	(14.4)	25.7	(1.1)
Federal Income Tax	11.7	147.2	91.1
Total operating exp.	4,116.0	3,602.7	3,680.7
Net operating revenue	507.4	694.1	621.3
Rate base	17,608.3	14,374.5	14,860.6
Return on rate base	2.88%	4.83%	4.18%

COMPARISON TABLE

Kern River Valley District
Test Year 2011

SUMMARY OF EARNINGS

	(Proposed Rates)		
Item	Utility Estimate	DRA Estimate	Settlement
	(Thousands of $)		
Operating revenues	6,310.2	5,192.8	5,389.7
Operating expenses:			
Operation & Maintenance	1,616.0	1,379.8	1,421.7
Administrative & General	618.5	565.4	548.9
G. O. Prorated Exp.	694.0	479.6	569.2
Dep'n & Amortization	921.9	781.5	822.7
Taxes other than income	297.1	237.2	246.7
State Corp. Franchise Tax	132.2	103.7	93.4
Federal Income Tax	519.6	412.2	412.1
Total operating exp.	4,799.3	3,959.4	4,114.8
Net operating revenue	1,510.7	1,233.4	1,274.9
Rate base	17,608.3	14,374.5	14,860.6
Return on rate base	8.58%	8.58%	8.58%

Corrected 10/15/10

COMPARISON TABLE

Livermore District
Test Year 2011

SUMMARY OF EARNINGS
(Present Rates)

Item	Utility Estimate	DRA Estimate	Settlement
	(Thousands of $)		
Operating revenues	17,528.3	16,749.8	20,077.3
Operating expenses:			
Operation & Maintenance	10,909.0	10,327.1	11,445.5
Administrative & General	1,045.5	927.1	966.4
G. O. Prorated Exp.	2,494.2	1,850.7	2,119.6
Dep'n & Amortization	1,752.6	1,617.5	1,691.1
Taxes other than income	617.5	548.5	598.7
State Corp. Franchise Tax	(41.1)	45.9	204.0
Federal Income Tax	(4.1)	289.1	901.1
Total operating exp.	16,773.6	15,605.9	17,926.4
Net operating revenue	754.7	1,143.9	2,150.8
Rate base	29,666.3	24,178.8	26,870.3
Return on rate base	2.54%	4.73%	8.00%

COMPARISON TABLE

Livermore District
Test Year 2011

SUMMARY OF EARNINGS

Item	Utility Estimate	DRA Estimate	Settlement
	(Proposed Rates)		
	(Thousands of $)		
Operating revenues	20,445.0	18,307.0	20,340.2
Operating expenses:			
Operation & Maintenance	10,915.5	10,330.6	11,446.1
Administrative & General	1,045.5	927.8	966.4
G. O. Prorated Exp.	2,494.2	1,850.7	2,119.6
Dep'n & Amortization	1,752.6	1,617.5	1,691.1
Taxes other than income	645.2	548.5	601.2
State Corp. Franchise Tax	213.7	183.3	227.0
Federal Income Tax	832.9	774.1	983.8
Total operating exp.	17,899.6	16,232.5	18,035.2
Net operating revenue	2,545.2	2,074.5	2,305.1
Rate base	29,666.3	24,178.8	26,870.3
Return on rate base	8.58%	8.58%	8.58%

COMPARISON TABLE

Los Altos District
Test Year 2011

SUMMARY OF EARNINGS
(Present Rates)

Item	Utility Estimate	DRA Estimate	Settlement
	(Thousands of $)		
Operating revenues	22,701.1	22,908.2	24,153.4
Operating expenses:			
Operation & Maintenance	13,841.6	13,135.8	13,583.4
Administrative & General	1,452.2	1,316.5	1,377.2
G. O. Prorated Exp.	3,149.9	2,337.3	2,676.5
Dep'n & Amortization	1,581.1	1,517.0	1,581.8
Taxes other than income	826.0	776.0	816.6
State Corp. Franchise Tax	62.3	240.0	269.9
Federal Income Tax	265.8	938.5	1,100.4
Total operating exp.	21,178.9	20,261.1	21,405.9
Net operating revenue	1,522.2	2,647.1	2,747.5
Rate base	33,858.2	30,608.4	33,395.9
Return on rate base	4.50%	8.65%	8.23%

COMPARISON TABLE

Los Altos District
Test Year 2011

SUMMARY OF EARNINGS

	(Proposed Rates)		
Item	Utility Estimate	DRA Estimate	Settlement
	(Thousands of $)		
Operating revenues	25,058.6	22,873.0	24,351.7
Operating expenses:			
Operation & Maintenance	13,844.2	13,135.8	13,583.6
Administrative & General	1,452.2	1,316.1	1,377.2
G. O. Prorated Exp.	3,149.9	2,337.3	2,676.5
Dep'n & Amortization	1,581.1	1,517.0	1,581.8
Taxes other than income	855.8	776.0	819.1
State Corp. Franchise Tax	267.8	236.9	287.2
Federal Income Tax	1,002.5	927.8	1,160.9
Total operating exp.	22,153.5	20,246.9	21,486.4
Net operating revenue	2,904.9	2,626.1	2,865.4
Rate base	33,858.2	30,608.4	33,395.9
Return on rate base	8.58%	8.58%	8.58%

COMPARISON TABLE

Marysvile District
Test Year 2011

SUMMARY OF EARNINGS
(Present Rates)

Item	Utility Estimate	DRA Estimate	Settlement
	(Thousands of $)		
Operating revenues	2,295.6	2,273.2	2,203.3
Operating expenses:			
Operation & Maintenance	940.4	818.1	851.2
Administrative & General	521.1	462.3	470.5
G. O. Prorated Exp.	567.8	421.3	576.5
Dep'n & Amortization	328.8	304.0	338.5
Taxes other than income	110.9	77.6	108.3
State Corp. Franchise Tax	(58.3)	3.8	(37.6)
Federal Income Tax	(135.2)	51.5	(95.1)
Total operating exp.	2,275.5	2,138.6	2,212.5
Net operating revenue	20.1	134.6	(9.2)
Rate base	7,879.6	3,853.2	7,108.6
Return on rate base	0.26%	3.49%	-0.13%

COMPARISON TABLE

Marysvile District
Test Year 2011

SUMMARY OF EARNINGS

	(Proposed Rates)		
Item	Utility Estimate	DRA Estimate	Settlement
	(Thousands of $)		
Operating revenues	3,371.3	2,589.9	3,203.5
Operating expenses:			
Operation & Maintenance	944.4	819.3	855.0
Administrative & General	521.1	462.3	470.5
G. O. Prorated Exp.	567.8	421.3	576.5
Dep'n & Amortization	328.8	304.0	338.5
Taxes other than income	110.9	77.6	108.3
State Corp. Franchise Tax	36.4	31.7	50.5
Federal Income Tax	185.9	143.1	194.2
Total operating exp.	2,695.3	2,259.3	2,593.6
Net operating revenue	675.8	330.6	609.9
Rate base	7,879.6	3,853.2	7,108.6
Return on rate base	8.58%	8.58%	8.58%

COMPARISON TABLE

Mid-Peninsula District
Test Year 2011

SUMMARY OF EARNINGS
(Present Rates)

Item	Utility Estimate	DRA Estimate	Settlement
	(Thousands of $)		
Operating revenues	30,521.8	30,466.5	33,027.6
Operating expenses:			
Operation & Maintenance	18,781.8	16,820.8	19,551.1
Administrative & General	1,651.8	1,465.1	1,572.9
G. O. Prorated Exp.	4,305.7	3,194.9	3,658.7
Dep'n & Amortization	2,594.4	2,331.6	2,414.1
Taxes other than income	691.1	561.5	590.4
State Corp. Franchise Tax	148.9	500.3	462.4
Federal Income Tax	881.2	2,106.1	1,979.6
Total operating exp.	29,054.9	26,980.3	30,229.3
Net operating revenue	1,466.9	3,486.2	2,798.2
Rate base	54,215.2	40,268.3	44,193.6
Return on rate base	2.71%	8.66%	6.33%

COMPARISON TABLE

Mid-Peninsula District
Test Year 2011

SUMMARY OF EARNINGS

	(Proposed Rates)		
Item	Utility Estimate	DRA Estimate	Settlement
	(Thousands of $)		
Operating revenues	35,919.7	30,413.8	34,706.1
Operating expenses:			
Operation & Maintenance	18,787.7	16,820.7	19,553.0
Administrative & General	1,651.8	1,465.1	1,572.9
G. O. Prorated Exp.	4,305.7	3,194.9	3,658.7
Dep'n & Amortization	2,594.4	2,331.6	2,414.1
Taxes other than income	691.1	561.5	590.4
State Corp. Franchise Tax	625.5	495.7	610.6
Federal Income Tax	2,611.6	2,089.3	2,514.6
Total operating exp.	31,267.8	26,958.8	30,914.3
Net operating revenue	4,651.7	3,455.0	3,791.8
Rate base	54,215.2	40,268.3	44,193.6
Return on rate base	8.58%	8.58%	8.58%

COMPARISON TABLE

Oroville District
Test Year 2011

SUMMARY OF EARNINGS
(Present Rates)

Item	Utility Estimate	DRA Estimate	Settlement
	(Thousands of $)		
Operating revenues	3,447.0	3,439.9	3,465.9
Operating expenses:			
Operation & Maintenance	1,579.4	1,377.3	1,477.5
Administrative & General	622.5	566.6	596.7
G. O. Prorated Exp.	682.7	506.6	580.2
Dep'n & Amortization	466.3	448.1	444.2
Taxes other than income	135.5	121.6	121.5
State Corp. Franchise Tax	(53.1)	13.1	(25.8)
Federal Income Tax	(141.7)	82.4	(53.4)
Total operating exp.	3,291.6	3,115.7	3,141.0
Net operating revenue	155.4	324.2	324.9
Rate base	9,046.9	7,613.9	7,742.5
Return on rate base	1.72%	4.26%	4.20%

COMPARISON TABLE

Oroville District
Test Year 2011

SUMMARY OF EARNINGS

	(Proposed Rates)		
Item	Utility Estimate	DRA Estimate	Settlement
	(Thousands of $)		
Operating revenues	4,474.6	3,976.0	4,028.1
Operating expenses:			
Operation & Maintenance	1,586.8	1,381.1	1,481.5
Administrative & General	622.5	566.6	596.7
G. O. Prorated Exp.	682.7	506.6	580.2
Dep'n & Amortization	466.3	448.1	444.2
Taxes other than income	135.5	121.6	121.5
State Corp. Franchise Tax	37.1	60.1	23.6
Federal Income Tax	167.5	238.6	116.1
Total operating exp.	3,698.4	3,322.7	3,363.8
Net operating revenue	776.0	653.3	664.3
Rate base	9,046.9	7,613.9	7,742.5
Return on rate base	8.58%	8.58%	8.58%

COMPARISON TABLE

Palos Verdes District
Test Year 2011

SUMMARY OF EARNINGS
(Present Rates)

Item	Utility Estimate	DRA Estimate	Settlement
	(Thousands of $)		
Operating revenues	33,894.6	34,141.6	38,445.3
Operating expenses:			
Operation & Maintenance	23,147.8	22,235.4	26,809.6
Administrative & General	1,949.3	1,615.4	1,751.1
G. O. Prorated Exp.	4,001.6	2,969.3	3,400.5
Dep'n & Amortization	1,785.3	1,684.6	1,702.1
Taxes other than income	897.5	836.9	898.7
State Corp. Franchise Tax	110.1	357.4	293.5
Federal Income Tax	401.1	1,358.7	1,182.7
Total operating exp.	32,292.7	31,057.7	36,038.3
Net operating revenue	1,601.9	3,083.9	2,407.0
Rate base	32,115.9	26,735.2	27,629.4
Return on rate base	4.99%	11.53%	8.71%

COMPARISON TABLE

Palos Verdes District
Test Year 2011

SUMMARY OF EARNINGS

	(Proposed Rates)		
Item	Utility Estimate	DRA Estimate	Settlement
	(Thousands of $)		
Operating revenues	36,039.7	32,792.5	38,382.9
Operating expenses:			
Operation & Maintenance	23,148.9	22,234.7	26,809.5
Administrative & General	1,949.3	1,600.2	1,751.1
G. O. Prorated Exp.	4,001.6	2,969.3	3,400.5
Dep'n & Amortization	1,785.3	1,684.6	1,702.1
Taxes other than income	921.7	836.9	898.0
State Corp. Franchise Tax	297.5	239.6	288.0
Federal Income Tax	1,179.9	933.4	1,163.0
Total operating exp.	33,284.2	30,498.7	36,012.3
Net operating revenue	2,755.3	2,293.8	2,370.6
Rate base	32,115.9	26,735.2	27,629.4
Return on rate base	8.58%	8.58%	8.58%

COMPARISON TABLE

Coast Springs District
Test Year 2011

SUMMARY OF EARNINGS
(Present Rates)

Item	Utility Estimate	DRA Estimate	Settlement
	(Thousands of $)		
Operating revenues	257.5	257.4	257.9
Operating expenses:			
Operation & Maintenance	169.7	154.2	155.9
Administrative & General	68.9	63.1	67.7
G. O. Prorated Exp.	81.2	60.2	69.0
Dep'n & Amortization	98.9	92.0	25.1
Taxes other than income	15.0	6.5	10.0
State Corp. Franchise Tax	(19.8)	(6.9)	(15.1)
Federal Income Tax	(67.0)	(25.5)	(49.7)
Total operating exp.	346.9	343.6	263.0
Net operating revenue	(89.4)	(86.2)	(5.1)
Rate base	1,815.0	521.0	1,272.8
Return on rate base	-4.93%	-16.55%	-0.40%

COMPARISON TABLE

Coast Springs District
Test Year 2011

SUMMARY OF EARNINGS

	(Proposed Rates)		
Item	Utility Estimate	DRA Estimate	Settlement
	(Thousands of $)		
Operating revenues	656.0	468.1	441.7
Operating expenses:			
Operation & Maintenance	169.7	154.2	155.9
Administrative & General	68.9	63.1	67.7
G. O. Prorated Exp.	81.2	60.2	69.0
Dep'n & Amortization	98.9	92.0	25.1
Taxes other than income	15.0	6.5	10.0
State Corp. Franchise Tax	15.4	11.8	1.1
Federal Income Tax	51.1	35.6	3.7
Total operating exp.	500.2	423.4	332.5
Net operating revenue	155.6	44.7	109.1
Rate base	1,815.0	521.0	1,272.8
Return on rate base	8.57%	8.58%	8.58%

COMPARISON TABLE

Lucerne District
Test Year 2011

SUMMARY OF EARNINGS
(Present Rates)

Item	Utility Estimate	DRA Estimate	Settlement
	(Thousands of $)		
Operating revenues	1,242.8	1,242.8	1,242.8
Operating expenses:			
Operation & Maintenance	625.7	555.8	580.8
Administrative & General	252.8	233.0	244.5
G. O. Prorated Exp.	297.4	220.7	252.7
Dep'n & Amortization	164.2	151.0	150.3
Taxes other than income	70.2	55.8	62.7
State Corp. Franchise Tax	(30.9)	(8.6)	(14.5)
Federal Income Tax	(129.1)	(52.8)	(82.6)
Total operating exp.	1,250.3	1,154.9	1,193.9
Net operating revenue	(7.5)	87.9	48.8
Rate base	4,770.2	3,623.5	4,100.9
Return on rate base	-0.16%	2.43%	1.19%

COMPARISON TABLE

Lucerne District
Test Year 2011

SUMMARY OF EARNINGS

	(Proposed Rates)		
Item	Utility Estimate	DRA Estimate	Settlement
	(Thousands of $)		
Operating revenues	1,925.4	1,623.3	1,759.4
Operating expenses:			
Operation & Maintenance	632.9	559.8	586.3
Administrative & General	252.8	233.0	244.5
G. O. Prorated Exp.	297.4	220.7	252.7
Dep'n & Amortization	164.2	151.0	150.3
Taxes other than income	70.2	55.8	62.7
State Corp. Franchise Tax	28.8	24.7	30.7
Federal Income Tax	69.8	67.3	80.5
Total operating exp.	1,516.1	1,312.3	1,407.6
Net operating revenue	409.1	311.0	351.8
Rate base	4,770.2	3,623.5	4,100.9
Return on rate base	8.58%	8.58%	8.58%

COMPARISON TABLE

Unified Area District
Test Year 2011

SUMMARY OF EARNINGS
(Present Rates)

Item	Utility Estimate	DRA Estimate	Settlement
	(Thousands of $)		
Operating revenues	495.9	485.9	486.8
Operating expenses:			
Operation & Maintenance	244.4	219.9	223.7
Administrative & General	111.8	106.4	107.7
G. O. Prorated Exp.	101.5	75.1	86.1
Dep'n & Amortization	138.4	68.2	47.7
Taxes other than income	19.0	13.5	14.8
State Corp. Franchise Tax	(14.5)	(1.1)	(2.5)
Federal Income Tax	(36.2)	4.1	(1.9)
Total operating exp.	564.4	486.1	475.7
Net operating revenue	(68.5)	(0.2)	11.1
Rate base	2,122.6	805.2	1,007.8
Return on rate base	-3.23%	-0.02%	1.10%

COMPARISON TABLE

Unified Area District
Test Year 2011

SUMMARY OF EARNINGS

	(Proposed Rates)		
Item	Utility Estimate	DRA Estimate	Settlement
	(Thousands of $)		
Operating revenues	924.3	598.1	609.1
Operating expenses:			
Operation & Maintenance	249.5	220.4	224.2
Administrative & General	111.8	106.4	107.7
G. O. Prorated Exp.	101.5	75.1	86.1
Dep'n & Amortization	138.4	68.2	47.7
Taxes other than income	19.0	13.5	14.8
State Corp. Franchise Tax	22.9	8.8	8.3
Federal Income Tax	99.0	36.7	33.8
Total operating exp.	742.1	529.0	522.6
Net operating revenue	182.0	69.1	86.5
Rate base	2,122.6	805.2	1,007.8
Return on rate base	8.57%	8.58%	8.58%

COMPARISON TABLE

Salinas District
Test Year 2011

SUMMARY OF EARNINGS
(Present Rates)

Item	Utility Estimate	DRA Estimate	Settlement
	(Thousands of $)		
Operating revenues	21,871.5	21,616.5	24,591.6
Operating expenses:			
Operation & Maintenance	9,547.1	6,805.2	8,110.9
Administrative & General	2,303.6	2,048.1	2,183.5
G. O. Prorated Exp.	4,528.8	3,360.5	3,848.4
Dep'n & Amortization	2,906.4	2,899.2	2,993.4
Taxes other than income	1,443.6	1,396.4	1,498.6
State Corp. Franchise Tax	(123.8)	257.6	344.3
Federal Income Tax	(253.2)	1,053.9	1,379.8
Total operating exp.	20,352.5	17,820.9	20,359.1
Net operating revenue	1,519.0	3,795.6	4,232.5
Rate base	55,060.6	50,587.5	54,713.0
Return on rate base	2.76%	7.50%	7.74%

Corrected 10/15/10

COMPARISON TABLE

Salinas District
Test Year 2011

SUMMARY OF EARNINGS

	(Proposed Rates)		
Item	Utility Estimate	DRA Estimate	Settlement
	(Thousands of $)		
Operating revenues	27,369.2	22,499.2	25,357.0
Operating expenses:			
Operation & Maintenance	9,570.1	6,808.8	8,114.1
Administrative & General	2,303.6	2,050.3	2,183.5
G. O. Prorated Exp.	4,528.8	3,360.5	3,848.4
Dep'n & Amortization	2,906.4	2,899.2	2,993.4
Taxes other than income	1,579.7	1,396.4	1,517.6
State Corp. Franchise Tax	348.1	335.1	410.0
Federal Income Tax	1,408.3	1,308.5	1,595.6
Total operating exp.	22,645.0	18,158.8	20,662.6
Net operating revenue	4,724.0	4,340.4	4,694.4
Rate base	55,060.6	50,587.5	54,713.0
Return on rate base	8.58%	8.58%	8.58%

COMPARISON TABLE

Selma District
Test Year 2011

SUMMARY OF EARNINGS
(Present Rates)

Item	Utility Estimate	DRA Estimate	Settlement
	(Thousands of $)		
Operating revenues	3,366.9	3,432.4	3,409.0
Operating expenses:			
Operation & Maintenance	1,485.9	1,164.5	1,317.6
Administrative & General	528.0	473.6	451.8
G. O. Prorated Exp.	784.0	581.7	666.3
Dep'n & Amortization	623.2	547.7	565.3
Taxes other than income	218.6	189.2	195.3
State Corp. Franchise Tax	(80.3)	(3.8)	(23.7)
Federal Income Tax	(284.8)	(23.7)	(90.9)
Total operating exp.	3,274.6	2,929.2	3,081.7
Net operating revenue	92.3	503.2	327.2
Rate base	13,279.9	10,367.2	10,952.3
Return on rate base	0.70%	4.85%	2.99%

COMPARISON TABLE

Selma District
Test Year 2011

SUMMARY OF EARNINGS

	(Proposed Rates)		
Item	Utility Estimate	DRA Estimate	Settlement
	(Thousands of $)		
Operating revenues	5,119.9	4,063.8	4,410.1
Operating expenses:			
Operation & Maintenance	1,493.4	1,167.2	1,321.9
Administrative & General	528.0	480.6	451.8
G. O. Prorated Exp.	784.0	581.7	666.3
Dep'n & Amortization	623.2	547.7	565.3
Taxes other than income	238.1	189.2	206.5
State Corp. Franchise Tax	72.3	51.1	63.4
Federal Income Tax	240.5	156.8	195.3
Total operating exp.	3,979.5	3,174.3	3,470.4
Net operating revenue	1,140.2	889.5	939.7
Rate base	13,279.9	10,367.2	10,952.3
Return on rate base	8.59%	8.58%	8.58%

COMPARISON TABLE

So. San Francisco District
Test Year 2011

SUMMARY OF EARNINGS
(Present Rates)

Item	Utility Estimate	DRA Estimate	Settlement
	(Thousands of $)		
Operating revenues	14,879.5	14,798.1	15,945.0
Operating expenses:			
Operation & Maintenance	9,151.9	8,221.9	9,477.8
Administrative & General	709.0	654.3	699.6
G. O. Prorated Exp.	2,156.3	1,599.9	2,189.0
Dep'n & Amortization	1,264.4	1,104.6	1,134.6
Taxes other than income	288.8	243.6	253.3
State Corp. Franchise Tax	18.3	181.3	130.4
Federal Income Tax	114.9	730.8	479.6
Total operating exp.	13,703.6	12,736.4	14,364.4
Net operating revenue	1,175.9	2,061.7	1,580.6
Rate base	25,214.7	19,230.8	20,539.2
Return on rate base	4.66%	10.72%	7.70%

COMPARISON TABLE

So. San Francisco District
Test Year 2011

SUMMARY OF EARNINGS

	(Proposed Rates)		
Item	Utility Estimate	DRA Estimate	Settlement
	(Thousands of $)		
Operating revenues	16,588.7	14,103.3	16,251.7
Operating expenses:			
Operation & Maintenance	9,154.5	8,220.8	9,478.3
Administrative & General	709.0	654.3	699.6
G. O. Prorated Exp.	2,156.3	1,599.9	2,189.0
Dep'n & Amortization	1,264.4	1,104.6	1,134.6
Taxes other than income	288.8	243.5	253.3
State Corp. Franchise Tax	169.2	120.0	157.4
Federal Income Tax	683.0	510.1	577.2
Total operating exp.	14,425.2	12,453.2	14,489.4
Net operating revenue	2,163.3	1,650.1	1,762.3
Rate base	25,214.7	19,230.8	20,539.2
Return on rate base	8.58%	8.58%	8.58%

COMPARISON TABLE

Stockton District
Test Year 2011

SUMMARY OF EARNINGS
(Present Rates)

Item	Utility Estimate	DRA Estimate	Settlement
	(Thousands of $)		
Operating revenues	29,818.0	29,886.8	31,448.5
Operating expenses:			
Operation & Maintenance	14,723.1	12,839.5	14,554.5
Administrative & General	3,437.3	3,101.1	3,248.5
G. O. Prorated Exp.	5,366.9	3,982.3	4,560.6
Dep'n & Amortization	3,154.9	2,816.8	2,892.2
Taxes other than income	1,258.3	1,048.0	1,090.4
State Corp. Franchise Tax	(92.8)	335.9	292.9
Federal Income Tax	12.6	1,549.0	1,334.6
Total operating exp.	27,860.3	25,672.6	27,973.8
Net operating revenue	1,957.7	4,214.2	3,474.7
Rate base	69,811.0	53,975.1	57,028.7
Return on rate base	2.80%	7.81%	6.09%

COMPARISON TABLE

Stockton District
Test Year 2011

SUMMARY OF EARNINGS

	(Proposed Rates)		
Item	Utility Estimate	DRA Estimate	Settlement
	(Thousands of $)		
Operating revenues	36,615.5	30,592.0	33,831.6
Operating expenses:			
Operation & Maintenance	14,812.8	12,848.5	14,584.8
Administrative & General	3,437.3	3,104.5	3,248.5
G. O. Prorated Exp.	5,366.9	3,982.3	4,560.6
Dep'n & Amortization	3,154.9	2,816.8	2,892.2
Taxes other than income	1,292.4	1,048.0	1,102.3
State Corp. Franchise Tax	497.4	397.1	499.9
Federal Income Tax	2,064.0	1,763.7	2,050.2
Total operating exp.	30,625.7	25,960.9	28,938.5
Net operating revenue	5,989.6	4,631.1	4,893.1
Rate base	69,811.0	53,975.1	57,028.7
Return on rate base	8.58%	8.58%	8.58%

COMPARISON TABLE

Visalia District
Test Year 2011

SUMMARY OF EARNINGS
(Present Rates)

Item	Utility Estimate	DRA Estimate	Settlement
	(Thousands of $)		
Operating revenues	16,527.6	17,777.9	20,267.3
Operating expenses:			
Operation & Maintenance	6,663.4	5,880.2	6,596.5
Administrative & General	2,940.9	2,612.2	2,586.5
G. O. Prorated Exp.	4,211.2	3,124.6	3,578.4
Dep'n & Amortization	3,960.9	3,417.8	3,707.4
Taxes other than income	886.2	713.1	753.3
State Corp. Franchise Tax	(554.6)	(130.7)	(19.9)
Federal Income Tax	(1,199.7)	180.2	567.4
Total operating exp.	16,908.3	15,797.4	17,769.7
Net operating revenue	(380.7)	1,980.5	2,497.7
Rate base	62,907.0	46,912.5	52,535.6
Return on rate base	-0.61%	4.22%	4.75%

COMPARISON TABLE

Visalia District
Test Year 2011

SUMMARY OF EARNINGS

	(Proposed Rates)		
Item	Utility Estimate	DRA Estimate	Settlement
	(Thousands of $)		
Operating revenues	26,140.1	21,086.9	23,514.5
Operating expenses:			
Operation & Maintenance	6,699.2	5,890.5	6,608.6
Administrative & General	2,940.9	2,612.2	2,586.5
G. O. Prorated Exp.	4,211.2	3,124.6	3,578.4
Dep'n & Amortization	3,960.9	3,417.8	3,707.4
Taxes other than income	886.2	713.1	753.3
State Corp. Franchise Tax	292.0	160.9	266.0
Federal Income Tax	1,752.1	1,142.8	1,506.6
Total operating exp.	20,742.5	17,061.9	19,006.9
Net operating revenue	5,397.4	4,025.0	4,507.6
Rate base	62,907.0	46,912.5	52,535.6
Return on rate base	8.58%	8.58%	8.58%

COMPARISON TABLE

Westlake District
Test Year 2011

SUMMARY OF EARNINGS
(Present Rates)

Item	Utility Estimate	DRA Estimate	Settlement
	(Thousands of $)		
Operating revenues	13,926.3	13,726.8	15,555.1
Operating expenses:			
Operation & Maintenance	10,379.9	9,792.3	11,047.3
Administrative & General	686.5	616.0	613.5
G. O. Prorated Exp.	1,568.2	1,163.5	1,332.5
Dep'n & Amortization	1,091.3	914.2	670.0
Taxes other than income	422.1	351.0	336.8
State Corp. Franchise Tax	(115.9)	2.3	107.0
Federal Income Tax	(299.4)	125.6	458.0
Total operating exp.	13,732.7	12,964.9	14,565.1
Net operating revenue	193.6	761.9	990.0
Rate base	24,178.5	17,797.9	10,380.3
Return on rate base	0.80%	4.28%	9.54%

COMPARISON TABLE

Westlake District
Test Year 2011

SUMMARY OF EARNINGS

	(Proposed Rates)		
Item	Utility Estimate	DRA Estimate	Settlement
	(Thousands of $)		
Operating revenues	17,266.5	15,034.3	15,385.2
Operating expenses:			
Operation & Maintenance	10,383.5	9,793.7	11,047.2
Administrative & General	686.5	630.8	613.5
G. O. Prorated Exp.	1,568.2	1,163.5	1,332.5
Dep'n & Amortization	1,091.3	914.2	670.0
Taxes other than income	459.9	351.0	334.8
State Corp. Franchise Tax	175.7	116.4	92.1
Federal Income Tax	826.8	537.6	404.4
Total operating exp.	15,191.9	13,507.2	14,494.5
Net operating revenue	2,074.4	1,527.1	890.6
Rate base	24,178.5	17,797.9	10,380.3
Return on rate base	8.58%	8.58%	8.58%

COMPARISON TABLE

Willows District
Test Year 2011

SUMMARY OF EARNINGS
(Present Rates)

Item	Utility Estimate	DRA Estimate	Settlement
	(Thousands of $)		
Operating revenues	1,541.2	1,562.1	1,594.3
Operating expenses:			
Operation & Maintenance	711.2	641.1	648.1
Administrative & General	330.8	302.7	250.6
G. O. Prorated Exp.	344.7	255.8	292.9
Dep'n & Amortization	256.5	190.6	223.8
Taxes other than income	104.8	77.2	95.0
State Corp. Franchise Tax	(47.3)	(2.5)	(9.3)
Federal Income Tax	(106.5)	27.3	5.6
Total operating exp.	1,594.2	1,492.2	1,506.8
Net operating revenue	(53.0)	69.9	87.5
Rate base	5,495.8	1,897.3	4,111.4
Return on rate base	-0.96%	3.68%	2.13%

COMPARISON TABLE

Willows District
Test Year 2011

SUMMARY OF EARNINGS

	(Proposed Rates)		
Item	Utility Estimate	DRA Estimate	Settlement
	(Thousands of $)		
Operating revenues	2,426.2	1,712.3	2,031.2
Operating expenses:			
Operation & Maintenance	715.7	641.9	650.3
Administrative & General	330.8	302.7	250.6
G. O. Prorated Exp.	344.7	255.8	292.9
Dep'n & Amortization	256.5	190.6	223.8
Taxes other than income	120.7	77.2	102.8
State Corp. Franchise Tax	29.2	10.7	28.4
Federal Income Tax	157.1	70.7	129.5
Total operating exp.	1,954.7	1,549.6	1,678.4
Net operating revenue	471.3	162.7	352.8
Rate base	5,495.8	1,897.3	4,111.4
Return on rate base	8.58%	8.58%	8.58%

13.0 EXECUTION OF THE AGREEMENT

Parties agree, without further consideration, to execute and/or cause to be executed, any other documents and to take any other action as may be necessary, to effectively consummate this Settlement Agreement. The Parties shall take no action in opposition to this Settlement.

The Parties agree that no signatory to this Settlement or any member of DRA assumes any personal liability as a result of their agreement. The Parties agree that no legal action may be brought by any Party in any state or federal court, or any other forum, against any individual signatory representing the interests of DRA, attorneys representing DRA, or the DRA itself related to this Settlement. All rights and remedies of the Parties are limited to those available before the Commission.

The Settlement Agreement may be executed in any number of counterparts and by different Parties in separate counterparts, with the same effect as if all the Parties had signed one and the same document. All such counterparts shall be deemed to be an original and shall together constitute one and the same Settlement.

The undersigned acknowledge that they have been duly authorized to execute this Settlement on behalf of their respective principals and that such execution is made within the course and scope of their respective agency and/or employment.

14.0 GOVERNING LAW

The Parties acknowledge that unless expressly and specifically stated otherwise herein, the California Public Utilities Code, Commission regulations, orders, rulings, and/or decisions shall govern the interpretation and enforcement of this Settlement.

DIVISION OF RATEPAYER ADVOCATES

By:_____//ss//___June 28, 2010_
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