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Ratesetting

TO PARTIES OF RECORD IN APPLICATION 19-01-001:

This is the proposed decision of Administrative Law Judge Hazlyn Fortune. Until and unless the Commission hears the item and votes to approve it, the proposed decision has no legal effect. This item may be heard, at the earliest, at the Commission's August 6, 2020 Business Meeting. To confirm when the item will be heard, please see the Business Meeting agenda, which is posted on the Commission's website 10 days before each Business Meeting.

Parties of record may file comments on the proposed decision as provided in Rule 14.3 of the Commission's Rules of Practice and Procedure.

The Commission may hold a Ratesetting Deliberative Meeting to consider this item in closed session in advance of the Business Meeting at which the item will be heard. In such event, notice of the Ratesetting Deliberative Meeting will appear in the Daily Calendar, which is posted on the Commission's website. If a Ratesetting Deliberative Meeting is scheduled, *ex parte* communications are prohibited pursuant to Rule 8.2(c)(4)(B).

/s/ ANNE E. SIMON

Anne E. Simon

Chief Administrative Law Judge

AES:gp2

Attachment

Decision **PROPOSED DECISION ALJ FORTUNE** (Mailed on 7/3/2020)**BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA**

Application of SAN GABRIEL VALLEY WATER COMPANY (U337W) for Authority to Increase Rates Charged for Water Service in its Los Angeles County Division by \$4,099,800 or 5.5% in July 2020, \$6,594,500 or 8.4% in July 2021, and \$3,927,000 or 4.6% in July 2022, and in its Fontana Water Company division by \$9,626,900 or 14.0% in July 2020, \$4,979,800 or 6.2% in July 2021, and \$3,054,100 or 3.6% in July 2022, and related relief.

Application 19-01-001

**DECISION APPROVING SETTLEMENT AND AUTHORIZING
REVENUE REQUIREMENTS FOR THE SAN GABRIEL
VALLEY WATER COMPANY**

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Attachment A – Los Angeles County Division- Summary of Earnings and Rates of Return

Attachment B – Fontana Water Company- Summary of Earnings and Rates of Return

Attachment C – Settlement Agreement Between the Public Advocates Office and San Gabriel Valley Water Company

**DECISION APPROVING SETTLEMENT AND AUTHORIZING
REVENUE REQUIREMENTS FOR THE SAN GABRIEL
VALLEY WATER COMPANY**

Summary

This decision approves the all-party settlement agreement and authorizes a general increase in rates charged by San Gabriel Valley Water Company (San Gabriel) for water service in its Los Angeles County Division (Los Angeles Division) and its Fontana Water Company Division (Fontana Division), effective July 1, 2020. This decision also authorizes San Gabriel's General Rate Case test year revenue requirement for the 12 months beginning July 1, 2020: (a) for its Los Angeles Division reflecting a 1.0 percent increase of \$ 0.8 million, and (b) for its Fontana Division, reflecting a 5.9 percent increase of \$4.3 million.

The adopted summary of earnings and related supporting tables reflecting the approved rate increase are set forth for the Los Angeles and Fontana Divisions in Appendices A and B, respectively, of the Settlement Agreement attached to this decision. For an average residential customer in the Los Angeles Division¹, the adopted revenue requirement will result in a monthly bill decrease of 2.60 percent, effective July 1, 2020, and for escalation years 2021 and 2022 by a bill increase of 8.52 percent and 3.64 percent, respectively. For an average residential customer in the Fontana Division², the adopted revenue requirement will increase monthly bills by 5.58 percent, effective July 1, 2020, and for escalation years 2021 and 2022 by 6.95 percent and 3.27 percent, respectively.

¹ Assuming a 5/8" and 3/4 "meter size and 12 hundred cubic feet of usage.

² Assuming a 5/8" and 3/4 "meter size and 15 hundred cubic feet of usage.

The adopted rates will be adjusted consistent with the existing water company rate case plan³. The adopted 2020 revenue requirement increases shall become effective upon the filing of tariffs pursuant to the directives of this decision.

This proceeding is closed.

1. Background

The Commission regulates water service provided by Class A water utilities pursuant to Article XII of the California Constitution and the California Public Utilities (Pub. Util.) Code.⁴ For Class A water utilities, Pub. Util. Code § 455.2, as implemented in Decision (D.) 04-06-018 and updated in D.07-05-062, provides for a General Rate Case (GRC) proceeding every three years.

San Gabriel Valley Water Company (San Gabriel or Applicant) is a Class A water utility that provides water service in the counties of Los Angeles and San Bernardino through two operating divisions and a general office division (the General Division). San Gabriel serves approximately 48,747 customers in its Los Angeles County Division (or Los Angeles Division) and an additional 47,298 customers in San Bernardino County through its Fontana Water Company Division (or Fontana Division).⁵ San Gabriel's General Division provides services common to the Los Angeles and Fontana Divisions, the costs of which are allocated to these divisions.

As requested in the instant application, San Gabriel originally proposed to increase water service rates in its Los Angeles County Division by \$4,099,800 or

³ See D.07-05-062.

⁴ A Class A utility is defined as an investor-owned water utility with over 10,000 service connections.

⁵ Customer numbers estimated as of June 30, 2018.

5.5 percent in July 2020; \$6,594,500 or 8.4 percent in July 2021; and \$3,927,000 or 4.6 percent in July 2022. In its Fontana Division, San Gabriel proposed to increase water service rates by \$9,626,900 or 14 percent in July 2020; \$4,979,800 or 6.2 percent in July 2021; and \$3,054,100 or 3.6 percent in July 2022.

Pursuant to Pub. Util. Code § 454(a), before implementing a rate increase, an applicant must make a “showing before the Commission,” and the Commission must find that the proposed increase is “justified.” Thus, San Gabriel, bears the burden of proving that its proposed rate increases are justified.

2. Procedural Background

San Gabriel filed the instant GRC application on January 2, 2019, proposing rate increases for Test Year (TY) 2020-2021 and Escalation Years 2021-2022 and 2022-2023, and seeking authority to make accounting and other changes as specified therein. The City of Fontana (the City), the Public Advocates Office (Cal Advocates) and the Fontana Unified School District (FUSD) timely filed protests in this proceeding. There are no other parties. The Applicant filed a response to Cal Advocates’ protest on February 14, 2019.

A prehearing conference (PHC) was held on March 19, 2019. On March 18, the City filed a PHC statement providing notice that it would not be attending the March 19, 2019 PHC and has since been inactive in this proceeding. A scoping memo ruling was issued by the assigned Commissioner Clifford Rechtschaffen (Scoping Memo Ruling), on June 5, 2019. Public participation hearings were held on June 24, 2019, in Fontana and June 25, 2019, in El Monte.

As required by the Rate Case Plan for Class A Water Utilities (Rate Case Plan),⁶ San Gabriel served a Report on Results of Operations for its General Office, Los Angeles County and Fontana Divisions, together with prepared testimony, supporting workpapers, studies, minimum data requirements and responses to data requests. On April 10, 2019, San Gabriel served updated workpapers reflecting 2018 data in accordance with the Rate Case Plan.

Cal Advocates served prepared testimony on July 19, 2019, consisting of: (a) Report on the General Office, Memorandum/Balancing Accounts and Special Requests; (b) Report on the Results of Operations for the Los Angeles; and (c) Report on the Results of Operations for the Fontana Division. Cal Advocates challenged some elements of San Gabriel's estimates and proposed capital projects and accepted certain of the estimates and proposals as reasonable. The FUSD and the City did not serve testimony.

San Gabriel, Cal Advocates, and FUSD engaged in settlement negotiations during October 2019, and the parties convened a formally noticed settlement conference on November 8, 2019. San Gabriel and Cal Advocates finalized a Settlement Agreement, and on December 12, 2019, filed a joint motion, Joint Motion of The Public Advocates Office and San Gabriel Valley Water Company for Approval of Settlement Agreement, addressing all issues in the proceeding. Attached to the Settlement Agreement is the Comparison Exhibits COM-1.⁷ FUSD, one of the parties to this proceeding, subsequently joined in supporting

⁶ Opinion Adopting Revised Rate Case Plan for Class A Water Utilities, D.07-05-062.

⁷ The Comparison Exhibit displays the Summary of Earnings, Computation of Income Taxes among other issues based on the original positions of San Gabriel and Public Advocates as well as the final outcomes of the negotiations that led to the Settlement Agreement, in a series of tables.

the Settlement Agreement by filing a Joinder with the Commission on March 12, 2020.

A joint motion was filed on March 12, 2020, by San Gabriel, Cal Advocates, and the FUSD (collectively, the Settling Parties) for leave to file FUSD's Joinder in the Settlement Agreement (the Joinder). We grant the leave requested and FUSD's Joinder in the Settlement has been filed, as requested. The assigned Administrative Law Judge (ALJ) gave notice to the City of the Settlement Agreement to determine the City's position regarding the Settlement Agreement, but never received a response from the City. As such, we consider this an all-party settlement of the active parties to this proceeding.

On March 6, 2020, the Building Industry Association of Southern California (BIA) filed a motion (Motion) with the Commission requesting party status in this proceeding. In a March 20, 2020 ruling the ALJ granted BIA limited party status to comment on the Facilities Fees mentioned in its Motion. On March 19, 2020 San Gabriel filed a motion for interim rates. The ALJ granted San Gabriel's motion in a ruling on April 10, 2020 supplemented by an April 20, 2020 clarifying ruling.

3. Review of the Settlement

Rule 12.1(d) of the Commission's Rules of Practice and Procedure governs our standard for approving any settlements and provides: "The Commission will not approve settlements, whether contested or uncontested, unless the settlement is reasonable in light of the whole record, consistent with law, and in the public interest."

4. The Settlement Agreement

The proposed Settlement Agreement, attached to this decision as Appendix C, resolves all issues in the proceeding and is an all-party settlement.

It describes parties' initial positions, areas of disagreement, and final resolution of each item. As discussed below, we conclude that the Settlement Agreement warrants adoption. Our conclusion is based on examination of the parties' initial positions, and the amounts, methodologies, and other agreements set forth in the Settlement Agreement.

Because the Settlement Agreement represents compromises with respect to parties' positions on contested issues, it is not to be construed as an admission or concession by any party regarding facts or matters of law in dispute.

Moreover, approval of the Settlement Agreement should not be construed as precedent or policy for or against any party in any current or future proceeding with respect to any issue covered in the Settlement Agreement.

In the following section, we review major elements of the settlement focusing on areas where parties resolved substantive disagreements.

4.1. General Office Expenses

4.1.1. Payroll – New Positions

San Gabriel estimated that it would need 10 additional positions, over the coming three-year period, in its General Office Division. Under the Settlement Agreement, the proposed positions include: Geographical Information Systems (GIS) Developer, Field Engineer, Engineering Assistant, Senior Engineer, Surveyor, Assistant Engineer, Project Manager, Designer, Information Technology (IT) Project Manager, and Enterprise Resource Plan (ERP) Business Analyst. Cal Advocates initially opposed the IT and ERP positions. The basis for Cal Advocates' opposition to the IT and ERP positions was that a proposed IT Business Systems Upgrade Project should be completed and become useful before the positions are approved. The Settling Parties agreed to approve the four following positions: Senior Engineer and Project Manager, funded with 100

percent of the salary capitalized for ratemaking purposes and IT Project Manager and ERP Business Analyst as part of Phase 2 of the IT Business Systems Upgrade project.

4.1.2. Health, Dental and Vision Insurance

San Gabriel forecasted health insurance premium increases of 11 percent in July 2019, 10 percent in July 2020 and 10 percent in July 2021. San Gabriel applied these escalated premiums to its employee forecast to arrive at a total of \$1,440,238 in insurance costs. San Gabriel's forecast of health insurance expense includes health insurance premiums for the new employee positions requested in this GRC.

Cal Advocates opposed this estimate for health insurance premiums because San Gabriel did not substantiate these increases. Cal Advocates asserted that San Gabriel's renewal of the insurance did not increase San Gabriel's expense and therefore should be denied.

The Settling Parties agreed to Health, Dental and Vision insurance expense of \$1,246,375 in the General Office Division, which is based on a 2.4 percent Consumer Price Index (CPI) increase.

4.1.3. Regulatory Commission Expense

During this GRC cycle, San Gabriel included non-recurring costs associated with the processing of this proceeding into its forecasted General Office Regulatory Commission Expense of \$108,506 per year. Also included in General Office Regulatory Commission Expense are San Gabriel's costs related to a future cost of capital proceeding and its participation in other Commission proceedings. San Gabriel's estimate is based on participation in five proceedings,

since at the time of filing there were five open proceedings involving water utilities.⁸

Forecasted incremental, non-recurring costs for processing this GRC and the next cost of capital proceeding include outside attorneys' fees, customer notices, printing/shipping, travel, as well as costs for outside consulting and other miscellaneous items.

Cal Advocates recommended that the Commission require San Gabriel to transition from including regulatory expenses for the current GRC in the future TY to forecasting these expenses prospectively for its next GRC (TY 2023-2024). The Settling Parties agreed to Cal Advocates' recommendation for a General Office Regulatory Commission Expense of \$121,839 per year in the General Office Division, representing costs for the current and next GRC.

4.1.4. Cloud-Based Software Services Fees

San Gabriel is implementing a cloud-based service approach as part of Phase 1 of the IT Business Systems Upgrade Project (IT Upgrade Project). This approach would replace a traditional software purchase. San Gabriel presented projections for annual cloud-based software services fees based on responses from vendors. Cal Advocates opposed these proposed costs and suggested that the Commission not authorize the recovery of IT Upgrade Project costs at this time and that instead San Gabriel should request cost recovery via a Tier 3 advice letter. The Settling Parties agreed to include \$462,273 in General Office Division expenses for Cloud-Based Software Service Fees and related costs for Phase 1 of the IT Upgrade Project.

⁸ Exhibit SG-6 at p. 58.

4.1.5. General Office Rate Base

The Settling Parties agreed to a total 4-year (2019-2022) General Office Division capital budget of \$7,640,700, of which \$4,632,300 is attributed to Phase 1 of the IT Upgrade Project. The components of the IT Upgrade Project are described in the following sections.

4.1.5.1. Phase 1 IT Business Systems Upgrade Project

Phase 1 of the IT Upgrade Project is meant to upgrade San Gabriel's financial management information system. Phase 2 of the IT Upgrade Project is meant to upgrade San Gabriel's Customer Information System (CIS). In D.17-06-008, the Commission authorized \$5,751,600 for the Phase 1 capital costs, subject to a "hard cap" of \$14 million for both phases of the total project. An implementation schedule, for the Phase 1 work, was set and a "go-live" target in April 2020 was established for the financial and work management systems.

San Gabriel included, for this GRC, its recorded investments in the IT Upgrade Project through December 2018, plus the budgeted amounts for the remainder of the project, amounting to \$4,632,300. Cal Advocates opposed San Gabriel's proposal and recommended that the Commission exclude the IT Upgrade Project from rate base and instead authorize recovery of these costs through a Tier 3 advice letter after the entire project is completed. Cal Advocates argued that the project cost estimates are speculative and the schedule for completing the project is uncertain. Cal Advocates recommended that project costs should not be included in rate base or customer rates until the project becomes used and useful. Settling Parties agreed to include the \$4,632,300 in the General Office Division rate base for investment relating to Phase 1 work.

4.1.5.2. Phase 2 IT Business Systems Upgrade Project

San Gabriel requested \$8,700,000 as the capital budget for Phase 2 of the upgrade to San Gabriel's CIS system. San Gabriel anticipated a September 2021

“go-live” milestone as part of the timeline for the Phase 2 CIS work. Therefore, San Gabriel proposed to place the \$8,700,000 investment associated with Phase 2 into rate base in this GRC. San Gabriel also proposed expenses for two new payroll positions (IT Project Manager and ERP Business Analyst).

Since Cal Advocates considered San Gabriel’s forecasted costs for the Phase 2 IT Upgrade Project uncertain or speculative, they opposed San Gabriel’s proposal and recommended that the Commission exclude from rate base all Phase 1 and Phase 2 costs for San Gabriel’s IT Upgrade Project. Instead Cal Advocates supported a reasonableness review through a Tier 3 advice letter for recovery of total recorded costs after the project is completed.

The Settling Parties agreed that the estimated investment of \$8,700,000 for Phase 2 of the IT Upgrade project should be excluded from rate base in this GRC, but that San Gabriel should be authorized to establish a memorandum account in which it may record actual capital and operating costs related to Phase 2, subject to specified limitations. It was agreed that the memorandum account shall be subject to review in a future GRC after the Phase 2 IT project has been completed.⁹

⁹ Monthly capital costs to be recorded in the memorandum account would be limited to a return on investment equal to 1/12th of the 90- day commercial paper rate and depreciation expense. Operating costs would be limited to income taxes, property taxes, uncollectibles and franchise fees, as well as any contractual software/cloud service fees capped at an annual amount of \$460,000. Monthly interest on the memorandum account balance shall be calculated at 1/12th of the 90-day commercial paper rate.

4.2. Issues Relating Mainly to the Los Angeles Division

4.2.1. Water Consumption and Operating Revenues

4.2.1.1. Average Number of Customers

San Gabriel forecasted customer growth using the average annual rate of growth in customers for each class over the five-year period ending with 2018.¹⁰ The number of forecasted Construction class customers in both the Los Angeles and Fontana Divisions was based on the average number of Construction class customers served during the five years ending with 2018. The number of forecasted Recycled Water Class customers in both the Los Angeles and Fontana Divisions was based on the number of customers actually served in 2018, adjusted to reflect additional customers that San Gabriel expects to convert to recycled water service in 2019, 2020 and 2021. The forecasted numbers of customers in the other customer classifications were adjusted to reflect these anticipated recycled water conversions. The Settling Parties agreed to accept San Gabriel's estimates of 47,780 customers for the Los Angeles Division.

4.2.1.2. Water Sales per Customer (Sales Forecast)

San Gabriel began its water sales per customer analysis by applying the New Committee Method to recorded monthly sales over the last ten years, in accordance with the Revised Rate Case Plan (D.07-05-062).

This method uses a separate regression analysis to normalize sales for each customer classification. In each regression, the dependent variable is unit consumption (Ccf) and the independent variables are time, precipitation and temperature. San Gabriel ran additional regressions in which different statistical

¹⁰ With the exception of the Construction and Recycled Water classes in both the LA and FWC Divisions.

methodologies were used to remove the effect of drought restrictions in place from June 2015 through April 2017.

All data were input, on a monthly basis, for 120 months (ten years) beginning July 2008 and ending June 2018. Additionally, San Gabriel added explanatory variables for each month of the year to account for any month-to-month variation in water usage that is independent of precipitation and temperature among other adjustments. Explanatory variables were used to account for factors that are not quantitative and therefore not represented by numbers. San Gabriel relied on the results of these regressions to forecast sales for the following customer classes:

<u>Los Angeles Division:</u>	<u>Fontana Division:</u>
Residential Single Family	Residential Single Family
Residential Multi-Family - Small	Residential Multi-Family - Small
Residential Multi-Family - Large	

San Gabriel's sales forecasts were based on a five-year average of per customer sales ending with 2018 except for four of the remaining, non-residential, customer classes (Construction in both Divisions, Niagara, California Steel Industries (CSI), and Recycled Water in the Fontana Division).

San Gabriel's sales forecasts for the Construction classes in both the Los Angeles and Fontana Divisions were based on recorded sales for the 12 months ending June 2018.

Cal Advocates used the same regression methodology as San Gabriel for its analyses but used different explanatory (or indicator) variables.

Cal Advocates proposed different and generally higher TY sales forecasts for residential customer classes using a three-year recorded average approach and

the latest available data for its analyses of the Construction customer class. Cal Advocates applied the same approach as San Gabriel to other Non-Residential customer classes but used the latest available data (January 2014-December 2018).

The Settling Parties agreed to the following allocations for the water sales per customer forecast in the Los Angeles and Fontana Divisions.¹¹

Sales Per Customer Test Year 2020	(Ccf/customer)
Residential Single Family	146
Residential Multi-Family – Small	484
Residential Multi-Family – Large	3,699
Commercial – Small	265
Commercial – Large	4,966
Industrial – Small	867
Industrial – Large	23,275
Public Authority – Small	476
Public Authority – Large	7,297
Construction	549
Recycled water	20,148

4.2.2. Rurban Homes Mutual Water Company Acquisition

On May 1, 2019, San Gabriel wrote a letter to the Commission's Water Division stating that it was in the process of acquiring the assets of Rurban Homes Mutual Water Company (Rurban). San Gabriel does not require

¹¹ The Parties agree in settlement to use a forecast based on the average of 1) 4-year average (2015-2018) and 2) recorded sales for 12-months ending August 2019. For other classes of customers, San Gabriel stipulates to using the customer sales forecasts proposed by the Public Advocates Office.

Commission authorization to acquire a mutual water company. However, San Gabriel does require Commission approval to recover, in rates, any costs associated with the acquisition. In this GRC, San Gabriel did not include in its Los Angeles Division's revenue requirement any costs associated with providing emergency service to, or the acquisition of, Rurban. San Gabriel intends to include the cost, sales forecast, expenses, and capital additions associated with this acquisition in the next GRC.

Cal Advocates recommended that the Commission require San Gabriel to clearly show, in its next GRC, the costs associated with acquiring Rurban, the revenue collected from serving the Rurban customers, and the costs associated with providing emergency water service to Rurban, so the Commission can ensure that only reasonable costs are approved for recovery. The Settling Parties agreed to defer these issues to San Gabriel's next GRC. San Gabriel will track the acquisition costs separately from the cost to provide emergency services.

4.2.3. Water Loss Rate

San Gabriel estimated water loss at 7.7 percent based on a recorded 5-year average for the years 2014-2018. Cal Advocates substituted the 2018 data from the recorded 5-year average with data from 2013 instead. The Settling Parties agreed to use Cal Advocates' recommendation of a water loss rate of 6.8 percent for the Los Angeles Division.

4.2.4. Expenses

4.2.4.1. Payroll – New Positions

San Gabriel proposed 6 new positions in the Los Angeles Division. Four Water Treatment Operator positions, one Serviceman position and one Field Assistant position for a total of six positions. Cal Advocates recommended only two of the four requested Water Treatment Operator positions and the

Serviceman and Field Assistant positions. The Settling Parties agreed to allow three Water Treatment Operator positions as well as the Serviceman and Field Assistant positions.

4.2.4.2. Overtime Adjustment

After reviewing San Gabriel's forecast for overtime, Cal Advocates recommended that the Commission reduce the amount of overtime for the Los Angeles Division by \$100,000. According to Cal Advocates, because new positions will reduce the need for overtime, San Gabriel should adjust its forecast downward. The Settling Parties agreed to make the \$100,00 adjustment downward from San Gabriel's original forecast.

4.2.4.3. Health, Dental and Vision Insurance

As noted earlier in section 4.2.2, San Gabriel applied health insurance premium increases of 11 percent in July 2019, 10 percent in July 2020, and 10 percent in July 2021. San Gabriel then applied these escalated premiums to its employee forecast for Los Angeles to arrive at the total health insurance costs. San Gabriel's forecast of health insurance expense includes its portion of health insurance premiums for new employee positions requested in this GRC. For dental, vision, life, and Long Term Disability (LTD) insurance, San Gabriel used the same escalated approach as in section 4.1.2.

Cal Advocates opposed San Gabriel's proposal for the health, dental, and vision insurance for its Los Angeles Division. Cal Advocates asserted that San Gabriel did not present evidence that it would experience an annual increase in premiums at the proposed levels. In addition, Cal Advocates recommended that the Commission deny increases in dental and vision insurance premiums because the most recent renewal of these insurance premiums has not increased San Gabriel's expense.

The Settling Parties agreed to Health, Dental and Vision insurance expense of \$1,363,807 for Test Year 2020-2021 in the Los Angeles Division, which is based on a 2.4 percent CPI increase.

4.2.4.4. Regulatory Commission Expense

San Gabriel forecasted Regulatory Expense during this GRC cycle to include non-recurring costs associated with processing this GRC, as well as forecasted costs related to a future cost of capital proceeding and San Gabriel's participation in other Commission Rulemakings.

As discussed above, Cal Advocates recommended that the Commission require San Gabriel to transition from including regulatory expenses for the current GRC in the future TY to forecasting prospectively for its next GRC (TY 2023-2024). The Settling Parties agreed to Regulatory Commission Expense of \$373,818 in the Los Angeles Division, representing costs for both the current and next GRC.

4.2.4.5. Conservation Program Expense

San Gabriel proposed several programs to promote and facilitate water conservation. Proposed programs include, for example, high efficiency toilet distribution, gardening workshops, irrigation controller and nozzle retrofit, commercial, industrial & institutional (CII) audits and retrofit, and a recycled water retrofit program among other activities.

Cal Advocates asserted that San Gabriel had not adequately substantiated the need to increase its conservation programs beyond those activities adopted in the prior GRC. Cal Advocates recommended that the Commission authorize \$512,677 per year for the Los Angeles Division, the same conservation budget that it authorized in D.17-06-008, adjusted for inflation.

The Settling Parties agreed to the Los Angeles Division Conservation Program Expense proposed by the Cal Advocates Office of \$512,677.

4.2.4.6. Uncollectibles Rate

Uncollectibles refers to the cumulative value of unpaid customer bills as well as other accounting items that the company is unable to collect through rates charged to customers. San Gabriel calculated the uncollectibles rate using a 5-year average for the years 2014-2018 for the Los Angeles Division. Cal Advocates did not object to this methodology. The Settling Parties agreed to 0.0808 percent as the Uncollectibles rate for the Los Angeles Division.¹²

4.2.5. Capital Budget – Plant Additions

The following table presents an overview of the agreement reached by the Settling Parties for the San Gabriel-funded plant additions proposed for San Gabriel’s Los Angeles Division (expressed in thousands of dollars). A narrative description for each of the plant items follows the table.

Project/Account Name	Settlement (x1,000)
Capital Improvement Projects	
Plant No. 1	\$3,431
Plant No. 8	\$850
Plant No. 12	\$0
Plant No. 13	\$2,058
Plant No 14	\$2,153
Plant B6	\$355
Plant B14	\$4,808
Plant B15	\$3,305
Plant B17	\$350

¹² The Commission recognizes that San Gabriel’s Uncollectibles forecasts were developed prior to the emergence of the COVID-19 pandemic.

Project/Account Name	Settlement (x1,000)
Plant B18	\$0
Plant B24	\$1,348
Plant B28	\$533
Plant G3	\$0
Plant M1	\$200
Plant M3	\$3,695
Plant M4	\$0
Capital Improvement Projects	
Plant W1	\$0
Plant W6	\$9,294
Miscellaneous	
Water Storage Sites	\$0
El Monte Office	\$179
Master Plan and Security Improvements	\$1,403
GIS and CIP Implementation Report	\$1,255
Other Accounts	
Pumping Equipment	\$3,920
Mains	\$31,620
Services	\$11,388
Meters	\$3,103
Fire Hydrants	\$650
Structures and Improvements	\$130
Office Equipment	\$400
Transportation Equipment	\$1,229
Communications Equipment	\$330
Tools and Equipment	\$288

Project/Account Name	Settlement (x1,000)
Total San Gabriel Funded Plant Additions	\$88,265
Reduction	\$29,556
Reduction Percentage	-25%

4.2.5.1. Contingency Factors

In its cost estimates for capital improvement projects, San Gabriel included contingency factors ranging from 10 percent to 25 percent to account for additional unanticipated costs resulting from permitting and construction. San Gabriel's current Los Angeles Division Water System Master Plan applied a range of contingency factors for Los Angeles Division projects. Cal Advocates recommended that the Commission adopt a uniform 10 percent contingency factor as reasonable for San Gabriel's capital projects. San Gabriel opposed Cal Advocates' proposed contingency factor adjustment and argued that contingency factors should be assigned on a case-by-case basis. The Settling Parties agreed to apply a uniform 10 percent contingency factor for capital projects or project elements for which a contingency factor is appropriate.

4.2.5.2. Plant No. 1

San Gabriel proposed various capital improvements for Plant No. 1 for a total estimated cost of \$3,830,000. The \$3,830,000 budget is needed to align with contractor bids and complete the remaining portions of the Plant No. 1 project in 2019. The Plant No. 1 improvements include Well buildings (\$650,000), Well No. 1F piping (\$100,000), Supervisory Control and Data Acquisition (SCADA) (\$50,000), constructing a 0.77 million gallon (MG) West Reservoir (\$1,500,000), West Reservoir piping (\$150,000), constructing a 0.3 MG East Reservoir (\$1,100,000), East Reservoir piping (\$150,000), and demolition of a reservoir (\$130,000).

The Settling Parties agreed to support \$3,431,000 in costs for the work proposed for Plant No. 1 adjusted for a 10 percent contingency factor. This \$3,431,000 amount includes the costs for Well buildings (\$590,000), Well No. 1 F piping (\$86,000), SCADA (\$49,000), constructing a 0.77 MG West Reservoir (\$1,335,000), West Reservoir piping (\$136,000), constructing a 0.3 MG East Reservoir (\$981,000), East Reservoir piping (\$135,000), and demolition of a reservoir (\$119,000) anticipated to be completed in 2019. These project component amounts also include additional cost add-ons such as engineering and design and administrative overhead.

4.2.5.3. Plant No. 8

The Plant No. 8 project includes site improvements at the existing treatment site at 2701 Loma Avenue in the City of South El Monte. The site improvements include a parking lot expansion, among other improvements. San Gabriel has budgeted a total of \$850,000 to complete the requested improvements in 2019. Cal Advocates supported San Gabriel's proposed Plant No. 8 project at the budget proposed.

Settling Parties agreed to support the \$850,000 in costs for the work proposed for Plant No. 8. The costs include Fence and Wall (\$350,000), Storm Drain (\$70,000), Precise Grading (\$100,000), Site Improvements (\$180,000), and Street Improvements (\$150,000), all anticipated to be completed in 2019. These project component amounts also include additional cost add-ons such as engineering and design and administrative overhead.

4.2.5.4. Plant No. 12

Plant No. 12 includes the retrofitting and recoating of an existing 0.91-MG water storage reservoir that provides supply and storage to the Spyglass Hill community located in an unincorporated area of Los Angeles County near the

City of Whittier. The project also includes the installation of a pressure regulating valve (PRV) to normalize service to the area served by Reservoir No. 12 while the reservoir is removed from service temporarily for maintenance. San Gabriel has budgeted \$1,200,000 to install the PRV, retrofit and recoat the existing reservoir in 2022. The start of work is planned to be scheduled once the additional reservoir at Plant No. 14 is constructed and in service and the Plant No. 13 reservoir is replaced. Cal Advocates recommended that the Commission disallow funding in 2022 for the Reservoir 12 retrofit project at Plant No. 12 and defer it to a future GRC. Cal Advocates' recommendation is based on San Gabriel's Capital Improvement Plan, performed by Carollo Engineers as part of the company's Water System Master Plan ("Carollo Study").¹³ San Gabriel disagreed with Cal Advocates' recommendation regarding Plant No. 12 and argued that it has already scheduled the rehabilitation to occur in 2022, at which time the interior coating will already be 36 years old and will exceed the expected service life of the coating by more than ten years.

The Settling Parties agreed to remove the Plant No. 12 project from the current GRC cycle.

4.2.5.5. Plant No. 13

The Plant No. 13 project includes design, permitting, construction and related work for the demolition and replacement of the existing Reservoir 13, together with related piping, grading, fencing and walls, and site improvements. The design, permitting and related work were authorized by D.17-06-008 in San Gabriel's previous GRC for completion in 2016 with a budget of \$320,000. In the instant GRC, San Gabriel is proposing to complete the previously authorized

¹³ Exhibit SG-7, attachment H chapter 10.

work and then proceed with demolition of the existing reservoir and construction of the replacement reservoir and related improvements.

San Gabriel has budgeted a total of \$2,320,000 to complete the project at Plant No. 13 in 2019 and 2021.

Cal Advocates argued that the Commission deny San Gabriel's request because it does not need to replace Reservoir 13 at this time. In addition, according to Cal Advocates, San Gabriel's cost benefit analysis is incorrect, and the Commission should defer the rehabilitation of the reservoir to a future GRC.

The Settling Parties agreed to support cost estimates totaling \$2,058,000 for the work proposed for Plant No. 13. Projected costs for design, permitting and related work (\$278,000) anticipated to be completed in 2019 and for SCADA (\$49,000), fence and wall (\$182,000), grading (\$81,000), site improvements (\$180,000), demolishing the existing reservoir (\$91,000), constructing a 0.42 MG Reservoir (\$1,113,000) and Reservoir piping (\$84,000). The work is anticipated to be completed in 2021. The reduced settlement amount reflects application of a uniform 10 percent contingency factor. These project component amounts include additional cost add-ons such as engineering and design and administrative overhead.

4.2.5.6. Plant No. 14

The Plant No. 14 project includes the design, permitting, construction and related work for an additional 0.078 MG reservoir, the retrofitting and recoating of the existing 0.42 MG Reservoir No. 14, and related piping, SCADA, grading, fencing, retaining wall and site improvements. The design, permitting and related work were authorized by the Commission in the previous GRC for completion in 2016 with a budget of \$355,000, along with a site acquisition budget of \$750,000 (D.17-06-008). San Gabriel is proposing to construct the new

reservoir at the existing Plant No. 14 site. Therefore, it is not requesting the site acquisition in this GRC cycle. San Gabriel budgeted \$2,385,000 to complete the design, permitting, construction, and related work for the new tank and the recoating and retrofitting of the existing tank in 2019, 2020, and 2021.

The Settling Parties agreed to cost estimates totaling \$2,143,000 for the work proposed for Plant No. 14 adjusted down from \$2,385,000 for a 10 percent contingency factor. The proposed work includes design, permitting and related work (\$313,000) anticipated to be completed in 2019, fence and retaining wall (\$320,000), SCADA (\$49,000), site improvements (\$91,000), constructing a 0.078 MG East Reservoir (\$400,000), and East Reservoir piping (\$75,000) anticipated to be completed in 2020, and retrofitting the existing 0.42 MG Reservoir (\$895,000) anticipated to be completed in 2021. These project components also include additional cost add-on such as engineering and design and administrative overhead.

4.2.5.7. Plant B6

The Plant B6 project includes the installation of an Advanced Oxidation Ultra-Violet (UV) treatment system to remove contaminants, 1,4-Dioxane and N-Nitroso-dimethylamine (NDMA), from water produced and treated at Plant B6. The project supports compliance with safe drinking water standards. San Gabriel has budgeted \$4,400,000 in funding from a combination of grant funding and payment from parties responsible for groundwater pollution, to complete the installation and testing of the UV treatment system. Also included are a booster station building refurbishment and the replacement of an electrical panel in years 2019 through 2021. The project is expected be completed with a total budget of \$6,350,000, including \$1,950,000 in San Gabriel's funds for the B6

UV treatment design, permitting, and related work; the booster station refurbishment; and the replacement of the electrical panel and SCADA.

Cal Advocates recommended that the Commission approve \$273,000 in contributions in 2019, \$355,000 in San Gabriel funds and \$2,646,000 in contributions in 2020, and \$2,208,000 in contributions in 2021 for the booster station and treatment system project at Plant B6. Cal Advocates asserted that because all treatment system costs will be reimbursed by grant funding or Cooperating Respondents of the Baldwin Park Operating Unit Agreement, San Gabriel does not need use funds in each year to support this project.¹⁴ Cal Advocates Office also recommended a reduction of the contingency factor. San Gabriel agreed with Cal Advocates' funding recommendation for the treatment system and booster station refurbishment project but opposed its recommendation to reduce the contingency factor.

The Settling Parties agreed to support the \$355,000 in costs for the work proposed for Plant B6 to refurbish the Booster Station Building (\$355,000) anticipated to be completed in 2020, reflecting an adjustment for the initial contingency factor of 10 percent. The Settling Parties also agreed on accounting for \$5,127,000 in contributions for the booster station and treatment system project. These project component amounts include additional cost add-ons such as engineering and design and administrative overhead.

4.2.5.8. Plant B14

The Plant B14 project includes design, permitting and related work for the construction of a second water storage reservoir. The project also requires related

¹⁴ For Superfund sites like Baldwin Park Operating Unit, the USEPA disburses treatment funds collected from parties found liable for the pollution. The polluters are known as "Cooperating Respondents."

pipings, construction of a retaining wall, grading, and site work. A budget of \$485,000 to cover the design, permitting, a hillside stabilization report, and related work necessary for this project was authorized by D.17-06-008 in the previous GRC for completion in 2016 and 2017. San Gabriel was scheduled to have the design processed for permits starting by the fourth quarter of 2018 and expected to secure the building permits in early 2019. San Gabriel budgeted \$5,410,000 to complete this project in 2019 through 2021.

Cal Advocates recommended construction of a smaller reservoir and a reduced scope of maintenance and retrofits for the existing 84-year-old concrete reservoir. Cal Advocates suggested that the cost of the project could be reduced if San Gabriel were to construct a smaller 0.42 MG reservoir and retaining wall. San Gabriel disagreed with Cal Advocates' recommendation to reduce the scope of the project and opposed reducing the contingency factor.

The Settling Parties agreed to an estimate of \$4,808,000 in costs for the work proposed for Plant B14 adjusted for a 10 percent contingency factor, for design, permitting and related work (\$321,000) anticipated to be completed in 2019; for a retaining wall (\$1,167,000), and grading (\$314,000) anticipated to be completed in 2021; and for SCADA (\$46,000), site work (\$223,000), construction of a 1.0 MG Reservoir (\$1,747,000), reservoir piping (\$89,000), and retrofitting existing Reservoir B14 (\$901,000) anticipated to be completed in 2022. These project component amounts include additional cost add-ons such as engineering and design and administrative overhead.

4.2.5.9. Plant B15

This project includes the replacement of two existing water storage reservoirs, together with related piping, grading, fencing, a retaining wall, and site improvements. In the previous GRC, D.17-06-008 authorized permitting and

other work related to the booster building refurbishment and stabilization of the slope at Plant B15, which included grading, a retaining wall, fencing, and site improvements, and refurbishment of the booster building. San Gabriel completed the building refurbishment and prepared plans and specifications for the slope stabilization improvements, which required constructing the retaining wall. San Gabriel acknowledged that it needs to complete on-site work, including replacement of the reservoirs to construct the improvements necessary to stabilize the slope and secure the site. In this GRC cycle, San Gabriel proposed to complete the design, permitting and related work to replace the two existing welded steel reservoirs and SCADA equipment at Plant B15. The project also requires the construction of replacement reservoirs on concrete pile foundations, to stabilize the tanks. Following their replacement, San Gabriel plans to construct the fencing, retaining wall, and site improvements, which will stabilize the slope and properly drain the site. San Gabriel budgeted \$3,690,000 for years 2019, 2021 and 2022 for replacement of the reservoirs and related improvements at Plant B15.

The Settling Parties agreed to an estimate of \$3,305,000 in costs for the work proposed for Plant B15 adjusted for a 10 percent contingency factor. The project includes design, permitting and related work (\$129,000) anticipated to be completed in 2019; demolition of West Reservoir (\$107,000), construction of 0.37 MG West Reservoir (\$956,000), West Reservoir piping (\$16,000), demolition of East Reservoir (\$103,000), construction of 0.47 MG East Reservoir (\$1,253,000), East Reservoir piping (\$16,000), fence (\$95,000), retaining wall (\$223,000), and SCADA (\$49,000) anticipated to be completed in 2021; and a storm drain (\$143,000), grading (\$67,000), and site improvements (\$148,000) anticipated to be

completed in 2022. These project component costs include additional cost additions such as engineering and design and administrative overhead.

4.2.5.10. Plant B17

The Plant B17 project includes hillside stabilization improvements, which D.17-06-008 authorized in the previous GRC. San Gabriel is currently working with Westland¹⁵ to prepare the hillside stabilization report that consists of geotechnical and design recommendations. The design was scheduled for completion by Westland in the fourth quarter of 2018. San Gabriel budgeted \$350,000 to complete the construction of the hillside stabilization improvements in the first half of 2019.

Cal Advocates supported San Gabriel's proposed Plant B17 project at the budget proposed. The Settling Parties agreed to support the request for the work proposed for Plant B17 for the Hillside Stabilization Improvements (\$350,000) anticipated to be completed in 2019.

4.2.5.11. Plant B18

The Plant B18 project includes replacement of the existing reservoir at Plant B18, which is in an unincorporated area of Los Angeles known as Hacienda Heights. San Gabriel recently completed hillside stabilization improvements at Plant B18 that will prevent the recurrence of landslides and mitigate damage to the existing reservoir and booster pumps located at the site. San Gabriel budgeted \$2,450,000 to demolish and replace the existing 0.97 MG water storage tank in 2022.

Cal Advocates recommended that the Commission deny San Gabriel's request to replace Reservoir B18 and defer rehabilitation of the reservoir to a future GRC. Cal Advocates maintained that San Gabriel should rehabilitate

¹⁵ Westland is an engineering consulting company.

Reservoir B18 in a future GRC as recommended by a study conducted by Carollo Engineers, Inc. Cal Advocates also indicated that San Gabriel's own cost/benefit analysis shows that it is more cost-effective to retrofit Reservoir B18 than to replace it.

San Gabriel disagreed with the Cal Advocates' recommendation on Plant B18 and argued that the project is necessary now and that certain costs were not considered in the cost/benefit analysis. The Settling Parties agreed to remove the Plant B18 project from the current GRC cycle.

4.2.5.12. Plant B24

The Plant B24 project includes construction of a hydroelectric station to generate clean energy and the permitting, design, construction, and related work for a Volatile Organic Compound (VOC) removal system for Well B24B.

San Gabriel budgeted \$743,000 in San Gabriel funds and \$704,000 in Contributions in Aid of Construction for a total of \$1,447,000 in 2019 for the hydroelectric station; \$150,000 in 2020 for the design, permitting and related work for the treatment system; and \$500,000 in 2021 to construct the treatment system. Cal Advocates recommended the project be authorized at the budget requested by San Gabriel for both project components.

The Settling Parties agree to support the \$1,348,000 in costs for the work proposed for Plant B24 for the Hydroelectric Station (\$743,000) anticipated to be completed in 2019; and for design, permitting and related Work (\$150,000) anticipated to be completed in 2020; and for the VOC Treatment System (\$455,000) anticipated to be completed in 2021. The Settling Parties also agreed on accounting for \$704,000 in contributions for the hydroelectric station and to apply a 10 percent contingency factor to the construction of the VOC Treatment

System. The \$1,348,000 project component amounts include additional cost add-ons such as engineering and design and administrative overhead.

4.2.5.13. Plant B28

The project at Plant B28 includes the design, permitting and construction of a pipeline to provide higher quality water to blend with water produced at the Whittier Narrows Operable Unit (WNOU), a blending control system at WNOU, and a booster station to boost treated water to San Gabriel's water system serving Hacienda Heights. The Plant B28 project also includes acquisition of the land parcel for the booster station from the City of Industry. San Gabriel budgeted a total of \$5,725,000 to complete this project in 2019 and 2020, including \$200,000 for the site acquisition, \$400,000 for engineering services provided by San Gabriel, and \$5,125,000 in Contributions from the Proposition 1 Groundwater Grant Program.

Cal Advocates recommended approval of the entire project scope for site acquisition, design, and construction of the Plant B28 booster station and the blending pipeline from Plant B28 to WNOU but with a reduced contingency factor.

The Settling Parties agreed to funding the \$533,000 in costs, that Cal Advocates proposed, for the work proposed for Plant B28 adjusted for a 10 percent contingency factor. Related costs for the project include, site acquisition (\$179,000) and design, permitting and related work (\$354,000) anticipated to be completed in 2019. The Settling Parties also agreed on accounting for \$5,125,000 in contributions from the Proposition 1 Groundwater Grant Program. These project component amounts include additional cost add-ons such as engineering and design and administrative overhead.

4.2.5.14. Plant G3

The project at Plant G3 includes the construction of a building enclosure for the existing booster station and related electrical work. San Gabriel budgeted \$800,000 to complete this project in 2021.

The Cal Advocates recommended that the Commission deny proposed funds for the booster station project at Plant G3 because the site's booster pump overheating issue can be solved by replacing the motor instead of constructing a structure to house the pumps. San Gabriel opposed the Cal Advocates' recommendation. The Settling Parties agreed to remove the Plant G3 project from the current GRC cycle.

4.2.5.15. Plant M1

The project at Plant M1 includes installing an additional booster pump at the existing booster station. San Gabriel budgeted \$200,000 to complete the installation of the additional booster pump in 2022. Cal Advocates recommended that the Commission deny San Gabriel's request for the new booster pump at Plant M1 because their analysis indicated that additional pumping capacity is not needed. San Gabriel disagreed with Cal Advocates' recommendation. The Settling Parties agreed to support the request for the work proposed for Plant M1 for the additional booster, anticipated to be completed in 2022 at a cost of \$200,000.

4.2.5.16. Plant M3

The project at Plant M3 includes acquiring the site, replacing an existing 58-year old reservoir, in addition to related design, permitting, piping, SCADA, grading, fencing, walls, site improvements, and landscaping, to replace the old reservoir at Plant M3. The reservoir replacement project was authorized in a previous GRC, by D.11-11-018, but was not built due to the need for a developer

to complete a prolonged environmental permitting process for the planned Montebello Hills development. The reservoir was not replaced at that time, however, at this time, the developer has completed the environmental permitting process, has identified a site for the new reservoirs, is scheduling to proceed with construction of the reservoir to serve the first phase of the development starting in 2020, and has been working closely with San Gabriel to coordinate the improvement project. The developer is funding the site acquisition, grading and fencing and perimeter walls for the project. San Gabriel will replace its old existing, tilting reservoir and related improvements. San Gabriel will also abandon the old, leaking 16-inch main that runs through the backyards of nearby residences to feed the existing reservoir, and then relocate the pipeline in an easement in a more suitable location. San Gabriel budgeted a total of \$5,280,000, including \$1,480,000 in Contributions in Aid of Construction and \$3,800,000 in San Gabriel funds, in years 2019 through 2021, for this project.

Cal Advocates recommended that the Commission deny San Gabriel's request to replace Reservoir M3 and defer rehabilitating the reservoir to a future GRC because, according to their analysis, additional storage is not needed in Pressure Zone M2 Group. Cal Advocates contended that San Gabriel's cost/benefit analysis shows that it is more cost-effective to retrofit Reservoir M3 than to replace it, and the Carollo Study recommends rehabilitating Reservoir M3 in 3 to 10 years. San Gabriel disagreed with these arguments, claiming instead that additional storage was needed and that it is more cost-effective to replace Reservoir M3 than rehabilitate it.

The Settling Parties agreed to support the \$3,695,000 in costs for the work proposed for Plant M3 compared to the original cost estimate of \$3,800,000. The project costs include design, permitting and related work (\$195,000) and pipeline

replacement (\$490,000) anticipated to be completed in 2019 and demolishing an existing reservoir (\$145,000), constructing a 1.3 MG West Reservoir (\$2,720,000), Reservoir West piping (\$98,000) and SCADA (\$47,000) anticipated to be completed in 2020, adjusted for a 10 percent contingency factor. San Gabriel requested a 10 percent contingency rate to the 1.3 MG West Reservoir; therefore, the 10 percent contingency was applied to the various remaining components of the Plant M3. The Settling Parties agree on accounting for \$1,000,000 in contributed land and \$480,000 in contributed reservoirs. These project component amounts include additional cost add-on such as engineering and design and administrative overhead.

4.2.5.17. Plant M4

The project at Plant M4 includes acquiring land for a reservoir site, installing a new water storage reservoir, demolishing and replacing an existing water storage reservoir, and relocating a booster station, together with related piping, design, permitting, demolition, fencing, a retaining wall, grading, site improvements, landscaping, SCADA, and electrical work. San Gabriel budgeted \$4,120,000 to complete the project in 2019, 2021 and 2022.

Cal Advocates recommended that the Commission deny San Gabriel's request to replace its reservoir at M4 because, according to their analysis, there is a more cost-effective option that allows San Gabriel to address space, cost, and operational risk and the Carollo Study finds that there is no need to replace the reservoir at this time. Instead, Cal Advocates argued that San Gabriel should rehabilitate the reservoir in a future GRC. San Gabriel countered that this project is needed, and Cal Advocates' alternative proposal is not feasible. The Settling Parties agreed to remove Plant M4 project from the current GRC cycle because

San Gabriel plans to acquire the Montebello municipal water system with additional water storage capacity.

4.2.5.18. Plant W1

In January 2013, San Gabriel hired Harper and Associates to perform a full inspection of the existing Plant W1 Structures (“Harper Study”).¹⁶ The Plant W1 project includes replacing the existing 0.28 MG water storage reservoir, recoating and retrofitting of the existing 0.91 MG water storage reservoir and refurbishing the existing booster station building. San Gabriel budgeted \$1,750,000 to complete this project in 2022. Cal Advocates recommended that the Commission deny San Gabriel’s requests to replace Reservoir W1W, retrofit Reservoir W1E and refurbish Pump Station W1’s building. Instead, Cal Advocates argued that San Gabriel should rehabilitate Plant W1 in a future GRC as the Carollo Study recommends. Cal Advocates also argued that the Harper Study, also does not find that Reservoir W1E needs to be replaced at this time. San Gabriel argued that Cal Advocates’ recommendations were incorrect and the work on Plant W1 is needed now. The Settling Parties agreed to remove the Plant W1 project from the current GRC cycle.

4.2.5.19. Plant W6

The Plant W6 project includes construction of a water treatment building and related equipment installation. D.17-06-008 authorized these improvements in the previous GRC for completion in 2017 and 2018. The Plant W6 treatment building and retrofit project are under construction and scheduled to be completed in 2019. The project also includes replacing the existing booster station and related site improvements, starting with design, permitting and related work in 2020 and construction in 2022. San Gabriel budgeted \$10,300,000

¹⁶ Exhibit SG-7, Attachment C, plant W1 enclosures 4 and 5.

to complete construction of the treatment system and booster station replacement project.

Cal Advocates recommended that the Commission approve \$6,811,000 in 2019 for the treatment system project but should deny funds in 2020 and 2022 for the replacement booster station at Plant W6. Instead, Cal Advocates argued that the Commission should defer the rehabilitation of Plant W6's booster station to a future GRC. San Gabriel opposed Cal Advocates' recommendations and argued that the replacement booster station is needed.

The Settling Parties agreed to support a \$9,294,000 cost estimate for the work proposed for Plant W6 adjusted for a 10 percent contingency factor, for UV Treatment Building (\$3,248,000), electrical work (\$133,000), and UV Treatment Equipment (\$3,430,000) anticipated to be completed in 2019; for design, permitting and related work (\$130,000) anticipated to be completed in 2020; and for a Booster Station building (\$910,000), site improvements (\$182,000), Booster pumps (\$224,000), Booster piping (\$225,000), Booster electrical work (\$721,000), and SCADA (\$91,000) anticipated to be completed in 2022. These project component amounts include additional cost add-ons such as engineering and design and administrative overhead.

4.2.5.20. Water Storage Sites

San Gabriel has requested budgets to acquire sites for water storage reservoirs needed to address storage deficiencies in specific locations of San Gabriel's water system. San Gabriel budgeted \$3,700,000 in 2020 and \$3,700,000 in 2021 for a total of \$7,400,000 in budget years 2019 through 2022. Cal Advocates recommended that the Commission deny San Gabriel's request to acquire two sites in Pressure Zone 1 for future water storage projects because, according to their analysis, there is no need for further storage in Pressure Zone

1. San Gabriel disagreed with Cal Advocates' recommendation and argued that the sites were needed.

The Settling Parties agreed to defer this request associated with the proposed acquisition of land and land rights to a later GRC cycle because San Gabriel plans to acquire the Montebello municipal water system with additional water storage capacity.

4.2.5.21. El Monte Office

San Gabriel spent \$2,531,880 in 2018 to acquire a 0.43-acre parcel of land immediately adjacent to the west of the existing General Office Division and Los Angeles Division offices located at 11142 Garvey Avenue, El Monte, California. San Gabriel demolished the old clapboard motel structures at the acquired property, and plans to construct a gate, fencing, related site improvements and temporary office trailers at this property. San Gabriel has budgeted \$80,000 for demolition of the old motel property, \$150,000 for fencing and site improvements, \$100,000 for temporary office trailers, \$150,000 for a space planning study in 2019, and \$300,000 for the design, permitting and related work in 2020 and 2021.

Cal Advocates recommended that the Commission approve only \$140,000 in 2019 for an office space planning study (Office Space Planning Study) and require San Gabriel to include in the Office Space Planning Study analyses of cost-benefit of various expansion alternatives. Cal Advocates also suggested that San Gabriel provide recommendations for how it will ensure that developers pay their fair share of San Gabriel's costs in connection with the proposed expansion of the El Monte Office Complex. Cal Advocates urged the Commission to exclude the cost to purchase the motel property (\$2,531,880) from rate base in this proceeding, and deny the remainder of San Gabriel's request for the El Monte

Office Complex project because San Gabriel did not substantiate the need to expand its El Monte office complex. Cal Advocates recommended that the Commission require San Gabriel to submit the Office Space Planning Study results for its consideration before approving any costs related to the proposed office expansion. San Gabriel opposed Cal Advocates' recommendations and argued that Cal Advocates disregarded evidence substantiating the need for the project.

The Settling Parties agreed to exclude from rate base in the current GRC the \$2,531,880 associated with the purchase of the motel property. Per the terms of this Settlement Agreement, San Gabriel is authorized to open a memorandum account to record a monthly return, equal to 1/12 of the 90-day commercial paper rate, on the \$2,531,880 investment, commencing when and if the motel property is placed in service and is used and useful. In the present GRC, the Settling Parties recommend that establishing a memorandum account is in the public interest. The Settling Parties further agreed to allow only the cost of the Office Space Planning Study (\$179,000, based on bids received) anticipated to be completed in 2019 in rate base at this time. Pursuant to the Settlement Agreement, the Office Space Planning Study must include a cost-benefit analysis of the El Monte Office land acquisition and future construction costs in terms of various potential alternatives including, but not limited to, leasing office space, relocating employees to the Plant No. 8 or Fontana Offices, and other real estate property locations other than the land already purchased.

4.2.5.22. Master Plan & Security Improvements

San Gabriel's Los Angeles Master Plan is a planning document that San Gabriel utilizes in conjunction with other sources of information to plan water system improvements and develop the capital improvement program. The

most recent master plan for the Los Angeles Division was prepared in 2018. San Gabriel must update this master plan annually to plan for the current and emerging conditions of the water system and environment. San Gabriel budgeted \$50,000 annually to update the Los Angeles Master Plan. Cal Advocates recommended that the Commission deny San Gabriel's request for \$50,000 annually in 2019, 2020, 2021 and 2022 to update its Master Plan because San Gabriel has already completed an up-to-date Master Plan in 2018.

San Gabriel disagreed with Cal Advocates' recommendation on the Master Plan and argued that changing circumstances substantiate the need for annual updating of the Master Plan. San Gabriel had budgeted \$100,000 in each of years 2019 through 2022 to install security enhancements at its facilities, and an additional \$100,000 in each of years 2019 through 2022 to install gate access security. San Gabriel also budgeted \$250,000 in 2019, \$200,000 in 2021, and \$225,000 in 2022 to implement improvements to mitigate cyber security risks in the Los Angeles Division.

The Settling Parties agreed that San Gabriel forego its request for funds to update its Master Plan and agree to adjust its request to include a 10 percent contingency factor for a total of \$1,403,000, comprised of Security Improvements (\$91,000 annually for 2019-2022), Gate Access Security (\$91,000 annually for 2019-2022), Cyber Security Improvements (\$250,000 anticipated to be completed in 2019, \$200,000 anticipated to be completed in 2021, and \$225,000 anticipated to be completed in 2022). These project component amounts include additional cost add-ons such as engineering and design and administrative overhead.

4.2.5.23. Geographic Information System and Capital Improvement Plan Implementation Report

San Gabriel is currently implementing an Asset Management System (AMS) and Maintenance Management System (MMS) to manage the life cycle of

its capital assets. The AMS will help San Gabriel track information regarding an asset and automatically schedule routine maintenance. The implementation of the MMS will improve the asset life cycle management process by enabling maintenance to be scheduled through a centralized database consisting of data derived from multiple sources. San Gabriel also budgeted for Geographic Information System (GIS) improvements and updates that will help San Gabriel more efficiently manage its water system information and workflow.

San Gabriel's hydraulic model is a planning and engineering tool that enables San Gabriel to run simulations of its water system. Throughout the year, as new facilities are developed and implemented, San Gabriel needs to complete subsequent updates to its hydraulic model, so that the newer versions reflect all the newly implemented facilities. Finally, San Gabriel budgeted for improvements to the project delivery system, which includes hardware, project and construction management, and advanced engineering software, programming, and consulting fees. San Gabriel budgeted \$295,000 in 2019, and \$320,000 annually for 2020 - 2022 for a total of \$1,255,000. Cal Advocates supported these investments.

The Settling Parties agreed to a total of \$1,255,000 for AMS, MMS, GIS, hydraulic model, and Delivery System improvements (\$295,000 in 2019, and \$320,000 annually for 2020 - 2022).

4.2.5.24. Pumping Equipment

San Gabriel budgeted \$400,000 annually to refurbish six well pumps per year from 2019 through 2022. San Gabriel budgeted \$85,000 annually for refurbishment of six booster pumps per year from 2019 through 2022 for a total of \$340,000. San Gabriel also budgeted \$85,000 per year from 2019 through 2022 for refurbishment of motors and electrical equipment for a total of \$340,000.

San Gabriel also budgeted \$120,000 to complete an Arc Flash Study¹⁷ in 2019 through 2022. San Gabriel budgeted \$200,000 to retrofit the vaults in its system in years 2019 through 2022. San Gabriel budgeted \$250,000 annually to replace the SCADA equipment at all its plant sites where old equipment is still in use, in years 2019 through 2022 and budgeted \$375,000 to install a backup SCADA system in 2019.

Cal Advocates recommended that the Commission authorize the requested budget items for pumping equipment but supported a reduction in the contingency factor for the Plant No. 8 Back-Up SCADA and the vault retrofits. San Gabriel opposed the reduction in the contingency factor.

The Settling Parties agreed to a total of \$3,920,000 for Pumping Equipment for 2019 through 2022. San Gabriel agrees to reduce the contingency factor to 10 percent for the Plant No. 8 back-up SCADA System (\$336,000). The Settling Parties also agreed to San Gabriel's requested amounts for refurbishment of six Wells (\$1,600,000), refurbishment of six Boosters (\$340,000), refurbishment of electrical panels and starters for Boosters (\$340,000), SCADA replacement (\$1,000,000), the Arc Flash Study (\$120,000), and vault retrofits (\$180,000). These project component amounts include additional cost add-ons such as engineering and design and administrative overhead.

4.2.5.25. Mains

San Gabriel proposed a total investment of \$37,500,000 for years 2019 through 2022 to replace aging or undersized pipelines (Mains) through its pipeline replacement program. Cal Advocates recommended that the Commission authorize the requested budget items for Mains but proposed

¹⁷ An Arc Flash Study or Flashover Study covers electrical safety measures to prevent electrical explosions.

reducing the contingency factor. Cal Advocates also recommended disallowing the Project ID P-19, a project to improve Mains. San Gabriel opposed the suggested reduced contingency factor and the disallowance of Project ID P-19.

The Settling Parties agreed to reduce the original request as recommended by Cal Advocates Office to a total of \$31,620,000 for Mains. The resulting estimated costs were comprised of \$500,000 annually for 2019-2022 to support Bridge Crossing Rehabilitation and Replacements (\$500,000); and fund for Miscellaneous Mains (\$6,720,000 anticipated to be completed in 2019, \$8,100,000 in 2020, \$9,000,000 in 2021, and \$7,800,000 in 2022). These project component amounts include additional cost add-ons such as engineering and design and administrative overhead.

4.2.5.26. Services

San Gabriel requested a total cost of \$11,500,000 for service line (Services) replacements for years 2019 through 2022.¹⁸ Cal Advocates recommended a lower total budget of \$11,000,000.

The Settling Parties agreed that San Gabriel should reduce its request to a total of \$11,388,000 for Services (\$2,470,000 anticipated to be completed in 2019, \$2,725,000 in 2020, \$2,970,000 in 2021, and \$3,223,000 in 2022).

4.2.5.27. Meters

San Gabriel initially requested \$620,000 in 2019, \$893,000 in 2020, \$860,000 in 2021, and \$868,000 in 2022 for meter replacements. San Gabriel later updated its meter replacement cost estimates to \$721,000 in 2019, \$794,000 in 2020, \$794,000 in 2021 and \$794,000 in 2022. Cal Advocates agreed with San Gabriel's proposed revised budget for meter replacement.

¹⁸ Service lines are the pipes that branch off from the transmission mains and distribute water to each customer's meter.

The Settling Parties agreed that San Gabriel should reduce its request to a total of \$3,103,000 for meter replacement and equipment (\$721,000 anticipated to be completed in 2019 and \$794,000 each of the following three years).

4.2.5.28. Fire Hydrants

San Gabriel requested \$135,000 in 2019, \$160,000 in 2020, \$195,000 in 2021, and \$230,000 in 2022 to install public fire hydrants. Cal Advocates recommended \$135,000 in 2019, \$160,000 in 2020, \$195,000 in 2021 and \$160,000 in 2022 for San Gabriel's fire hydrants budget.

The Settling Parties and San Gabriel agreed to reduce its request to a total of \$650,000 for Fire Hydrants (\$135,000 anticipated to be completed in 2019, \$160,000 in 2020, \$195,000 in 2021, and \$160,000 in 2022).

4.2.5.29. Structures and Improvements

San Gabriel plans to complete certain structures and improvements and budgeted \$25,000 in 2019, \$30,000 in 2020, \$35,000 in 2021 and \$40,000 in 2022. Cal Advocates supported San Gabriel's request.

The Settling Parties agreed to San Gabriel's request for a total of \$130,000 for Structures and Improvements.

4.2.5.30. Office Equipment

San Gabriel requested \$90,000 in 2019, \$85,000 in 2020, \$105,000 in 2021, and \$120,000 in 2022, for a total of \$400,000 to replace furniture, computers, printers, and office equipment. Cal Advocates supported San Gabriel's request.

The Settling Parties agreed to a total of \$400,000 for Office Equipment, which includes furniture, computers, printers and other office equipment.

4.2.5.31. Transportation Equipment

San Gabriel requested the following annual amounts to purchase additional and replacement vehicles: \$215,000 in 2019, \$325,000 in 2020, \$426,000 in 2021 and \$263,000 in 2022. Cal Advocates supported San Gabriel's request.

The Settling Parties agree to a total of \$1,229,000 for Transportation Equipment as San Gabriel proposed.

4.2.5.32. Communications Equipment

San Gabriel requested \$120,000 in 2019, \$70,000 in 2020, \$70,000 in 2021, and \$70,000 in 2022 to replace mobile radios, field service applications, tablets and two-way radios to be used by field employees to communicate with operations and maintenance staff while servicing the water system. Cal Advocates supported San Gabriel's request.

The Settling Parties agreed to a total of \$330,000 for Communication Equipment, comprised of \$50,000 for mobile radios, \$60,000 for field service applications, \$70,000 for tablets and mounting equipment, and \$150,000 for other communications equipment.

4.2.5.33. Tools and Equipment

San Gabriel requested \$33,000 in 2019, \$35,000 in 2020, \$40,000 in 2021 and \$45,000 in 2022 to replace jackhammers, tampers, compressors, pipe locators, leak detectors and other similar mechanical and pneumatic equipment to be used by field employees to operate and maintain the water system. For 2020, San Gabriel also requested \$110,000 to replace two backhoes, \$10,000 to purchase a dump trailer, and \$15,000 to purchase a Ford diagnostic scanner. Cal Advocates supported San Gabriel's request.

The Settling Parties agreed to a total of \$288,000 for Tools and Equipment, comprised of \$110,000 for backhoes, \$10,000 for a dump trailer, \$15,000 for a diagnostic scanner, and \$153,000 for other tools and equipment.

4.2.6. Other Rate Base Items

4.2.6.1. Construction Work in Progress

San Gabriel used the most recent recorded Construction Work in Progress (CWIP) balances (December 2018) to forecast TY 2020-2021 and TY 2021-2022

CWIP in rate base. Cal Advocates excluded projects aged more than one year from the 2018 CWIP recorded balance but included those projects that were under construction during 2018. San Gabriel objected to Cal Advocates' adjustment relating to CWIP.

The Settling Parties agrees to include a three-year balance of CWIP in rate base based on San Gabriel's total recorded CWIP for the years 2016-2018 for the Los Angeles Division (eliminating construction expenditures prior to 2016).

4.2.7. Rate Design

4.2.7.1. Revenue Allocation

In the Los Angeles Division, San Gabriel has allocated 64.6 percent of the revenue requirement to quantity rates as adopted in D.10-04-031. San Gabriel did not propose any changes to revenue allocation for the Los Angeles Division. Cal Advocates recommended that the Commission adopt a revenue allocation of 67.3 percent quantity rate/32.7 percent service charge to promote conservation and affordability. San Gabriel opposed Cal Advocates' recommendation regarding the revenue allocation in the Los Angeles Division.

The Settling Parties agreed to maintain the current revenue allocation in the Los Angeles Division.

4.2.7.2. Tier 1 Breakpoint

The conservation quantity rates set forth in Tariff Schedules LA-1C for the Los Angeles Division and FO-1C for the Fontana Division are split between two tiers. The Los Angeles Division's current Tier 1 breakpoint was set at 13 Ccf¹⁹/month. San Gabriel proposed to reduce the tier breakpoint from the current 13 Ccf/month down to 12 Ccf/month, in recognition of the decline in average monthly usage by the residential class. Cal Advocates recommended

¹⁹ Ccf means Centum Cubic Feet or Hundred Cubic Feet, and equals to 748 gallons.

that the Commission reduce the tier breakpoint from 13 Ccf/month down to 11 Ccf/month for the Los Angeles Division to better reflect the actual average monthly usage by the residential class customers.

The Settling Parties agreed to reduce the Tier 1 breakpoint to 11 Ccf, from the current 13 Ccf for the Los Angeles Division.

4.2.7.3. California Alternative Rates for Water Subsidy

In San Gabriel's last GRC, A.16-01-002, both San Gabriel and Cal Advocates sought to move toward a single California Alternative Rates for Water (CARW) benefit amount independent of meter size, and agreed on a uniform subsidy of \$9 per month for all meter sizes in both the Los Angeles and Fontana Divisions, which was adopted in D.17-06-008. San Gabriel did not propose any changes to the CARW subsidy in this GRC. Cal Advocates recommended that the Commission increase the CARW subsidy by the same percentage as the adopted TY rates are increased over current rates because this would mitigate the impact of rate increases on low-income customers. Under this proposed methodology, Cal Advocates' recommended CARW subsidy was \$9.72 per month.

The Settling Parties agreed on a CARW subsidy of \$9.82 per month to qualifying low-income customers for all meter sizes. This settlement amount is calculated using Cal Advocates' recommended formula of \$9 multiplied by the TY 2020-2021 revenue Requirement, then divided by the Test Year 2017-2018 Revenue Requirement.

4.2.7.4. CARW Surcharge

Currently, the CARW subsidy is recovered from non-CARW customers in the Los Angeles Division through a quantity-based surcharge of \$0.2128/Ccf. San Gabriel proposed instead to fund the CARW program through a fixed

surcharge. Cal Advocates opposed this proposal and recommended that the Commission maintain the current quantity based CARW surcharge.

The Settling Parties agreed to maintain a quantity-based CARW surcharge of \$0.2158/Ccf.

4.2.8. Other Issues

4.2.8.1. Customer Service

San Gabriel provided information in its GRC Application regarding its customer service practices and processes. Cal Advocates reviewed San Gabriel's GRC Application and responses to data requests, as well as data obtained on customer contacts from the Commission's Consumer Affairs Branch to evaluate San Gabriel's customer service. Based on this review, Cal Advocates found that San Gabriel's customer service in the Los Angeles Division is satisfactory and complies with the requirements of General Order 103-A.

The Settling Parties agreed that customer service in the Los Angeles Division is satisfactory and complies with the requirements of General Order 103-A.

4.2.8.2. Emergency Management Plan

Cal Advocates recommended that the Commission require San Gabriel to add specific guidelines to its Emergency Management Plan to deal with various specific emergencies such as earthquakes, wildfires, and floods. San Gabriel supported this recommendation.

The Settling Parties agreed that San Gabriel will add specific guidelines to its Emergency Management Plan to deal with various specific emergencies such as earthquakes, wildfires, and floods.

4.3. Issues Relating Mainly to The Fontana Division**4.3.1. Water Consumption and Operating Revenues****4.3.1.1. Average Number of Customers**

Except for the Construction and Recycled Water classes in both the Los Angeles and Fontana Divisions, San Gabriel forecasted customer growth using the average annual rate of growth in customers for each class over the five-year period ending with 2018. The number of forecasted Construction class customers in both the Los Angeles and Fontana Divisions was based on the average number of Construction class customers served during the five years ending with 2018. The number of forecasted Recycled Water Class customers in both the Los Angeles and Fontana Divisions was based on the number of customers actually served in 2018, adjusted to reflect additional customers that San Gabriel expects to convert to recycled water service in 2019, 2020, and 2021. The forecasted number of customers in the other customer classifications (Residential Multi-Family, Commercial, Industrial and Public Authority) were adjusted to reflect these anticipated recycled water conversions. Cal Advocates approved San Gabriel's estimates for the Fontana Division.

The Settling Parties reached agreement with respect to the average number of customers, water sales per customer, and water loss rate for the Fontana Division as described below.

4.3.1.2. Water Sales per Customer (Sales Forecast)

San Gabriel began by applying the New Committee Method to recorded monthly sales over the last ten years, in accordance with the Revised Rate Case Plan (D.07-05-062). San Gabriel also included explanatory variables for each month of the year to account for any month-to-month variation in water usage that is independent of precipitation and temperature. Explanatory variables were used to account for factors that are not quantitative and therefore not

represented by numbers. San Gabriel relied on the results of these regressions to forecast sales for the following customer classes:

Los Angeles Division:

Residential Single-Family Residential

Multi-Family – Small Residential

Multi-Family – Large

Fontana Division:

Residential Single Family

Residential Multi-Family – Small

San Gabriel's sales forecasts for all but four of the remaining customer classes (Construction in both Divisions, Niagara Bottling Company (Niagara), California Steel Industries (CSI), and Recycled Water in the Fontana Division) were based on a five- year average of per customer sales ending with 2018. San Gabriel's sales forecasts for the Construction classes in both the Los Angeles and Fontana Divisions were based on recorded sales for the 12 months ending June 2018. The sales forecast for Niagara was based upon Niagara's own estimates of potable water needs when its facility reaches full production, which is expected in 2020. The sales forecast for CSI was based its own estimates of potable water needs during 2020 and 2021. San Gabriel's sales forecast for the Recycled Water Class in the Fontana Division was based on recorded per customer sales for the 12 months ending June 2018, with adjustments to reflect the anticipated conversion of certain Residential Multi- Family, Commercial, Industrial, and Public Authority customers to recycled water service in 2019, 2020 and 2021.

Cal Advocates also performed the New Committee Method regression analysis but used different explanatory (or indicator) variables. Cal Advocates

proposed different and generally higher TY sales forecasts for residential customer classes. For the Construction customer class, Cal Advocates used a three-year recorded average approach and the latest available data. For Niagara and CSI, Cal Advocates used the same forecast as San Gabriel. Cal Advocates applied the same approach as San Gabriel to other Non-Residential customer classes but used the latest available data (January 2014-December 2018).

San Gabriel opposed Cal Advocates' analysis and relied on the long-term general trend of declining sales and the expectation that sales will continue to decline to support its forecasts.

With respect to the Residential Single Family and Residential Multi-Family – Small for the Fontana Division, the Settling Parties agreed to use a forecast based on the average of 1) 4-year average (2015-2018) and 2) recorded sales for 12-months ending August 2019. For other classes of customers, San Gabriel stipulated to using the customer sales forecasts proposed by the Public Advocates.

4.3.1.3. Water Loss Rate

San Gabriel estimated water loss based on a recorded 5-year average for the years 2014- 2018. Cal Advocates accepted San Gabriel's estimate of water loss for the Fontana Division

The Settling Parties agreed to use an 8.5 percent water loss rate for the Fontana Division.

4.3.2. Expenses

4.3.2.1. Health, Dental and Vision Insurance

As first introduced above in section 3.2.2, San Gabriel applied health insurance premium increases of 11 percent in July 2019, 10 percent in July 2020, and 10 percent in July 2021. San Gabriel then applied these escalated premiums to its employee forecast to arrive at the total health insurance costs. San Gabriel's

forecast of health insurance expense includes its portion of health insurance premiums for new employee positions requested in this GRC. For dental, vision, life, and LTD insurance, San Gabriel escalated 2018 premiums by applying CPI escalation rates for Estimated Year 2019 and TY 2020. San Gabriel then applied these escalated premiums to its payroll and employee forecast, as appropriate, to arrive at the total dental, vision, life and LTD insurance costs.

Cal Advocates opposed San Gabriel's position and recommended that the Commission deny an increase in healthcare premium costs because, according to its analysis, San Gabriel did not present evidence that it would experience annual premium increases at the levels requested. In addition, the Cal Advocates recommended that the Commission not approve increases in dental and vision insurance premiums because the most recent renewal of these insurance premiums had not increased San Gabriel's expense.

San Gabriel disagreed with the Cal Advocates' position. Settling Parties agreed to Health, Dental and Vision insurance expense of \$1,476,795 in the Fontana Division, which is based on a 2.4 percent CPI increase.

4.3.2.2. Regulatory Commission Expense

San Gabriel forecasted Regulatory Expense during this GRC cycle include non- recurring costs associated with processing this GRC, as well as forecasted costs related to a future cost of capital proceeding and San Gabriel's participation in other Commission Rulemakings, all of which are amortized over the three-year GRC cycle.

As discussed above, Cal Advocates recommended, and Settling Parties agreed, that San Gabriel transition from including regulatory expenses for the current GRC in the future TY to forecasting prospectively for its next GRC (TY 2023).

The Settling Parties agreed to Regulatory Commission Expense of \$423,293 in the Fontana Division, representing costs for both the current and the next GRC.

4.3.2.3. Conservation Program Expense

San Gabriel proposed several programs to promote and facilitate water conservation. Proposed programs include high efficiency toilet distribution, bill inserts, gardening workshops, irrigation controller and nozzle retrofit, commercial, industrial & institutional audits and retrofit, and a recycled water retrofit program among other programs.

Cal Advocates claimed that San Gabriel has not adequately demonstrated the need to increase its conservation programs beyond those adopted in the prior GRC. Cal Advocates instead recommended that the Commission authorize \$447,500 per year, the same conservation budget that it authorized in D.17-06-008, adjusted for inflation.

San Gabriel supported Cal Advocates' proposed Fontana Division Conservation Expense budget. Settling Parties agreed to the Fontana Division Conservation Program Expense proposed by Cal Advocates of \$447,500.

4.3.2.4. Uncollectibles Rate

San Gabriel calculated the Uncollectibles rate using a 5-year average for the years 2014-2018 for the Fontana Division. Cal Advocates instead calculated the Uncollectibles rate using the average ratio of uncollectible expense to revenue for the most recent three years (2016-2018) based on the recent improvement in the economy in San Gabriel's Fontana Division service area.

The Settling Parties agreed to 0.1918 percent as the Uncollectibles Rate for the Fontana Division.

4.3.3. Capital Budget – Plant Additions

The following table presents the agreement reached in settlement for the San Gabriel-funded plant additions proposed for San Gabriel’s Fontana Division (in thousands of dollars). A narrative description for each of the plant items follows the table.

Project/Account Name	Settlement (x1,000)
Capital Improvement Projects	
Plant F10	\$6,742
Plant F15	\$9,420
Plant F20	\$900
Plant F31	\$7,134
Plant F44	\$17,078
Plant F58	\$5,769
Plant F59	\$0
Miscellaneous	
Water Storage Sites	\$0
Solar Power, Master Plan & Security Improvements	\$1,097
GIS and CIP Implementation Report	\$1,180
Other Accounts	
Refurbish Wells and Boosters	\$96
Pumping Equipment	\$3,348
Mains	\$28,792
Services	\$11,388
Meters	\$3,305
Fire Hydrants	\$520

Project/Account Name	Settlement (x1,000)
Structures and Improvements	\$160
Office Equipment	\$475
Transportation Equipment	\$985
Communications Equipment	\$320
Tools and Equipment	\$405
Total San Gabriel Funded Plant Additions	\$99,115
Reduction	\$19,096
Reduction Percentage	-16%

4.3.3.1. Contingency Factors

For cost estimates of several capital improvement projects, San Gabriel included a contingency factor ranging from 10 percent to 30 percent to account for additional unanticipated costs resulting from permitting and construction. San Gabriel reviewed contingency factors for project cost estimates on a case-by-case basis and applied various contingency factors. Cal Advocates recommended that based on the complexity of the projects in this GRC, the Commission should adopt a uniform 10 percent contingency factor as reasonable for San Gabriel's capital projects. San Gabriel opposed Cal Advocates' adjustment and continued to argue that contingency factors should be assigned on a case-by-case basis.

The Settling Parties agreed to apply a uniform 10 percent contingency factor for capital projects for which a contingency factor is appropriate.

4.3.3.2. Plant F10

San Gabriel proposed to design and construct a new water storage tank on property directly adjacent to the Plant F10 (East), together with grading, fencing, site improvements, landscaping, and street improvements. Once the new

reservoir is built, San Gabriel will remove the 56-year-old concrete reservoir from service, demolish it, and replace it with a new above- grade steel tank, together with the installation of piping and SCADA. The total budget for this project is \$8,460,000 for 2019 through 2021.

Cal Advocates recommended that the Commission deny San Gabriel's request to replace the existing 1.97 MG F10 West reservoir at Plant F10 with a 1.88 MG reservoir. However, Cal Advocates supported San Gabriel's request to construct a new 0.6 MG reservoir, demolish the existing 1.97 MG reservoir, and make associated improvements at Plant F10 for \$2,960,000 million in 2020 but recommended a reduction of the contingency factor from 25 percent to 10 percent for this project. San Gabriel opposed Cal Advocates' recommendations, arguing that the additional storage capacity was necessary, and that the reduction of the contingency factor was unwarranted.

The Settling Parties agreed to support a \$6,742,000 cost estimate for the work proposed for Plant F10 adjusted for a 10 percent contingency factor, for design, permitting and related work (\$350,000) anticipated to be completed in 2019, fence and wall (\$850,000) and grading (\$250,000), SCADA (\$100,000), and demolition of an existing reservoir (West) (\$200,000) anticipated to be completed in 2020, and site improvements (\$300,000), street improvements (\$550,000), landscaping (\$150,000), 1.9 MG West Reservoir (\$3,892,000), and Reservoir Piping (West) (\$100,000) anticipated to be completed in 2021.

4.3.3.3. Plant F15

The Plant F15 project includes the replacement of a 140-year-old 4.16 MG concrete storage tank with a new 3.43 MG reservoir, the demolition of the old tank, and the installation of piping, fencing, walls, grading, a booster station building and electrical equipment, SCADA equipment, site work, landscaping

and street improvements. This project was authorized by D.17-06-008 in the previous GRC for completion in 2016 through 2019. San Gabriel requested \$9,420,000 to complete construction of the project in 2019 and demolition of the old reservoir in 2020.

Cal Advocates supported San Gabriel's request and recommended approval of the total budget of \$9.42 million requested for the grading, fencing, walls, a new 3.43 MG reservoir, demolition of the 141-year-old reservoir, piping for reservoirs, booster station building and related electrical work, SCADA equipment, site improvements, landscaping and street improvements at Plant F15.

The Settling Parties agreed to support the \$9,420,000 in costs for the work proposed for the Plant F15 fence and wall (\$850,000), grading (\$880,000), drainage (\$330,000), Booster building (\$850,000), SCADA (\$100,000), Booster electrical work (\$260,000), construction of a 3.43 MG East Reservoir (\$4,600,000), East Reservoir piping (\$300,000), and West Reservoir piping (\$300,000). All anticipated work is scheduled to be completed in 2019, and site work (\$400,000), street improvements (\$200,000), landscaping (\$150,000), and demolition of an existing reservoir (\$200,000) is anticipated to be completed in 2020).

4.3.3.4. Plant F20

The Plant F20 project includes the acquisition of a new water storage site near to and at the same elevation as the existing Plant F20 site, and the design, permitting of a second potable water storage reservoir, together with related piping, fencing, walls, grading, and site work. San Gabriel proposed to acquire the site and complete the project design and permitting in 2020. San Gabriel budgeted a total of \$950,000 to complete this project in this GRC cycle.

The Settling Parties agreed to forecast \$900,000 in costs for the work proposed for Plant F20 adjusted for a 10 percent contingency factor on relevant items, comprised of land acquisition (\$500,000), design, permitting, and related work (\$400,000), all anticipated to be completed in 2020. These project component amounts include additional cost add-ons such as engineering and design and administrative overhead.

4.3.3.5. Plant F31

This project includes the construction of water storage reservoirs, a booster station, SCADA, pipelines, and related fencing, walls, grading, site improvements, landscaping, and street improvements at the existing Plant F31 site. The water storage and distribution improvements, which include a 0.67 MG water storage reservoir and a booster station building, were authorized in the previous GRC cycle for completion in 2016 through 2019. The Commission also authorized San Gabriel to design and permit the improvements to drill and equip Well F31B. The total budget for the project is \$8,720,000 and includes the previously authorized improvements along with construction of a second 0.67 MG water storage reservoir at Plant F31. Cal Advocates recommended that the Commission authorize all of the proposed improvements, except for Reservoir F31 (North). Cal Advocates claimed there is a planned alternative project in the Alder pressure zone that addresses the storage deficiency in a more cost-efficient and prudent manner. Cal Advocates also recommended a reduction of the contingency factor from 25 percent to 10 percent for the booster station elements. San Gabriel disagreed with Cal Advocates' recommendations and argued that the second reservoir was justified. San Gabriel also opposed the reduction in the contingency.

The Settling Parties agreed on \$7,134,000 in costs for the work proposed for Plant F31 adjusted for a 10 percent contingency factor and eliminating the proposed reservoir. The agreed investment is comprised of a fence and wall (\$820,000), grading (\$400,000), Booster building (\$791,000), equipping Well F31B (\$490,000), Well F31B piping (\$280,000). Well F31B electrical work (\$210,000), Booster electrical work (\$850,000), Booster piping (\$270,000), Booster Pumps (\$279,000), SCADA (\$110,000), Chlorination equipment (\$20,000), constructing a 0.67 MG North Reservoir (\$1,286,000), and North Reservoir piping (\$178,000), all anticipated to be completed in 2019. Design, permitting and related work (\$250,000) site work (\$500,000), street improvements (\$250,000), and landscaping (\$150,000) are anticipated to be completed in 2020). These project component amounts include additional cost add-ons such as engineering and design and administrative overhead.

4.3.3.6. Plant F44

The Plant F44 Project includes construction of a centralized water treatment system to treat wells impacted by perchlorate and nitrate contamination in the Chino Groundwater Basin. San Gabriel is also budgeting to treat the off-site Well F2A and Well F44B at Plant F44, and will design, permit and install treatment equipment, a new water storage reservoir, piping, SCADA, well pump modifications, transmission pipelines, and related grading, fencing, landscaping and site improvements at Plant F44. San Gabriel requested a total of \$18,280,000 to complete aspects of this project in years 2019, 2021, and 2022.

Cal Advocates recommended that the Commission deny San Gabriel's request for \$2,500,000 in 2022 to construct a new 1.0 MG reservoir and associated improvements at Plant F44 West and only approve a total of \$14,097,000 for years 2019 and 2021-2022 to perform the well pump modifications at Well F2A, and

installation of the nitrate and perchlorate treatment system. Cal Advocates also argued that San Gabriel should defer to the next GRC its request to construct the 1.0 MG reservoir. Moreover, Cal Advocates recommended that San Gabriel renew its request in its next GRC with analysis demonstrating how the subsequent construction of five new reservoirs is the most cost-effective way of addressing the current storage deficit. San Gabriel disagreed with Cal Advocates' recommendation on the reservoir and associated improvements.

The Settling Parties agreed to a \$17,078,000 estimate of costs for the work proposed for Plant F44 adjusted for a 10 percent contingency factor, comprised of design, permitting and related work (\$400,000) completed in 2018. Also included in the work are demolition of an existing house (\$91,000), Well F2A Pump modifications (\$220,000), fence and wall (\$768,000), grading (\$454,000), SCADA (\$90,000), construction of a Perchlorate Treatment System (\$3,874,000), Perchlorate Treatment System piping (\$175,000), and an F2 to F44 Pipeline (\$570,000) anticipated to be completed in 2021, and site work (\$320,000), landscaping (\$140,000), construction of a Nitrate Treatment System (\$7,568,000), Nitrate System piping (\$175,000), construction of a 1.0 MG Reservoir F44 West (\$2,153,000), and Reservoir piping (\$80,000) anticipated to be completed in 2022. These project component amounts include additional cost add-ons such as engineering and design and administrative overhead.

4.3.3.7. Plant F58

The Plant F58 Project includes site work, landscaping and street improvements and the design, permitting and related work for construction of a new booster station and transmission pipeline. The total request for the project is \$6,430,000 in San Gabriel Funds and \$1,300,000 in Contributions in Aid of Construction.

The Settling Parties agreed to support a \$5,769,000 cost estimate for the work proposed for Plant F58, comprised of design, permitting and related work (\$100,000) anticipated to be completed in 2019, and a Booster building (\$850,000), Booster piping (\$200,000), Booster Pumps (\$300,000), Booster electrical work (\$880,000), SCADA (\$100,000) and the F58 to Sierra Avenue Pipeline adjusted for a 10 percent contingency factor (\$3,339,000) anticipated to be completed in 2020. These project component amounts include additional cost add-ons such as engineering and design and administrative overhead.

4.3.3.8. Plant F59

The Plant F59 Project includes a water storage reservoir, piping, SCADA, site work, landscaping, fencing and walls, and street improvements. The total request for the water storage and related improvement project is \$6,200,000 and is proposed to be completed over three years starting in 2020 and ending in 2022.

Cal Advocates recommended that the Commission deny the proposed Plant F59 Reservoir Project because the project is not cost efficient and there is already adequate storage capacity in the F19 pressure zone.

San Gabriel disagreed with Cal Advocates' recommendations, arguing that the project was needed for additional water storage as well as materials and equipment storage. The Settling Parties agreed to defer the Plant F59 project from the current to the next GRC cycle.

4.3.3.9. Water Storage Sites

San Gabriel requested funds to acquire sites for water storage reservoirs needed to address storage deficiencies in specific locations of its water system. San Gabriel requested budgets of \$2,000,000 in 2020 and 2021 for a total of \$4,000,000 budget in years 2019 through 2022.

Cal Advocates recommended that the Commission reject San Gabriel's request to acquire land to build reservoirs and water production wells because current storage and supply capacity is adequate. San Gabriel disagreed with Cal Advocates' recommendation.

The Settling Parties agreed to remove its request associated with the proposed acquisition of land and land rights from the current GRC cycle.

4.3.3.10. Solar Power, Master Plan & Security

San Gabriel proposed to hire a consultant to evaluate San Gabriel's energy needs for its headquarters and maintenance facility in the City of Fontana. San Gabriel will develop plans to install a solar power generating system for its headquarters and maintenance facility in the City of Fontana. The proposed budget for the solar power generating system study is \$150,000 in 2021.

The Fontana Master Plan is a short-term planning document that San Gabriel uses to plan its four-year CIP, and in the long-term, to forecast its water supply, treatment, pumping and storage needs. San Gabriel budgeted \$50,000 annually to update the master plan each year from 2019 through 2022. Cal Advocates recommended that the Commission deny San Gabriel's request to conduct annual Master Plan updates arguing instead that it could use in-house engineers to do the annual updates. San Gabriel maintained that it is not feasible to use its in-house staff to conduct the Master Plan updates. Additionally, San Gabriel requested \$100,000 per year for security improvements for a total of \$400,000 in years 2019 through 2022. To mitigate cyber security risks in the Fontana Division San Gabriel has also requested \$250,000 in 2019, \$200,000 in 2021, and \$225,000 in 2022 to implement improvements.

The Settling Parties agreed to reduce its request to incorporate a 10 percent contingency factor, for a total of \$1,097,000 for Structures and Improvements.

These improvements are comprised of gate access security (\$91,000 annually for 2019-2022), cyber security improvements (\$222,000 anticipated to be completed in 2019, \$179,000 anticipated to be completed in 2021, and \$197,000 anticipated to be completed in 2022), and a Solar Power Generation Study (\$135,000 anticipated to be completed in 2021). These project component amounts include additional cost add-ons such as engineering and design and administrative overhead.

4.3.3.11. GIS and CIP Implementation Report

San Gabriel is currently implementing enterprise-wide information systems to manage the life cycle of its assets. The AMS will help San Gabriel track information regarding an asset and automatically schedule routine maintenance. The MMS will improve the asset life cycle management process by enabling maintenance to be scheduled through a centralized database consisting of data derived from multiple sources. San Gabriel also requested funds for GIS improvements and updates that will help San Gabriel more efficiently manage its water system information and workflow. San Gabriel's hydraulic model is a planning and engineering tool that enables San Gabriel to run simulations of its water system. San Gabriel requested funds for improvements to the project delivery system, which includes hardware, project and construction management, and advanced engineering software, programming, and consulting fees. San Gabriel requested \$220,000 in 2019, and \$320,000 annually for 2020 - 2022 for a total of \$1,180,000 for the Fontana Division. Cal Advocates supported these costs.

The Settling Parties agreed to a total of \$1,180,000 for GIS and Capital Improvement Plan (CIP) Implementation Report comprised of Project Delivery System improvements (\$85,000 annually for 2019-2022), Asset and Maintenance Management Systems (\$75,000 annually for 2019-2022), GIS System

improvements and updates (\$85,000 annually for 2019-2022), and Hydraulic Model updates (\$50,000 annually for 2019-2022).

4.3.3.12. Refurbish Wells and Boosters

A well enclosure design is now in the process of being completed for San Gabriel's Los Angeles Division Plant No. 1 site. Once the design is completed in the first quarter of 2019, San Gabriel plans to complete the construction of the well building at Plant F54 using a similar design.

The Settling Parties agreed to a reduced cost of \$96,000 for the Well F54A Building anticipated to be completed in 2019. These project component amounts include additional cost add-ons such as engineering and design and administrative overhead.

4.3.3.13. Pumping Equipment

San Gabriel budgeted \$400,000 annually to refurbish six well pumps per year from 2019 through 2022. San Gabriel requested \$70,000 for 2019 and \$75,000 per year from 2020 through 2022 for refurbishment of six booster pumps per year for a total of \$295,000 in this GRC cycle. San Gabriel also requested \$200,000 to complete the Arc Flash Study in 2019 through 2022. Moreover, San Gabriel requested \$200,000 to retrofit the vaults in its system in years 2019 through 2022 and \$375,000 to install a backup Plant F14 SCADA system in 2019.

The Settling Parties agreed to a total of \$3,348,000 for Pumping Equipment for 2019 through 2022. Specifically, San Gabriel agreed to reduce the initial contingency factor to 10 percent for the Plant F14 back-up SCADA System (\$336,000) and vault retrofits (\$184,000). The Settling Parties also agreed to San Gabriel's requested amounts for refurbishment of six Wells (\$1,600,000), refurbishment of six Boosters (\$320,000), refurbishment of electrical panels and starters for Boosters (\$336,000), Security Improvements (\$364,000), and the Arc

Flash Study (\$208,000) subject to a 10 percent contingency factor. These project component amounts include additional cost add-ons such as engineering and design and administrative overhead.

4.3.3.14. Mains

For its Fontana Division San Gabriel proposed a total investment of \$32,000,000 for years 2019 through 2022 to replace aging or undersized pipelines through its pipeline replacement program.

The Settling Parties agreed to reduce its request to \$28,792,000 for Mains (\$5,900,000 anticipated to be completed in 2019, \$6,714,000 in 2020, \$7,644,000 in 2021, and \$8,534,000 in 2022). These project component amounts include additional cost add-ons such as engineering and design and administrative overhead.

4.3.3.15. Services

San Gabriel requested \$11,500,000 for service line replacements for years 2019 through 2022. Cal Advocates supported San Gabriel's request.

San Gabriel agreed to reduce its request to a total of \$11,388,000 for Services (\$2,472,000 anticipated to be completed in 2019, \$2,722,000 anticipated to be completed in 2020, \$2,972,000 anticipated to be completed in 2021, and \$3,222,000 anticipated to be completed in 2022).

4.3.3.16. Meters

San Gabriel initially requested \$690,000 in 2019, \$876,000 in 2020, \$844,000 in 2021, and \$851,000 in 2022 for meter replacements. San Gabriel later updated its meter replacement cost estimates to \$749,000 in 2019, \$852,000 in 2020, \$852,000 in 2021 and \$852,000 in 2022. Cal Advocates supported San Gabriel's proposed revised cost estimates for its meter replacement.

The Settling Parties agreed to reduce its request to a total of \$3,305,000 for meter replacement and equipment (\$749,000 anticipated to be completed in 2019 and \$852,000 in each of the following three years).

4.3.3.17. Fire Hydrants

San Gabriel requests \$100,000 in 2019, \$120,000 in 2020, \$140,000 in 2021, and \$160,000 in 2022 to install public fire hydrants. Cal Advocates supported San Gabriel's request.

The Settling Parties agreed to a total of \$520,000 for Fire Hydrants (\$100,000 anticipated to be completed in 2019, \$120,000 in 2020, \$140,000 in 2021, and \$160,000 in 2022).

4.3.3.18. Structures and Improvements

San Gabriel plans to complete structures and improvements and requested \$25,000 in 2019, \$35,000 in 2020, \$45,000 in 2021 and \$55,000 in 2022 for these improvements. Cal Advocates supported San Gabriel's request.

The Settling Parties agree to San Gabriel's request for a total of \$160,000 for Structures and Improvements.

4.3.3.19. Office Equipment

San Gabriel requested \$165,000 in 2019, \$85,000 in 2020, \$105,000 in 2021, and \$120,000 in 2022 to replace furniture, computers, printers, and office equipment. Cal Advocates supported San Gabriel's request.

The Settling Parties agreed to a total of \$475,000 for Office Equipment, comprised of \$120,000 for furniture, \$95,000 for PC replacements, \$60,000 for workgroup printer replacements, and \$200,000 for miscellaneous office equipment.

4.3.3.20. Transportation Equipment

San Gabriel requested the following annual amounts to purchase additional and replacement vehicles: \$280,000 in 2019, \$195,000 in 2020, \$220,000 in 2021 and \$290,000 in 2022. Cal Advocates supported San Gabriel's request.

The Settling Parties agreed to the proposed total \$985,000 budget for Transportation Equipment.

4.3.3.21. Communications Equipment

San Gabriel requested \$110,000 in 2019, \$70,000 in 2020, \$70,000 in 2021, and \$70,000 in 2022 to replace mobile radios, field service applications, tablets and two-way radios to be used by field employees to communicate with operations and maintenance staff while servicing the water system. Cal Advocates supported San Gabriel's request.

The Settling Parties agreed to a total of \$320,000 for Communication Equipment, comprised \$50,000 for mobile radios, \$60,000 for field service applications, \$60,000 for tablets and mounting equipment, and \$150,000 for other communications equipment.

4.3.3.22. Tools and Equipment

San Gabriel requested \$45,000 in 2019, \$55,000 in 2020, \$65,000 in 2021, and \$75,000 in 2022 for miscellaneous tools, and \$80,000 in 2020 for a new rough terrain forklift. Additionally, San Gabriel requested \$5,000 in 2019 for a new 4-in-1 bucket attachment for a Bobcat loader, \$10,000 in 2019 for a new leak locator, and \$70,000 in 2021 for a new Vac-tron vacuum excavator. San Gabriel requested a total of \$405,000 for tools and equipment in this rate case cycle. Cal Advocates supported San Gabriel's request.

The Settling Parties agreed to a total of \$405,000 for Tools and Equipment, comprised of \$10,000 for a leak locator, \$5,000 for the bucket attachment for the

Bobcat loader, \$80,000 for a forklift, \$70,000 for a Vac-Tron vacuum excavator, and \$240,000 for miscellaneous tools and equipment.

4.3.4. Other Rate Base Items

4.3.4.1. Construction Work In Progress

San Gabriel used the most current recorded CWIP balances (December 2018) to forecast TY 2020-2021 and TY 2021-2022 CWIP in rate base. Cal Advocates removed projects aged more than one year from the 2018 CWIP balance, except those projects that were under construction during 2018. San Gabriel objected to Cal Advocates' CWIP adjustment.

The Settling Parties agreed to include a three-year balance of CWIP in rate base based on San Gabriel's total recorded CWIP for the years 2016-2018 for the Fontana Division.

4.3.5. Rate Design

4.3.5.1. Revenue Allocation

San Gabriel proposed to reduce the proportion of the revenue requirement allocated to quantity rates from 72.03 percent, approved in D.10-04-031, to 70 percent in the Fontana Division. Cal Advocates recommended that the Commission approve San Gabriel's proposed 70 percent/30 percent revenue allocation.

The Settling Parties agreed to allocate 70 percent of revenue requirement to Quantity Rates in this GRC.

4.3.5.2. Tier 1 Breakpoint

The conservation quantity rates set forth in Tariff Schedules LA-1C for the Los Angeles Division and FO-1C for the Fontana Division are split between two tiers. The Fontana Division's current Tier 1 breakpoint was set at 16 Ccf/month. San Gabriel proposes to reduce the Tier 1 breakpoint from the current 16 Ccf/month down to 15 Ccf/month, in recognition of the decline in average

monthly usage by the Residential class. Cal Advocates recommended that the Commission reduce the Tier 1 breakpoint from 16 Ccf/month down to 14 Ccf/month.

The Settling Parties agreed to reduce the Tier 1 breakpoint to 14 Ccf, from the current 16 Ccf to better reflect the actual average monthly usage by the Residential class for the Fontana Division.

4.3.5.3. CARW Subsidy

San Gabriel's last GRC decision, D.17-06-008, adopted a single CARW benefit amount independent of meter size and agreed on a uniform subsidy of \$9 per month for all meter sizes in both the Los Angeles and Fontana Divisions. San Gabriel did not propose any changes to the CARW subsidy in this GRC. To mitigate the impact of rate increases on low-income customers, Cal Advocates recommended that the Commission increase the CARW subsidy by the same percentage as the adopted TY rates are increased over current rates.

The Settling Parties agreed on a CARW subsidy of \$9.82 per month for qualifying low-income customers for all meter sizes.

4.3.5.4. CARW Surcharge

Currently, the CARW subsidy is recovered from non-CARW customers in the FWC Division through a quantity-based surcharge of \$0.2425/Ccf. San Gabriel proposed to fund the CARW program through a fixed surcharge. Cal Advocates opposed this proposal.

The Settling Parties agree to maintain a quantity-based CARW surcharge of \$0.2389/Ccf.

4.3.6. Other Issues

4.3.6.1. Customer Service

San Gabriel provided information in its GRC Application regarding its customer service practices and processes. Cal Advocates reviewed San Gabriel's

GRC Application and responses to data requests, as well as data obtained on customer contacts from the Commission's Consumer Affairs Branch to evaluate San Gabriel's customer service. Based on this review, Cal Advocates found that San Gabriel's customer service in the Fontana Division is satisfactory and complies with the requirements of General Order 103-A.

The Settling Parties agreed that customer service in the Fontana Division is satisfactory and complies with the requirements of General Order 103-A.

4.3.6.2. Emergency Management Plan

Cal Advocates recommended that the Commission require San Gabriel to add specific guidelines to its Emergency Management Plan to deal with various specific emergencies such as earthquakes, wildfires, and floods. San Gabriel supported this recommendation.

The Settling Parties agreed that San Gabriel should update its Emergency Management Plan to add specific guidelines dealing with various specific emergencies such as earthquakes, wildfires, and floods among other events.

4.4. Additional Issues

4.4.1. Escalation Year Filings

4.4.1.1. Escalation Year Advice Letter Filings

Cal Advocates recommended that Escalation Year filings should be made mandatory for San Gabriel. San Gabriel opposed mandatory Escalation Year filings.

The Settling Parties agreed that San Gabriel shall file Tier 2 escalation year advice letters for years 2021 and 2022.

4.4.2. Special Requests

4.4.2.1. Increase Facilities Fees in the Fontana Water Company Division

San Gabriel proposed to update its Fontana Division Facilities Fees for meter sizes larger than 5/8 x 3/4-inch to reflect the actual flow capacity of the meter more closely. Cal Advocates agreed with San Gabriel's proposed Facilities Fees for meter sizes less than 1-inch. However, Cal Advocates recommended setting the Facilities Fees for a 1-inch meter at \$12,000 to closely match the average fees charged by surrounding water agencies. San Gabriel supported Cal Advocates' recommendations for the Fontana Division Facilities Fees schedule. Both San Gabriel and Cal Advocates proposed to keep Facilities Fees for private fire service connections at the present rates.

The Settling Parties agreed to the following Facilities Fees schedule for the Fontana Division as shown in the following table:

Meter Service Connection Size and Type	Meter Ratio	Facility Fee
Fire Services:		
5/8 x 3/4-inch Fire Service	--	\$5,000
3/4-inch Fire Service	--	\$5,000
1-inch Fire Service	1.0	\$6,650
1-1/2-inch Fire Service	1.5	\$10,000
2-inch Fire Service	2.0	\$13,350
3-inch Fire Service	3.0	\$20,000
4-inch Fire Service	4.0	\$26,650
6-inch Fire Service	6.0	\$40,000
8-inch Fire Service	8.0	\$53,350
10-inch Fire Service	10.0	\$66,650
12-inch Fire Service	12.0	\$80,000
All Others:		

Meter Service Connection Size and Type	Meter Ratio	Facility Fee
5/8 x 3/4-inch All Others	--	\$8,000
3/4-inch All Others	--	\$9,000
1-inch All Others	1.0	\$12,000
1-1/2-inch All Others	2.0	\$24,000
2-inch All Others	2.75	\$33,000
3-inch All Others	4.5	\$54,000
4-inch All Others	7.0	\$84,000
6-inch All Others	13.25	\$159,000
8-inch All Others	20.75	\$249,000
10-inch All Others	29.5	\$354,000
12-inch All Others	42.0	\$504,000

On March 6, 2020, BIA filed a motion with the Commission requesting party status in this proceeding. In its motion, BIA noted that San Gabriel had increased its Facilities Fees in the Fontana Division beyond what it had originally requested in its application. BIA's motion also mentioned that the more expensive Facilities Fees would exacerbate the ability to meet growing housing demand in the Fontana District. According to BIA, the increase in connection fee represented a punitive act against housing affordability for renters and homeowners in a high minority population.

On March 13, 2020, the Commission president, Marybel Batjer, received a letter from California Assembly member Eloise Gomez Reyes of the forty seventh district. On March 16, 2020, Commissioner Clifford Rechtschaffen received a letter from Mike Morrell, a California State Senator representing the twenty-third district. These letters were served to this proceeding's service list on March 16, 2020 and March 18, 2020, respectively. The letters urged the

Commission to reject those parts of the Settlement Agreement that dramatically increased Facilities Fees in Fontana and instead adopt and approve the schedule for Facilities Fees originally recommended by San Gabriel in A.19-01-001.

The Commission's Rules of Practice and Procedure Rule 12.2 allows Parties to file comments contesting all or part of a Settlement within 30 days of the date that the Settlement (and the motion seeking its adoption) is served with the Commission. The motion requesting adoption of the Settlement Agreement was filed with the Commission on December 12, 2019. No timely comments or objections have been filed.²⁰ Comments contesting the Settlement Agreement were due January 13, 2020. Since BIA was not a party to this proceeding until it was granted limited party status on March 20, 2020, it was unable to comply with Rule 12. On March 20, 2020, the Commission granted BIA limited party status in the instant proceeding so that it can comment on legal and other errors related to the specific issue of Facilities Fees in the Fontana Division in this proposed decision.

4.4.3. Amortization of Certain Balancing Accounts

San Gabriel seeks Commission authorization to amortize the balances in the following balancing accounts: for the Los Angeles County Division: Water Cost Balancing Account; Power Cost Balancing Account; Previously Authorized Balances Balancing Account; CARW Balancing Account; Water Revenue Adjustment Mechanism; and, the Conservation Program Balancing Account. For the Fontana Water Company Division: Power Cost Balancing Account;

²⁰ On March 6, 2020, the BIA filed a motion with the Commission requesting party status in this proceeding, and on March 20, 2020, BIA was granted a limited party status to comment only on the Facilities Fees for the Fontana Division included in the Settlement Agreement. Since BIA was not a party to this proceeding until it was granted limited party status on March 20, 2020, it was unable to timely comply with Rule 12.

Previously Authorized Balances Balancing Account; CARW Balancing Account; and, the Water Revenue Adjustment Mechanism Conservation Program Balancing Account.

Cal Advocates agreed that the net balances in these balancing accounts applicable to the Los Angeles and Fontana Divisions as of December 2018 should each be amortized by a single surcharge on San Gabriel's customer bills.

The Settling Parties agreed to amortize the net balances in these balancing accounts as of December 2018 by a single surcharge on customer bills.

4.4.4. Amortization of Certain Memorandum Accounts

San Gabriel seeks Commission authorization to amortize the balances in the following memorandum accounts: Los Angeles County Division: Water Conservation Memorandum Account; School Lead Testing Memorandum Account; Water-Energy Nexus Memorandum Account; 2018 Tax Act Memorandum Account Cost of Capital Memorandum Account; Water Quality Litigation - Defense Related Memorandum Account. Fontana Water Company Division: Water Conservation Memorandum Account; School Lead Testing Memorandum Account; Cost of Capital Interim Rate Memorandum Account (D.13-05-027 in A.12-05-002); Cost of Capital Litigation Expense Memorandum Account (A.12-05-002); Water-Energy Nexus Memorandum Account; 2018 Tax Act Memorandum Account; Cost of Capital Memorandum Account.

Cal Advocates supported San Gabriel's request to amortize the net balances in these memorandum accounts, applicable to the Los Angeles and Fontana Divisions as of December 2018, by a single surcharge on San Gabriel's customer bills.

The Settling Parties agreed to amortize the net balances in these memorandum accounts as of December 2018 by a single surcharge on customer bills.

4.4.5. Incorporating Rate Changes

San Gabriel requests that the Commission explicitly authorize that the rates adopted in this proceeding be permitted to be adjusted by any rate changes adopted subsequent to the filing of this GRC Application and not reflected in the proposed revenue requirement. Specifically, San Gabriel requests authorization to incorporate into the final decision any rate changes adopted after January 1, 2019. Cal Advocates recommended that the Commission approve this special request. Only one rate changes falls into this category, a 0.8 percent decrease in rates and rate base in the Fontana Division implemented by San Gabriel Advice Letter 541. Advice Letter 541 became effective concurrent with San Gabriel's 2019 Escalation filing on July 1, 2019.

The Settling Parties recommended that the Commission incorporate into the final decision any rate changes adopted after filing of this application on January 2, 2019.

4.4.6. Water Rights Memorandum Accounts

San Gabriel requests that the Commission authorize it to continue to maintain its Water Rights Memorandum Accounts for the Los Angeles and Fontana Divisions for the purpose to record the revenue requirement related to the purchase of water rights, as previously authorized in D.17-06-008. Cal Advocates recommended that the Commission approve this special request.

The Settling Parties agreed that San Gabriel may continue to maintain its Water Rights Memorandum Account in both the Los Angeles and Fontana Divisions.

4.4.7. Surcharge Tariff Schedules

San Gabriel requests that the Commission authorize it to create two new tariff schedules, Tariff Schedule LA-AS and Tariff Schedule FO-AS, for the Los Angeles and Fontana Divisions, respectively, for the purpose of listing all authorized surcharges and surcredits on a separate tariff schedule designed specifically for that purpose. Cal Advocates recommended that the Commission approve this special request.

The Settling Parties agreed that San Gabriel may create new tariff schedules for listing surcharges and surcredits in the Los Angeles and Fontana Divisions as requested.

4.4.8. Compliance with Water Quality Standards

San Gabriel requests that the Commission support a finding that San Gabriel fully complied with all water quality standards. Based on information provided by San Gabriel and by the State Water Resources Control Board's Division of Drinking Water (DDW), Cal Advocates determined that San Gabriel's water systems in both its operating divisions are currently in compliance with DDW requirements and all applicable federal and state drinking water standards.

The Settling Parties agreed that the proposed Finding of Fact listed in San Gabriel's Special Request "g" as set forth on page 11 of San Gabriel's Application in this proceeding is appropriate and recommended that the Commission include it in the final decision.

4.4.9. Montebello Hills Adjustment

San Gabriel requests Commission authorization to update the adopted figures in its advice letters implementing Escalation Year rates in the Los Angeles Division the actual number of additional customers served within the Montebello Hills development, including their incremental revenues and water

production costs. Cal Advocates opposed this special request arguing that San Gabriel should instead be required to wait until its next GRC filing for the TY 2023 to include new customers, if any, in its Los Angeles Division.

The Settling Parties agreed that it is premature to include speculative Montebello Hills customers in Escalation Year filings.

4.4.10. Overhead Rates

San Gabriel requests Commission authorization to maintain the current overhead capitalization rates for Stores and Transportation and adopt an Administrative overhead rate of 10 percent. The resulting rates would be Stores Overhead 4.0 percent, Transportation Overhead 0.6 percent and Administrative Overhead 10.0 percent.

Cal Advocates reviewed San Gabriel's request to increase the Administrative overhead rate to 10 percent, found it to be reasonable, and recommended that the Commission grant this request.

The Settling Parties agreed that it is appropriate to include a Finding of Fact that these overhead rates of 4 percent for Stores, 0.6 percent for Transportation and 10 percent for Administrative are appropriate during this GRC cycle.

5. Adoption of the Settlement Agreement

As discussed below, we find that the Settlement Agreement has met the Commission's standard of review for settlements under Article 12 of the Commission's Rules of Practice and Procedure. We find that it is reasonable in light of the whole record, consistent with the law and is in the public interest. Therefore, we adopt the settlement, and direct that its provisions be implemented.

5.1. Reasonableness of Settlement in Light of the Record

We find the settlement to be reasonable in light of the record. In adopting the revised Rate Case Plan, the Commission articulated the required showing for a water utility GRC. The utility's application must identify, explain, and justify any proposed increase. Specifically, the application must include testimony, with supporting analysis and documentation, describing the components of the utility's proposed increase, for example, results of operations, and plant in service. All significant changes from the last adopted and recorded amounts must be explained, and all forecasted amounts must include an explanation of the forecasting method.

We find that San Gabriel filed its application and submitted testimony explaining its request for rate increases in sufficient detail. Most of the parties' differences were resolved by use of more recent data, clarified information, or ultimately through compromise.

We find the revenue requirements proposed in the Settlement Agreement to be reasonable, and to provide the necessary funds for San Gabriel to operate its water system safely and reliably at reasonable rates.

Among other things, parties' GRC estimates were contested for sales and expense, utility plant additions, treatment of balancing and memorandum accounts, and special requests. The Comparison Exhibits A and B, attached to the Settlement Agreement, show the elements of San Gabriel's TY revenue requirement displaying initial and updated forecasts for the Los Angeles and Fontana Divisions, respectively. Those Comparison Exhibits also show disposition of issues relating to San Gabriel's funded plant additions from 2019 to 2022, as well as disposition of issues not directly affecting TY revenue requirements. We find the revenue requirements proposed in the Settlement

Agreement to be reasonable, and to provide the necessary funds for San Gabriel to operate its water system safely and reliably at reasonable rates.

For certain revenue requirement elements, Cal Advocates did not dispute San Gabriel's initial position. Similarly, some of Cal Advocates' positions in its Report on General Office, Memorandum/Balancing Accounts and Special Requests, and its Reports on the Results of Operations for the Los Angeles and Fontana Divisions were accepted by San Gabriel. Recognizing that such elements were never contested, we find them reasonable, and incorporate them into the adopted revenue requirement without discussion. Likewise, where settlement elements were determined as a function of other elements incorporated within the settlement, we find such elements reasonable, and adopt them with no need for discussion.

We find that the Settlement Agreement results, overall and for most specific issues, are generally within the range of proposals set forth in parties' testimony. The Settlement Agreement provides the Commission with sufficient information to carry out its future regulatory obligations with respect to the parties and their interests. Therefore, given these considerations, we conclude the settlement is reasonable in light of the whole record.

5.2. Consistency of the Settlement with the Law

In agreeing to the Settlement Agreement, the Settling Parties represent that they have considered relevant statutes and Commission decisions and affirm that the Settlement Agreement is fully consistent with the applicable statutes and prior Commission decisions. In negotiating settlement of nearly all contested issues, the Settling Parties further affirm that they have borne in mind the policy principles in D.16-12-026 in Phase II of the Order Instituting Rulemaking 11-11-008 (the "Balanced Rates" rulemaking).

We find that the Settlement Agreement is consistent is consistent with the applicable law.

5.3. Consistency of the Settlement with the Public Interest

We also find that the Settlement Agreement is in the public interest. The Commission has determined that a settlement that “commands broad support among participants fairly reflective of the affected interests” and “does not contain terms which contravene statutory provisions or prior Commission decisions” meets the “public interest” criterion.²¹

San Gabriel represents the interests of its shareholders. Cal Advocates represents the interests of San Gabriel’s ratepayers. FUSD represents the interests of a specific class of ratepayers. Thus, the Settling Parties fairly represent the affected interests at issue with respect to this GRC.

In addition, the Settlement Agreement results in rates sufficient to provide adequate reliable service to customers at reasonable rates while providing San Gabriel with the opportunity to earn a reasonable return.

Moreover, the Commission has a long-standing policy favoring settlements as they reduce litigation expenses, conserve scarce Commission resources and allow parties more latitude to craft their own solutions reducing the risk of unacceptable outcomes if a case is litigated.

We therefore find that the Settlement Agreement is in the public interest.

6. Categorization and Need for Hearing

By Resolution ALJ 176-340, the Commission preliminarily determined that this was a ratesetting proceeding and that hearings would be necessary. There

²¹ See D.10-06-015, *mimeo.* at 11-12, citing D.92-12-019, *mimeo.* at 7.

was no objection to the ratesetting categorization. The Scoping Memo Ruling confirmed that evidentiary hearings were not necessary.

7. Receipt of Testimony into the Record

Since no evidentiary hearings were held and to fully evaluate the Settlement Agreement, we are marking, identifying and receiving fourteen previously served testimony (listed below) into the record of A.19-01-001 as follows:

- Exhibit SG-1 (General Division);
- Exhibit SG-2 (Los Angeles County Division);
- Exhibit SG-3 (Fontana Water Company Division);
- Exhibit SG-4 (DiPrimio);
- Exhibit SG-5 (Harris);
- Exhibit SG-6 (Reiker);
- Exhibit SG-7 (Yucelen);
- Exhibit SG-8 (DiPrimio);
- Exhibit SG-9 (Harris);
- Exhibit SG-10 (Reiker);
- Exhibit SG-11 (Yucelen);
- Exhibit PAO-1 (Report On The Results of Operations, San Gabriel Valley Water Company, Los Angeles Division, Test Year 2020-2021, Escalation Years 2021-2022 and 2022-2023, July 19, 2019);
- Exhibit PAO-2 (Report On The Results of Operations, San Gabriel Valley Water Company, Fontana Water Company Division, Test Year 2020-2021, Escalation Years 2021-2022 and 2022-2023, July 19, 2019); and
- Exhibit PAO- 3 (Report On The Results of Operations, San Gabriel Valley Water Company, Special Requests and Rurban Mutual Water Company Acquisition, Test Year

2020-2021, Escalation Years 2021-2022 and 2022-2023, July 19, 2019.)

8. Assignment of Proceeding

Clifford Rechtschaffen is the assigned Commissioner and Hazlyn Fortune is the assigned Administrative Law Judge in this proceeding.

9. Comments on Proposed Decision

The proposed decision in this matter was mailed to the parties in accordance with Section 311 of the Pub. Util. Code and comments were allowed under Rule 14.3. Comments were filed on _____ by _____. Reply comments were filed on _____ by _____.

Findings of Fact

1. San Gabriel filed its GRC application with the Commission, for the 2019-2022 period, on January 2, 2019.

2. The City of Fontana, Cal Advocates and Fontana Unified School District (FUSD) filed protests.

3. The City has not actively participated in this proceeding.

4. The only active parties to this proceeding are San Gabriel, Cal Advocates and FUSD.

5. San Gabriel filed a response to the Cal Advocates' protest.

6. The Commission regulates water service provided by Class A water utilities pursuant to Article XII of the California Constitution and Pub. Util. Code.

7. For Class A water utilities, Pub. Util. Code 455.2 as implemented in D.04-06-018 and updated in D.07-05-062, provides for a GRC proceeding every three years.

8. San Gabriel is a Class A water utility that provides water services in the counties of Los Angeles and San Bernardino through two operating divisions and a General Division.

9. San Gabriel serves approximately 48,747 customers in its Los Angeles Division and an additional 47,298 in San Bernardino County through its Fontana Division.

10. San Gabriel's General Division provides services common to the Los Angeles and Fontana Divisions, the costs of which are allocated to each Division.

11. A PHC was held on March 19, 2019, and the assigned Commissioner Clifford Rechtschaffen issued the Scoping Memo Ruling on June 5, 2019.

12. Public participation hearings were held on June 24, 2019 in Fontana and June 25, 2019 in El Monte.

13. San Gabriel and Cal Advocates filed and served a Settlement Agreement in this proceeding on December 12, 2019.

14. The Settlement Agreement resolves all contested issues in this proceeding.

15. FUSD also joined in support of the Commission's adoption of the Settlement Agreement by filing a Joinder on March 12, 2020.

16. No opposition to the adoption of the Settlement Agreement has been filed.

17. The Settlement Agreement results in a TY 2020/2021 revenue requirement for the San Gabriel Los Angeles County Division of \$77.5 million, and the Fontana Division of \$83.4 million.

18. The Settlement Agreement results in a capital budget for the 2019-2022 period of \$88.3 million for the Los Angeles Division and \$99.1 million for the Fontana Division.

19. The Summary of Earnings and Related Supporting Tables set forth in Appendices A and B of this decision reflect the results of the Settlement Agreement (included as Appendix C).

20. On March 6, 2020, the BIA filed a motion with the Commission requesting party status in this proceeding and was granted limited party status to comment only on the Facilities Fees for the Fontana Division included in the Settlement Agreement.

21. During the period evaluated for the purposes of this GRC, San Gabriel's water systems in both its Los Angeles and Fontana Divisions were in compliance with the requirements of the State Water Resources Control Board's Division of Drinking Water and with the applicable federal and state drinking water standards.

22. In D.02-01-041, the Commission affirmed that in judging the reasonableness of a proposed settlement, it has sometimes inclined to find reasonable a settlement that has the unanimous support of all active parties in the proceeding.

23. The Commission's duty and obligation under Pub. Util. Code. § 451 is to establish just and reasonable rates to enable San Gabriel to provide safe and reliable water service, while allowing the opportunity to earn a fair rate of return on property that the company uses in providing its utility services.

Conclusions of Law

1. The Settlement Agreement attached to this decision as Appendix C is reasonable in light of the whole record, consistent with the law, and in the public interest.

2. The joint motion filed on March 12, 2020, by the Settling Parties for leave to file FUSD's Joinder in the Settlement Agreement should be granted, and the Joinder should be filed.

3. The, Joint Motion of Cal Advocates Office and San Gabriel Valley Water Company for Approval of Settlement Agreement, filed at the Commission and dated December 12, 2019, should be granted, and the Settlement Agreement attached to this decision as Appendix C should be adopted.

4. In compliance with D.02-01-041, the Commission should consider this Settlement Agreement an all-party settlement since it has the unanimous support of all active parties in the proceeding.

5. The Commission should incorporate into this decision any rate changes adopted after San Gabriel's application date on January 2, 2019.

6. Exhibits SG-1 through SG-11, PAO-1, PAO-2 and PAO-3 should be received into the record.

7. This proceeding should be closed.

O R D E R

1. The relief sought in the, Joint Motion of the Public Advocates Office and San Gabriel Valley Water Company for Approval of Settlement Agreement, filed on December 12, 2019, is granted, and the Settlement Agreement attached to this decision, set forth at Appendix C of this decision, is approved and adopted.

2. The Joint Motion, dated March 12, 2020, filed by San Gabriel Valley Water Company and the Public Advocates Office for leave to file Fontana Unified School District's Joinder in the Settlement Agreement is granted, and the Joinder is filed and received into the record of this proceeding.

3. The General Rate Case revenue requirement for Test Year 2020/2021 and for Escalation Years 2021/2022 and 2022/2023 for San Gabriel Valley Water

Company's Los Angeles County Division and Fontana Water Company Division is hereby adopted as shown in Appendices A and B of this order.

4. San Gabriel Valley Water Company is authorized a capital budget as set forth in Appendix C, in the Settlement Agreement, Section IIIC for its Los Angeles County Division and Section IVC for its Fontana Water Company Division for the term of this General Rate Case.

5. San Gabriel Valley Water Company is authorized to submit, by Tier 1 advice letter, revised tariff schedules reflecting the adopted rates specified in Appendices A and B attached to this order, and to concurrently cancel its present schedules for such service rates. The revised tariff rates shall (a) be effective five days after filing subject to approval by the Commission's Water Division; (b) comply with General Order 96-B, and (c) apply to the services rendered after their effective date.

6. San Gabriel Valley Water Company is directed to submit concurrent with the Advice Letter in ordering paragraph 5, a Tier 1 Advice Letter reimplementing the reduction in rates and rate base approved by the Commission's Water Division in Advice Letter 541.

7. For Escalation Years 2021/2022 and 2022/2023, San Gabriel Valley Water Company shall submit a Tier 1 advice letter to implement escalation year rate increases or decreases consistent with the estimated increases or decreases shown in Appendices A and B hereto, in conformance with General Order 96-B on or before May 17, 2021 and May 17, 2022, respectively, as set forth in the Commission's Rate Case Plan (Decision 07-05-062) for Class A Water Utilities. These advice letters shall include appropriate supporting workpapers. The revised tariff schedules shall take effect no earlier than July 1, 2021 and July 1, 2022, respectively, and apply to services rendered on and after their

effective dates. The advice letters shall be reviewed by the Commission's Water Division. The Water Division shall inform the Commission if it finds that the revised rates do not conform to the Rate Case Plan, this order, or other Commission decisions, and if so, shall reject the advice letter filing.

8. San Gabriel Valley Water Company Exhibits SG-1 through SG-11, PAO-1, PAO-2 and PAO-3 are marked, identified and received into the record of this proceeding.

9. Application 19-01-001 is closed.

This order is effective today.

Dated _____, at San Francisco, California.

ATTACHMENT A

Appendix A
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San Gabriel Valley Water Company
Los Angeles County Division
SUMMARY OF EARNINGS and RATES OF RETURN
(Dollars in Thousands)

	Test Year 2020/2021		
	SGVWC		
	GRC Update		
	<u>April 2019</u>	<u>Settlement</u>	<u>Cal-PA</u>
Present Rate Revenue	\$74,302.4	\$76,718.6	\$78,051.0
Proposed Increase	\$4,352.9	\$799.5	(\$1,274.9)
	5.9%	1.0%	-1.6%
Operating Revenues	\$78,655.3	\$77,518.1	\$76,776.1
Operating Expenses			
Purchased Water & Assessments	\$18,490.6	\$20,010.4	\$21,050.1
Purchased Power	\$3,728.3	\$3,728.3	\$3,897.4
Chemicals	\$3,395.5	\$3,544.9	\$3,646.8
Payroll	\$6,492.9	\$6,296.5	\$6,211.7
Materials & Supplies	\$1,516.2	\$1,516.2	\$1,516.2
Transportation	\$904.1	\$904.1	\$904.1
Insurance	\$1,266.8	\$1,263.9	\$1,260.4
Pensions & Benefits	\$2,974.4	\$2,759.5	\$2,665.5
Uncollectibles @ 0.1129%	\$56.50	\$55.6	\$55.0
Franchise Fees @ 1.000%	\$691.80	\$680.6	\$673.2
Regulatory Commission Expense	\$405.4	\$373.8	\$373.8
Outside Services	\$1,789.6	\$1,789.6	\$1,789.6
Utilities & Rents	\$1,395.1	\$1,395.1	\$1,395.1
Miscellaneous Expense	\$1,160.8	\$1,080.4	\$1,068.5
Administrative Expense Transferred	(\$2,420.2)	(\$2,163.0)	(\$1,906.9)
Subtotal	\$41,847.7	\$43,235.8	\$44,600.4
Allocated Common Expenses	\$6,656.0	\$6,416.4	\$6,094.8
Total Operating Expense	\$48,503.7	\$49,642.2	\$50,695.2
Depreciation	\$7,670.3	\$7,326.7	\$7,105.8
Ad Valorem Taxes	\$2,076.8	\$2,043.2	\$1,884.7
Payroll Taxes	\$888.4	\$856.5	\$842.7
Total Expense before Income Taxes	\$59,139.2	\$59,878.5	\$60,528.3
Net Revenue Before Income Taxes	\$19,516.1	\$17,639.6	\$16,247.7
State Income Tax	\$703.8	\$617.5	\$554.3
Federal Income Tax	\$718.1	\$393.0	\$133.6
Total Expenses	\$60,561.1	\$60,889.0	\$61,216.3
Net Operating Revenues	\$18,094.2	\$16,629.1	\$15,559.8
Rate Base	\$222,728.0	\$204,759.1	\$191,490.2
Rate of Return	8.12%	8.12%	8.12%

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San Gabriel Valley Water Company
Los Angeles County Division
SUMMARY OF EARNINGS and RATES OF RETURN
(Dollars in Thousands)

	Escalation Year 2021/2022		
	SGVWC		
	GRC Update		
	<u>April 2019</u>	<u>Settlement</u>	<u>Cal-PA</u>
Present Rate Revenue	\$78,715.4	\$77,580.5	\$76,836.1
Proposed Increase	\$7,003.7	\$5,798.8	\$5,563.5
	8.9%	7.5%	7.2%
Operating Revenues	\$85,719.1	\$83,379.3	\$82,399.5
Operating Expenses			
Purchased Water & Assessments	\$18,492.9	\$20,014.3	\$21,055.1
Purchased Power	\$3,728.8	\$3,729.0	\$3,898.4
Chemicals	\$3,476.0	\$3,628.9	\$3,733.2
Payroll	\$6,651.3	\$6,450.2	\$6,363.3
Materials & Supplies	\$1,552.1	\$1,552.1	\$1,552.1
Transportation	\$925.6	\$925.6	\$925.6
Insurance	\$1,300.2	\$1,297.2	\$1,293.6
Pensions & Benefits	\$3,047.0	\$2,826.8	\$546.0
Uncollectibles @ 0.1129%	\$62.20	\$60.3	\$59.6
Franchise Fees @ 1.000%	\$848.10	\$825.0	\$815.3
Regulatory Commission Expense	\$405.4	\$373.8	\$373.8
Outside Services	\$1,861.0	\$1,861.0	\$1,861.0
Utilities & Rents	\$1,428.1	\$1,428.1	\$1,428.1
Miscellaneous Expense	\$1,188.3	\$1,106.0	\$1,093.8
Administrative Expense Transferred	(\$2,477.6)	(\$2,214.2)	(\$1,952.1)
Subtotal	\$42,489.4	\$43,864.2	\$45,231.2
Allocated Common Expenses	\$6,813.8	\$6,568.4	\$6,239.3
Total Operating Expense	\$49,303.2	\$50,432.6	\$51,470.5
Depreciation	\$8,432.2	\$7,799.8	\$7,498.9
Ad Valorem Taxes	\$2,507.6	\$2,331.2	\$2,200.5
Payroll Taxes	\$910.1	\$877.4	\$863.3
Total Expense before Income Taxes	\$61,152.9	\$61,440.9	\$62,033.1
Net Revenue Before Income Taxes	\$24,566.1	\$21,938.4	\$20,366.3
State Income Tax	\$947.3	\$852.9	\$777.5
Federal Income Tax	\$3,742.8	\$3,329.1	\$3,071.4
Total Expenses	\$65,843.1	\$65,622.9	\$65,882.1
Net Operating Revenues	\$19,875.9	\$17,756.3	\$16,517.4
Rate Base	\$244,699.2	\$218,643.6	\$203,362.6
Rate of Return	8.12%	8.12%	8.12%

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San Gabriel Valley Water Company
Los Angeles County Division
SUMMARY OF EARNINGS and RATES OF RETURN
(Dollars in Thousands)

	Escalation Year 2022/2023		
	SGVWC		
	GRC Update		
	<u>April 2019</u>	<u>Settlement</u>	<u>Cal-PA</u>
Present Rate Revenue	\$85,861.6	\$83,516.8	\$82,534.9
Proposed Increase	\$3,930.9 4.6%	\$2,673.6 3.2%	\$2,326.1 2.8%
Operating Revenues	\$89,792.4	\$86,190.4	\$84,861.0
Operating Expenses			
Purchased Water & Assessments	\$18,526.5	\$20,050.4	\$21,093.1
Purchased Power	\$3,735.5	\$3,735.8	\$3,905.4
Chemicals	\$3,567.5	\$3,724.3	\$3,831.4
Payroll	\$6,823.6	\$6,617.2	\$6,528.1
Materials & Supplies	\$1,592.9	\$1,592.9	\$1,592.9
Transportation	\$949.9	\$949.9	\$949.9
Insurance	\$1,334.5	\$1,331.5	\$1,327.8
Pensions & Benefits	\$3,125.9	\$2,900.0	\$2,801.2
Uncollectibles @ 0.1129%	\$65.50	\$62.6	\$61.5
Franchise Fees @ 1.000%	\$888.40	\$852.8	\$839.6
Regulatory Commission Expense	\$405.4	\$373.8	\$373.8
Outside Services	\$1,939.0	\$1,939.0	\$1,939.0
Utilities & Rents	\$1,465.7	\$1,465.7	\$1,465.6
Miscellaneous Expense	\$1,219.6	\$1,135.1	\$1,122.6
Administrative Expense Transferred	(\$2,542.8)	(\$2,272.5)	(\$2,003.5)
Subtotal	\$43,097.2	\$44,458.7	\$45,828.6
Allocated Common Expenses	\$6,993.0	\$6,741.2	\$6,403.4
Total Operating Expense	\$50,090.2	\$51,199.9	\$52,232.0
Depreciation	\$9,194.0	\$8,272.8	\$7,892.0
Ad Valorem Taxes	\$2,760.6	\$2,497.5	\$2,334.3
Payroll Taxes	\$933.6	\$900.1	\$885.6
Total Expense before Income Taxes	\$62,978.4	\$62,870.4	\$63,343.9
Net Revenue Before Income Taxes	\$26,814.0	\$23,320.0	\$21,517.2
State Income Tax	\$989.8	\$859.5	\$766.5
Federal Income Tax	\$4,169.3	\$3,575.3	\$3,271.4
Total Expenses	\$68,137.5	\$67,305.2	\$67,381.8
Net Operating Revenues	\$21,644.0	\$18,885.1	\$17,479.3

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San Gabriel Valley Water Company
Los Angeles County Division
AVERAGE DEPRECIATED RATE BASE
(Dollars in Thousands)

<u>Description</u>	<u>Test Year</u> <u>2020-2021</u>	<u>Escalation Year</u> <u>2021-2022</u>
Utility Plant	\$396,981.0	\$421,612.2
Depreciation Reserve	\$122,405.2	\$131,764.1
Net Utility Plant	\$274,575.8	\$289,848.2
Less:		
Advances	\$2,372.8	\$2,244.7
Contributions	\$56,365.4	\$57,067.4
Accumulated Deferred Income Taxes	\$33,019.3	\$34,210.0
Deferred Investment Tax Credit	\$164.1	\$152.4
Subtotal	\$182,654.2	\$196,173.6
Plus:		
Materials and Supplies	\$1,411.5	\$1,519.3
Operational Cash Requirement	\$15.0	\$15.0
Working Cash-Lead Lag	\$5,443.9	\$4,968.9
Tax on Advances and Contributions	\$3,760.8	\$4,634.8
Net Common Plant Allocation	\$11,473.7	\$11,332.0
Average Rate Base	\$204,759.1	\$218,643.6

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San Gabriel Valley Water Company
Los Angeles County Division
AVERAGE DEPRECIATED RATE BASE
(Dollars in Thousands)

Test Year 2020/2021

Description	SGVWC		
	GRC Update		
	<u>April 2019</u>	<u>Settlement</u>	<u>Cal-PA</u>
Utility Plant	\$413,523.7	\$396,981.0	\$384,648.1
Depreciation Reserve	\$122,607.2	\$122,405.2	\$122,428.9
Net Utility Plant	\$290,916.5	\$274,575.8	\$262,219.2
Less:			
Advances	\$2,372.8	\$2,372.8	\$2,372.8
Contributions	\$56,365.4	\$56,365.4	\$44,328.0
Accumulated Deferred Income Taxes	\$33,164.5	\$33,019.3	\$32,824.6
Deferred Investment Tax Credit	\$164.1	\$164.1	\$164.1
Subtotal	\$198,849.7	\$182,654.2	\$171,529.7
Plus:			
Materials and Supplies	\$1,469.9	\$1,411.5	\$1,413.6
Operational Cash Requirement	\$15.0	\$15.0	\$15.0
Working Cash-Lead Lag	\$5,486.7	\$5,443.9	\$5,495.0
Tax on Advances and Contributions	\$3,760.8	\$3,760.8	\$3,429.7
Net Common Plant Allocation	\$13,145.8	\$11,473.7	\$9,607.3
Average Rate Base	\$222,728.0	\$204,759.1	\$191,490.2

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San Gabriel Valley Water Company
Los Angeles County Division
AVERAGE DEPRECIATED RATE BASE
(Dollars in Thousands)

Escalation Year 2021/2022

Description	SGVWC		
	GRC Update		
	<u>April 2019</u>	<u>Settlement</u>	<u>Cal-PA</u>
Utility Plant	\$445,103.9	\$421,612.2	\$406,973.3
Depreciation Reserve	\$132,182.3	\$131,764.1	\$131,739.3
Net Utility Plant	\$312,921.6	\$289,848.2	\$275,234.0
Less:			
Advances	\$2,244.7	\$2,244.7	\$2,244.7
Contributions	\$57,067.4	\$57,067.4	\$55,854.3
Accumulated Deferred Income Taxes	\$34,549.5	\$34,210.0	\$33,904.7
Deferred Investment Tax Credit	\$152.4	\$152.4	\$152.4
Subtotal	\$218,907.5	\$196,173.6	\$183,077.8
Plus:			
Materials and Supplies	\$1,613.9	\$1,519.3	\$1,512.1
Operational Cash Requirement	\$15.0	\$15.0	\$15.0
Working Cash-Lead Lag	\$4,981.9	\$4,968.9	\$4,983.5
Tax on Advances and Contributions	\$4,634.8	\$4,634.8	\$4,260.5
Net Common Plant Allocation	\$14,546.1	\$11,332.0	\$9,513.7
Average Rate Base	\$244,699.2	\$218,643.6	\$203,362.6

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San Gabriel Valley Water Company
Los Angeles County Division
COMPUTATION OF TAXES ON INCOME
AT ADOPTED RATES
(Dollars in Thousands)

	<u>Test Year</u> <u>2020-2021</u>	<u>Escalation Year</u> <u>2021-2022</u>	<u>2022-2023</u>
<u>Operating Revenues</u>	\$77,518.1	\$83,379.3	\$86,190.4
<u>Deductions</u>			
Operating Expenses, excluding			
Depreciation & Income Taxes	\$52,551.8	\$53,641.2	\$54,597.6
Interest Expense	\$4,490.0	\$4,794.5	\$4,794.5
Subtotal	\$57,041.8	\$58,435.6	\$59,392.0
<u>State Tax Calculation</u>			
Taxable Income Before Deductions	\$20,476.3	\$24,943.7	\$26,798.3
Less: Depreciation-State	\$12,715.5	\$14,613.8	\$16,512.1
Less: Repair Regulations Deduction	\$1,339.9	\$1,396.4	\$1,307.2
State Taxable Income	\$6,420.8	\$8,933.4	\$8,979.0
State Corporate Franchise Tax at 8.84%	\$567.6	\$789.7	\$793.7
Amortization of AIAC/CIAC Tax	\$49.9	\$63.2	\$65.8
Total State Income Tax Expense	\$617.5	\$852.9	\$859.5
<u>Federal Tax Calculation</u>			
Taxable Income Before Deductions	\$20,476.3	\$24,943.7	\$26,798.3
Less: Depreciation-Federal (book)	\$7,326.7	\$7,799.8	\$8,272.8
Less: State Corp. Franchise Tax - Prior Year	\$1,036.3	\$617.5	\$852.9
Federal Taxable Income	\$12,113.3	\$16,526.4	\$17,672.6
Federal Tax at 21%	\$2,543.8	\$3,470.5	\$3,711.2
Amortization of AIAC/CIAC Tax	\$108.1	\$136.9	\$142.5
Amortization of EDIT	(\$278.4)	(\$278.4)	(\$278.4)
Amortization of EDIT (Jan. 2018 - Jun. 2020)	(\$1,980.5)	\$0.0	\$0.0
Total Federal Income Tax Expense	\$393.0	\$3,329.1	\$3,575.3

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San Gabriel Valley Water Company
Los Angeles County Division
COMPUTATION OF TAXES ON INCOME
TEST YEAR 2020-2021
AT PROPOSED RATES
(Dollars in Thousands)

	SGVWC		
	GRC Update		
	<u>April 2019</u>	<u>Settlement</u>	<u>Cal-PA</u>
<u>Operating Revenues</u>	\$78,655.3	\$77,518.1	\$76,776.1
<u>Deductions</u>			
Operating Expenses, excluding			
Depreciation & Income Taxes	\$51,468.9	\$52,551.8	\$53,422.5
Interest Expense	\$4,884.0	\$4,490.0	\$4,199.0
Subtotal	<u>\$56,352.9</u>	<u>\$57,041.8</u>	<u>\$57,621.6</u>
<u>State Tax Calculation</u>			
Taxable Income Before Deductions	\$22,302.4	\$20,476.3	\$19,154.5
Less: Depreciation-State	\$13,376.4	\$12,715.5	\$12,225.0
Less: Repair Regulations Deduction	\$1,529.2	\$1,339.9	\$1,173.6
State Taxable Income	<u>\$7,396.7</u>	<u>\$6,420.8</u>	<u>\$5,755.9</u>
State Corporate Franchise Tax at 8.84%	\$653.9	\$567.6	\$508.8
Amortization of AIAC/CIAC Tax	\$39.9	\$49.9	\$45.5
Total State Income Tax Expense	<u><u>\$703.8</u></u>	<u><u>\$617.5</u></u>	<u><u>\$554.3</u></u>
<u>Federal Tax Calculation</u>			
Taxable Income Before Deductions	\$22,302.4	\$20,476.3	\$19,154.5
Less: Depreciation-Federal (book)	\$7,670.3	\$7,326.7	\$7,015.8
Less: State Corp. Franchise Tax - Prior Year	\$970.5	\$1,036.3	\$1,125.0
Federal Taxable Income	<u>\$13,661.6</u>	<u>\$12,113.3</u>	<u>\$10,923.7</u>
Federal Tax at 21%	\$2,868.9	\$2,543.8	\$2,294.0
Amortization of AIAC/CIAC Tax	\$108.1	\$108.1	\$98.6
Amortization of EDIT	(\$278.4)	(\$278.4)	(\$278.4)
Amortization of EDIT (Jan. 2018 - Jun. 2020)	(\$1,980.5)	(\$1,980.5)	(\$1,980.5)
Total Federal Income Tax Expense	<u><u>\$718.1</u></u>	<u><u>\$393.0</u></u>	<u><u>\$133.6</u></u>

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San Gabriel Valley Water Company
Los Angeles County Division
COMPUTATION OF TAXES ON INCOME
ESCALATION YEAR 2021-2022
AT PROPOSED RATES
(Dollars in Thousands)

	SGVWC		
	GRC Update		
	<u>April 2019</u>	<u>Settlement</u>	<u>Cal-PA</u>
<u>Operating Revenues</u>	\$85,719.1	\$83,379.3	\$82,399.5
<u>Deductions</u>			
Operating Expenses, excluding			
Depreciation & Income Taxes	\$52,790.9	\$53,641.2	\$54,534.3
Interest Expense	\$5,365.8	\$4,794.5	\$4,459.4
Subtotal	<u>\$58,086.7</u>	<u>\$58,435.6</u>	<u>\$58,993.7</u>
<u>State Tax Calculation</u>			
Taxable Income Before Deductions	\$27,632.4	\$24,943.7	\$23,405.8
Less: Depreciation-State	\$15,698.9	\$14,613.8	\$14,079.1
Less: Repair Regulations Deduction	\$1,932.5	\$1,396.4	\$1,188.3
State Taxable Income	<u>\$10,001.0</u>	<u>\$8,933.4</u>	<u>\$8,138.4</u>
State Corporate Franchise Tax at 8.84%	\$884.1	\$789.7	\$719.4
Amortization of AIAC/CIAC Tax	<u>\$63.2</u>	<u>\$63.2</u>	<u>\$58.1</u>
Total State Income Tax Expense	<u><u>\$947.3</u></u>	<u><u>\$852.9</u></u>	<u><u>\$777.5</u></u>
<u>Federal Tax Calculation</u>			
Taxable Income Before Deductions	\$27,632.4	\$24,943.7	\$23,405.8
Less: Depreciation-Federal (book)	\$8,432.2	\$7,799.8	\$7,498.9
Less: State Corp. Franchise Tax - Prior Year	\$703.8	\$617.5	\$554.3
Federal Taxable Income	<u>\$18,496.4</u>	<u>\$16,526.4</u>	<u>\$15,352.6</u>
Federal Tax at 21%	\$3,884.2	\$3,470.5	\$3,224.0
Amortization of AIAC/CIAC Tax	\$136.9	\$136.9	\$125.8
Amortization of EDIT	(\$278.4)	(\$278.4)	(\$278.4)
Amortization of EDIT (Jan. 2018 - Jun. 2020)	\$0.0	\$0.0	\$0.0
Total Federal Income Tax Expense	<u><u>\$3,742.8</u></u>	<u><u>\$3,329.1</u></u>	<u><u>\$3,071.4</u></u>

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San Gabriel Valley Water Company
Los Angeles County Division
COMPUTATION OF TAXES ON INCOME
ESCALATION YEAR 2022-2023
AT PROPOSED RATES
(Dollars in Thousands)

	SGVWC		
	GRC Update		
	<u>April 2019</u>	<u>Settlement</u>	<u>Cal-PA</u>
<u>Operating Revenues</u>	\$89,792.4	\$86,190.4	\$84,861.0
<u>Deductions</u>			
Operating Expenses, excluding			
Depreciation & Income Taxes	\$53,784.4	\$54,597.6	\$55,451.9
Interest Expense	\$5,365.8	\$4,794.5	\$4,459.4
Subtotal	<u>\$59,150.2</u>	<u>\$59,392.0</u>	<u>\$59,911.3</u>
<u>State Tax Calculation</u>			
Taxable Income Before Deductions	\$30,642.2	\$26,798.3	\$24,949.7
Less: Depreciation-State	\$18,021.3	\$16,512.1	\$15,933.1
Less: Repair Regulations Deduction	\$2,168.2	\$1,307.2	\$1,029.7
State Taxable Income	<u>\$10,452.8</u>	<u>\$8,979.0</u>	<u>\$7,987.0</u>
State Corporate Franchise Tax at 8.84%	\$924.0	\$793.7	\$706.0
Amortization of AIAC/CIAC Tax	\$65.8	\$65.8	\$60.5
Total State Income Tax Expense	<u><u>\$989.8</u></u>	<u><u>\$859.5</u></u>	<u><u>\$766.5</u></u>
<u>Federal Tax Calculation</u>			
Taxable Income Before Deductions	\$30,642.2	\$26,798.3	\$24,949.7
Less: Depreciation-Federal (book)	\$9,194.0	\$8,272.8	\$7,892.0
Less: State Corp. Franchise Tax - Prior Year	\$947.3	\$852.9	\$777.5
Federal Taxable Income	<u>\$20,500.9</u>	<u>\$17,672.6</u>	<u>\$16,280.3</u>
Federal Tax at 21%	\$4,305.2	\$3,711.2	\$3,418.9
Amortization of AIAC/CIAC Tax	\$142.5	\$142.5	\$130.9
Amortization of EDIT	(\$278.4)	(\$278.4)	(\$278.4)
Amortization of EDIT (Jan. 2018 - Jun. 2020)	\$0.0	\$0.0	\$0.0
Total Federal Income Tax Expense	<u><u>\$4,169.3</u></u>	<u><u>\$3,575.3</u></u>	<u><u>\$3,271.4</u></u>

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San Gabriel Valley Water Company
Los Angeles County Division
ADOPTED RATES

	Present Rates Eff. 7/1/2019	Test Year 2020/2021	Escalation Year 2021/2022	Estimates 2022/2023
<u>Schedule LA-1</u>				
Quantity Rates Per 100 cu ft (Ccf)	\$3.5644	\$3.2680	\$3.5510	\$3.6800
<u>Schedule LA-1C</u>				
Quantity Rates Per 100 cu ft (Ccf)				
Tier 1 (1-13 Ccf/mo.)	\$3.4256			
Tier 2 (over 13 Ccf/mo.)	\$3.8884			
Tier 1 (0-11 Ccf/mo.)		3.1237	3.3942	3.5175
Tier 2 (over 11 Ccf/mo.)		3.5923	3.9033	4.0451
<u>Schedule LA-6 - Recycled Water</u>				
Quantity Rate Per 100 cu ft (Ccf)	\$3.0297	\$2.7778	\$3.0184	\$3.1280

SERVICE CHARGE

Schedules LA-1, LA-1C, and LA-6

Per service per month

For 5/8 x 3/4-inch meter	\$22.59	\$24.09	\$26.09	\$27.04
3/4-inch meter	\$33.89	\$36.14	\$39.14	\$40.56
1-inch meter	\$56.50	\$60.24	\$65.23	\$67.60
1-1/2 inch meter	\$112.99	\$120.47	\$130.45	\$135.20
2-inch meter	\$180.82	\$192.80	\$208.70	\$216.30
3-inch meter	\$338.97	\$361.40	\$391.40	\$405.60
4-inch meter	\$565.02	\$602.40	\$652.30	\$676.00
6-inch meter	\$1,130.00	\$1,200.00	\$1,300.00	\$1,350.00
8-inch meter	\$1,810.00	\$1,930.00	\$2,090.00	\$2,160.00
10-inch meter	\$2,600.00	\$2,770.00	\$3,000.00	\$3,110.00
12-inch meter	\$3,730.00	\$3,980.00	\$4,300.00	\$4,460.00
14-inch meter	\$4,980.00	\$5,300.00	\$5,740.00	\$5,950.00
two 2-inch meters	\$362.00	\$386.00	\$417.00	\$433.00
three 2-inch meters	\$542.00	\$578.00	\$626.00	\$649.00
four 2-inch meters	\$723.00	\$771.00	\$835.00	\$865.00
two 3-inch meters	\$678.00	\$723.00	\$783.00	\$811.00
three 3-inch meters	\$1,018.00	\$1,084.00	\$1,174.00	\$1,217.00
two 4-inch meters	\$1,130.00	\$1,205.00	\$1,305.00	\$1,352.00
three 4-inch meters	\$1,693.00	\$1,810.00	\$1,960.00	\$2,030.00
one 8-inch, one 2-inch meter	\$1,984.00	\$1,880.00	\$2,040.00	\$2,110.00

Schedule LA-4

Per service per month for each inch of diameter of service connection	\$14.93	\$15.92	\$17.24	\$17.87
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ATTACHMENT B

Appendix B
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San Gabriel Valley Water Company
Fontana Water Company
SUMMARY OF EARNINGS and RATES OF RETURN
(Dollars in Thousands)

	Test Year 2020/2021		
	SGVWC		
	GRC Update		
	<u>April 2019</u>	<u>Settlement</u>	<u>Cal-PA</u>
Present Rate Revenue	\$68,826.2	\$73,296.8	\$75,802.3
Proposed Increase	\$8,369.2	\$4,296.8	\$2,445.2
	12.2%	5.9%	3.2%
Operating Revenues	\$77,195.6	\$77,593.6	\$78,247.4
Operating Expenses			
Purchased Water & Assessments	\$20,507.9	\$23,094.8	\$24,566.2
Purchased Power	\$4,661.2	\$4,661.2	\$5,003.6
Chemicals	\$669.8	\$730.3	\$764.7
Payroll	\$6,555.6	\$6,357.3	\$6,271.7
Materials & Supplies	\$1,054.0	\$1,054.0	\$1,054.0
Transportation	\$885.1	\$885.1	\$885.1
Insurance	\$1,295.6	\$1,295.6	\$1,295.6
Pensions & Benefits	\$3,142.6	\$2,918.7	\$2,847.7
Uncollectibles @ 0.1129%	\$137.2	\$147.9	\$133.5
Franchise Fees @ 1.000%	\$497.3	\$499.9	\$504.1
Regulatory Commission Expense	\$410.3	\$423.3	\$423.3
Outside Services	\$1,322.3	\$1,322.3	\$1,322.3
Utilities & Rents	\$121.1	\$121.1	\$121.1
Miscellaneous Expense	\$837.2	\$650.1	\$639.7
Administrative Expense Transferred	(\$2,317.3)	(\$1,968.5)	(\$1,850.4)
Subtotal	\$39,789.8	\$42,193.1	\$43,982.1
Allocated Common Expenses	\$6,853.2	\$6,606.5	\$6,275.4
Total Operating Expense	\$46,643.0	\$48,799.6	\$50,257.5
Depreciation	\$8,971.2	\$8,686.4	\$8,474.9
Ad Valorem Taxes	\$2,182.1	\$2,063.8	\$2,000.8
Payroll Taxes	\$915.5	\$882.1	\$867.7
Total Expense before Income Taxes	\$58,711.8	\$60,431.9	\$61,600.8
Net Revenue Before Income Taxes	\$18,483.8	\$17,161.7	\$16,646.6
State Income Tax	\$653.1	\$617.5	\$603.6
Federal Income Tax	\$803.4	\$576.9	\$448.6
Total Expenses	\$60,168.3	\$61,625.8	\$62,653.0
Net Operating Revenues	\$17,027.3	\$15,967.8	\$15,594.4
Rate Base	\$209,584.2	\$196,527.7	\$192,034.0
Rate of Return	8.12%	8.12%	8.12%

Appendix B
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San Gabriel Valley Water Company
Fontana Water Company
SUMMARY OF EARNINGS and RATES OF RETURN
(Dollars in Thousands)

	Escalation Year 2021/2022		
	SGVWC		
	GRC Update		
	<u>April 2019</u>	<u>Settlement</u>	<u>Cal-PA</u>
Present Rate Revenue	\$78,863.2	\$79,118.0	\$79,676.2
Proposed Increase	\$5,094.5	\$4,386.7	\$3,846.5
	6.5%	5.4%	4.8%
Operating Revenues	\$83,957.7	\$83,404.7	\$83,522.6
Operating Expenses			
Purchased Water & Assessments	\$20,596.7	\$23,200.7	\$24,682.5
Purchased Power	\$4,681.4	\$4,682.6	\$5,027.3
Chemicals	\$689.6	\$751.9	\$787.3
Payroll	\$6,754.4	\$6,550.1	\$6,461.9
Materials & Supplies	\$1,085.3	\$1,085.3	\$1,085.3
Transportation	\$911.3	\$911.3	\$911.3
Insurance	\$1,337.5	\$1,337.5	\$1,337.5
Pensions & Benefits	\$3,237.9	\$3,007.2	\$2,932.0
Uncollectibles @ 0.1129%	\$160.10	\$159.1	\$142.5
Franchise Fees @ 1.000%	\$541.20	\$537.6	\$538.3
Regulatory Commission Expense	\$410.3	\$423.3	\$423.3
Outside Services	\$1,382.8	\$1,382.8	\$1,382.8
Utilities & Rents	\$124.7	\$124.7	\$124.7
Miscellaneous Expense	\$862.0	\$669.4	\$658.6
Administrative Expense Transferred	(\$2,385.9)	(\$2,026.8)	(\$1,905.2)
Subtotal	\$40,389.2	\$42,796.6	\$44,592.2
Allocated Common Expenses	\$7,056.3	\$6,802.2	\$6,461.3
Total Operating Expense	\$47,445.5	\$49,598.8	\$51,053.5
Depreciation	\$9,807.5	\$9,260.0	\$8,976.8
Ad Valorem Taxes	\$2,458.2	\$2,264.7	\$2,185.3
Payroll Taxes	\$943.2	\$908.9	\$894.0
Total Expense before Income Taxes	\$60,654.4	\$62,032.4	\$63,109.6
Net Revenue Before Income Taxes	\$23,303.3	\$21,372.3	\$20,413.0
State Income Tax	\$860.1	\$797.7	\$767.1
Federal Income Tax	\$3,663.0	\$3,353.1	\$3,198.4
Total Expenses	\$65,177.5	\$66,183.2	\$67,075.1
Net Operating Revenues	\$18,780.2	\$17,221.5	\$16,447.5
Rate Base	\$231,169.9	\$221,973.8	\$202,426.7
Rate of Return	8.12%	8.12%	8.12%

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San Gabriel Valley Water Company
Fontana Water Company
SUMMARY OF EARNINGS and RATES OF RETURN
(Dollars in Thousands)

	Escalation Year 2022/2023		
	SGVWC		
	GRC Update		
	<u>April 2019</u>	<u>Settlement</u>	<u>Cal-PA</u>
Present Rate Revenue	\$85,034.5	\$84,330.1	\$84,341.0
Proposed Increase	\$3,085.5 3.6%	\$2,214.0 2.6%	\$1,654.8 2.0%
Operating Revenues	\$88,120.1	\$86,544.2	\$85,995.8
Operating Expenses			
Purchased Water & Assessments	\$20,675.6	\$23,296.9	\$24,788.8
Purchased Power	\$4,699.3	\$4,702.0	\$5,049.0
Chemicals	\$711.8	\$776.1	\$812.7
Payroll	\$6,969.4	\$6,758.6	\$6,667.5
Materials & Supplies	\$1,120.2	\$1,120.2	\$1,120.2
Transportation	\$940.7	\$940.7	\$940.7
Insurance	\$1,380.7	\$1,380.7	\$1,380.7
Pensions & Benefits	\$3,341.0	\$3,102.9	\$3,027.4
Uncollectibles @ 0.1129%	\$168.10	\$165.1	\$146.7
Franchise Fees @ 1.000%	\$568.10	\$557.9	\$554.4
Regulatory Commission Expense	\$410.3	\$423.3	\$423.3
Outside Services	\$1,449.0	\$1,449.0	\$1,449.0
Utilities & Rents	\$128.7	\$128.7	\$128.7
Miscellaneous Expense	\$889.8	\$691.0	\$679.9
Administrative Expense Transferred	(\$2,462.8)	(\$2,092.1)	(\$1,966.6)
Subtotal	\$40,989.9	\$43,400.9	\$45,202.4
Allocated Common Expenses	\$7,283.7	\$7,021.4	\$6,669.5
Total Operating Expense	\$48,273.5	\$50,422.3	\$51,872.0
Depreciation	\$10,643.8	\$9,833.6	\$9,478.8
Ad Valorem Taxes	\$2,734.2	\$2,465.7	\$2,369.8
Payroll Taxes	\$973.3	\$937.8	\$922.5
Total Expense before Income Taxes	\$62,624.8	\$63,659.4	\$64,643.0
Net Revenue Before Income Taxes	\$25,495.3	\$22,884.7	\$21,352.8
State Income Tax	\$880.0	\$778.7	\$687.4
Federal Income Tax	\$4,080.3	\$3,633.2	\$3,361.9
Total Expenses	\$67,585.1	\$68,071.3	\$68,692.3
Net Operating Revenues	\$20,535.0	\$18,472.9	\$17,303.5

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San Gabriel Valley Water Company
Fontana Water Company
AVERAGE DEPRECIATED RATE BASE
(Dollars in Thousands)

<u>Description</u>	<u>Test Year</u> <u>2020-2021</u>	<u>Escalation Year</u> <u>2021-2022</u>
Utility Plant	\$449,464.5	\$473,962.6
Depreciation Reserve	\$138,093.0	\$148,760.2
Net Utility Plant	<u>\$311,371.5</u>	<u>\$325,202.4</u>
Less:		
Advances	\$35,386.8	\$33,942.0
Contributions	\$69,641.2	\$67,528.7
Accumulated Deferred Income Taxes	\$37,884.5	\$39,316.6
Deferred Investment Tax Credit	\$192.1	\$172.9
Subtotal	<u>\$168,166.8</u>	<u>\$184,242.0</u>
Plus:		
Materials and Supplies	\$1,453.2	\$1,563.7
Operational Cash Requirement	\$15.0	\$15.0
Working Cash-Lead Lag	\$4,821.1	\$4,524.6
Tax on Advances and Contributions	\$7,753.1	\$7,455.8
Water Entitlements - Fontana Union	\$2,578.3	\$2,578.3
Net Common Plant Allocation	\$11,740.3	\$11,594.4
Average Rate Base	<u><u>\$204,759.1</u></u>	<u><u>\$218,643.6</u></u>

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San Gabriel Valley Water Company
Fontana Water Company
AVERAGE DEPRECIATED RATE BASE
(Dollars in Thousands)

Test Year 2020/2021

Description	SGVWC		
	GRC Update		
	<u>April 2019</u>	<u>Settlement</u>	<u>Cal-PA</u>
Utility Plant	\$462,069.7	\$449,464.5	\$447,126.6
Depreciation Reserve	\$138,177.7	\$138,093.0	\$138,078.0
Net Utility Plant	\$323,892.0	\$311,371.5	\$308,048.7
Less:			
Advances	\$35,486.8	\$35,386.8	\$35,486.8
Contributions	\$69,679.6	\$69,641.2	\$69,641.2
Accumulated Deferred Income Taxes	\$38,039.4	\$37,884.5	\$37,749.9
Deferred Investment Tax Credit	\$192.1	\$192.1	\$192.1
Subtotal	\$180,494.1	\$168,166.8	\$164,978.6
Plus:			
Materials and Supplies	\$1,500.6	\$1,453.2	\$1,468.6
Operational Cash Requirement	\$15.0	\$15.0	\$15.0
Working Cash-Lead Lag	\$3,768.4	\$4,821.1	\$5,421.8
Tax on Advances and Contributions	\$7,765.8	\$7,753.1	\$7,753.1
Water Entitlements - Fontana Union	\$2,478.3	\$2,578.3	\$2,578.3
Net Common Plant Allocation	\$13,462.0	\$11,740.3	\$9,818.7
Average Rate Base	\$209,584.2	\$204,759.1	\$192,034.0

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San Gabriel Valley Water Company
Fontana Water Company
AVERAGE DEPRECIATED RATE BASE
(Dollars in Thousands)

Escalation Year 2021/2022

Description	SGVWC		
	GRC Update		
	<u>April 2019</u>	<u>Settlement</u>	<u>Cal-PA</u>
Utility Plant	\$491,441.8	\$473,962.6	\$465,445.6
Depreciation Reserve	\$149,006.5	\$148,760.2	\$148,720.7
Net Utility Plant	\$342,435.3	\$325,202.4	\$316,725.0
Less:			
Advances	\$33,942.0	\$33,942.0	\$33,942.0
Contributions	\$67,566.1	\$67,528.7	\$67,528.7
Accumulated Deferred Income Taxes	\$39,660.1	\$39,316.6	\$39,093.6
Deferred Investment Tax Credit	\$172.9	\$172.9	\$172.9
Subtotal	\$201,094.1	\$184,242.0	\$175,987.6
Plus:			
Materials and Supplies	\$1,630.5	\$1,563.7	\$1,568.3
Operational Cash Requirement	\$15.0	\$15.0	\$15.0
Working Cash-Lead Lag	\$3,480.2	\$4,524.6	\$5,099.4
Tax on Advances and Contributions	\$7,468.0	\$7,455.8	\$7,455.8
Water Entitlements - Fontana Union	\$2,578.3	\$2,578.3	\$2,578.3
Net Common Plant Allocation	\$14,903.7	\$11,594.4	\$9,722.3
Average Rate Base	\$244,699.2	\$218,643.6	\$202,426.7

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San Gabriel Valley Water Company
Fontana Water Company
COMPUTATION OF TAXES ON INCOME
AT ADOPTED RATES
(Dollars in Thousands)

	<u>Test Year</u> <u>2020-2021</u>	<u>Escalation Year</u> <u>2021-2022</u>	<u>2022-2023</u>
<u>Operating Revenues</u>	\$77,593.6	\$83,404.7	\$86,544.2
<u>Deductions</u>			
Operating Expenses, excluding			
Depreciation & Income Taxes	\$51,745.5	\$52,772.4	\$53,825.8
Interest Expense	\$4,309.5	\$4,648.2	\$4,648.2
Subtotal	\$56,055.0	\$57,420.6	\$58,474.0
<u>State Tax Calculation</u>			
Taxable Income Before Deductions	\$21,538.6	\$25,984.1	\$28,070.2
Less: Depreciation-State	\$14,228.1	\$16,516.8	\$18,805.5
Less: Repair Regulations Deduction	\$1,512.5	\$1,629.8	\$1,644.9
State Taxable Income	\$5,798.1	\$7,837.5	\$7,619.8
State Corporate Franchise Tax at 8.84%	\$512.5	\$692.8	\$673.6
Amortization of AIAC/CIAC Tax	\$104.4	\$104.9	\$105.1
Total State Income Tax Expense	\$617.0	\$797.7	\$778.7
<u>Federal Tax Calculation</u>			
Taxable Income Before Deductions	\$21,538.6	\$25,984.1	\$28,070.2
Less: Depreciation-Federal (book)	\$8,686.4	\$9,260.0	\$9,833.6
Less: State Corp. Franchise Tax - Prior Year	\$631.0	\$617.0	\$797.7
Federal Taxable Income	\$12,221.2	\$16,107.1	\$17,438.8
Federal Tax at 21%	\$2,566.5	\$3,382.5	\$3,662.2
Amortization of AIAC/CIAC Tax	\$226.1	\$227.1	\$227.5
Amortization of EDIT	(\$256.5)	(\$256.5)	(\$256.5)
Amortization of EDIT (Jan. 2018 - Jun. 2020)	(\$1,959.2)	\$0.0	\$0.0
Total Federal Income Tax Expense	\$576.9	\$3,353.1	\$3,633.2

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San Gabriel Valley Water Company
Fontana Water Company
COMPUTATION OF TAXES ON INCOME
TEST YEAR 2020-2021
AT PROPOSED RATES
(Dollars in Thousands)

	SGVWC		
	GRC Update		
	<u>April 2019</u>	<u>Settlement</u>	<u>Cal-PA</u>
<u>Operating Revenues</u>	\$77,195.6	\$77,593.6	\$78,247.4
<u>Deductions</u>			
Operating Expenses, excluding			
Depreciation & Income Taxes	\$49,740.7	\$51,745.5	\$53,126.0
Interest Expense	\$4,594.8	\$4,309.5	\$4,211.0
Subtotal	<u>\$54,336.5</u>	<u>\$56,055.0</u>	<u>\$57,336.9</u>
<u>State Tax Calculation</u>			
Taxable Income Before Deductions	\$22,859.1	\$21,538.6	\$20,910.5
Less: Depreciation-State	\$13,892.2	\$14,228.1	\$13,836.1
Less: Repair Regulations Deduction	\$1,762.4	\$1,512.5	\$1,428.0
State Taxable Income	<u>\$6,204.6</u>	<u>\$5,798.1</u>	<u>\$5,646.4</u>
State Corporate Franchise Tax at 8.84%	\$548.5	\$512.5	\$499.1
Amortization of AIAC/CIAC Tax	<u>\$104.6</u>	<u>\$104.4</u>	<u>\$104.4</u>
Total State Income Tax Expense	<u><u>\$653.1</u></u>	<u><u>\$617.0</u></u>	<u><u>\$603.6</u></u>
<u>Federal Tax Calculation</u>			
Taxable Income Before Deductions	\$22,859.1	\$21,538.6	\$20,910.5
Less: Depreciation-Federal (book)	\$8,971.2	\$8,686.4	\$8,474.9
Less: State Corp. Franchise Tax - Prior Year	\$590.2	\$631.0	\$825.4
Federal Taxable Income	<u>\$13,297.8</u>	<u>\$12,221.2</u>	<u>\$11,610.3</u>
Federal Tax at 21%	\$2,792.5	\$2,566.5	\$2,438.2
Amortization of AIAC/CIAC Tax	\$226.5	\$226.1	\$226.1
Amortization of EDIT	(\$256.5)	(\$256.5)	(\$256.5)
Amortization of EDIT (Jan. 2018 - Jun. 2020)	<u>(\$1,959.2)</u>	<u>(\$1,959.2)</u>	<u>(\$1,959.2)</u>
Total Federal Income Tax Expense	<u><u>\$803.4</u></u>	<u><u>\$576.9</u></u>	<u><u>\$448.6</u></u>

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San Gabriel Valley Water Company
Fontana Water Company
COMPUTATION OF TAXES ON INCOME
ESCALATION YEAR 2021-2022
AT PROPOSED RATES
(Dollars in Thousands)

	SGVWC		
	GRC Update		
	<u>April 2019</u>	<u>Settlement</u>	<u>Cal-PA</u>
<u>Operating Revenues</u>	\$83,957.7	\$83,404.7	\$83,522.6
<u>Deductions</u>			
Operating Expenses, excluding			
Depreciation & Income Taxes	\$50,846.9	\$52,772.4	\$54,132.8
Interest Expense	\$5,069.1	\$4,648.2	\$4,438.9
Subtotal	<u>\$55,916.0</u>	<u>\$57,420.6</u>	<u>\$58,571.6</u>
<u>State Tax Calculation</u>			
Taxable Income Before Deductions	\$28,041.7	\$25,984.1	\$24,951.0
Less: Depreciation-State	\$17,563.5	\$16,516.8	\$16,087.3
Less: Repair Regulations Deduction	\$1,936.4	\$1,629.8	\$1,372.5
State Taxable Income	<u>\$8,541.8</u>	<u>\$7,837.5</u>	<u>\$7,491.3</u>
State Corporate Franchise Tax at 8.84%	\$755.1	\$692.8	\$662.2
Amortization of AIAC/CIAC Tax	<u>\$105.0</u>	<u>\$104.9</u>	<u>\$104.9</u>
Total State Income Tax Expense	<u><u>\$860.1</u></u>	<u><u>\$797.7</u></u>	<u><u>\$767.1</u></u>
<u>Federal Tax Calculation</u>			
Taxable Income Before Deductions	\$28,041.7	\$25,984.1	\$24,951.0
Less: Depreciation-Federal (book)	\$9,807.5	\$9,260.0	\$8,976.8
Less: State Corp. Franchise Tax - Prior Year	\$653.1	\$617.0	\$603.6
Federal Taxable Income	<u>\$17,581.1</u>	<u>\$16,107.1</u>	<u>\$15,370.6</u>
Federal Tax at 21%	\$3,692.0	\$3,382.5	\$3,227.8
Amortization of AIAC/CIAC Tax	\$227.4	\$227.1	\$227.1
Amortization of EDIT	(\$256.5)	(\$256.5)	(\$256.5)
Amortization of EDIT (Jan. 2018 - Jun. 2020)	\$0.0	\$0.0	\$0.0
Total Federal Income Tax Expense	<u><u>\$3,663.0</u></u>	<u><u>\$3,353.1</u></u>	<u><u>\$3,198.4</u></u>

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San Gabriel Valley Water Company
Fontana Water Company
COMPUTATION OF TAXES ON INCOME
ESCALATION YEAR 2022-2023
AT PROPOSED RATES

(Dollars in Thousands)

	SGVWC GRC Update <u>April 2019</u>	<u>Settlement</u>	<u>Cal-PA</u>
<u>Operating Revenues</u>	\$88,120.1	\$86,544.2	\$85,995.8
<u>Deductions</u>			
Operating Expenses, excluding			
Depreciation & Income Taxes	\$51,981.0	\$53,825.8	\$55,164.2
Interest Expense	\$5,069.1	\$4,648.2	\$4,438.9
Subtotal	<u>\$57,050.2</u>	<u>\$58,474.0</u>	<u>\$59,603.1</u>
<u>State Tax Calculation</u>			
Taxable Income Before Deductions	\$31,069.9	\$28,070.2	\$26,392.7
Less: Depreciation-State	\$20,234.8	\$18,805.5	\$18,338.4
Less: Repair Regulations Deduction	<u>\$2,071.3</u>	<u>\$1,644.9</u>	<u>\$1,466.8</u>
State Taxable Income	\$8,763.9	\$7,619.8	\$6,587.5
State Corporate Franchise Tax at 8.84%	\$774.7	\$673.6	\$582.3
Amortization of AIAC/CIAC Tax	<u>\$105.2</u>	<u>\$105.1</u>	<u>\$105.1</u>
Total State Income Tax Expense	<u><u>\$880.0</u></u>	<u><u>\$778.7</u></u>	<u><u>\$687.4</u></u>
<u>Federal Tax Calculation</u>			
Taxable Income Before Deductions	\$31,069.9	\$28,070.2	\$26,392.7
Less: Depreciation-Federal (book)	\$10,643.8	\$9,833.6	\$9,478.8
Less: State Corp. Franchise Tax - Prior Year	<u>\$860.1</u>	<u>\$797.7</u>	<u>\$767.1</u>
Federal Taxable Income	\$19,566.1	\$17,438.8	\$16,146.8
Federal Tax at 21%	\$4,108.9	\$3,662.2	\$3,390.8
Amortization of AIAC/CIAC Tax	\$227.9	\$227.5	\$227.5
Amortization of EDIT	(\$256.5)	(\$256.5)	(\$256.5)
Amortization of EDIT (Jan. 2018 - Jun. 2020)	<u>\$0.0</u>	<u>\$0.0</u>	<u>\$0.0</u>
Total Federal Income Tax Expense	<u><u>\$4,080.3</u></u>	<u><u>\$3,633.2</u></u>	<u><u>\$3,361.9</u></u>

Appendix A
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San Gabriel Valley Water Company
Fontana Water Company
ADOPTED RATES

	Present Rates <u>Eff. 7/1/2019</u>	Test Year <u>2020/2021</u>	Escalation Year <u>2021/2022</u>	Estimates <u>2022/2023</u>
<u>Schedule FO-1</u>				
Quantity Rates Per 100 cu ft (Ccf)	\$3.3917	\$3.4560	\$3.7010	\$3.8260
<u>Schedule FO-1C</u>				
Quantity Rates Per 100 cu ft (Ccf)				
Tier 1 (1-16 Ccf/mo.)	\$3.2309			
Tier 2 (over 16 Ccf/mo.)	\$3.7065			
Tier 1 (0-14 Ccf/mo.)		\$3.3100	\$3.5447	\$3.6644
Tier 2 (over 14 Ccf/mo.)		\$3.8065	\$4.0764	\$4.2141
<u>Schedule FO-6 - Recycled Water</u>				
Quantity Rate Per 100 cu ft (Ccf)	\$2.5438	\$2.5920	\$2.7758	\$2.8695

SERVICE CHARGE

Schedules FO-1, FO-1C, and FO-6

Per service per month				
For 5/8 x 3/4-inch meter	\$16.40	\$18.83	\$20.07	\$20.67
3/4-inch meter	\$24.60	\$28.24	\$30.11	\$31.00
1-inch meter	\$41.01	\$47.06	\$50.18	\$51.66
1-1/2 inch meter	\$82.02	\$94.13	\$100.35	\$103.33
2-inch meter	\$131.25	\$150.60	\$160.60	\$165.30
3-inch meter	\$246.04	\$282.40	\$301.10	\$310.00
4-inch meter	\$410.15	\$470.60	\$501.80	\$516.00
6-inch meter	\$819.00	\$940.00	\$1,000.00	\$1,030.00
8-inch meter	\$1,311.00	\$1,510.00	\$1,610.00	\$1,650.00
10-inch meter	\$1,889.00	\$2,160.00	\$3,210.00	\$3,280.00
12-inch meter	\$2,707.00	\$3,110.00	\$3,310.00	\$3,410.00
two 2-inch meters	\$262.00	\$452.00	\$482.00	\$496.00
three 2-inch meters	\$395.00	\$602.00	\$642.00	\$661.00
four 2-inch meters	\$524.00	\$753.00	\$803.00	\$827.00
two 3-inch meters	\$492.00	\$565.00	\$602.00	\$620.00
two 4-inch meters	\$820.00	\$941.00	\$1,004.00	\$1,033.00
one 8-inch, one 2-inch meter	\$1,571.00	\$1,807.00	\$1,927.00	\$1,984.00
two 8-inch meters	\$2,621.00	\$3,012.00	\$3,211.00	\$3,306.00

Schedule FO-4

Per service per month for each inch of diameter of service connection	\$10.99	\$12.62	\$13.45	\$13.85
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San Gabriel Valley Water Company
Fontana Water Company
ADOPTED RATES

		Present Rates		Adopted Rates	
		Eff. 7/1/2019		Test and Escalation Years	
		<u>Fire Services</u>	<u>All Others</u>	<u>Fire Services</u>	<u>All Others</u>
For	5/8 x 3/4-inch	\$5,000.00	\$8,000.00	\$5,000.00	\$8,000.00
	3/4-inch	\$5,000.00	\$8,000.00	\$5,000.00	\$9,000.00
	1-inch	\$6,650.00	\$10,640.00	\$6,650.00	\$12,000.00
	1-1/2-inch	\$10,000.00	\$16,000.00	\$10,000.00	\$24,000.00
	2-inch	\$13,350.00	\$21,360.00	\$13,350.00	\$33,000.00
	3-inch	\$20,000.00	\$32,000.00	\$20,000.00	\$54,000.00
	4-inch	\$26,650.00	\$42,640.00	\$26,650.00	\$84,000.00
	6-inch	\$40,000.00	\$64,000.00	\$40,000.00	\$159,000.00
	8-inch	\$53,350.00	\$85,360.00	\$53,350.00	\$249,000.00
	10-inch	\$66,650.00	\$106,640.00	\$66,650.00	\$354,000.00
	12-inch	\$80,000.00	\$128,000.00	\$80,000.00	\$504,000.00

ATTACHMENT C



FILED
12/12/19
04:59 PM

ATTACHMENT A

Settlement Agreement

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

Application of SAN GABRIEL VALLEY WATER COMPANY (U337W) for Authority to Increase Rates Charged for Water Service in its Los Angeles County Division by \$4,099,800 or 5.5% in July 2020, \$6,594,500 or 8.4% in July 2021, and \$3,927,000 or 4.6% in July 2022, and in its Fontana Water Company division by \$9,626,900 or 14.0% in July 2020, \$4,979,800 or 6.2% in July 2021, and \$3,054,100 or 3.6% in July 2022, and related relief.

A.19-01-001
(Filed January 2, 2019)

**SETTLEMENT AGREEMENT BETWEEN
THE PUBLIC ADVOCATES OFFICE AND
SAN GABRIEL VALLEY WATER COMPANY ON ISSUES
PRESENTED IN THE ABOVE-CAPTIONED GENERAL RATE CASE**

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December 12, 2019

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

Application of SAN GABRIEL VALLEY WATER COMPANY (U337W) for Authority to Increase Rates Charged for Water Service in its Los Angeles County Division by \$4,099,800 or 5.5% in July 2020, \$6,594,500 or 8.4% in July 2021, and \$3,927,000 or 4.6% in July 2022, and in its Fontana Water Company division by \$9,626,900 or 14.0% in July 2020, \$4,979,800 or 6.2% in July 2021, and \$3,054,100 or 3.6% in July 2022, and related relief.

A.19-01-001
(Filed January 2, 2019)

**SETTLEMENT AGREEMENT BETWEEN
THE PUBLIC ADVOCATES OFFICE AND
SAN GABRIEL VALLEY WATER COMPANY ON ISSUES
PRESENTED IN THE ABOVE-CAPTIONED GENERAL RATE CASE**

I. GENERAL PROVISIONS

1. Pursuant to Article 12 of the Rules of Practice and Procedure (“Rules”) of the California Public Utilities Commission (“Commission”), the Public Advocates Office at the California Public Utilities Commission (“Public Advocates Office”) and San Gabriel Valley Water Company (“San Gabriel”), jointly referred to as “the Parties,” have agreed on the terms of this Settlement Agreement, which they now submit for review, consideration, and approval by Administrative Law Judge Hazlyn Fortune and the Commission. This Settlement Agreement resolves all outstanding issues in this proceeding.

2. The issues that the Parties agree to resolve through this Settlement Agreement are set forth in Sections II, III, IV, and V below. Section II addresses issues primarily relating to the General Office Division. Sections III and IV address issues primarily related to the Los Angeles County Division (“LA Division”) and the Fontana Water Company Division (“FWC Division”), respectively. Section V addresses issues relating specifically to escalation year adjustments and certain special requests presented in San Gabriel’s Application and testimony. In some instances, as will be noted, the issues cross these boundaries. For each issue, Sections II, III, IV, and V describe the positions of the Parties, the difference between San Gabriel’s position (as updated in its 100-day update) and the Public Advocates Office’s position, and the resolution provided by the Settlement Agreement, and provide references to the evidence of record relevant to that issue. Tables present the Parties’ positions in dollar amounts and summary tables for capital projects indicate the years for which the estimated dollar amounts are budgeted.

3. Because this Settlement Agreement represents a compromise of the Parties' positions with respect to each issue addressed herein, the Parties have agreed upon the resolution of each issue addressed in the Settlement Agreement on the basis that its approval by the Commission should not be construed as an admission or concession by any Party regarding any fact or matter of law that may be in dispute in this proceeding. Furthermore, consistent with Rule 12.5 of the Commission's Rules, the Parties intend that the approval of this Settlement Agreement by the Commission should not be construed as a precedent or statement of policy of any kind for or against any Party in any current or future proceeding with respect to any issue addressed in the Settlement Agreement.

4. This Settlement Agreement is the product of intensive and extensive negotiation among the Parties and the Fontana Unified School District ("FUSD"), which is the only other active party to this proceeding. FUSD has advised the Parties that it will, upon action by its Board, either join in this Settlement Agreement or file comments supporting it.

5. The Parties agree that no signatory to the Settlement Agreement assumes any personal liability as a result of his or her execution of this document. All rights and remedies of the Parties are limited to those available before the Commission.

6. This Settlement Agreement may be executed in counterparts, each of which shall be deemed an original, and the counterparts together shall constitute one and the same instrument.

7. This Settlement Agreement constitutes and represents the entire agreement between the Parties and supersedes all prior and contemporaneous agreements, negotiations, representations, warranties and understandings of the Parties with respect to the subject matter set forth herein.

8. If after approval by the Commission any Party fails to perform its respective obligations under this Settlement Agreement, the other Party may come before the Commission to pursue a remedy including enforcement.

9. The Parties agree that this Settlement Agreement is an integrated agreement, that the provisions of the Agreement are not severable and that the Parties will actively support approval of the Settlement Agreement by the Commission in comments filed with the Commission and in any other appropriate communications with decisionmakers regarding this proceeding. Therefore:

a. If the ALJ or a Commissioner issues a proposed decision that rejects, conditions, or modifies this Settlement Agreement or any term or portion thereof, each of the Parties shall, except to the extent they mutually agree not to object to such conditions or modifications or portions thereof, submit comments on the proposed decision supporting approval of the Settlement Agreement without change; and

b. If the Commission adopts a decision that rejects, conditions, or modifies any term or portion of this Settlement Agreement, the Parties shall convene a conference within fifteen (15) days thereof and engage in good faith negotiations to determine whether to prepare and file a joint application for rehearing or petition for modification to seek to revise some or all terms of such decision inconsistent with the Settlement Agreement.

10. The Parties agree that this Settlement Agreement shall be governed by the laws of the State of California as to all matters, including validity, construction, effect, performance, and remedy.

11. Certain elements of San Gabriel's proposed Reports on Operations for the LA Division and FWC Division and projected capital budgets presented in testimony accompanying its Application were not challenged by the Public Advocates Office and so do not present contested issues. Similarly, the positions presented by the Public Advocates Office in its Report on the Results of Operations – General Office, Special Requests and Rurban Mutual Water Company Acquisition, and its Reports on the Results of Operations for the LA Division and the FWC Division on a number of issues were accepted by San Gabriel and so also do not present contested issues. This Settlement Agreement does not address such matters except as noted in Paragraph 13, below, and as noted specifically in the review of water consumption and capital budget items in Sections III.A and C for the LA Division and Sections IV.A and C for the FWC Division, respectively, as well as in the discussion of Other Issues and Additional Issues in Sections III.F, IV.F and V, respectively.

12. References to the Parties' prepared testimony and reports are included with respect to each issue addressed in the Settlement Agreement. The referenced evidentiary materials are identified as follows:

General Division Report on Operations	Exhibit SG-1
Los Angeles County Division Report on Operations	Exhibit SG-2
Fontana Water Company Division Report on Operations	Exhibit SG-3
Direct Testimony of Robert J. DiPrimio	Exhibit SG-4
Direct Testimony of Joseph D. Harris	Exhibit SG-5
Direct Testimony of Joel M. Reiker	Exhibit SG-6
Direct Testimony of Matt Y. Yucelen	Exhibit SG-7
Report on Results of Operations – General Office, Special Requests and Rurban Mutual Water Company Acquisition	Exhibit Cal Adv-1
Report on Results of Operations – Los Angeles Division	Exhibit Cal Adv-2
Report on Results of Operations – Fontana Water Company Division	Exhibit Cal Adv-3
Rebuttal Testimony of Robert J. DiPrimio	Exhibit SG-8
Rebuttal Testimony of Joseph D. Harris	Exhibit SG-9
Rebuttal Testimony of Joel M. Reiker	Exhibit SG-10
Rebuttal Testimony of Matt Y. Yucelen	Exhibit SG-11

Each exhibit reference in the course of the Settlement Agreement also includes reference to the sponsoring witness.

13. The disposition of all issues resolved by this Settlement Agreement, along with all uncontested elements of revenue requirement, is presented in the Comparison Exhibit, which accompanies this Settlement Agreement as Attachment A and is incorporated herein by this reference. In a series of tables, the Comparison Exhibit displays a comparative Summary of Earnings, Average Depreciated Rate Base, and Computation of Income Taxes for the LA Division and the FWC Division, respectively, based on the original positions of San Gabriel and

the Public Advocates Office (with San Gabriel's positions adjusted in some instances by its 100-day update), and the agreed terms of this Settlement Agreement.

II. ISSUES RELATING TO THE GENERAL OFFICE DIVISION

A. General Office Expenses

1. Payroll – New Positions

ISSUE: San Gabriel proposed 10 new positions in the General Office Division. These included the following positions:

Geographical Information Systems ("GIS") Developer
Field Engineer
Engineering Assistant
Senior Engineer
Surveyor
Assistant Engineer
Project Manager
Designer
Information Technology ("IT") Project Manager
Enterprise Resource Plan ("ERP") Business Analyst

The Public Advocates Office opposed allowing for any of the proposed new positions in revenue requirement. With respect to the IT Project Manager and ERP Business Analyst positions, the Public Advocates Office recommended denying costs for those positions until the proposed IT Business Systems Upgrade Project is completed and becomes useful.

RESOLUTION: In settlement, Parties agree that the proposed new Senior Engineer and Project Manager positions may be added, with 100% of the salary capitalized for ratemaking purposes. Also, in settlement of issues related to San Gabriel's proposed IT Business Systems Upgrade, addressed below, the Public Advocates Office agrees to allow the proposed IT Project Manager and ERP Business Analyst positions as part of Phase 2 of the IT Business Systems Upgrade project.

	San Gabriel Position	Public Advocates Office Position	Difference	Settlement
General Office Payroll – New Positions	10 new positions	0 new position	10 positions	4 new positions

REFERENCES: Exh. SG-6 (Reiker), pp. 24-50; Exh. Cal Adv-1 (General Office), pp. 1-2 to 1-6; Exh. SG-10 (Reiker), pp. 48-52; Exh. SG-11 (Yucelen), pp. 11-14.

2. Health, Dental and Vision Insurance

ISSUE: San Gabriel applied health insurance premium increases of 11% in July 2019, 10% in July 2020, and 10% in July 2021. San Gabriel then applied these escalated premiums to its employee forecast to arrive at the total health insurance costs. San Gabriel's forecast of health insurance expense includes San Gabriel's portion of health insurance premiums for new employee positions requested in this General Rate Case ("GRC"). For dental, vision, life, and long-term disability ("LTD") insurance, San Gabriel escalated 2018 premiums by applying CPI-U escalation rates for Estimated Year 2019 and Test Year 2020. San Gabriel then applied these escalated premiums to San Gabriel's payroll and employee forecast, as appropriate, to arrive at the total dental, vision, life and LTD insurance costs.

The Public Advocates Office opposed San Gabriel's position and instead recommended that the Commission not approve an increase in healthcare premium costs because in the Public Advocates Office's determination, San Gabriel did not present evidence that it would experience annual premium increases at this level. In addition, the Public Advocates Office recommended that the Commission not approve increases in dental and vision insurance premiums because the most recent renewal of these insurance premiums has not increased San Gabriel's expense.

In rebuttal, San Gabriel disagreed with the Public Advocates Office's position and responded to those arguments.

RESOLUTION: Parties agree to Health, Dental and Vision insurance expense of \$1,246,375 in the General Office Division, which is based on a 2.4% Consumer Price Index ("CPI") increase.

	San Gabriel Position	Public Advocates Office Position	Difference	Settlement
Health, Dental & Vision Insurance	\$1,440,238	\$1,188,500	\$251,738	\$1,246,375

REFERENCES: Exh. SG-6 (Reiker), pp. 55-56, Attachment C; Exh. Cal Adv-2 (Los Angeles), pp. 4-6 to 4-11; Exh. Cal Adv-3 (Fontana), pp. 4-32 to 4-36; Exh. SG-10 (Reiker), pp. 47-48.

3. Regulatory Commission Expense

ISSUE: San Gabriel forecasted Regulatory Expense during this GRC cycle to include non-recurring costs associated with processing this GRC, as well as forecasted costs related to one future cost of capital proceeding and San Gabriel's participation in Orders Instituting Investigations and Orders Instituting Rulemakings, all of which are amortized over the three-year GRC cycle. Forecasted incremental, non-recurring costs for processing this GRC and the next cost of capital proceeding include outside attorneys' fees, customer notices, travel, printing/shipping, as well as costs for outside consulting services and other miscellaneous items.

The Public Advocates Office recommended that the Commission require San Gabriel to transition from including regulatory expenses for the current GRC in the future Test Year to forecasting these expenses prospectively for its next GRC (Test Year 2023-2024).

RESOLUTION: San Gabriel accepts the Public Advocates Office’s recommendation. Parties agree to Regulatory Commission Expense of \$121,839 per year in the General Office Division, representing costs for both the current and next GRC.

	San Gabriel Position	Public Advocates Office Position	Difference	Settlement
General Office Regulatory Commission Expense	\$108,506	\$121,839	(\$13,333)	\$121,839

REFERENCES: Exh. SG-6 (Reiker), pp. 58-59, Attachment F; Exh. Cal Adv-2 (Los Angeles), pp. 4-12 to 4-19; Exh. Cal Adv-3 (Fontana), pp. 4-37 to 4-43.

4. Cloud-Based Software Services Fees

ISSUE: As part of Phase 1 of the IT Business Systems Upgrade Project, San Gabriel is implementing a cloud-based service approach as opposed to a traditional software purchase approach. San Gabriel presented projections for the annual cloud-based software services fees based on responses from vendors. The Public Advocates Office opposed these proposed costs and instead argued that the Commission should not authorize the recovery of IT Business Systems Upgrade Project costs at this time and require San Gabriel to request recovery via a Tier 3 advice letter. In rebuttal, San Gabriel responded to the Public Advocates Office’s arguments with respect to the IT Business Systems Upgrade Project and specifically to arguments relating to the Cloud-Based Software Service Fees.

RESOLUTION: Parties agree to include \$462,273 in General Office Division expenses for Cloud-Based Software Service Fees and related costs for Phase 1 of the IT Business Systems Upgrade project.

	San Gabriel Position	Public Advocates Office Position	Difference	Settlement
Cloud-Based Software Services Fees	\$462,273	\$0	\$462,273	\$462,273

REFERENCES: Exh. SG-5 (Harris), pp. 24-30; Exh. Cal Adv-1 (General Office), pp. 2-10 to 2-13; Exh. SG-9 (Harris), pp. 3-7, Attachments 1 and 2.

B. General Office Rate Base

The Parties agree to a total 4-year (2019-2022) General Office Division capital budget of \$7,640,700, of which \$4,632,300 is attributed to Phase 1 of the IT Business Systems Upgrade Project described below.

1. Phase 1 IT Business Systems Upgrade Project

ISSUE: In Application (A.) 16-01-002, San Gabriel requested authority to replace its legacy Customer Information, Financial Management, and Work Management Systems in a phased approach recommended by its consultant AAC Utility Partners ("AAC"). Phase 1 of the IT Upgrade Project is meant to upgrade San Gabriel's financial management information system. Phase 2 of the IT Upgrade project is meant to upgrade San Gabriel's Customer Information System. In Decision (D.) 17-06-008, the Commission approved this phased approach and authorized \$5,751,600 for the Phase 1 capital costs, subject to a "hard cap" of \$14 million for both phases of the total project.

With the assistance of AAC, a Request for Proposals was developed that set forth San Gabriel's requirements, expectations, and staffing resources and a vendor was selected for the Phase 1 work. Following meetings with the selected vendors, an implementation schedule was prepared which called for "go-live" of the financial and work management systems in April 2020. The approach identified focuses on cloud-based software technology with cloud-based software service fees that are to be recorded as expenses for Phase 1 (addressed above in this settlement).

In this GRC, with respect to Phase 1 of the IT Upgrade Project, San Gabriel included in its proposed rate base its recorded investments in the IT Upgrade Project through December 2018, plus the budgeted amounts for the remainder of the project, amounting to \$4,632,300.

The Public Advocates Office opposed San Gabriel's proposal and recommended that the Commission exclude from rate base the proposed amount for San Gabriel's IT Upgrade Project and instead authorize recovery of these costs through a Tier 3 advice letter only after the project is completed, including the Phase 1 costs. The Public Advocates Office argued that Phase 1 of the IT Upgrade Project has fallen significantly behind the schedule San Gabriel presented in the last GRC and San Gabriel is uncertain about the technology it will use to complete the project. The Public Advocates Office argued that as a result, the project cost estimates are speculative and the schedule for completing the project is uncertain. The Public Advocates Office therefore recommended that project costs should not be in rate base or customer rates until the project becomes used and useful.

In rebuttal testimony, San Gabriel explained that the revised timeline based upon the latest detailed project plan shows a "go live" date for Phase 1, including the financial, work management, payroll and human resources systems, in early April 2020, and opposed the Public Advocates Office's recommendations, contending that the Public Advocates Office's arguments are erroneous and that the allegations that Phase 1 work was uncertain or speculative were unsupported.

RESOLUTION: In settlement, Parties agree to include the \$4,632,300 in the General Division rate base for investment relating to Phase 1 work. The Total General Division capital budget of \$7,640,700 includes the \$4,632,300 related to Phase 1 of IT Upgrade Project.

	San Gabriel Position	Public Advocates Office Position	Difference	Settlement
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Phase 1 IT Business Systems Upgrade Project	Rate base treatment of \$4,632,300	Advice letter treatment for Phase 1 costs	\$4,632,300	\$4,632,300 allowed in rate base
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REFERENCES: Exh. SG-5 (Harris), pp. 24-30, Exh. Cal Adv-1 (General Office), pp. 2-9 to 2-13; Exh. SG-9 (Harris), pp. 1-7.

2. Phase 2 IT Business Systems Upgrade Project

ISSUE: With respect to Phase 2 of the IT Business Systems Upgrade Project described above, San Gabriel requested \$8,700,000 as the capital budget for Phase 2 of the upgrade to San Gabriel's Customer Information System ("CIS"). San Gabriel anticipated a timeline for the Phase 2 CIS work with a "go-live" milestone in September 2021. Therefore, San Gabriel proposed to place the \$8,700,000 investment associated with Phase 2 into rate base in this GRC. San Gabriel also proposed expenses for two new payroll positions (IT Project Manager and ERP Business Analyst) (also addressed above in this settlement).

As stated above, the Public Advocates Office opposed San Gabriel's proposal and instead recommended that the Commission exclude from rate base all Phase 1 and Phase 2 costs for San Gabriel's IT Upgrade Project and instead authorize recovery of total recorded costs after a reasonableness review through a Tier 3 advice letter to be submitted when the project is completed.

In rebuttal testimony, San Gabriel opposed the Public Advocates Office's recommendations, contending that the Public Advocates Office's allegations that Phase 1 was behind schedule and that uncertainty about which technology will be used for Phase 2 renders San Gabriel's forecasted costs uncertain or speculative were unsupported.

RESOLUTION: Parties agree that the estimated investment of \$8,700,000 for Phase 2 of the IT Upgrade project should be excluded from rate base in this GRC, but that San Gabriel should be authorized to establish a memorandum account in which it may record actual capital and operating costs related to Phase 2, subject to specified limitations, commencing when Phase 2 is completed and placed in service and is used and useful. Monthly capital costs to be recorded in the memorandum account would be limited to a return on investment equal to 1/12th of the 90-day commercial paper rate and depreciation expense. Operating costs would be limited to income taxes, property taxes, uncollectibles and franchise fees, as well as any contractual software/cloud service fees capped at an annual amount of \$460,000. Monthly interest on the memorandum account balance shall be calculated at 1/12th of the 90-day commercial paper rate. The memorandum account shall be subject to review in a future GRC after the Phase 2 IT project has been completed and placed in service and is used and useful. While the circumstances do not meet all the standard criteria for approval of a utility's proposal to establish a memorandum account, the Commission has sometimes made exceptions to those criteria to provide for memorandum accounts in GRC decisions. In the present GRC, where the prospects for the overall cost of the Phase 2 IT Upgrade project may be uncertain, the Parties recommend that the establishment of a memorandum account is preferable to authorizing a rate base offset advice

letter that would result in additional rate changes outside the schedule of the GRC, and is in the public interest particularly given the overall reasonableness of the settlement agreement.

	San Gabriel Position	Public Advocates Office Position	Difference	Settlement
Phase 2 IT Business Systems Upgrade Project	Rate base treatment of \$8,700,000 and allowance of software fees	Advice letter treatment for Phase 2 costs	n.a.	Memo account allowed for up to \$8,700,000 in Phase 2 capital costs and specified expenses.

REFERENCES: Exh. SG-5 (Harris), pp. 30-33, Exh. Cal Adv-1 (General Office), pp. 2-9 to 2-13; Exh. SG-9 (Harris), pp. 7-10; Exh. SG-7 (Yucelen), Attachment A1.

III. ISSUES RELATING MAINLY TO THE LA DIVISION

A. Water Consumption and Operating Revenues

1. Average Number of Customers

ISSUE: With the exception of the Construction and Recycled Water classes in both the LA and FWC Divisions, San Gabriel forecasted customer growth using the average annual rate of growth in customers for each class over the five-year period ending with 2018. The number of forecasted Construction class customers in both the LA and FWC Divisions was based on the average number of Construction class customers served during the five years ending with 2018. The number of forecasted Recycled Water Class customers in both the LA and FWC Divisions was based on the number of customers actually served in 2018, adjusted to reflect additional customers that San Gabriel expects to convert to recycled water service in 2019, 2020 and 2021. Accordingly, the forecasted numbers of customers in the other customer classifications (Residential Multi-Family, Commercial, Industrial and Public Authority) were adjusted to reflect these anticipated recycled water conversions. The Public Advocates Office accepted San Gabriel's estimates for the LA Division.

RESOLUTION: The Parties are in agreement with respect to the average number of customers for the LA Division as shown below.

	San Gabriel Position	Public Advocates Office Position	Difference	Settlement
Average Number of Customers	47,780	47,780	0	47,780

REFERENCES: Exh. SG-2 (Reiker), pp. 4-1 to 4-4; Exh. SG-6 (Reiker), pp. 11-12; Exh. Cal Adv-2 (Los Angeles), pp. 2-4 to 2-5.

2. Water Sales per Customer (Sales Forecast)

ISSUE: San Gabriel began by applying the New Committee Method to recorded monthly sales over the last ten years, in accordance with the Revised Rate Case Plan (D.07-05-062). This method uses a separate regression analysis to normalize sales for each customer classification. In each regression, the dependent variable is unit consumption (hundred cubic feet ("Ccf")/customer) and the independent variables are time, precipitation and temperature. All data were input on a monthly basis for 120 months (ten years) beginning July 2008 and ending June 2018. San Gabriel ran additional regressions (Regressions 2 through 4) in which different statistical methodologies were used to remove the effect of mandatory drought restrictions in place from June 2015 through April 2017. Additionally, San Gabriel added explanatory variables for each month of the year to account for any month-to-month variation in water usage that is independent of precipitation and temperature. These explanatory variables would capture, for example, changing household behavior due to school schedules, vacations, and holidays. Explanatory variables were used to account for factors that are not quantitative and therefore not represented by numbers. San Gabriel relied on the results of these regressions to forecast sales for the following customer classes:

LA Division:

- Residential Single-Family
- Residential Multi-Family – Small
- Residential Multi-Family – Large

FWC Division:

- Residential Single Family
- Residential Multi-Family – Small

San Gabriel's sales forecasts for all but four of the remaining customer classes (Construction in both Divisions, Niagara, California Steel Industries ("CSI"), and Recycled Water in the FWC Division) were based on a five-year average of per customer sales ending with 2018. San Gabriel's sales forecasts for the Construction classes in both the LA and FWC Divisions were based on recorded sales for the 12 months ending June 2018.

The Public Advocates Office also performed the New Committee Method regression analysis but with different explanatory (or indicator) variables. The Public Advocates Office proposed different and generally higher Test Year sales forecasts for residential customer classes. For the Construction customer class, the Public Advocates Office instead used a three-year recorded average approach and the latest available data. The Public Advocates Office applied the same approach as San Gabriel to other Non-Residential customer classes but used the latest available data (January 2014-December 2018).

In rebuttal testimony, San Gabriel relied on the expectation that sales will continue to decline to support San Gabriel's forecasts. San Gabriel responded to the Public Advocates Office's

methodology and reasoning with respect to the customer sales forecasts for residential customers.

RESOLUTION: The Parties' forecasts for Test Year sales in the LA Division are set forth in the following table. With respect to the Residential Single Family, Residential Multi-Family – Small, and Residential Multi-Family – Large figures for the LA Division, the Parties agree in settlement to use a forecast based on the average of 1) 4-year average (2015-2018) and 2) recorded sales for 12-months ending August 2019. For other classes of customers, San Gabriel stipulates to using the customer sales forecasts proposed by the Public Advocates Office.

Sales Per Customer Test Year 2020 (Ccf/customer)	San Gabriel Position	Public Advocates Office Position	Difference	Settlement
Residential Single Family	133	154	(21)	146
Residential Multi-Family – Small	449	502	(53)	484
Residential Multi-Family – Large	3,355	3,837	(482)	3699
Commercial – Small	266	265	1	265
Commercial – Large	4,957	4,966	(9)	4,966
Industrial – Small	813	867	(54)	867
Industrial – Large	23,266	23,275	(9)	23,275
Public Authority – Small	471	476	(5)	476
Public Authority – Large	7,229	7,297	(68)	7,297
Construction	589	549	40	549
Recycled water	20,142	20,148	(6)	20,148

REFERENCES: Exh. SG-6 (Reiker), pp. 13-21, Attachments A and B; Exh. Cal Adv-2 (Los Angeles), pp. 2-5 to 2-13, Appendix A; Exh. SG-10 (Reiker), pp. 2-33, Attachments A through S.

3. Rurban Homes Acquisition

ISSUE: On May 1, 2019, San Gabriel wrote a letter to the Commission's Water Division stating that it is in the process of acquiring the assets of Rurban Homes Mutual Water Company. San Gabriel does not require Commission authorization to acquire a mutual water company. However, San Gabriel does require Commission approval to recover in rates any costs associated

with the acquisition. In this GRC, San Gabriel did not include in its LA Division's revenue requirement any costs associated with providing emergency service to or the acquisition of Rurban. San Gabriel intends to include the cost, sales forecast, expenses, and capital additions associated with this acquisition in the next GRC.

The Public Advocates Office recommends that the Commission should require San Gabriel in its next GRC to clearly show the revenue collected from serving the Rurban customers, and the costs associated with providing emergency water service to Rurban and the costs associated with acquiring Rurban, so the Commission can ensure that only just and reasonable costs are approved for recovery.

RESOLUTION: The Parties agree to defer these issues to San Gabriel's next GRC, but to track the acquisition costs separately from the cost to provide emergency services.

REFERENCES: Exh. Cal Adv-1 (General Office), pp. 5-1 to 5-3.

4. Water Loss Rate

ISSUE: San Gabriel estimated water loss based on a recorded 5-year average for the years 2014-2018. The Public Advocates Office substituted the 2018 data from the recorded 5-year average with data from 2013 instead.

RESOLUTION: The Parties agree to use the Public Advocates Office's recommendation of a water loss rate of 6.8% for the LA Division

	San Gabriel Position	Public Advocates Office Position	Difference	Settlement
Water Loss Rate	7.7%	6.8%	0.9%	6.8%

REFERENCES: Exh. SG-6 (Reiker), pp. 22-23, Exh. Cal Adv-2 (Los Angeles), pp. 2-15 to 2-17.

B. Expenses

1. Payroll – New Positions

ISSUE: San Gabriel proposed 6 new positions in the LA Division. These included the following positions:

Water Treatment Operator II (4 positions)
Serviceman
Field Assistant

The Public Advocates Office recommended allowing only two of the four requested Water Treatment Operator positions, allowing the Serviceman position, and allowing the Field Assistant position.

RESOLUTION: The Parties agree to allow three Water Treatment Operator positions, the Serviceman position, and the Field Assistant position.

	San Gabriel Position	Public Advocates Office Position	Difference	Settlement
LA Payroll – New Positions	6 new positions	4 new positions	2 positions	5 new positions

REFERENCES: Exh. SG-6 (Reiker), pp. 24-50; Exh. Cal Adv-2 (Los Angeles), pp. 5-1 to 5-3; Exh. SG-10 (Reiker), pp. 48-52.

2. Overtime Adjustment

ISSUE: The Public Advocates Office recommended that the Commission reduce the amount of overtime San Gabriel forecasts for the LA Division by \$100,000 because new authorized positions will reduce the need for overtime. San Gabriel did not include an adjustment for overtime in its proposed revenue requirement.

RESOLUTION: Parties agree to the proposed \$100,000 reduction in overtime expense related to the addition of Water Treatment Operator II positions.

	San Gabriel Position	Public Advocates Office Position	Difference	Settlement
Overtime Adjustment	\$0	(\$100,000)	\$100,000	(\$100,000)

REFERENCES: Exh. SG-6 (Reiker), pp. 48-49, Attachment L; Exh. Cal Adv-2 (Los Angeles), p. 5-2.

3. Health, Dental and Vision Insurance

ISSUE: San Gabriel applied health insurance premium increases of 11% in July 2019, 10% in July 2020, and 10% in July 2021. San Gabriel then applied these escalated premiums to its employee forecast to arrive at the total health insurance costs. San Gabriel's forecast of health insurance expense includes San Gabriel's portion of health insurance premiums for new employee positions requested in this GRC. For dental, vision, life, and LTD insurance, San Gabriel escalated 2018 premiums by applying CPI-U escalation rates for Estimated Year 2019 and Test Year 2020. San Gabriel then applied these escalated premiums to San Gabriel's payroll and employee forecast, as appropriate, to arrive at the total dental, vision, life and LTD insurance costs.

The Public Advocates Office opposed San Gabriel's position and instead recommended that the Commission not approve an increase in healthcare premium costs because in the Public Advocates Office determination, San Gabriel did not present evidence that it would experience in annual increase premiums at this level. In addition, the Public Advocates Office recommended

that the Commission not approve increases in dental and vision insurance premiums because the most recent renewal of these insurance premiums has not increased San Gabriel's expense.

In rebuttal, San Gabriel disagreed with the Public Advocates Office's position and responded to those arguments.

RESOLUTION: Parties agree to Health, Dental and Vision insurance expense of \$1,363,807 in the LA Division, which is based on a 2.4% CPI increase.

	San Gabriel Position	Public Advocates Office Position	Difference	Settlement
Health, Dental & Vision Insurance	\$1,575,887	\$1,273,300	\$302,587	\$1,363,807

REFERENCES: Exh. SG-6 (Reiker), pp. 55-56, Attachment C; Exh. Cal Adv-2 (Los Angeles), pp. 4-6 to 4-11; Exh. Cal Adv-3 (Fontana), pp. 4-32 to 4-36; Exh. SG-10 (Reiker), pp. 47-48.

4. Regulatory Commission Expense

ISSUE: San Gabriel forecasted Regulatory Expense during this GRC cycle to include non-recurring costs associated with processing this GRC, as well as forecasted costs related to one future cost of capital proceeding and San Gabriel's participation in Orders Instituting Investigations and Orders Instituting Rulemakings, all of which are amortized over the three-year GRC cycle. Forecasted incremental, non-recurring costs for processing this GRC and the next cost of capital proceeding include outside attorneys' fees, customer notices, printing/shipping, travel, as well as costs for outside consulting services and other miscellaneous items.

The Public Advocates Office recommended that the Commission require San Gabriel to transition from including regulatory expenses for the current GRC in the future Test Year to forecasting prospectively for its next GRC (Test Year 2023-2024).

RESOLUTION: Parties agree to Regulatory Commission Expense of \$373,818 in the LA Division, representing costs for both the current and next GRC.

	San Gabriel Position	Public Advocates Office Position	Difference	Settlement
LA Regulatory Commission Expense	\$405,000	\$373,818	\$31,182	\$373,818

REFERENCES: Exh. SG-6 (Reiker), pp. 58-59, Attachment F; Exh. Cal Adv-2 (Los Angeles), pp. 4-12 to 4-20; Exh. Cal Adv-3 (Fontana), pp. 4-37 to 4-44.

5. Conservation Program Expense

ISSUE: San Gabriel proposed several programs to promote and facilitate water conservation. Proposed programs include high efficiency toilet distribution, conservation kits, K through 12 education (a water conservation themed theater program for schools within San Gabriel’s service area), public outreach (newspaper advertising, bill inserts, literature and various promotional items), gardening workshops, irrigation controller and nozzle retrofit, commercial, industrial & institutional (“CII”) audits and retrofit, and a recycled water retrofit program.

The Public Advocates Office asserted that San Gabriel had not adequately demonstrated that it needs to increase its conservation programs beyond those adopted in the prior GRC. Therefore, the Public Advocates Office instead recommended that the Commission authorize \$512,677 per year for the LA Division, the same conservation budget that it authorized in D.17-06-008, adjusted for inflation.

On rebuttal, San Gabriel stipulated to the Public Advocates Office’s proposed LA Division Conservation Expense budget.

RESOLUTION: Parties agree to the LA Division Conservation Program Expense proposed by the Public Advocates Office of \$512,677.

	San Gabriel Position	Public Advocates Office Position	Difference	Settlement
Conservation Program Expense	\$605,000	\$512,677	\$92,323	\$512,677

REFERENCES: Exh. SG-4 (Diprimio), pp. 32-42; Exh. Cal Adv-2 (Los Angeles), pp. 3-5 to 3-7; Exh. SG-8 (Diprimio), pp. 1-2.

6. Uncollectibles Rate

ISSUE: San Gabriel calculated the Uncollectibles rate using a 5-year average for the years 2014-2018 for the LA Division. The Public Advocates Office used the same methodology to calculate the same Uncollectibles rate for the LA Division.

RESOLUTION: Parties agree to 0.0808% as the Uncollectibles Rate for the LA Division.

	San Gabriel Position	Public Advocates Office Position	Difference	Settlement
Uncollectibles Rate	0.0808%	0.0808%	0%	0.0808%

REFERENCES: Exh. SG-6 (Reiker), p. 64; Exh. Cal Adv-2 (Los Angeles), p. 3-5.

C. Capital Budget – Plant Additions

The following two tables present an overview of the positions of the Parties as well as the agreement reached in settlement for the San Gabriel-funded plant additions proposed for San Gabriel’s LA Division (expressed in thousands of dollars). A more detailed narrative description for each of the plant items follows the two tables.

Project/Account Name	Total		
	San Gabriel	Public Advocates Office	Settlement
	(x1000)	(x1000)	(x1000)
Capital Improvement Projects			
Plant No. 1	\$3,830	\$3,431	\$3,431
Plant No. 8	\$850	\$850	\$850
Plant No. 12	\$1,200	\$0	\$0
Plant No. 13	\$2,320	\$0	\$2,058
Plant No. 14	\$2,385	\$2,143	\$2,143
Plant B6	\$1,950	\$355	\$355
Plant B14	\$5,410	\$3,559	\$4,808
Plant B15	\$3,690	\$3,056	\$3,305
Plant B17	\$350	\$350	\$350
Plant B18	\$2,450	\$0	\$0
Plant B24	\$1,393	\$1,348	\$1,348
Plant B28	\$600	\$533	\$533
Plant G3	\$800	\$0	\$0
Plant M1	\$200	\$0	\$200
Plant M3	\$3,800	\$0	\$3,695
Plant M4	\$4,120	\$0	\$0
Plant W1	\$1,750	\$0	\$0
Plant W6	\$10,300	\$6,811	\$9,294
Miscellaneous			
Water Storage Sites	\$7,400	\$0	\$0
El Monte Office	\$780	\$140	\$179
Master Plan & Security Improvements	\$1,675	\$1,403	\$1,403
GIS and CIP Implementation Report	\$1,255	\$1,255	\$1,255
Other Accounts			
Pumping Equipment	\$3,975	\$3,920	\$3,920
Mains	\$37,500	\$31,620	\$31,620
Services	\$11,500	\$11,000	\$11,388
Meters	\$3,241	\$3,103	\$3,103
Fire Hydrants	\$720	\$650	\$650
Structures and Improvements	\$130	\$130	\$130
Office Equipment	\$400	\$400	\$400
Transportation Equipment	\$1,229	\$1,229	\$1,229
Communications Equipment	\$330	\$330	\$330
Tools and Equipment	\$288	\$288	\$288
Total SG Funded Plant Additions	\$117,821	\$77,904	\$88,265
Reduction	\$0	\$39,917	\$29,556
Reduction Percentage	0%	-34%	-25%

Project/Account Name	Settlement 2019 (x1000)	Settlement 2020 (x1000)	Settlement 2021 (x1000)	Settlement 2022 (x1000)	Settlement Total
Capital Improvement Projects					
Plant No. 1	\$3,431	\$0	\$0	\$0	\$3,431
Plant No. 8	\$850	\$0	\$0	\$0	\$850
Plant No. 12	\$0	\$0	\$0	\$0	\$0
Plant No. 13	\$278	\$0	\$1,780	\$0	\$2,058
Plant No. 14	\$313	\$935	\$895	\$0	\$2,143
Plant B6	\$0	\$355	\$0	\$0	\$355
Plant B14	\$321	\$0	\$1,481	\$3,006	\$4,808
Plant B15	\$129	\$0	\$2,818	\$358	\$3,305
Plant B17	\$350	\$0	\$0	\$0	\$350
Plant B18	\$0	\$0	\$0	\$0	\$0
Plant B24	\$743	\$150	\$455	\$0	\$1,348
Plant B28	\$533	\$0	\$0	\$0	\$533
Plant G3	\$0	\$0	\$0	\$0	\$0
Plant M1	\$0	\$0	\$0	\$200	\$200
Plant M3	\$685	\$3,010	\$0	\$0	\$3,695
Plant M4	\$0	\$0	\$0	\$0	\$0
Plant W1	\$0	\$0	\$0	\$0	\$0
Plant W6	\$6,811	\$0	\$130	\$2,353	\$9,294
Miscellaneous					
Water Storage Sites	\$0	\$0	\$0	\$0	\$0
El Monte Office	\$179	\$0	\$0	\$0	\$179
Master Plan & Security Improvements	\$432	\$182	\$382	\$407	\$1,403
GIS and CIP Implementation Report	\$295	\$320	\$320	\$320	\$1,255
Other Accounts					
Pumping Equipment	\$1,232	\$896	\$896	\$896	\$3,920
Mains	\$6,720	\$8,100	\$9,000	\$7,800	\$31,620
Services	\$2,470	\$2,725	\$2,970	\$3,223	\$11,388
Meters	\$721	\$794	\$794	\$794	\$3,103
Fire Hydrants	\$135	\$160	\$195	\$160	\$650
Structures and Improvements	\$25	\$30	\$35	\$40	\$130
Office Equipment	\$90	\$85	\$105	\$120	\$400
Transportation Equipment	\$215	\$325	\$426	\$263	\$1,229
Communications Equipment	\$120	\$70	\$70	\$70	\$330
Tools and Equipment	\$33	\$170	\$40	\$45	\$288
Total SG Funded Plant Additions	\$27,111	\$18,307	\$22,792	\$20,055	\$88,265

1. Contingency Factors

ISSUE: In its cost estimates for capital improvement projects, San Gabriel included contingency factors ranging from 10% to 25% to account for additional unanticipated costs resulting from permitting and construction. As stated in San Gabriel's current LA Division Water System Master Plan, San Gabriel reviewed contingency factors for project cost estimates on a case-by-case basis and applied a range of contingency factors for LA Division projects. The Public Advocates Office instead recommended that, based on the complexity of the projects in this GRC, and other industry practice, the Commission should adopt a uniform 10% contingency factor as reasonable for San Gabriel's capital projects. In rebuttal testimony, San Gabriel

opposed the Public Advocates Office's adjustment and continued to argue that contingency factors should be assigned on a case-by-case basis.

RESOLUTION: In settlement, Parties agree to apply a uniform 10% contingency factor for capital projects or project elements for which a contingency factor is appropriate.

REFERENCES: Exh. SG-7 (Yucelen), pp. 24-25, Attachment E; Exh. Cal Adv-2 (Los Angeles), pp. 6-4, 6-6 to 6-8; Exh. SG-11 (Yucelen), pp. 16-20, Attachments 4 through 7.

2. Plant No. 1

ISSUE: San Gabriel proposed various capital improvements for Plant No. 1 for a total requested cost of \$3,830,000 to complete the remaining portion of the Plant No. 1 project in 2019 in accordance with contractor bids, including Well buildings (\$650,000), Well No. 1F piping (\$100,000), Supervisory Control and Data Acquisition ("SCADA") (\$50,000), constructing a 0.77 million gallon ("MG") West Reservoir (\$1,500,000), West Reservoir piping (\$150,000), constructing a 0.3 MG East Reservoir (\$1,100,000), East Reservoir piping (\$150,000), and demolition of a reservoir (\$130,000).

RESOLUTION: In settlement, Parties agree to support the \$3,431,000 in costs for the work proposed for Plant No. 1 adjusted for a 10% contingency factor, for Well buildings (\$590,000), Well No. 1 F piping (\$86,000), SCADA (\$49,000), constructing a 0.77 MG West Reservoir (\$1,335,000), West Reservoir piping (\$136,000), constructing a 0.3 MG East Reservoir (\$981,000), East Reservoir piping (\$135,000), and demolition of a reservoir (\$119,000) anticipated to be completed in 2019. These project component amounts also include additional cost add-ons such as engineering and design and administrative overhead.

Plant No. 1	San Gabriel Position	Public Advocates Office Position	Difference	Settlement Total
Wells	\$750,000	\$676,000	\$74,000	\$676,000
Reservoir	\$3,080,000	\$2,755,000	\$325,000	\$2,755,000
TOTAL	\$3,830,000	\$3,431,000	\$399,000	\$3,431,000

REFERENCES: Exh. SG-7 (Yucelen), pp. 34-36; Exh. Cal Adv-2 (Los Angeles), pp. 6-1, 6-4, 6-6 to 6-8; Exh. SG-11 (Yucelen), pp. 66-68.

3. Plant No. 8

ISSUE: The Plant No. 8 project includes site improvements at the existing treatment site at 2701 Loma Avenue in the City of South El Monte. The site improvements include a parking lot expansion, grading and wrought iron fencing, for which San Gabriel has budgeted a total of \$850,000 to complete the requested improvements in 2019.

The Public Advocates Office did not oppose San Gabriel’s proposed Plant No. 8 project at the budget proposed.

RESOLUTION: In settlement, Parties agree to support the \$850,000 in costs for the work proposed for Plant No. 8, comprised of Fence and Wall (\$350,000), Storm Drain (\$70,000), Precise Grading (\$100,000), Site Improvements (\$180,000), and Street Improvements (\$150,000), all anticipated to be completed in 2019. These project component amounts include additional cost add-ons such as engineering and design and administrative overhead.

Plant No. 8	San Gabriel Position	Public Advocates Office Position	Difference	Settlement Total
Treatment Structures	\$850,000	\$850,000	\$0	\$850,000
TOTAL	\$850,000	\$850,000	\$0	\$850,000

REFERENCES: Exh. SG-7 (Yucelen), pp. 36-37; Exh. Cal Adv-2 (Los Angeles), p. 6-4; Exh. SG-11 (Yucelen), p. 68.

4. Plant No. 12

ISSUE: Plant No. 12 includes the retrofitting and recoating of an existing 0.91-MG water storage reservoir that provides supply and storage to the Spyglass Hill community located in an unincorporated area of Los Angeles County near the City of Whittier. The project also includes the installation of a pressure regulating valve (“PRV”) to normalize service to the area served by Reservoir No. 12 while the reservoir is removed from service temporarily for maintenance. Accordingly, San Gabriel has budgeted \$1,200,000 to install the PRV, retrofit and recoat the existing reservoir in 2022. The work will be scheduled to commence once the additional reservoir at Plant No. 14 is constructed and in service and the Plant No. 13 reservoir is replaced.

The Public Advocates Office recommended that the Commission disallow funding in 2022 for the Reservoir 12 retrofit project at Plant No. 12 and defer it to a future GRC as the Carollo Engineers Study recommends.

In rebuttal testimony, San Gabriel disagreed with the Public Advocates Office’s recommendation on Plant No. 12 and argued that it has already scheduled the rehabilitation to occur in 2022, at which time the interior coating will already be 36 years old and will exceed the expected service life of the coating by more than ten years.

RESOLUTION: In settlement, San Gabriel agrees to remove the Plant No. 12 project from the current GRC cycle.

Plant No. 12	San Gabriel Position	Public Advocates Office Position	Difference	Settlement Total
Pumping	\$150,000	\$0	\$150,000	\$0

Equipment				
Reservoirs	\$1,050,000	\$0	\$1,050,000	\$0
TOTAL	\$1,200,000	\$0	\$1,200,000	\$0

REFERENCES: Exh. SG-7 (Yucelen), pp. 37-38; Exh. Cal Adv-2 (Los Angeles), pp. 6-4, 6-17 to 6-18; Exh. SG-11 (Yucelen), p. 34.

5. Plant No. 13

ISSUE: The Plant No. 13 project includes design, permitting, construction and related work for the demolition and replacement of the existing Reservoir 13, together with related piping, grading, fencing and walls, and site improvements. The design, permitting and related work, which are required to make this project shovel-ready, were authorized by D.17-06-008 in the previous GRC for completion in 2016 with a budget of \$320,000. In this GRC, San Gabriel is requesting to complete the previously authorized work and then proceed with demolition of the existing reservoir and construction of the replacement reservoir and related improvements. San Gabriel has budgeted a total of \$2,320,000 to complete the project at Plant No. 13 in 2019 and 2021.

The Public Advocates Office argued that the Commission should deny San Gabriel's request because it does not need to replace Reservoir 13 at this time and San Gabriel's cost benefit analysis is flawed. Therefore, the Public Advocates Office recommended that the Commission should defer the rehabilitation of the reservoir to a future GRC.

In rebuttal testimony, San Gabriel disagreed with the Public Advocates Office's recommendation on Plant No. 13, contending that the project is shovel-ready and that replacement is more cost-effective than rehabilitation.

RESOLUTION: In settlement, Parties support cost estimates totaling \$2,058,000 for the work proposed for Plant No. 13 for design, permitting and related work (\$278,000) anticipated to be completed in 2019 and for SCADA (\$49,000), fence and wall (\$182,000), grading (\$81,000), site improvements (\$180,000), demolishing the existing reservoir (\$91,000), constructing a 0.42 MG Reservoir (\$1,113,000) and Reservoir piping (\$84,000) anticipated to be completed in 2021. The reduced settlement amount reflects application of a uniform 10% contingency factor. These project component amounts include additional cost add-ons such as engineering and design and administrative overhead.

Plant No. 13	San Gabriel Position	Public Advocates Office Position	Difference	Settlement Total
Reservoirs	\$2,320,000	\$0	\$2,320,000	\$2,058,000
TOTAL	\$2,320,000	\$0	\$2,320,000	\$2,058,000

REFERENCES: Exh. SG-7 (Yucelen), pp. 39-40; Exh. Cal Adv-2 (Los Angeles), pp. 6-4, 6-18 to 6-20; Exh. SG-11 (Yucelen), pp. 35-36.

6. Plant No. 14

ISSUE: The Plant No. 14 project includes the design, permitting, construction and related work for an additional 0.078 MG reservoir, the retrofitting and recoating of the existing 0.42 MG Reservoir No. 14, and related piping, SCADA, grading, fencing, retaining wall and site improvements. The design, permitting and related work, which are needed to make this project shovel-ready, were authorized by the Commission in the previous GRC for completion in 2016 with a budget of \$355,000, along with a site acquisition budget of \$750,000 (D.17-06-008). San Gabriel is proposing to construct the new reservoir at the existing Plant No. 14 site and, therefore, is not requesting the site acquisition in this GRC cycle. Accordingly, San Gabriel budgeted \$2,385,000 to complete the design, permitting, construction, and related work for the new tank and the recoating and retrofitting of the existing tank in 2019, 2020, and 2021.

RESOLUTION: In settlement, Parties agree to cost estimates totaling \$2,143,000 for the work proposed for Plant No. 14 adjusted for a 10% contingency factor, for design, permitting and related work (\$313,000) anticipated to be completed in 2019; for fence and retaining wall (\$320,000), SCADA (\$49,000), site improvements (\$91,000), constructing a 0.078 MG East Reservoir (\$400,000), and East Reservoir piping (\$75,000) anticipated to be completed in 2020; and for retrofitting the existing 0.42 MG Reservoir (\$895,000) anticipated to be completed in 2021. Please note that these project components also include additional cost add-on such as engineering and design and administrative overhead.

Plant No. 14	San Gabriel Position	Public Advocates Office Position	Difference	Settlement Total
Reservoirs	\$2,385,000	\$2,143,000	\$242,000	\$2,143,000
TOTAL	\$2,385,000	\$2,143,000	\$242,000	\$2,143,000

REFERENCES: Exh. SG-7 (Yucelen), pp. 40-42; Exh. Cal Adv-2 (Los Angeles), p. 6-4; Exh. SG-11 (Yucelen), pp. 69-70.

7. Plant B6

ISSUE: The Plant B6 project includes the installation of an Advanced Oxidation UV treatment system to remove 1,4-Dioxane and N-Nitroso-dimethylamine (“NDMA”) from water produced and treated at Plant B6 in compliance with safe drinking water standards. Also included are a booster station building refurbishment and the replacement of an electrical panel in years 2019 through 2021. The project will be completed with a total budget of \$6,350,000, including \$1,950,000 in San Gabriel’s funds for the B6 UV treatment design, permitting, and related work; the booster station refurbishment; and the replacement of the electrical panel and SCADA. San Gabriel has budgeted \$4,400,000 in funding from a combination of grant funding and payment from parties responsible for groundwater pollution, to complete the installation and testing of the UV treatment system.

The Public Advocates Office recommended that the Commission approve \$0 in San Gabriel funds and \$273,000 in contributions in 2019, \$355,000 in San Gabriel funds and \$2,646,000 in contributions in 2020, and \$0 in San Gabriel funds and \$2,208,000 in contributions in 2021 for the booster station and treatment system project at Plant B6 because all treatment system costs will be reimbursed by grant funding or Cooperating Respondents of the Baldwin Park Operating Unit Agreement. The Public Advocates Office also recommended a reduction of the contingency factor.

In rebuttal testimony, San Gabriel agreed with the Public Advocates Office’s funding recommendation for the treatment system and booster station refurbishment project, but opposed its recommendation to reduce the contingency factor.

RESOLUTION: In settlement, Parties agree to support the \$355,000 in costs for the work proposed for Plant B6 to refurbish the Booster Station Building (\$355,000) anticipated to be completed in 2020, reflecting an adjustment for the contingency factor of 10%. The Parties agree on accounting for \$5,127,000 in contributions for the booster station and treatment system project. The following table indicates the proposed and agreed upon San Gabriel-funded amounts. These project component amounts include additional cost add-ons such as engineering and design and administrative overhead.

Plant B6	San Gabriel Position	Public Advocates Office Position	Difference	Settlement Total
Pumping Structure	\$400,000	\$355,000	\$45,000	\$355,000
Treatment Equipment	\$1,550,000	\$0	\$1,550,000	\$0
TOTAL	\$1,950,000	\$355,000	\$1,595,000	\$355,000

REFERENCES: Exh. SG-7 (Yucelen), pp. 43-45; Exh. Cal Adv-2 (Los Angeles), pp. 6-4, 6-32 to 6-33; Exh. SG-11 (Yucelen), pp. 58-60.

8. Plant B14

ISSUE: The Plant B14 project includes design, permitting and related work for the construction of a second water storage reservoir, together with related piping, and construction of a retaining wall, grading and site work. The design, permitting, a hillside stabilization report, and related work are necessary to make this project shovel-ready and were authorized by D.17-06-008 in the previous GRC for completion in 2016 and 2017 with a budget of \$485,000. San Gabriel was scheduled to have the design processed for permits starting by the fourth quarter of 2018 and expected to secure the building permits in early 2019. Accordingly, San Gabriel budgeted \$5,410,000 to complete this project in 2019 through 2021.

The Public Advocates Office recommended construction of a smaller reservoir and a reduced scope of maintenance and retrofits for the existing 84-year-old concrete reservoir. The Public Advocates Office suggested that the cost of the project could be reduced if San Gabriel were to construct a smaller 0.42 MG reservoir and retaining wall.

In rebuttal testimony, San Gabriel disagreed with the Public Advocates Office's recommendation to reduce the scope of the project and also opposed reducing the contingency factor.

RESOLUTION: In settlement, Parties agree to an estimate of \$4,808,000 in costs for the work proposed for Plant B14 adjusted for a 10% contingency factor, for design, permitting and related work (\$321,000) anticipated to be completed in 2019; for a retaining wall (\$1,167,000), and grading (\$314,000) anticipated to be completed in 2021; and for SCADA (\$46,000), site work (\$223,000), construction of a 1.0 MG Reservoir (\$1,747,000), reservoir piping (\$89,000), and retrofitting existing Reservoir B14 (\$901,000) anticipated to be completed in 2022. These project component amounts include additional cost add-ons such as engineering and design and administrative overhead.

Plant B14	San Gabriel Position	Public Advocates Office Position	Difference	Settlement Total
Reservoirs	\$5,410,000	\$3,559,000	\$1,851,000	\$4,808,000
TOTAL	\$5,410,000	\$3,559,000	\$1,851,000	\$4,808,000

REFERENCES: Exh. SG-7 (Yucelen), pp. 45-47; Exh. Cal Adv-2 (Los Angeles), pp. 6-4, 6-20 to 6-23; Exh. SG-11 (Yucelen), pp. 37-43.

9. Plant B15

ISSUE: This project includes the replacement of two existing water storage reservoirs, together with related piping, grading, fencing, a retaining wall, and site improvements. In the previous GRC, D.17-06-008 authorized permitting and other work related to the booster building refurbishment and stabilization of the slope at Plant B15, which included grading, a retaining wall, fencing, and site improvements, and refurbishment of the booster building. San Gabriel completed the building refurbishment and prepared plans and specifications for the slope stabilization improvements, which required constructing the retaining wall. In order to construct the improvements necessary to stabilize the slope and secure the site, San Gabriel first needs to

complete on-site work, including replacement of the reservoirs. In this GRC cycle, San Gabriel proposed to complete the design, permitting and related work, replace the two existing welded steel reservoirs and SCADA equipment at Plant B15 and construct the replacement reservoirs on concrete pile foundations, in order to stabilize the tanks, where erosive soil conditions exist at the plant site that is located near the top of a steep hillside. Following their replacement, San Gabriel will construct the fencing, retaining wall, and site improvements, which will stabilize the slope and properly drain the site. Accordingly, San Gabriel budgeted \$3,690,000 for years 2019, 2021 and 2022 for replacement of the reservoirs and related improvements at Plant B15.

RESOLUTION: In settlement, Parties agree to an estimate of \$3,305,000 in costs for the work proposed for Plant B15 adjusted for a 10% contingency factor, for design, permitting and related work (\$129,000) anticipated to be completed in 2019; for demolition of West Reservoir (\$107,000), construction of 0.37 MG West Reservoir (\$956,000), West Reservoir piping (\$16,000), demolition of East Reservoir (\$103,000), construction of 0.47 MG East Reservoir (\$1,253,000), East Reservoir piping (\$16,000), fence (\$95,000), retaining wall (\$223,000), and SCADA (\$49,000) anticipated to be completed in 2021; and for a storm drain (\$143,000), grading (\$67,000), and site improvements (\$148,000) anticipated to be completed in 2022. These project component amounts include additional cost add-ons such as engineering and design and administrative overhead.

Plant B15	San Gabriel Position	Public Advocates Office Position	Difference	Settlement Total
Reservoirs	\$3,690,000	\$3,056,000	\$634,000	\$3,305,000
TOTAL	\$3,690,000	\$3,056,000	\$634,000	\$3,305,000

REFERENCES: Exh. SG-7 (Yucelen), pp. 47-49; Exh. Cal Adv-2 (Los Angeles), p. 6-4; Exh. SG-11 (Yucelen), pp. 70-73.

10. Plant B17

ISSUE: The Plant B17 project includes hillside stabilization improvements, which D.17-06-008 authorized in the previous GRC. San Gabriel is currently working with Westland to prepare the hillside stabilization report that consists of geotechnical and design recommendations in order to make this a shovel-ready project. The design was scheduled for completion by Westland in the fourth quarter of 2018. Accordingly, San Gabriel budgeted \$350,000 to complete the construction of the hillside stabilization improvements in the first half of 2019.

The Public Advocates Office did not oppose San Gabriel's proposed Plant B17 project at the budget proposed.

RESOLUTION: In settlement, the Parties agree to support the request for the work proposed for Plant B17 for the Hillside Stabilization Improvements (\$350,000) anticipated to be completed in 2019.

Plant B17	San Gabriel Position	Public Advocates Office Position	Difference	Settlement Total
Pumping Structures	\$350,000	\$350,000	\$0	\$350,000
TOTAL	\$350,000	\$350,000	\$0	\$350,000

REFERENCES: Exh. SG-7 (Yucelen), p. 50; Exh. Cal Adv-2 (Los Angeles), p. 6-4; Exh. SG-11 (Yucelen), p. 73.

11. Plant B18

ISSUE: The Plant B18 project includes replacement of the existing reservoir at Plant B18, which is located near the intersection of Heatherfield Drive and Canal Point Drive in an unincorporated area of Los Angeles known as Hacienda Heights. San Gabriel recently completed hillside stabilization improvements at Plant B18 that will prevent the recurrence of landslides and thereby mitigate damage to the existing reservoir and booster pumps located at the site that D.17-06-008 authorized in the previous GRC. Accordingly, San Gabriel budgeted \$2,450,000 to demolish and replace the existing 0.97 MG water storage tank in 2022.

The Public Advocates Office recommended that the Commission deny San Gabriel's request to replace Reservoir B18 and defer rehabilitation of the reservoir to a future GRC because San Gabriel should rehabilitate Reservoir B18 in a future GRC as the Carollo Study recommends. The Public Advocates Office also indicated that San Gabriel's own cost/benefit analysis shows that it is more cost-effective to retrofit Reservoir B18 than to replace it.

In rebuttal testimony, San Gabriel disagreed with the Public Advocates Office's recommendation on Plant B18 and argued that the project is necessary now and that certain costs were not considered in the cost/benefit analysis.

RESOLUTION: In settlement, San Gabriel agrees to remove the Plant B18 project from the current GRC cycle.

Plant B18	San Gabriel Position	Public Advocates Office Position	Difference	Settlement Total
Reservoirs	\$2,450,000	\$0	\$2,450,000	\$0
TOTAL	\$2,450,000	\$0	\$2,450,000	\$0

REFERENCES: Exh. SG-7 (Yucelen), pp. 51-52; Exh. Cal Adv-2 (Los Angeles), pp. 6-4, 6-23 to 6-24; Exh. SG-11 (Yucelen), pp. 43-45.

12. Plant B24

ISSUE: The Plant B24 project includes construction of a hydroelectric station to generate clean energy and the permitting, design, construction and related work for a Volatile Organic Compound removal system for Well B24B. Accordingly, San Gabriel budgeted \$743,000 in San Gabriel funds and \$704,000 in Contributions in Aid of Construction for a total of \$1,447,000 in 2019 for the hydroelectric station; \$150,000 in 2020 for the design, permitting and related work for the treatment system; and \$500,000 in 2021 to construct the treatment system.

The Public Advocates Office recommended the project be authorized at the budget requested by San Gabriel for both the hydroelectric generating station and the design, permitting and related work for the treatment system.

RESOLUTION: In settlement, Parties agree to support the \$1,348,000 in costs for the work proposed for Plant B24 for the Hydroelectric Station (\$743,000) anticipated to be completed in 2019; and for design, permitting and related Work (\$150,000) anticipated to be completed in 2020; and for the VOC Treatment System (\$455,000) anticipated to be completed in 2021. The Parties agree on accounting for \$704,000 in contributions for the hydroelectric station and to apply a 10% contingency factor to the construction of the VOC Treatment System. These project component amounts include additional cost add-ons such as engineering and design and administrative overhead.

Plant B24	San Gabriel Position	Public Advocates Office Position	Difference	Settlement Total
Pumping Equipment	\$743,000	\$743,000	\$0	\$743,000
Treatment Equipment	\$650,000	\$605,000	\$45,000	\$605,000
TOTAL	\$1,393,000	\$1,348,000	\$45,000	\$1,348,000

REFERENCES: Exh. SG-4 (DiPrimio), pp. 42-46; Exh. SG-7 (Yucelen), pp. 52-53; Exh. Cal Adv-2 (Los Angeles), p. 6-4; Exh. SG-11 (Yucelen), pp. 73-74.

13. Plant B28

ISSUE: The project at Plant B28 includes the design, permitting and construction of a pipeline to provide higher quality water to blend with water produced at the Whittier Narrows Operable Unit (“WNOU”), a blending control system at WNOU, and a booster station to boost treated water to San Gabriel’s water system serving Hacienda Heights. The Plant B28 project also includes acquisition of the parcel for the booster station from the City of Industry. Accordingly, San Gabriel budgeted a total of \$5,725,000 to complete this project in 2019 and 2020, including \$200,000 for the site acquisition, \$400,000 for engineering services provided by San Gabriel, and \$5,125,000 in Contributions from the Proposition 1 Groundwater Grant Program.

The Public Advocates Office recommended approval of the entire project scope for site acquisition and design and construction of the Plant B28 booster station and blending pipeline from Plant B28 to WNOU but with a reduced contingency factor.

RESOLUTION: In settlement, Parties agree to funding \$533,000 in costs for the work proposed for Plant B28 adjusted for a 10% contingency factor, for site acquisition (\$179,000) and design, permitting and related work (\$354,000) anticipated to be completed in 2019. The Parties also agree on accounting for \$5,125,000 in contributions from the Proposition 1 Groundwater Grant Program (not shown in the table below). These project component amounts include additional cost add-ons such as engineering and design and administrative overhead.

Plant B28	San Gabriel Position	Public Advocates Office Position	Difference	Settlement Total
Land and Land Rights	\$200,000	\$179,000	\$21,000	\$179,000
Pumping Structures	\$400,000	\$354,000	\$46,000	\$354,000
TOTAL	\$600,000	\$533,000	\$67,000	\$533,000

REFERENCES: Exh. SG-7 (Yucelen), pp. 53-54; Exh. Cal Adv-2 (Los Angeles), p. 6-4; Exh. SG-11 (Yucelen), pp. 75-77.

14. Plant G3

ISSUE: The project at Plant G3 includes the construction of a building enclosure for the existing booster station and related electrical work. Accordingly, San Gabriel budgeted \$800,000 to complete this project in 2021.

The Public Advocates Office recommended that the Commission not approve funds for the booster station project at Plant G3 because the site's booster pump overheating issue can be solved by replacing the motor instead of constructing a structure to house the pumps.

In rebuttal testimony, San Gabriel opposed the Public Advocates Office's recommendation and argued that its proposal is insufficient.

RESOLUTION: In settlement, San Gabriel agrees to remove the Plant G3 project from the current GRC cycle.

Plant G3	San Gabriel Position	Public Advocates Office Position	Difference	Settlement Total
Pumping Structures	\$750,000	\$0	\$750,000	\$0
Pumping Equipment	\$50,000	\$0	\$50,000	\$0
TOTAL	\$800,000	\$0	\$800,000	\$0

REFERENCES: Exh. SG-7 (Yucelen), pp. 54-55; Exh. Cal Adv-2 (Los Angeles), pp. 6-4, 6-33 to 6-36; Exh. SG-11 (Yucelen), pp. 60-61.

15. Plant M1

ISSUE: The project at Plant M1 includes installing an additional booster pump at the existing booster station. San Gabriel budgeted \$200,000 to complete the installation of the additional booster pump in 2022.

The Public Advocates Office recommended that the Commission deny San Gabriel's request for the new booster pump at Plant M1 because additional pumping capacity is not needed.

In rebuttal testimony, San Gabriel disagreed with the Public Advocates Office's recommendation and argued that the additional pumping capacity is needed.

RESOLUTION: In settlement, Parties agree to support the request for the work proposed for Plant M1 for the Additional Booster (\$200,000), anticipated to be completed in 2022.

Plant M1	San Gabriel Position	Public Advocates Office Position	Difference	Settlement Total
Pumping Equipment	\$200,000	\$0	\$200,000	\$200,000
TOTAL	\$200,000	\$0	\$200,000	\$200,000

REFERENCES: Exh. SG-7 (Yucelen), pp. 55-56; Exh. Cal Adv-2 (Los Angeles), pp. 6-4, 6-36 to 6-38; Exh. SG-11 (Yucelen), pp. 61-63.

16. Plant M3

ISSUE: The project at Plant M3 includes acquiring the site, replacing an existing 58-year old reservoir, together with related design, permitting, piping, SCADA, grading, fencing, walls, site improvements, and landscaping, to replace the old reservoir at Plant M3. The reservoir replacement project was authorized by D.11-11-018 in a previous GRC but was not built due to

the need for a developer to complete a prolonged environmental permitting process for the planned Montebello Hills development. The reservoir was not replaced at that time because the developer of Montebello Hills had not yet identified and provided a suitable site. At this time, the developer has completed the environmental permitting process, has identified a site for the new reservoirs, is scheduling to proceed with construction of the reservoir to serve the first phase of the development starting in 2020, and has been working closely with San Gabriel to coordinate the improvement project. The developer is funding the site acquisition, grading and fencing and perimeter walls. San Gabriel will replace its old existing, tilting reservoir and related improvements. San Gabriel will also abandon the old, leaking 16-inch main that runs through the backyards of nearby residences to feed the existing reservoir, and then relocate the pipeline in an easement in a more suitable location. Accordingly, San Gabriel budgeted for this project a total of \$5,280,000, including \$1,480,000 in Contributions in Aid of Construction and \$3,800,000 in San Gabriel funds, in years 2019 through 2021.

The Public Advocates Office recommended that the Commission disallow San Gabriel's request to replace Reservoir M3 and defer rehabilitating the reservoir to a future GRC because additional storage is not needed in Pressure Zone M2 Group. The Public Advocates Office contends that San Gabriel's cost/benefit analysis shows that it is more cost-effective to retrofit Reservoir M3 than to replace it, and the Carollo Study recommends rehabilitating Reservoir M3 in 3 to 10 years.

In rebuttal testimony, San Gabriel disagreed with these arguments and instead argued that additional storage was needed and that it is more cost-effective to replace Reservoir M3 than rehabilitate it.

RESOLUTION: In settlement, Parties agree to support the \$3,695,000 in costs for the work proposed for Plant M3 for design, permitting and related work (\$195,000) and pipeline replacement (\$490,000) anticipated to be completed in 2019 and for demolishing an existing reservoir (\$145,000), constructing a 1.3 MG West Reservoir (\$2,720,000), Reservoir West piping (\$98,000) and SCADA (\$47,000) anticipated to be completed in 2020, adjusted for a 10% contingency factor. Note that the San Gabriel requested a 10% contingency rate to the 1.3 MG West Reservoir, therefore, the 10% contingency was applied to the various remaining components of the Plant M3. The Parties agree on accounting for \$1,000,000 in contributed land and \$480,000 in contributed reservoirs. These project component amounts include additional cost add-on such as engineering and design and administrative overhead.

Plant M3	San Gabriel Position	Public Advocates Office Position	Difference	Settlement Total
Reservoirs	\$3,800,000	\$0	\$3,800,000	\$3,695,000
TOTAL	\$3,800,000	\$0	\$3,800,000	\$3,695,000

REFERENCES: Exh. SG-7 (Yucelen), pp. 56-57; Exh. Cal Adv-2 (Los Angeles), pp. 6-4, 6-25 to 6-27; Exh. SG-11 (Yucelen), pp. 45-48.

17. Plant M4

ISSUE: The project at Plant M4 includes acquiring a reservoir site, installing a new water storage reservoir, demolishing and replacing an existing water storage reservoir, and relocating a booster station, together with related piping, design, permitting, demolition, fencing, a retaining wall, grading, site improvements, landscaping, SCADA, and electrical work. San Gabriel budgeted \$4,120,000 to complete the project in 2019, 2021 and 2022.

The Public Advocates Office recommended that the Commission deny San Gabriel's request to replace its reservoir at M4 because there is a more cost-effective option that allows San Gabriel to address space, cost, and operational risk and the Carollo Study finds that there is no need to replace the reservoir at this time. Instead, the Public Advocates Office argued that San Gabriel should rehabilitate the reservoir in a future GRC.

In rebuttal testimony, San Gabriel contended that this project is needed now and that the Public Advocates Office's alternative proposal is not feasible.

RESOLUTION: In settlement, San Gabriel agrees to remove Plant M4 project from the current GRC cycle because it plans to acquire the Montebello municipal water system with additional water storage capacity.

Plant M4	San Gabriel Position	Public Advocates Office Position	Difference	Settlement Total
Land and Land Rights	\$300,000	\$0	\$300,000	\$0
Pumping Structures	\$1,050,000	\$0	\$1,050,000	\$0
Pumping Equipment	\$650,000	\$0	\$650,000	\$0
Reservoirs	\$2,120,000	\$0	\$2,120,000	\$0
TOTAL	\$4,120,000	\$0	\$4,120,000	\$0

REFERENCES: Exh. SG-7 (Yucelen), pp. 57-60; Exh. Cal Adv-2 (Los Angeles), pp. 6-4, 6-27 to 6-30; Exh. SG-11 (Yucelen), pp. 49-56.

18. Plant W1

ISSUE: The Plant W1 project includes replacing the existing 0.28 MG water storage reservoir, recoating and retrofitting of the existing 0.91 MG water storage reservoir, and refurbishing the existing booster station building. San Gabriel budgeted \$1,750,000 to complete this project in 2022.

The Public Advocates Office recommended that the Commission deny San Gabriel's requests to replace Reservoir W1W, retrofit Reservoir W1E and refurbish Pump Station W1's building. Instead, the Public Advocates Office argued that San Gabriel should rehabilitate Plant W1 in a future GRC as the Carollo Study recommends. The Public Advocates Office also argued that the Harper Study does not find that Reservoir W1E needs to be replaced at this time.

In rebuttal testimony, San Gabriel disagreed with the Public Advocates Office's recommendations and instead argued that the work on Plant W1 is needed now.

RESOLUTION: In settlement, San Gabriel agrees to remove the Plant W1 project from the current GRC cycle.

Plant W1	San Gabriel Position	Public Advocates Office Position	Difference	Settlement Total
Pumping Structures	\$250,000	\$0	\$250,000	\$0
Reservoirs	\$1,500,000	\$0	\$1,500,000	\$0
TOTAL	\$1,750,000	\$0	\$1,750,000	\$0

REFERENCES: Exh. SG-7 (Yucelen), pp. 60-61; Exh. Cal Adv-2 (Los Angeles), pp. 6-4, 6-31; Exh. SG-11 (Yucelen), pp. 56-58.

19. Plant W6

ISSUE: The Plant W6 project includes construction of a water treatment building and equipment installation. D.17-06-008 authorized these improvements in the previous GRC for completion in 2017 and 2018. The Plant W6 treatment building and retrofit project are under construction and scheduled to be completed in 2019. The project also includes replacing the existing booster station and related site improvements, starting with design, permitting and related work in 2020 and construction in 2022. Accordingly, San Gabriel budgeted \$10,300,000 to complete construction of the treatment system and booster station replacement project.

The Public Advocates Office recommended that the Commission approve \$6,811,000 in 2019 for the treatment system project but should approve no funds in 2020 and \$0 or 2022 for the replacement booster station at Plant W6. Instead, the Public Advocates Office argued that the Commission should defer the rehabilitation of Plant W6's booster station to a future GRC.

In rebuttal testimony, San Gabriel opposed the Public Advocates Office's recommendations and argued that the replacement booster station is needed now.

RESOLUTION: In settlement, Parties agree to support a \$9,294,000 cost estimate for the work proposed for Plant W6 adjusted for a 10% contingency factor, for UV Treatment Building (\$3,248,000), electrical work (\$133,000), and UV Treatment Equipment (\$3,430,000) anticipated to be completed in 2019; for design, permitting and related work (\$130,000) anticipated to be

completed in 2020; and for a Booster Station building (\$910,000), site improvements (\$182,000), Booster pumps (\$224,000), Booster piping (\$225,000), Booster electrical work (\$721,000), and SCADA (\$91,000) anticipated to be completed in 2022. These project component amounts include additional cost add-ons such as engineering and design and administrative overhead.

Plant W6	San Gabriel Position	Public Advocates Office Position	Difference	Settlement Total
Pumping Structures	\$1,350,000	\$0	\$1,350,000	\$1,222,000
Pumping Equipment	\$1,400,000	\$0	\$1,400,000	\$1,261,000
Treatment Structures	\$3,750,000	\$3,381,000	\$369,000	\$3,381,000
Treatment Equipment	\$3,800,000	\$3,430,000	\$370,000	\$3,430,000
TOTAL	\$10,300,000	\$6,811,000	\$3,489,000	\$9,294,000

REFERENCES: Exh. SG-7 (Yucelen), pp. 62-63; Exh. Cal Adv-2 (Los Angeles), pp. 6-4, 6-38 to 6-39; Exh. SG-11 (Yucelen), pp. 63-66.

20. Water Storage Sites

ISSUE: San Gabriel has requested budgets to acquire sites for water storage reservoirs needed to address storage deficiencies in specific locations of San Gabriel's water system. Accordingly, San Gabriel budgeted \$3,700,000 in 2020 and \$3,700,000 in 2021 for a total of \$7,400,000 in budget years 2019 through 2022.

The Public Advocates Office recommends that the Commission deny San Gabriel's request to acquire two sites in Pressure Zone 1 for future water storage projects because there is no need for further storage in Pressure Zone 1.

In rebuttal testimony, San Gabriel disagreed with the Public Advocates Office's recommendation and argued that the sites were needed.

RESOLUTION: San Gabriel agrees to defer its request associated with the proposed acquisition of land and land rights from the current GRC cycle because it plans to acquire the Montebello municipal water system with additional water storage capacity.

Water Storage Sites	San Gabriel Position	Public Advocates Office Position	Difference	Settlement Total
Land and Land Rights	\$7,400,000	\$0	\$7,400,000	\$0
TOTAL	\$7,400,000	\$0	\$7,400,000	\$0

REFERENCES: Exh. SG-7 (Yucelen), pp. 70-71; Exh. Cal Adv-2 (Los Angeles), pp. 6-4, 6-40 to 6-42; Exh. SG-11 (Yucelen), p. 77.

21. El Monte Office

ISSUE: San Gabriel spent \$2,531,880 in 2018 to acquire a 0.43-acre parcel of land immediately adjacent to the west of the existing General Office Division and LA Division offices located at 11142 Garvey Avenue, El Monte, California. This parcel was the only available remaining land on the Garvey Avenue block where San Gabriel's Headquarters offices are located. San Gabriel demolished the old clapboard motel structures at the acquired property, and plans to construct a gate, fencing, related site improvements and temporary office trailers at this property to secure the site and make it available for immediate use. Accordingly, San Gabriel has budgeted \$80,000 for demolition of the old motel property, \$150,000 for fencing and site improvements, \$100,000 for temporary office trailers, \$150,000 for a space planning study in 2019, and \$300,000 for the design, permitting and related work in 2020 and 2021.

The Public Advocates Office recommended that the Commission approve only \$140,000 in 2019 for an office space planning study ("Office Space Planning Study") and require San Gabriel to include in the Office Space Planning Study analyses of cost-benefit of various expansion alternatives, and recommendations for how San Gabriel will ensure that developers pay their fair share of San Gabriel's costs in connection with the proposed expansion of the El Monte Office Complex. The Public Advocates Office recommended that the Commission exclude the cost to purchase the motel property (\$2,531,880) from rate base in this proceeding, and deny the remainder of San Gabriel's request for the El Monte Office Complex project because San Gabriel has not justified the need to expand its El Monte office complex. The Public Advocates Office recommended that the Commission require San Gabriel to submit the Office Space Planning Study results for its consideration before approving any costs related to the proposed office expansion.

In rebuttal testimony, San Gabriel opposed the Public Advocates Office's recommendations and argued that the Public Advocates Office disregarded evidence substantiating the need for the project.

RESOLUTION: In settlement, Parties agree to exclude from rate base in the current GRC the \$2,531,880 associated with the purchase of the motel property. Per the terms of this agreement, San Gabriel would be authorized to open a memorandum account to record a monthly return, equal to 1/12 of the 90-day commercial paper rate, on the \$2,531,880 investment, commencing when and if the motel property is placed in service and is used and useful. While the

circumstances do not meet all the criteria for approval of a utility's proposal to establish a memorandum account, the Commission has sometimes made exceptions to those criteria to provide for memorandum accounts in GRC decisions. In the present GRC, where the improvements to the El Monte office complex are uncertain, the Parties recommend that establishing a memorandum account is preferable to allowing an advice letter project that would result in rate changes outside the schedule of the GRC, and is in the public interest particularly given the overall reasonableness of the settlement agreement. Parties further agree to allow only the cost of the Office Space Planning Study (\$179,000, based on bids received) anticipated to be completed in 2019 in rate base at this time. The Office Space Planning Study must include a cost-benefit analysis of the El Monte Office land acquisition and future construction costs in terms of various potential alternatives including, but not limited to, leasing office space, relocating employees to the Plant No. 8 or Fontana Offices, and other real estate property locations other than the land already purchased.

El Monte Office	San Gabriel Position	Public Advocates Office Position	Difference	Settlement
Motel Property	\$2,531,880 recorded as Plant in Service and included in rate base in 2018 for Purchase of Motel Property	Recommends Excluding \$2,531,880 from rate base in this GRC	\$2,531,880	\$2,531,880 excluded from rate base in current GRC. San Gabriel is authorized to open a memorandum account to record a return equal to 1/12 of the 90-day commercial paper rate on the cost of acquiring the motel property.
New El Monte Office Work	\$630,000	\$0	\$630,000	\$0
Office Space Planning Study	\$150,000	\$140,000	\$10,000	\$179,000

REFERENCES: Exh. SG-7 (Yucelen), pp. 32-33 & 64-65; Exh. Cal Adv-2 (Los Angeles), pp. 6-4, 6-42 to 6-46; Exh. SG-11 (Yucelen), pp. 20-30.

22. Master Plan & Security Improvements

ISSUE: San Gabriel's Los Angeles Master Plan is a planning document that San Gabriel utilizes in conjunction with other sources of information to plan water system improvements and develop the capital improvement program. The most recent master plan for the LA Division was prepared in 2018. San Gabriel must update this master plan annually in order to plan for the

current and emerging conditions of the water system and environment. Accordingly, San Gabriel budgeted \$50,000 annually to update the Los Angeles Master Plan.

The Public Advocates Office recommended that the Commission deny San Gabriel's request for \$50,000 annually in 2019, 2020, 2021 and 2022 to update its Master Plan because San Gabriel has already completed an up-to-date Master Plan in 2018.

In rebuttal testimony, San Gabriel disagreed with the Public Advocates Office's recommendation on the Master Plan and argued that changing circumstances substantiate the need for annual updating of the Master Plan.

San Gabriel budgeted \$100,000 in each of years 2019 through 2022 to install security enhancements at its facilities, and an additional \$100,000 in each of years 2019 through 2022 to install gate access security. San Gabriel also budgeted \$250,000 in 2019, \$200,000 in 2021, and \$225,000 in 2022 to implement improvements to mitigate cyber security risks in the LA Division.

RESOLUTION: In settlement, San Gabriel gives up its request for funds to update its Master Plan and agrees to adjust its request to include a 10% contingency factor for a total of \$1,403,000, comprised of Security Improvements (\$91,000 annually for 2019-2022), Gate Access Security (\$91,000 annually for 2019-2022), Cyber Security Improvements (\$250,000 anticipated to be completed in 2019, \$200,000 anticipated to be completed in 2021, and \$225,000 anticipated to be completed in 2022). These project component amounts include additional cost add-ons such as engineering and design and administrative overhead.

Master Plan & Security Improvements	San Gabriel Position	Public Advocates Office Position	Difference	Settlement Total
Master Plan	\$200,000	\$0	\$200,000	\$0
Security Improvements	\$1,475,000	\$1,403,000	\$72,000	\$1,403,000
TOTAL	\$1,675,000	\$1,403,000	\$272,000	\$1,403,000

REFERENCES: Exh. SG-7 (Yucelen), pp. 67, 71-73; Exh. Cal Adv-2 (Los Angeles), pp. 6-4, 6-47; Exh. SG-11 (Yucelen), pp. 78-80, 110-111.

23. GIS and CIP Implementation Report

ISSUE: San Gabriel is currently implementing an Asset Management System ("AMS") and Maintenance Management System ("MMS") to manage the life cycle of its assets. The AMS will help San Gabriel track information regarding an asset and automatically schedule routine maintenance. The implementation of the MMS will improve the asset life cycle management process by enabling maintenance to be scheduled through a centralized database consisting of

data derived from multiple sources. San Gabriel also budgeted for GIS improvements and updates that will help San Gabriel more efficiently manage its water system information and workflow. San Gabriel's hydraulic model is a planning and engineering tool that enables San Gabriel to run simulations of its water system. Throughout the year, as new facilities are developed and implemented, San Gabriel needs to complete subsequent updates to its hydraulic model, so that the newer versions reflect all of the newly implemented facilities. Finally, San Gabriel budgeted for improvements to the project delivery system, which includes hardware, project and construction management, and advanced engineering software, programming, and consulting fees. Accordingly, San Gabriel budgeted \$295,000 in 2019, and \$320,000 annually for 2020 - 2022 for a total of \$1,255,000.

The Public Advocates Office did not oppose these investments.

RESOLUTION: In settlement, Parties agree to a total of \$1,255,000 for AMS, MMS, GIS, hydraulic model and Delivery System improvements (\$295,000 in 2019, and \$320,000 annually for 2020 - 2022).

GIS and CIP Implementation Report	San Gabriel Position	Public Advocates Office Position	Difference	Settlement Total
GIS and CIP Implementation Report	\$1,255,000	\$1,255,000	\$0	\$1,255,000
TOTAL	\$1,255,000	\$1,255,000	\$0	\$1,255,000

REFERENCES: Exh. SG-7 (Yucelen), pp. 65-70; Exh. Cal Adv-2 (Los Angeles), pp. 6-4.

24. Pumping Equipment

ISSUE: San Gabriel budgeted \$400,000 annually to refurbish six well pumps per year from 2019 through 2022. San Gabriel budgeted \$85,000 annually for refurbishment of six booster pumps per year from 2019 through 2022 for a total of \$340,000. San Gabriel also budgeted \$85,000 per year from 2019 through 2022 for refurbishment of motors and electrical equipment for a total of \$340,000. San Gabriel budgeted \$120,000 to complete an Arc Flash Study in 2019 through 2022. San Gabriel budgeted \$200,000 to retrofit the vaults in its system in years 2019 through 2022. San Gabriel budgeted \$250,000 annually to replace the SCADA equipment at all of its plant sites where old equipment is still in use, in years 2019 through 2022 and budgeted \$375,000 to install a backup SCADA system in 2019.

The Public Advocates Office recommends that the Commission authorize the requested budget items for pumping equipment, but recommends a reduction in the contingency factor for the Plant No. 8 Back-Up SCADA and the vault retrofits.

In rebuttal testimony, San Gabriel opposed the reduction in the contingency factor.

RESOLUTION: In settlement, Parties agree to a total of \$3,920,000 for Pumping Equipment for 2019 through 2022. Specifically, San Gabriel agrees to reduce the contingency factor to 10% for the Plant No. 8 back-up SCADA System (\$336,000). Parties also agree to San Gabriel's requested amounts for refurbishment of six Wells (\$1,600,000), refurbishment of six Boosters (\$340,000), refurbishment of electrical panels and starters for Boosters (\$340,000), SCADA replacement (\$1,000,000), and the Arc Flash Study (\$120,000), and vault retrofits (\$180,000) which were already requested at the 10% contingency rate. These project component amounts include additional cost add-ons such as engineering and design and administrative overhead.

Pumping Equipment	San Gabriel Position	Public Advocates Office Position	Difference	Settlement Total
Pumping Equipment	\$3,975,000	\$3,920,000	\$55,000	\$3,920,000
TOTAL	\$3,975,000	\$3,920,000	\$55,000	\$3,920,000

REFERENCES: Exh. SG-7 (Yucelen), pp. 74-78; Exh. Cal Adv-2 (Los Angeles), pp. 6-4; Exh. SG-11 (Yucelen), pp. 85-87.

25. Mains

ISSUE: San Gabriel proposed a total investment of \$37,500,000 for years 2019 through 2022 to replace aging or undersized pipelines ("Mains") through its pipeline replacement program.

The Public Advocates Office recommends that the Commission authorize the requested budget items for Mains, but recommends reducing the contingency factor. The Public Advocates Office also recommends disallowing the Project ID P-19.

In rebuttal testimony, San Gabriel opposed the reduced contingency factor and the disallowance of Project ID P-19.

RESOLUTION: In settlement, San Gabriel agrees to reduce its request as recommended by the Public Advocates Office to a total of \$31,620,000 for Mains, comprised of \$500,000 annually for 2019-2022 for Bridge Crossing Rehabilitation and Replacements (\$500,000); and Miscellaneous Mains (\$6,720,000 anticipated to be completed in 2019, \$8,100,000 in 2020, \$9,000,000 in 2021, and \$7,800,000 in 2022). These project component amounts include additional cost add-ons such as engineering and design and administrative overhead.

Mains	San Gabriel Position	Public Advocates Office Position	Difference	Settlement Total
Mains	\$37,500,000	\$31,620,000	\$5,880,000	\$31,620,000
TOTAL	\$37,500,000	\$31,620,000	\$5,880,000	\$31,620,000

REFERENCES: Exh. SG-7 (Yucelen), pp. 84-88; Exh. Cal Adv-2 (Los Angeles), pp. 6-4, 6-47; Exh. SG-11 (Yucelen), pp. 83-84, 90-91.

26. Services

ISSUE: San Gabriel requested a total cost of \$11,500,000 for service line (“Services”) replacements for years 2019 through 2022.

The Public Advocates Office recommends a lower total budget of \$11,000,000.

RESOLUTION: In settlement, San Gabriel agrees to reduce its request to a total of \$11,388,000 for Services (\$2,470,000 anticipated to be completed in 2019, \$2,725,000 in 2020, \$2,970,000 in 2021, and \$3,223,000 in 2022).

Services	San Gabriel Position	Public Advocates Office Position	Difference	Settlement Total
Services	\$11,500,000	\$11,000,000	\$500,000	\$11,388,000
TOTAL	\$11,500,000	\$11,000,000	\$500,000	\$11,388,000

REFERENCES: Exh. SG-7 (Yucelen), pp. 88-89; Exh. Cal Adv-2 (Los Angeles), pp. 6-4, 6-47 to 6-48; Exh. SG-11 (Yucelen), p. 108.

27. Meters

ISSUE: San Gabriel initially requested \$620,000 in 2019, \$893,000 in 2020, \$860,000 in 2021, and \$868,000 in 2022 for Meter replacements. San Gabriel later updated its Meter replacement cost estimates to \$721,000 in 2019, \$794,000 in 2020, \$794,000 in 2021 and \$794,000 in 2022.

The Public Advocates Office agreed with San Gabriel’s proposed revised budget for Meter replacement.

RESOLUTION: In settlement, San Gabriel agrees to reduce its request to a total of \$3,103,000 for Meter Replacement and Equipment (\$721,000 anticipated to be completed in 2019 and \$794,000 each of the following three years).

Meters	San Gabriel Position	Public Advocates Office Position	Difference	Settlement Total
Meters	\$3,241,000	\$3,103,000	\$138,000	\$3,103,000
TOTAL	\$3,241,000	\$3,103,000	\$138,000	\$3,103,000

REFERENCES: Exh. SG-4 (DiPrimio), pp. 46-54; Exh. SG-7 (Yucelen), p. 78; Exh. Cal Adv-2 (Los Angeles), pp. 6-4, 6-48; Exh. SG-11 (Yucelen), p. 108.

28. Fire Hydrants

ISSUE: San Gabriel requested \$135,000 in 2019, \$160,000 in 2020, \$195,000 in 2021, and \$230,000 in 2022 to install public fire hydrants.

The Public Advocates Office recommended \$135,000 in 2019, \$160,000 in 2020, \$195,000 in 2021 and \$160,000 in 2022 for San Gabriel's fire hydrants budget.

In rebuttal testimony, San Gabriel agreed with the Public Advocates Office's recommended budget.

RESOLUTION: In settlement, San Gabriel agrees to reduce its request to a total of \$650,000 for Fire Hydrants (\$135,000 anticipated to be completed in 2019, \$160,000 in 2020, \$195,000 in 2021, and \$160,000 in 2022).

Fire Hydrants	San Gabriel Position	Public Advocates Office Position	Difference	Settlement Total
Fire Hydrants	\$720,000	\$650,000	\$70,000	\$650,000
TOTAL	\$720,000	\$650,000	\$70,000	\$650,000

REFERENCES: Exh. SG-7 (Yucelen), p. 89; Exh. Cal Adv-2 (Los Angeles), pp. 6-5, 6-49; Exh. SG-11 (Yucelen), p. 109.

29. Structures and Improvements

ISSUE: San Gabriel plans to complete certain structures and improvements and budgeted \$25,000 in 2019, \$30,000 in 2020, \$35,000 in 2021 and \$40,000 in 2022 for these improvements.

The Public Advocates Office did not oppose San Gabriel's request.

RESOLUTION: Parties agree to San Gabriel's request for a total of \$130,000 for Structures and Improvements.

Structures and Improvements	San Gabriel Position	Public Advocates Office Position	Difference	Settlement Total
Structures and Improvements	\$130,000	\$130,000	\$0	\$130,000
TOTAL	\$130,000	\$130,000	\$0	\$130,000

REFERENCES: Exh. SG-7 (Yucelen), p. 79; Exh. Cal Adv-2 (Los Angeles), pp. 6-5; Exh. SG-11 (Yucelen), p. 111.

30. Office Equipment

ISSUE: San Gabriel requested \$90,000 in 2019, \$85,000 in 2020, \$105,000 in 2021, and \$120,000 in 2022, for a total of \$400,000 to replace furniture, computers, printers, and office equipment.

The Public Advocates Office did not oppose San Gabriel's request.

RESOLUTION: In settlement, Parties agree to a total of \$400,000 for Office Equipment, which includes furniture, computers, printers and other office equipment.

Office Equipment	San Gabriel Position	Public Advocates Office Position	Difference	Settlement Total
Office Equipment	\$400,000	\$400,000	\$0	\$400,000
TOTAL	\$400,000	\$400,000	\$0	\$400,000

REFERENCES: Exh. SG-7 (Yucelen), p. 90; Exh. Cal Adv-2 (Los Angeles), pp. 6-5; Exh. SG-11 (Yucelen), p. 111.

31. Transportation Equipment

ISSUE: San Gabriel requested the following annual amounts to purchase additional and replacement vehicles: \$215,000 in 2019, \$325,000 in 2020, \$426,000 in 2021 and \$263,000 in 2022.

The Public Advocates Office did not oppose San Gabriel's request.

RESOLUTION: In settlement, Parties agree to a total of \$1,229,000 for Transportation Equipment as proposed.

Transportation Equipment	San Gabriel Position	Public Advocates Office Position	Difference	Settlement Total
Transportation Equipment	\$1,229,000	\$1,229,000	\$0	\$1,229,000
TOTAL	\$1,229,000	\$1,229,000	\$0	\$1,229,000

REFERENCES: Exh. SG-7 (Yucelen), pp. 83-84; Exh. Cal Adv-2 (Los Angeles), pp. 6-5; Exh. SG-11 (Yucelen), p. 112.

32. Communications Equipment

ISSUE: San Gabriel requested \$120,000 in 2019, \$70,000 in 2020, \$70,000 in 2021, and \$70,000 in 2022 to replace mobile radios, field service applications, tablets and two-way radios to be used by field employees to communicate with operations and maintenance staff while servicing the water system.

The Public Advocates Office did not oppose San Gabriel's request.

RESOLUTION: In settlement, Parties agree to a total of \$330,000 for Communication Equipment, comprised of \$50,000 for mobile radios, \$60,000 for field service applications, \$70,000 for tablets and mounting equipment, and \$150,000 for other communications equipment.

Communication Equipment	San Gabriel Position	Public Advocates Office Position	Difference	Settlement Total
Communication Equipment	\$330,000	\$330,000	\$0	\$330,000
TOTAL	\$330,000	\$330,000	\$0	\$330,000

REFERENCES: Exh. SG-7 (Yucelen), p. 91; Exh. Cal Adv-2 (Los Angeles), pp. 6-5; Exh. SG-11 (Yucelen), p. 112.

33. Tools and Equipment

ISSUE: San Gabriel requested \$33,000 in 2019, \$35,000 in 2020, \$40,000 in 2021 and \$45,000 in 2022 to replace jackhammers, tampers, compressors, pipe locators, leak detectors and other similar mechanical and pneumatic equipment to be used by field employees to operate and maintain the water system. For 2020, San Gabriel also requested \$110,000 to replace two backhoes, \$10,000 to purchase a dump trailer, and \$15,000 to purchase a Ford diagnostic scanner.

The Public Advocates Office did not oppose San Gabriel's request.

RESOLUTION: In settlement, Parties agree to a total of \$288,000 for Tools and Equipment, comprised of \$110,000 for backhoes, \$10,000 for a dump trailer, \$15,000 for a diagnostic scanner, and \$153,000 for other tools and equipment.

Tools and Equipment	San Gabriel Position	Public Advocates Office Position	Difference	Settlement Total
Tools and Equipment	\$288,000	\$288,000	\$0	\$288,000
TOTAL	\$288,000	\$288,000	\$0	\$288,000

REFERENCES: Exh. SG-7 (Yucelen), p. 90; Exh. Cal Adv-2 (Los Angeles), pp. 6-5; Exh. SG-11 (Yucelen), p. 112.

D. Other Rate Base Items

1. Construction Work in Progress (“CWIP”)

ISSUE: San Gabriel used the most recent recorded CWIP balances (December 2018) to forecast Test Year 2020-2021 and Test Year 2021-2022 CWIP in rate base. The Public Advocates Office removed projects aged more than one year from the 2018 CWIP recorded balance, except those projects that were under construction during 2018. In rebuttal, San Gabriel objected to the Public Advocates Office’s adjustment relating to CWIP.

RESOLUTION: Parties agree to include a three-year balance of CWIP in rate base based on San Gabriel’s total recorded CWIP for the years 2016-2018 for the LA Division (eliminating construction expenditures prior to 2016).

	San Gabriel Position	Public Advocates Office Position	Difference	Settlement
Construction Work in Progress	\$14,054,900	\$2,098,200	\$11,956,700	\$9,405,100

REFERENCES: Exh. SG-2 (Reiker), pp. 8-1 to 8-5; Exh. Cal Adv-2 (Los Angeles), pp. 8-3 to 8-4; Exh. SG-11 (Yucelen), pp. 6-10.

E. Rate Design

1. Revenue Allocation

ISSUE: In the LA Division, San Gabriel has allocated 64.6% of the revenue requirement to quantity rates as adopted in D.10-04-031. San Gabriel did not propose any changes to revenue allocation for the LA Division. The Public Advocates Office recommended that the Commission adopt a revenue allocation of 67.3% quantity rate / 32.7% service charge in order to promote conservation and affordability. In rebuttal, San Gabriel opposed the Public Advocates Office recommendation regarding the revenue allocation in the LA Division.

RESOLUTION: In settlement, Parties agree to maintain the current revenue allocation in the LA Division.

	San Gabriel Position	Public Advocates Office Position	Difference	Settlement
Revenue Allocation	64.6% in quantity rates	67.3% in quantity rates	(2.7%)	64.6% in quantity rates

REFERENCES: Exh. SG-6 (Reiker), p. 74; Exh. Cal Adv-2 (Los Angeles), pp. 14-1 to 14-7; Exh. SG-10 (Reiker), pp. 34-40.

2. Tier 1 Breakpoint

ISSUE: The conservation quantity rates set forth in Tariff Schedules LA-1C for the LA Division and FO-1C for the FWC Division are split between two tiers. The LA Division's current Tier 1 breakpoint was set at 13 Ccf/month. San Gabriel proposed to reduce the tier breakpoint from the current 13 Ccf/month down to 12 Ccf/month, in recognition of the decline in average monthly usage by the Residential class. The Public Advocates Office recommended instead that the Commission reduce the tier breakpoint from 13 Ccf/month down to 11 Ccf/month for the LA Division to better reflect the actual average monthly usage by the Residential class customers.

RESOLUTION: In settlement, Parties agree to reduce the Tier 1 breakpoint to 11 Ccf, from the current 13 Ccf for the LA Division.

	San Gabriel Position	Public Advocates Office Position	Difference	Settlement
Tier 1 Breakpoint	12 Ccf/Month	11 Ccf/Month	1 Ccf/Month	11 Ccf/Month

REFERENCES: Exh. SG-6 (Reiker), pp. 75-76; Exh. Cal Adv-2 (Los Angeles), pp. 14-8 to 14-12.

3. California Alternative Rates for Water ("CARW") Subsidy

ISSUE: In San Gabriel's last GRC, A.16-01-002, both San Gabriel and the Public Advocates Office sought to move toward a single CARW benefit amount independent of meter size, and agreed on a uniform subsidy of \$9 per month for all meter sizes in both the LA and FWC Divisions, which was adopted in D.17-06-008. San Gabriel did not propose any changes to the CARW subsidy in this GRC. The Public Advocates Office recommended that the Commission increase the CARW subsidy by the same percentage as the adopted Test Year rates are increased over current rates because this would mitigate the impact of rate increases on low-income customers. Under this proposed methodology, the Public Advocates Office's recommended CARW subsidy was \$9.72 per month.

RESOLUTION: In settlement, Parties agree on a CARW subsidy of \$9.82 per month to qualifying low-income customers for all meter sizes. This settlement amount is calculated using the Public Advocates Office's recommended formula of \$9 multiplied by the Test Year 2020-2021 revenue Requirement, then divided by the Test Year 2017-2018 Revenue Requirement.

	San Gabriel Position	Public Advocates Office Position	Difference	Settlement
CARW Subsidy	\$9.00 per month	\$9.72 per month	\$0.72 per month	\$9.82 per month

REFERENCES: Exh. SG-6 (Reiker), pp. 77-78; Exh. Cal Adv-2 (Los Angeles), pp. 14-13 to 14-15.

4. CARW Surcharge

ISSUE: Currently the CARW subsidy is recovered from non-CARW customers in the LA Division through a quantity-based surcharge of \$0.2425/Ccf. San Gabriel proposed instead to fund the CARW program through a fixed surcharge. The Public Advocates Office opposed this proposal and recommended that the Commission maintain the current quantity-based CARW surcharge. In rebuttal, San Gabriel responded to the arguments set forth by the Public Advocates Office on this disputed issue.

RESOLUTION: In settlement, Parties agree to maintain a quantity-based CARW surcharge of \$0.2158/Ccf.

	San Gabriel Position	Public Advocates Office Position	Difference	Settlement
CARW Surcharge	Fixed Surcharge	Quantity-Based Surcharge	n.a.	Quantity-Based Surcharge of \$0.2158/Ccf

REFERENCES: Exh. SG-6 (Reiker), p. 78; Exh. Cal Adv-2 (Los Angeles), pp. 14-15 to 14-17; Exh. SG-10 (Reiker), pp. 41-44, Attachments W, X, and Y.

F. Other Issues

1. Customer Service

ISSUE: San Gabriel provided information in its GRC Application regarding its customer service practices and processes. The Public Advocates Office reviewed San Gabriel's GRC Application and responses to data requests, as well as data obtained on customer contacts from the Commission's Consumer Affairs Branch to evaluate San Gabriel's customer service. Based on this review, the Public Advocates Office found that San Gabriel's customer service in the LA Division is satisfactory and complies with the requirements of General Order 103-A.

RESOLUTION: Parties agree that customer service in the LA Division is satisfactory and complies with the requirements of General Order 103-A.

REFERENCES: Exh. SG-2 (Reiker), pp. 12-3 to 12-4, Exh. Cal Adv-2 (Los Angeles), pp. 12-1 to 12-12.

2. Emergency Management Plan

ISSUE: The Public Advocates Office recommended that the Commission require San Gabriel to add specific guidelines to its Emergency Management Plan to deal with various specific emergencies such as earthquakes, wildfires, and floods. San Gabriel did not oppose this recommendation.

RESOLUTION: Parties agree that San Gabriel will add specific guidelines to its Emergency Management Plan to deal with various specific emergencies such as earthquakes, wildfires, and floods.

REFERENCES: Exh. Cal Adv-2 (Los Angeles), pp. 12-10 to 12-12.

IV. ISSUES RELATING MAINLY TO THE FONTANA WATER COMPANY DIVISION

A. Water Consumption and Operating Revenues

1. Average Number of Customers

ISSUE: With the exception of the Construction and Recycled Water classes in both the LA and FWC Divisions, San Gabriel forecasted customer growth using the average annual rate of growth in customers for each class over the five-year period ending with 2018. The number of forecasted Construction class customers in both the LA and FWC Divisions was based on the average number of Construction class customers served during the five years ending with 2018. The number of forecasted Recycled Water Class customers in both the LA and FWC Divisions was based on the number of customers actually served in 2018, adjusted to reflect additional customers that San Gabriel expects to convert to recycled water service in 2019, 2020, and 2021. Accordingly, the forecasted number of customers in the other customer classifications (Residential Multi-Family, Commercial, Industrial and Public Authority) were adjusted to reflect these anticipated recycled water conversions. The Public Advocates Office accepted San Gabriel's estimates for the FWC Division.

RESOLUTION: The Parties are in agreement with respect to the average number of customers for the FWC Division as shown below.

	San Gabriel Position	Public Advocates Office Position	Difference	Settlement
Average Number of Customers	47,163	47,163	0	47,163

REFERENCES: Exh. SG-3 (Reiker), pp. 4-1 to 4-5; Exh. SG-6 (Reiker), pp. 11-12; Exh. Cal Adv-3 (Fontana), pp. 2-4 to 2-5.

2. Water Sales per Customer (Sales Forecast)

ISSUE: San Gabriel began by applying the New Committee Method to recorded monthly sales over the last ten years, in accordance with the Revised Rate Case Plan (D.07-05-062). This method uses a separate regression analysis to normalize sales for each customer classification. In each regression, the dependent variable is unit consumption (Ccf) and the independent variables are time, precipitation and temperature. All data were input on a monthly basis for 120 months (ten years) beginning July 2008 and ending June 2018. San Gabriel ran additional regressions (Regressions 2 through 4) in which different statistical methodologies were used to remove the effect of drought restrictions in place from June 2015 through April 2017. Additionally, San Gabriel added explanatory variables for each month of the year to account for any month-to-month variation in water usage that is independent of precipitation and temperature. These explanatory variables would capture, for example, changing household behavior due to school schedules, vacations, and holidays. Explanatory variables were used to account for factors that are not quantitative and therefore not represented by numbers. San Gabriel relied on the results of these regressions to forecast sales for the following customer classes:

LA Division:

- Residential Single-Family
- Residential Multi-Family – Small
- Residential Multi-Family – Large

FWC Division:

- Residential Single Family
- Residential Multi-Family – Small

San Gabriel's sales forecasts for all but four of the remaining customer classes (Construction in both Divisions, Niagara, CSI, and Recycled Water in the FWC Division) were based on a five-year average of per customer sales ending with 2018. San Gabriel's sales forecasts for the Construction classes in both the LA and FWC Divisions were based on recorded sales for the 12 months ending June 2018. The sales forecast for Niagara was based upon Niagara's own estimates of potable water needs when its facility reaches full production, which is expected in 2020. The sales forecast for CSI was based its own estimates of potable water needs during 2020 and 2021. San Gabriel's sales forecast for the Recycled Water Class in the FWC Division was based on recorded per customer sales for the 12 months ending June 2018, with adjustments to reflect the anticipated conversion of certain Residential Multi Family, Commercial, Industrial, and Public Authority customers to recycled water service in 2019, 2020 and 2021.

The Public Advocates Office also performed the New Committee Method regression analysis but with different explanatory (or indicator) variables. The Public Advocates Office proposed different and generally higher Test Year sales forecasts for residential customer classes. For the Construction customer class, the Public Advocates Office instead used a three-year recorded average approach and the latest available data. For Niagara and CSI, the Public Advocates Office used the same forecast as San Gabriel. The Public Advocates Office applied the same approach as San Gabriel to other Non-Residential customer classes but used the latest available data (January 2014-December 2018).

In rebuttal testimony, San Gabriel relied on the long-term general trend of declining sales and the expectation that sales will continue to decline to support San Gabriel's forecasts. San Gabriel presented several further arguments against the Public Advocates Office's methodology and reasoning with respect to the customer sales forecasts for residential customers.

RESOLUTION: The Parties' forecasts for Test Year sales in the FWC Division are set forth in the following table. With respect to the Residential Single Family and Residential Multi-Family – Small for the FWC Division, the Parties agree in settlement to use a forecast based on the average of 1) 4-year average (2015-2018) and 2) recorded sales for 12-months ending August 2019. For other classes of customers, San Gabriel stipulates to using the customer sales forecasts proposed by the Public Advocates Office.

Sales Per Customer Test Year 2020 (Ccf/customer)	San Gabriel Position	Public Advocates Office Position	Difference	Settlement
Residential Single Family	154	199	(45)	182
Residential Multi-Family – Small	466	537	(71)	515
Residential Multi-Family – Large	7,701	7,672	29	7,672
Commercial – Small	562	566	(4)	566
Commercial – Large	3,534	3,533	1	3,533
Industrial – Small	604	602	2	602
Industrial - Large	10,938	10,761	177	10,761
Niagara Bottling	649,687	649,687	0	649,687
California Steel Industries	22,393	22,393	0	22,393
Cemex USA – Contract	95,319	98,406	(3,087)	98,406
Cemex USA – Tariff	162,301	167,555	(5,254)	167,555
Public Authority – Small	703	713	(10)	713
Public Authority - Large	4,690	4,818	(128)	4,818
Construction	3,210	3,725	(515)	3,725
Recycled water	4,841	4,841	0	4,841

REFERENCES: Exh. SG-6 (Reiker), pp. 13-21, Attachment A and B; Exh. Cal Adv-3 (Fontana), pp. 2-5 to 2-13, Appendix A; Exh. SG-10 (Reiker), pp. 2-33, Attachment A through S.

3. Water Loss Rate

ISSUE: San Gabriel estimated water loss based on a recorded 5-year average for the years 2014-2018. The Public Advocates Office accepted San Gabriel's estimate of water loss for the FWC Division

RESOLUTION: The Parties agree to use an 8.5% water loss rate for the FWC Division.

	San Gabriel Position	Public Advocates Office Position	Difference	Settlement
Water Loss Rate	8.5%	8.5%	0%	8.5%

REFERENCES: Exh. SG-6 (Reiker), pp. 22-23, Exh. Cal Adv-3 (Fontana), pp. 2-15 to 2-16.

B. Expenses

1. Health, Dental and Vision Insurance

ISSUE: San Gabriel applied health insurance premium increases of 11% in July 2019, 10% in July 2020, and 10% in July 2021. San Gabriel then applied these escalated premiums to its employee forecast to arrive at the total health insurance costs. San Gabriel's forecast of health insurance expense includes the San Gabriel's portion of health insurance premiums for new employee positions requested in this GRC. For dental, vision, life, and LTD insurance, San Gabriel escalated 2018 premiums by applying CPI-U escalation rates for Estimated Year 2019 and Test Year 2020. San Gabriel then applied these escalated premiums to the San Gabriel's payroll and employee forecast, as appropriate, to arrive at the total dental, vision, life and LTD insurance costs.

The Public Advocates Office opposed San Gabriel's position and instead recommended that the Commission not approve an increase in healthcare premium costs because in the Public Advocates Office determination, San Gabriel did not present evidence that it would experience annual premium increases at the levels requested. In addition, the Public Advocates Office recommended that the Commission not approve increases in dental and vision insurance premiums because the most recent renewal of these insurance premiums has not increased San Gabriel's expense.

In rebuttal, San Gabriel disagreed with the Public Advocates Office's positions and responded to those arguments.

RESOLUTION: Parties agree to Health, Dental and Vision insurance expense of \$1,476,795 in the FWC Division, which is based on a 2.4% CPI increase.

	San Gabriel Position	Public Advocates Office Position	Difference	Settlement
Health, Dental & Vision Insurance	\$1,708,011	\$1,408,200	\$299,811	\$1,476,795

REFERENCES: Exh. SG-6 (Reiker), pp. 55-56, Attachment C; Exh. Cal Adv-2 (Los Angeles), pp. 4-6 to 4-11; Exh. Cal Adv-3 (Fontana), pp. 4-32 to 4-36; Exh. SG-10 (Reiker), pp. 47-48.

2. Regulatory Commission Expense

ISSUE: San Gabriel forecasted Regulatory Expense during this GRC cycle include non-recurring costs associated with processing this GRC, as well as forecasted costs related to one future cost of capital proceeding and San Gabriel's participation in Orders Instituting Investigations and Orders Instituting Rulemakings, all of which are amortized over the three-year GRC cycle. Forecasted incremental, non-recurring costs for processing this GRC and the next cost of capital proceeding include outside attorneys' fees, customer notices, travel, printing/shipping, as well as costs for outside consulting services and other miscellaneous items.

The Public Advocates Office recommended that the Commission require San Gabriel to transition from including regulatory expenses for the current GRC in the future Test Year to forecasting prospectively for its next GRC (Test Year 2023).

RESOLUTION: Parties agree to Regulatory Commission Expense of \$423,293 in the FWC Division, representing costs for both the current and the next GRC.

	San Gabriel Position	Public Advocates Office Position	Difference	Settlement
LA Regulatory Commission Expense	\$410,324	\$423,493	(\$13,169)	\$423,293

REFERENCES: Exh. SG-6 (Reiker), pp. 56-57, Attachment F; Exh. Cal Adv-2 (Los Angeles), pp. 4-12 to 4-15; Exh. Cal Adv-3 (Fontana), pp. 4-37 to 4-43.

3. Conservation Program Expense

ISSUE: San Gabriel proposed several programs to promote and facilitate water conservation. Proposed programs include high efficiency toilet distribution, conservation kits, K through 12 education (a water conservation themed theater program for schools within San Gabriel's service area), public outreach (newspaper advertising, bill inserts, literature and various promotional items), gardening workshops, irrigation controller and nozzle retrofit, commercial, industrial & institutional audits and retrofit, and a recycled water retrofit program.

The Public Advocates Office asserted that San Gabriel has not adequately demonstrated that it needs to increase its conservation programs beyond those adopted in the prior GRC. Therefore,

the Public Advocates Office instead recommended that the Commission authorize \$447,500 per year, the same conservation budget that it authorized in D.17-06-008, adjusted for inflation.

On rebuttal, San Gabriel stipulated to the Public Advocates Office's proposed FWC Division Conservation Expense budget.

RESOLUTION: Parties agree to the FWC Division Conservation Program Expense proposed by the Public Advocates Office of \$447,500.

	San Gabriel Position	Public Advocates Office Position	Difference	Settlement
Conservation Program Expense	\$645,000	\$447,500	\$197,500	\$447,500

REFERENCES: Exh. SG-4 (Diprimio), pp. 32-42; Exh. Cal Adv-3 (Fontana), pp. 3-6 to 3-7; Exh. SG-8 (Diprimio), pp. 1-2.

4. Uncollectibles Rate

ISSUE: San Gabriel calculated the Uncollectibles rate using a 5-year average for the years 2014-2018 for the FWC Division. The Public Advocates Office instead calculated the Uncollectibles rate using the average ratio of uncollectible expense to revenue for the most recent three years (2016-2018) based on the recent improvement in the economy in San Gabriel's FWC Division service area.

RESOLUTION: Parties agree to 0.1918% as the Uncollectibles Rate for the FWC Division.

	San Gabriel Position	Public Advocates Office Position	Difference	Settlement
Uncollectibles Rate	0.1918%	0.1716%	0.0202%	0.1918%

REFERENCES: Exh. SG-6 (Reiker), p. 64; Exh. Cal Adv-3 (Fontana), pp. 3-5 to 3-6; Exh. SG-10 (Reiker), pp. 44-47.

C. Capital Budget – Plant Additions

The following two tables present an overview of the positions of the Parties as well as the agreement reached in settlement for the San Gabriel-funded plant additions proposed for San Gabriel's FWC Division (in thousands of dollars). A more detailed narrative description for each of the plant items follows the two tables.

Project/Account Name	Total		
	San Gabriel	Public Advocates Office	Settlement
	(x1000)	(x1000)	(x1000)
Capital Improvement Projects			
Plant F10	\$8,460	\$2,955	\$6,742
Plant F15	\$9,420	\$9,420	\$9,420
Plant F20	\$950	\$900	\$900
Plant F31	\$8,720	\$6,968	\$7,134
Plant F44	\$18,280	\$14,097	\$17,078
Plant F58	\$6,430	\$5,769	\$5,769
Plant F59	\$6,200	\$0	\$0
Miscellaneous			
Water Storage Sites	\$4,000	\$0	\$0
Solar Power, Master Plan & Security Improvements	\$1,425	\$1,097	\$1,097
GIS and CIP Implementation Report	\$1,180	\$1,180	\$1,180
Other Accounts			
Refurbish Wells and Boosters	\$110	\$96	\$96
Pumping Equipment	\$3,410	\$3,348	\$3,348
Mains	\$32,000	\$28,792	\$28,792
Services	\$11,500	\$11,500	\$11,388
Meters	\$3,261	\$3,305	\$3,305
Fire Hydrants	\$520	\$520	\$520
Structures and Improvements	\$160	\$160	\$160
Office Equipment	\$475	\$475	\$475
Transportation Equipment	\$985	\$985	\$985
Communications Equipment	\$320	\$320	\$320
Tools and Equipment	\$405	\$405	\$405
Total SG Funded Plant Additions	\$118,211	\$92,292	\$99,115
Reduction	\$0	\$25,919	\$19,096
Reduction Percentage	0%	-22%	-16%

Project/Account Name	Settlement 2019 (x1000)	Settlement 2020 (x1000)	Settlement 2021 (x1000)	Settlement 2022 (x1000)	Settlement Total
Capital Improvement Projects					
Plant F10	\$350	\$1,400	\$4,992	\$0	\$6,742
Plant F15	\$8,470	\$950	\$0	\$0	\$9,420
Plant F20	\$0	\$900	\$0	\$0	\$900
Plant F31	\$5,984	\$1,150	\$0	\$0	\$7,134
Plant F44	\$400	\$0	\$6,152	\$10,526	\$17,078
Plant F58	\$100	\$5,669	\$0	\$0	\$5,769
Plant F59	\$0	\$0	\$0	\$0	\$0
Miscellaneous					
Water Storage Sites	\$0	\$0	\$0	\$0	\$0
Solar Power, Master Plan & Security Improvements	\$313	\$91	\$405	\$288	\$1,097
GIS and CIP Implementation Report	\$220	\$320	\$320	\$320	\$1,180
Other Accounts					
Refurbish Wells and Boosters	\$96	\$0	\$0	\$0	\$96
Pumping Equipment	\$1,089	\$753	\$753	\$753	\$3,348
Mains	\$5,900	\$6,714	\$7,644	\$8,534	\$28,792
Services	\$2,472	\$2,722	\$2,972	\$3,222	\$11,388
Meters	\$749	\$852	\$852	\$852	\$3,305
Fire Hydrants	\$100	\$120	\$140	\$160	\$520
Structures and Improvements	\$25	\$35	\$45	\$55	\$160
Office Equipment	\$165	\$85	\$105	\$120	\$475
Transportation Equipment	\$280	\$195	\$220	\$290	\$985
Communications Equipment	\$110	\$70	\$70	\$70	\$320
Tools and Equipment	\$60	\$135	\$135	\$75	\$405
Total SG Funded Plant Additions	\$26,883	\$22,161	\$24,805	\$25,266	\$99,115

1. Contingency Factors

ISSUE: For cost estimates of several capital improvement projects, San Gabriel included a contingency factor ranging from 10% to 30% to account for additional unanticipated costs resulting from permitting and construction. San Gabriel reviewed contingency factors for project cost estimates on a case-by-case basis and applied various contingency factors. The Public Advocates Office instead recommended that based on the complexity of the projects in this GRC, the Commission should adopt a uniform 10% contingency factor as reasonable for San Gabriel's capital projects. In rebuttal testimony, San Gabriel opposed the Public Advocates Office's adjustment and continued to argue that contingency factors should be assigned on a case-by-case basis.

RESOLUTION: In settlement, Parties agree to apply a uniform 10% contingency factor for capital projects for which a contingency factor is appropriate.

REFERENCES: Exh. SG-7 (Yucelen), p. 25, Attachment E; Exh. Cal Adv-2 (Los Angeles), pp. 6-4, 6-6 to 6-8; Exh. Cal Adv-3 (Fontana), pp. 6-4 to 6-7; Exh. SG-11 (Yucelen), pp. 16-20, 90, Attachments 4 through 7.

2. Plant F10

ISSUE: San Gabriel proposed to design and construct a new water storage tank on property directly adjacent to the Plant F10 (East), together with grading, fencing, site improvements, landscaping and street improvements. Once the new reservoir is built, San Gabriel will remove the 56-year-old concrete reservoir from service, demolish it, and replace it with a new above-grade steel tank, together with the installation of piping and SCADA. The total budget for this project is \$8,460,000 for 2019 through 2021.

The Public Advocates Office recommended that the Commission deny San Gabriel's request to replace the existing 1.97 MG F10 West reservoir at Plant F10 with a 1.88 MG reservoir. The Public Advocates Office supported San Gabriel's request to construct a new 0.6 MG reservoir, demolish the existing 1.97 MG reservoir, and make associated improvements at Plant F10 for \$2,960,000 million in 2020 but recommended a reduction of the contingency factor from 25% to 10% for this project.

In rebuttal testimony, San Gabriel opposed the Public Advocates Office's recommendations with respect to this project, arguing that the additional storage capacity was necessary and that the reduction of the contingency factor was unwarranted.

RESOLUTION: In settlement, Parties agree to support a \$6,742,000 cost estimate for the work proposed for Plant F10 adjusted for a 10% contingency factor, for design, permitting and related work (\$350,000) anticipated to be completed in 2019, fence and wall (\$850,000) and grading (\$250,000), SCADA (\$100,000), and demolition of an existing reservoir (West) (\$200,000) anticipated to be completed in 2020, and site improvements (\$300,000), street improvements (\$550,000), landscaping (\$150,000), 1.9 MG West Reservoir (\$3,892,000), and Reservoir Piping (West) (\$100,000) anticipated to be completed in 2021.

Plant F10	San Gabriel Position	Public Advocates Office Position	Difference	Settlement Total
Reservoir	\$8,460,000	\$2,955,000	\$5,505,000	\$6,742,000
TOTAL	\$8,460,000	\$2,955,000	\$5,505,000	\$6,742,000

REFERENCES: Exh. SG-7 (Yucelen), pp. 110-112; Exh. Cal Adv-3 (Fontana), pp. 6-21 to 6-24; Exh. SG-11 (Yucelen), pp. 93-95.

3. Plant F15

ISSUE: The Plant F15 project includes the replacement of a 140-year-old 4.16 MG concrete storage tank with a new 3.43 MG reservoir, the demolition of the old tank, and the installation of piping, fencing, walls, grading, a booster station building and electrical equipment, SCADA equipment, site work, landscaping and street improvements. This project was authorized by D.17-06-008 in the previous GRC for completion in 2016 through 2019. San Gabriel requested

\$9,420,000 to complete construction of the project in 2019 and demolition of the old reservoir in 2020.

The Public Advocates Office did not oppose San Gabriel's request and recommended approval of the total budget of \$9.42 million requested for the grading, fencing, walls, a new 3.43 MG reservoir, demolition of the 141-year-old reservoir, piping for reservoirs, booster station building and related electrical work, SCADA equipment, site improvements, landscaping and street improvements at Plant F15.

RESOLUTION: Parties agree to support the \$9,420,000 in costs for the work proposed for Plant F15 for fence and wall (\$850,000), grading (\$880,000), drainage (\$330,000), Booster building (\$850,000), SCADA (\$100,000), Booster electrical work (\$260,000), construction of a 3.43 MG East Reservoir (\$4,600,000), East Reservoir piping (\$300,000), and West Reservoir piping (\$300,000), all anticipated to be completed in 2019, and site work (\$400,000), street improvements (\$200,000), landscaping (\$150,000), and demolition of an existing reservoir (\$200,000) anticipated to be completed in 2020).

Plant F15	San Gabriel Position	Public Advocates Office Position	Difference	Settlement Total
Pumping Structures	\$3,660,000	\$3,660,000	\$0	\$3,660,000
Pumping Equipment	\$360,000	\$360,000	\$0	\$360,000
Reservoirs	\$5,400,000	\$5,400,000	\$0	\$5,400,000
TOTAL	\$9,420,000	\$9,420,000	\$0	\$9,420,000

REFERENCES: Exh. SG-7 (Yucelen), pp. 112-114; Exh. Cal Adv-3 (Fontana), p. 6-3; Exh. SG-11 (Yucelen), p. 101.

4. Plant F20

ISSUE: The Plant F20 project includes the acquisition of a new water storage site near to and at the same elevation as the existing Plant F20 site, and the design, permitting of a second potable water storage reservoir, together with related piping, fencing, walls, grading, and site work. The site is proposed to be acquired and the project designed and permitted in 2020. San Gabriel requested a total of \$950,000 to complete this project in this GRC cycle.

RESOLUTION: In settlement, Parties agree to forecast \$900,000 in costs for the work proposed for Plant F20 adjusted for a 10% contingency factor on items for which a contingency factor was used, comprised of land acquisition (\$500,000) and design, permitting, and related work (\$400,000) anticipated to be completed in 2020. These project component amounts include additional cost add-ons such as engineering and design and administrative overhead.

Plant F20	San Gabriel Position	Public Advocates Office Position	Difference	Settlement Total
Land and Land Rights	\$500,000	\$500,000	\$0	\$500,000
Reservoirs	\$450,000	\$400,000	\$50,000	\$400,000
TOTAL	\$950,000	\$900,000	\$50,000	\$900,000

REFERENCES: Exh. SG-7 (Yucelen), pp. 114-115; Exh. Cal Adv-3 (Fontana), p. 6-3; Exh. SG-11 (Yucelen), p. 102.

5. Plant F31

ISSUE: This project includes the construction of water storage reservoirs, a booster station, SCADA, pipelines, and related fencing, walls, grading, site improvements, landscaping and street improvements at the existing Plant F31 site located east of the intersection of Citrus Avenue and Baseline Avenue near the center of San Gabriel's FWC service area. The water storage and distribution improvements, which include a 0.67 MG water storage reservoir and a booster station building, were authorized by the Commission for completion in the previous GRC cycle in 2016 through 2019. The Commission also authorized San Gabriel to design and permit the improvements and drill and equip Well F31B. The total budget for the project is \$8,720,000 and includes the previously authorized improvements along with construction of a second 0.67 MG water storage reservoir at Plant F31.

The Public Advocates Office recommended that the Commission authorize all of the proposed improvements, except for Reservoir F31 (North) because there is a planned alternative project in the Alder pressure zone that addresses the storage deficiency in a more cost-efficient and prudent manner. The Public Advocates Office also recommended a reduction of the contingency factor from 25% to 10% for the booster station elements.

In rebuttal testimony, San Gabriel disagreed with the Public Advocates Office's recommendations and argued instead that the second reservoir was justified. San Gabriel also opposed the reduction in the contingency.

RESOLUTION: In settlement, Parties agree on forecasting \$7,134,000 in costs for the work proposed for Plant F31 adjusted for a 10% contingency factor and eliminating the proposed reservoir. The agreed investment is comprised of a fence and wall (\$820,000), grading (\$400,000), Booster building (\$791,000), equipping Well F31B (\$490,000), Well F31B piping (\$280,000). Well F31B electrical work (\$210,000), Booster electrical work (\$850,000), Booster piping (\$270,000), Booster Pumps (\$279,000), SCADA (\$110,000), Chlorination equipment (\$20,000), constructing a 0.67 MG North Reservoir (\$1,286,000), and North Reservoir piping (\$178,000), all anticipated to be completed in 2019, and design, permitting and related work (\$250,000) site work (\$500,000), street improvements (\$250,000), and landscaping (\$150,000)

anticipated to be completed in 2020). These project component amounts include additional cost add-ons such as engineering and design and administrative overhead.

Plant F31	San Gabriel Position	Public Advocates Office Position	Difference	Settlement Total
Pumping Structures	\$3,220,000	\$3,126,000	\$94,000	\$3,161,000
Pumping Equipment	\$2,480,000	\$2,480,000	\$0	\$2,489,000
Treatment Equipment	\$20,000	\$20,000	\$0	\$20,000
Reservoirs	\$3,000,000	\$1,342,000	\$1,658,000	\$1,464,000
TOTAL	\$8,720,000	\$6,968,000	\$1,752,000	\$7,134,000

REFERENCES: Exh. SG-7 (Yucelen), pp. 115-117; Exh. Cal Adv-3 (Fontana), p. 6-3, 6-24; Exh. SG-11 (Yucelen), pp. 95-96.

6. Plant F44

ISSUE: The Plant F44 Project includes construction of a centralized water treatment system to treat wells impacted by perchlorate and nitrate contamination in the Chino Groundwater Basin. San Gabriel is budgeting to treat the off-site Well F2A and Well F44B at Plant F44, and will design, permit and install treatment equipment, a new water storage reservoir, piping, SCADA, well pump modifications, transmission pipelines, and related grading, fencing, landscaping and site improvements at Plant F44. Accordingly, San Gabriel requested a total of \$18,280,000 to complete aspects of this project in years 2019, 2021, and 2022.

The Public Advocates Office recommended that the Commission deny San Gabriel's request for \$2,500,000 million in 2022 to construct a new 1.0 MG reservoir and associated improvements at Plant F44 West and only approve a total of \$14,097,000 for years 2019 and 2021-2022 to perform the well pump modifications at Well F2A, and installation of the nitrate and perchlorate treatment system. The Public Advocates Office argued that San Gabriel should defer to the next GRC its request to construct the 1.0 MG reservoir, which is the first in a series of five reservoirs in the Alder Zone, and that San Gabriel should renew its request in its next GRC with analysis demonstrating how the subsequent construction of five new reservoirs is the most cost-effective way of addressing the current storage deficit, which the Public Advocates Office initially calculated to be 4.86 MG, and which it later revised to 3.74 MG.

In rebuttal testimony, San Gabriel disagreed with the Public Advocates Office's recommendation on the reservoir and associated improvements.

RESOLUTION: In settlement, Parties agree to a \$17,078,000 estimate of costs for the work proposed for Plant F44 adjusted for a 10% contingency factor, comprised of design, permitting and related work (\$400,000) completed in 2018, demolition of an existing house (\$91,000), Well F2A Pump modifications (\$220,000), fence and wall (\$768,000), grading (\$454,000), SCADA (\$90,000), construction of a Perchlorate Treatment System (\$3,874,000), Perchlorate Treatment System piping (\$175,000), and an F2 to F44 Pipeline (\$570,000) anticipated to be completed in 2021, and site work (\$320,000), landscaping (\$140,000), construction of a Nitrate Treatment System (\$7,568,000), Nitrate System piping (\$175,000), construction of a 1.0 MG Reservoir F44 West (\$2,153,000), and Reservoir piping (\$80,000) anticipated to be completed in 2022. These project component amounts include additional cost add-ons such as engineering and design and administrative overhead.

Plant F44	San Gabriel Position	Public Advocates Office Position	Difference	Settlement Total
Pumping Structures	\$450,000	\$400,000	\$50,000	\$400,000
Pumping Equipment	\$350,000	\$320,000	\$30,000	\$311,000
Treatment Structures	\$2,400,000	\$2,220,000	\$180,000	\$1,773,000
Treatment Equipment	\$12,400,000	\$10,987,000	\$1,413,000	\$11,792,000
Reservoirs	\$2,500,000	\$0	\$2,500,000	\$2,233,000
Mains	\$630,000	\$570,000	\$60,000	\$570,000
TOTAL	\$18,280,000	\$14,097,000	\$4,183,000	\$17,079,000

REFERENCES: Exh. SG-7 (Yucelen), pp. 117-119; Exh. Cal Adv-3 (Fontana), p. 6-3, 6-24 to 6-25; Exh. SG-11 (Yucelen), pp. 97-99.

7. Plant F58

ISSUE: The Plant F58 Project includes site work, landscaping and street improvements and the design, permitting and related work for construction of a new booster station and transmission pipeline. The total request for the project is \$6,430,000 in San Gabriel Funds and \$1,300,000 in Contributions in Aid of Construction.

RESOLUTION: In settlement, Parties agree to support a \$5,769,000 cost estimate for the work proposed for Plant F58, comprised of design, permitting and related work (\$100,000) anticipated to be completed in 2019, and a Booster building (\$850,000), Booster piping (\$200,000), Booster Pumps (\$300,000), Booster electrical work (\$880,000), SCADA (\$100,000) and the F58 to Sierra Avenue Pipeline adjusted for a 10% contingency factor (\$3,339,000) anticipated to be

completed in 2020. These project component amounts include additional cost add-ons such as engineering and design and administrative overhead.

Plant F58	San Gabriel Position	Public Advocates Office Position	Difference	Settlement Total
Pumping Structures	\$950,000	\$950,000	\$0	\$950,000
Pumping Equipment	\$1,480,000	\$1,480,000	\$0	\$1,480,000
Mains	\$4,000,000	\$3,339,000	\$661,000	\$3,339,000
TOTAL	\$6,430,000	\$5,769,000	\$661,000	\$5,769,000

REFERENCES: Exh. SG-7 (Yucelen), pp. 119-122; Exh. Cal Adv-3 (Fontana), p. 6-3; Exh. SG-11 (Yucelen), pp. 103-104.

8. Plant F59

ISSUE: The Plant F59 Project includes a water storage reservoir, piping, SCADA, site work, landscaping, fencing and walls, and street improvements. The total request for the water storage and related improvement project is \$6,200,000 and is proposed to be completed over three years starting in 2020 and ending in 2022.

The Public Advocates Office recommended that the Commission deny the proposed Plant F59 Reservoir Project because the project is not cost efficient or prudent and there is already adequate storage capacity in the F19 pressure zone.

In rebuttal testimony, San Gabriel disagreed with the Public Advocates Office's recommendations, arguing that the project was needed for additional water storage as well as materials and equipment storage.

RESOLUTION: In settlement, San Gabriel agrees to remove the Plant F59 project from the current GRC cycle.

Plant F59	San Gabriel Position	Public Advocates Office Position	Difference	Settlement Total
Reservoirs	\$6,200,000	\$0	\$6,200,000	\$0
TOTAL	\$6,200,000	\$0	\$6,200,000	\$0

REFERENCES: Exh. SG-7 (Yucelen), pp. 122-123; Exh. Cal Adv-3 (Fontana), pp. 6-3, 6-26; Exh. SG-11 (Yucelen), pp. 99-101.

9. Water Storage Sites

ISSUE: San Gabriel requested funds to acquire sites for water storage reservoirs needed to address storage deficiencies in specific locations of San Gabriel's water system. For this purpose, San Gabriel requested \$2,000,000 in 2020 and \$2,000,000 in 2021 for a total of \$4,000,000 in budget years 2019 through 2022.

The Public Advocates Office recommended that the Commission reject San Gabriel's request to acquire land to build reservoirs and water production wells because current storage and supply capacity is adequate.

In rebuttal testimony, San Gabriel disagreed with the Public Advocates Office's recommendation and argued that its contentions were erroneous.

RESOLUTION: San Gabriel agrees to remove its request associated with the proposed acquisition of land and land rights from the current GRC cycle.

Water Storage Sites	San Gabriel Position	Public Advocates Office Position	Difference	Settlement Total
Water Storage Sites	\$4,000,000	\$0	\$4,000,000	\$0
TOTAL	\$4,000,000	\$0	\$4,000,000	\$0

REFERENCES: Exh. SG-7 (Yucelen), pp. 135-136; Exh. Cal Adv-3 (Fontana), pp. 6-3, 6-26 to 6-28; Exh. SG-11 (Yucelen), pp. 104-105.

10. Solar Power, Master Plan & Security

ISSUE: San Gabriel proposed to hire a consultant to evaluate San Gabriel's energy needs for its headquarters and maintenance facility in the City of Fontana. As recommended in the report, San Gabriel will develop plans to install a solar power generating system for its headquarters and maintenance facility in the City of Fontana. The proposed budget for the solar power generating system study is \$150,000 in 2021.

The Fontana Master Plan is a planning document that San Gabriel utilizes in the short-term to plan its four-year Capital Improvement Program, and in the long-term, to forecast its water supply, treatment, pumping and storage needs. San Gabriel budgeted \$50,000 annually to update the master plan each year from 2019 through 2022.

The Public Advocates Office recommended that the Commission deny San Gabriel's request to conduct annual Master Plan updates because it could use in-house engineers to do the annual updates.

In rebuttal testimony, San Gabriel argued that it is not feasible for it to use its in-house staff to conduct the Master Plan updates.

San Gabriel requested \$100,000 per year for security improvements for a total of \$400,000 in years 2019 through 2022. San Gabriel has also requested \$250,000 in 2019, \$200,000 in 2021, and \$225,000 in 2022 to implement improvements to mitigate cyber security risks in the FWC Division.

RESOLUTION: In settlement, San Gabriel agrees to reduce its request to incorporate a 10% contingency factor, for a total of \$1,097,000 for Structures and Improvements, comprised of gate access security (\$91,000 annually for 2019-2022), cyber security improvements (\$222,000 anticipated to be completed in 2019, \$179,000 anticipated to be completed in 2021, and \$197,000 anticipated to be completed in 2022), and a Solar Power Generation Study (\$135,000 anticipated to be completed in 2021). These project component amounts include additional cost add-ons such as engineering and design and administrative overhead.

Solar Power, Master Plan & Security	San Gabriel Position	Public Advocates Office Position	Difference	Settlement Total
Solar Power,	\$150,000	\$135,000	\$15,000	\$135,000
Master Plan	\$200,000	\$0	\$200,000	\$0
Security Improvements	\$1,075,000	\$962,000	\$113,000	\$962,000
TOTAL	\$1,425,000	\$1,097,000	\$328,000	\$1,097,000

REFERENCES: Exh. SG-7 (Yucelen), pp. 127-128, 131, 136-137; Exh. Cal Adv-3 (Fontana), pp. 4-41 to 4-42, 6-3, 6-28; Exh. SG-11 (Yucelen), pp. 105-106, 109-111.

11. GIS and CIP Implementation Report

ISSUE: As outlined above, San Gabriel is currently implementing information systems to manage the life cycle of its assets. The AMS will help San Gabriel track information regarding an asset and automatically schedule routine maintenance. The MMS will improve the asset life cycle management process by enabling maintenance to be scheduled through a centralized database consisting of data derived from multiple sources. San Gabriel also requested funds for GIS improvements and updates that will help San Gabriel more efficiently manage its water system information and workflow. San Gabriel's hydraulic model is a planning and engineering tool that enables San Gabriel to run simulations of its water system. Throughout the year, as new facilities are developed and implemented, San Gabriel needs to complete subsequent updates to its hydraulic model, so that the newer versions reflect all of the newly implemented facilities. Finally, San Gabriel requested funds for improvements to the project delivery system, which includes hardware, project and construction management, and advanced engineering software, programming, and consulting fees. Accordingly, San Gabriel requested \$220,000 in 2019, and \$320,000 annually for 2020 - 2022 for a total of \$1,180,000 for the FWC Division.

The Public Advocates Office did not oppose these costs.

RESOLUTION: Parties agree to a total of \$1,180,000 for GIS and CIP Implementation Report comprised of Project Delivery System improvements (\$85,000 annually for 2019-2022), Asset and Maintenance Management Systems (\$75,000 annually for 2019-2022), GIS System improvements and updates (\$85,000 annually for 2019-2022), and Hydraulic Model updates (\$50,000 annually for 2019-2022).

GIS and CIP Implementation Report	San Gabriel Position	Public Advocates Office Position	Difference	Settlement Total
GIS and CIP Implementation Report	\$1,180,000	\$1,180,000	\$0	\$1,180,000
TOTAL	\$1,180,000	\$1,180,000	\$0	\$1,180,000

REFERENCES: Exh. SG-7 (Yucelen), pp. 124-126, 128-130; Exh. Cal Adv-3 (Fontana), p. 6-3.

12. Refurbish Wells and Boosters

ISSUE: The Plant F54 Well Building was not built because of an easement issue with the underlying property owner, Cemex, which was resolved in 2018. A well enclosure design is now in the process of being completed for San Gabriel's LA Division Plant No. 1 site. Once the design is completed in the first quarter of 2019, San Gabriel plans to complete the construction of the well building at Plant F54 using a similar design.

RESOLUTION: In settlement, Parties agree to a reduced cost of \$96,000 for the Well F54A Building anticipated to be completed in 2019. These project component amounts include additional cost add-ons such as engineering and design and administrative overhead.

Wells	San Gabriel Position	Public Advocates Office Position	Difference	Settlement Total
Wells	\$110,000	\$96,000	\$14,000	\$96,000
TOTAL	\$110,000	\$96,000	\$14,000	\$96,000

REFERENCES: Exh. SG-7 (Yucelen), p. 104; Exh. Cal Adv-3 (Fontana), pp. 6-3, 6-5.

13. Pumping Equipment

ISSUE: San Gabriel budgeted \$400,000 annually to refurbish six well pumps per year from 2019 through 2022. San Gabriel requested \$70,000 for 2019 and \$75,000 per year from 2020 through 2022 for refurbishment of six booster pumps per year for a total of \$295,000 in this GRC

cycle. San Gabriel also requested \$200,000 to complete the Arc Flash Study in 2019 through 2022. Moreover, San Gabriel requested \$200,000 to retrofit the vaults in its system in years 2019 through 2022 and \$375,000 to install a backup Plant F14 SCADA system in 2019.

RESOLUTION:

In settlement, Parties agree to a total of \$3,348,000 for Pumping Equipment for 2019 through 2022. Specifically, San Gabriel agrees to reduce the contingency factor to 10% for the Plant F14 back-up SCADA System (\$336,000) and vault retrofits (\$184,000). Parties also agree to San Gabriel's requested amounts for refurbishment of six Wells (\$1,600,000), refurbishment of six Boosters (\$320,000), refurbishment of electrical panels and starters for Boosters (\$336,000), Security Improvements (\$364,000), and the Arc Flash Study (\$208,000), which were requested with a 10% contingency factor. These project component amounts include additional cost add-ons such as engineering and design and administrative overhead.

Pumping Equipment	San Gabriel Position	Public Advocates Office Position	Difference	Settlement Total
Pumping Equipment	\$3,410,000	\$3,348,000	\$62,000	\$3,348,000
TOTAL	\$3,410,000	\$3,348,000	\$62,000	\$3,348,000

REFERENCES: Exh. SG-7 (Yucelen), pp. 138-141; Exh. Cal Adv-3 (Fontana), pp. 6-3, 6-5; Exh. SG-11 (Yucelen), pp. 106-108.

14. Mains

ISSUE: San Gabriel proposed a total investment of \$32,000,000 for years 2019 through 2022 to replace aging or undersized pipelines in the FWC Division through its pipeline replacement program.

RESOLUTION: In settlement, San Gabriel agrees to reduce its request to \$28,792,000 for Mains (\$5,900,000 anticipated to be completed in 2019, \$6,714,000 in 2020, \$7,644,000 in 2021, and \$8,534,000 in 2022). These project component amounts include additional cost add-ons such as engineering and design and administrative overhead.

Mains	San Gabriel Position	Public Advocates Office Position	Difference	Settlement Total
Mains	\$32,000,000	\$28,792,000	\$3,208,000	\$28,792,000
TOTAL	\$32,000,000	\$28,792,000	\$3,208,000	\$28,792,000

REFERENCES: Exh. SG-7 (Yucelen), pp. 141-145; Exh. Cal Adv-3 (Fontana), pp. 6-3, 6-5, 6-7 to 6-8; Exh. SG-11 (Yucelen), pp. 90-91.

15. Services

ISSUE: San Gabriel requested \$11,500,000 for service line replacements for years 2019 through 2022.

The Public Advocates Office did not oppose San Gabriel's request.

RESOLUTION: In settlement, San Gabriel agrees to reduce its request to a total of \$11,388,000 for Services (\$2,472,000 anticipated to be completed in 2019, \$2,722,000 anticipated to be completed in 2020, \$2,972,000 anticipated to be completed in 2021, and \$3,222,000 anticipated to be completed in 2022).

Services	San Gabriel Position	Public Advocates Office Position	Difference	Settlement Total
Services	\$11,500,000	\$11,500,000	\$0	\$11,388,000
TOTAL	\$11,500,000	\$11,500,000	\$0	\$11,388,000

REFERENCES: Exh. SG-7 (Yucelen), p. 146; Exh. Cal Adv-3 (Fontana), pp. 6-3; Exh. SG-11 (Yucelen), p. 108.

16. Meters

ISSUE: San Gabriel initially requested \$690,000 in 2019, \$876,000 in 2020, \$844,000 in 2021, and \$851,000 in 2022 for Meters replacements. San Gabriel later updated its meter replacement cost estimates to \$749,000 in 2019, \$852,000 in 2020, \$852,000 in 2021 and \$852,000 in 2022.

The Public Advocates Office agreed with San Gabriel's proposed revised cost estimates for its meter replacement.

RESOLUTION: In settlement, San Gabriel agrees to reduce its request to a total of \$3,305,000 for Meter replacement and equipment (\$749,000 anticipated to be completed in 2019 and \$852,000 in each of the following three years).

Meters	San Gabriel Position	Public Advocates Office Position	Difference	Settlement Total
Meters	\$3,261,000	\$3,305,000	(\$44,000)	\$3,305,000
TOTAL	\$3,261,000	\$3,305,000	(\$44,000)	\$3,305,000

REFERENCES: Exh. SG-4 (DiPrimio), pp. 46-54; Exh. SG-7 (Yucelen), p. 78; Exh. Cal Adv-3 (Fontana), pp. 6-3; Exh. SG-11 (Yucelen), p. 109.

17. Fire Hydrants

ISSUE: San Gabriel requests \$100,000 in 2019, \$120,000 in 2020, \$140,000 in 2021, and \$160,000 in 2022 to install public fire hydrants.

The Public Advocates Office did not oppose San Gabriel's request.

RESOLUTION: Parties agree to a total of \$520,000 for Fire Hydrants (\$100,000 anticipated to be completed in 2019, \$120,000 in 2020, \$140,000 in 2021, and \$160,000 in 2022).

Fire Hydrants	San Gabriel Position	Public Advocates Office Position	Difference	Settlement Total
Fire Hydrants	\$520,000	\$520,000	\$0	\$520,000
TOTAL	\$520,000	\$520,000	\$0	\$520,000

REFERENCES: Exh. SG-7 (Yucelen), p. 148; Exh. Cal Adv-3 (Fontana), pp. 6-3; Exh. SG-11 (Yucelen), p. 109.

18. Structures and Improvements

ISSUE: San Gabriel plans to complete structures and improvements and requested \$25,000 in 2019, \$35,000 in 2020, \$45,000 in 2021 and \$55,000 in 2022 for these improvements.

The Public Advocates Office did not oppose San Gabriel's request.

RESOLUTION: Parties agree to San Gabriel's request for a total of \$160,000 for Structures and Improvements.

Structures and Improvements	San Gabriel Position	Public Advocates Office Position	Difference	Settlement Total
Structures and Improvements	\$160,000	\$160,000	\$0	\$160,000
TOTAL	\$160,000	\$160,000	\$0	\$160,000

REFERENCES: Exh. SG-7 (Yucelen), p. 132; Exh. Cal Adv-3 (Fontana), pp. 6-3; Exh. SG-11 (Yucelen), p. 109.

19. Office Equipment

ISSUE: San Gabriel requested \$165,000 in 2019, \$85,000 in 2020, \$105,000 in 2021, and \$120,000 in 2022 to replace furniture, computers, printers, and office equipment.

The Public Advocates Office did not oppose San Gabriel's request.

RESOLUTION: Parties agree to a total of \$475,000 for Office Equipment, comprised of \$120,000 for furniture, \$95,000 for PC replacements, \$60,000 for workgroup printer replacements, and \$200,000 for miscellaneous office equipment.

Office Equipment	San Gabriel Position	Public Advocates Office Position	Difference	Settlement Total
Office Equipment	\$475,000	\$475,000	\$0	\$475,000
TOTAL	\$475,000	\$475,000	\$0	\$475,000

REFERENCES: Exh. SG-7 (Yucelen), pp. 148-149; Exh. Cal Adv-3 (Fontana), pp. 6-3; Exh. SG-11 (Yucelen), p. 111.

20. Transportation Equipment

ISSUE: San Gabriel requested the following annual amounts to purchase additional and replacement vehicles: \$280,000 in 2019, \$195,000 in 2020, \$220,000 in 2021 and \$290,000 in 2022.

The Public Advocates Office did not oppose San Gabriel's request.

RESOLUTION: Parties agree to a total of \$985,000 for Transportation Equipment as proposed.

Transportation Equipment	San Gabriel Position	Public Advocates Office Position	Difference	Settlement Total
Transportation Equipment	\$985,000	\$985,000	\$0	\$985,000
TOTAL	\$985,000	\$985,000	\$0	\$985,000

REFERENCES: Exh. SG-7 (Yucelen), pp. 149-150; Exh. Cal Adv-3 (Fontana), pp. 6-3; Exh. SG-11 (Yucelen), p. 112.

21. Communications Equipment

ISSUE: San Gabriel requested \$110,000 in 2019, \$70,000 in 2020, \$70,000 in 2021, and \$70,000 in 2022 to replace mobile radios, field service applications, tablets and two-way radios to be used by field employees to communicate with operations and maintenance staff while servicing the water system.

The Public Advocates Office did not oppose San Gabriel's request.

RESOLUTION: Parties agree to a total of \$320,000 for Communication Equipment, comprised \$50,000 for mobile radios, \$60,000 for field service applications, \$60,000 for tablets and mounting equipment, and \$150,000 for other communications equipment.

Communication Equipment	San Gabriel Position	Public Advocates Office Position	Difference	Settlement Total
Communication Equipment	\$320,000	\$320,000	\$0	\$320,000
TOTAL	\$320,000	\$320,000	\$0	\$320,000

REFERENCES: Exh. SG-7 (Yucelen), pp. 150-151; Exh. Cal Adv-3 (Fontana), pp. 6-3; Exh. SG-11 (Yucelen), p. 112.

22. Tools and Equipment

ISSUE: San Gabriel requested \$45,000 in 2019, \$55,000 in 2020, \$65,000 in 2021, and \$75,000 in 2022 for miscellaneous tools, and \$80,000 in 2020 for a new rough terrain forklift, which is used to lift sticks of pipe and large fittings. Additionally, San Gabriel requested \$5,000 in 2019 for a new 4-in-1 bucket attachment for a Bobcat loader, \$10,000 in 2019 for a new leak locator, and \$70,000 in 2021 for a new Vac-tron vacuum excavator. Accordingly, San Gabriel requested a total of \$405,000 for tools and equipment in this rate case cycle.

The Public Advocates Office did not oppose San Gabriel's request.

RESOLUTION: In settlement, Parties agree to a total of \$405,000 for Tools and Equipment, comprised of \$10,000 for a leak locator, \$5,000 for the bucket attachment for the Bobcat loader, \$80,000 for a forklift, \$70,000 for a Vac-Tron vacuum excavator, and \$240,000 for miscellaneous tools and equipment.

Tools and Equipment	San Gabriel Position	Public Advocates Office Position	Difference	Settlement Total
Tools and Equipment	\$405,000	\$405,000	\$0	\$405,000
TOTAL	\$405,000	\$405,000	\$0	\$405,000

REFERENCES: Exh. SG-7 (Yucelen), p. 151; Exh. Cal Adv-3 (Fontana), pp. 6-3; Exh. SG-11 (Yucelen), p. 112.

D. Other Rate Base Items

1. CWIP

ISSUE: San Gabriel used the most current recorded CWIP balances (December 2018) to forecast Test Year 2020-2021 and Test Year 2021-2022 CWIP in rate base. The Public Advocates Office instead removed projects aged more than one year from the 2018 CWIP balance, except those projects that were under construction during 2018. In rebuttal, San Gabriel objected to the Public Advocates Office's adjustment relating to CWIP.

RESOLUTION: Parties agree to include a three-year balance of CWIP in rate base based on San Gabriel's total recorded CWIP for the years 2016-2018 for the FWC Division.

	San Gabriel Position	Public Advocates Office Position	Difference	Settlement
Construction Work in Progress	\$11,975,325	\$2,639,238	\$9,336,087	\$7,072,136

REFERENCES: Exh. SG-3 (Reiker), pp. 8-1 to 8-5; Exh. Cal Adv-3 (Fontana), pp. 8-3 to 8-5; Exh. SG-11 (Yucelen), pp. 6-10.

E. Rate Design

1. Revenue Allocation

ISSUE: In the FWC Division, San Gabriel proposed to reduce the proportion of the revenue requirement allocated to quantity rates from 72.03%, approved in D.10-04-031, to 70%. The Public Advocates Office recommended that the Commission approve San Gabriel's proposed 70%/30% revenue allocation.

RESOLUTION: Parties agree to allocate 70% of revenue requirement to Quantity Rates in this GRC.

	San Gabriel Position	Public Advocates Office Position	Difference	Settlement
Revenue Allocation	70% in quantity rates	70% in quantity rates	0%	70% in quantity rates

REFERENCES: Exh. SG-6 (Reiker), pp. 74-76; Exh. Cal Adv-3 (Fontana), pp. 14-1 to 14-5; Exh. SG-10 (Reiker), p. 34.

2. Tier 1 Breakpoint

ISSUE: The conservation quantity rates set forth in Tariff Schedules LA-1C for the LA Division and FO-1C for the FWC Division are split between two tiers. The FWC Division's current Tier

1 breakpoint was set at 16 Ccf/month. San Gabriel proposes to reduce the Tier 1 breakpoint from the current 16 Ccf/month down to 15 Ccf/month, in recognition of the decline in average monthly usage by the Residential class. The Public Advocates Office recommends instead that the Commission reduce the Tier 1 breakpoint from 16 Ccf/month down to 14 Ccf/month for the FWC Division.

RESOLUTION: In settlement, Parties agree to reduce the Tier 1 breakpoint to 14 Ccf, from the current 16 Ccf to better reflect the actual average monthly usage by the Residential class for the FWC Division.

	San Gabriel Position	Public Advocates Office Position	Difference	Settlement
Tier 1 Breakpoint	15 Ccf/Month	14 Ccf/Month	1 Ccf/Month	14 Ccf/Month

REFERENCES: Exh. SG-6 (Reiker), pp. 75-76; Exh. Cal Adv-3 (Fontana), pp. 14-5 to 14-10.

3. CARW Subsidy

ISSUE: In San Gabriel's last GRC, A.16-01-002, both San Gabriel and the Public Advocates Office sought to move toward a single CARW benefit amount independent of meter size, and agreed on a uniform subsidy of \$9 per month for all meter sizes in both the LA and FWC Divisions, which was adopted in D.17-06-008. San Gabriel did not propose any changes to the CARW subsidy in this GRC. The Public Advocates Office recommended that the Commission increase the CARW subsidy by the same percentage as the adopted Test Year rates are increased over current rates in order to mitigate the impact of rate increases on low-income customers.

RESOLUTION: In settlement, Parties agree on a CARW subsidy of \$9.82 per month to qualifying low-income customers for all meter sizes. This settlement amount is calculated using the Public Advocates Office's recommended formula of \$9 multiplied by the Test Year 2020-2021 revenue Requirement, then divided by the Test Year 2017-2018 Revenue Requirement.

	San Gabriel Position	Public Advocates Office Position	Difference	Settlement
CARW Subsidy	\$9.00 per month	\$9.90 per month	\$0.90 per month	\$9.82 per month

REFERENCES: Exh. SG-6 (Reiker), pp. 77-78; Exh. Cal Adv-3 (Fontana), pp. 14-11 to 14-13.

4. CARW Surcharge

ISSUE: Currently the CARW subsidy is recovered from non-CARW customers in the FWC Division through a quantity-based surcharge of \$0.2425/Ccf. San Gabriel proposed instead to fund the CARW program through a fixed surcharge. The Public Advocates Office opposed this proposal and recommended that the Commission maintain the current quantity-based CARW

surcharge. In rebuttal, San Gabriel responded to the arguments set forth by the Public Advocates Office on this disputed issue.

RESOLUTION: In settlement, Parties agree to maintain a quantity-based CARW surcharge of \$0.2389/Ccf.

	San Gabriel Position	Public Advocates Office Position	Difference	Settlement
CARW Surcharge	Fixed Surcharge	Quantity-Based Surcharge	n.a.	Quantity-Based Surcharge of \$0.2389/Ccf

REFERENCES: Exh. SG-6 (Reiker), p. 78; Exh. Cal Adv-3 (Fontana), pp. 14-14 to 14-15; Exh. SG-10 (Reiker), pp. 41-44, Attachments W, X, and Y.

F. Other Issues

1. Customer Service

ISSUE: San Gabriel provided information in its GRC Application regarding its customer service practices and processes. The Public Advocates Office reviewed San Gabriel's GRC Application and responses to data requests, as well as data obtained on customer contacts from the Commission's Consumer Affairs Branch to evaluate San Gabriel's customer service. Based on this review, the Public Advocates Office found that San Gabriel's customer service in the FWC Division is satisfactory and complies with the requirements of General Order 103-A.

RESOLUTION: Parties agree that customer service in the FWC Division is satisfactory and complies with the requirements of General Order 103-A.

REFERENCES: Exh. SG-3 (Reiker), pp. 12-4 to 12-5, Exh. Cal Adv-3 (Fontana), pp. 12-1 to 12-11.

2. Emergency Management Plan

ISSUE: The Public Advocates Office recommended that the Commission should require that San Gabriel add specific guidelines to its Emergency Management Plan to deal with various specific emergencies such as earthquakes, wildfires, and floods. San Gabriel did not oppose this recommendation.

RESOLUTION: Parties agree that San Gabriel will add specific guidelines to its Emergency Management Plan to deal with various specific emergencies such as earthquakes, wildfires, and floods.

REFERENCES: Exh. Cal Adv-3 (Fontana), pp. 12-9 to 12-10.

V. ADDITIONAL ISSUES

A. Escalation Year Filings

1. Escalation Year Advice Letter Filings

ISSUE: The Public Advocates Office recommended that Escalation Year filings should be made mandatory for San Gabriel. San Gabriel opposed mandatory Escalation Year filings.

RESOLUTION: Parties agree that San Gabriel shall file Tier 2 escalation year advice letters for years 2021 and 2022.

REFERENCES: Exh. Cal Adv-2 (Los Angeles), pp. 15-1 to 15-4; Exh. Cal Adv-3 (Fontana), pp. 15-1 to 15-4; Exh. SG-10 (Reiker), pp. 52-56.

B. Special Requests

1. Increase Facilities Fees in the Fontana Water Company Division

ISSUE: San Gabriel proposed to update its FWC Division Facilities Fees for meter sizes larger than 5/8 x 3/4-inch to more closely reflect the actual flow capacity of the meter. San Gabriel proposed to accomplish this by applying the American Water Works Association standard meter capacity ratio for all meter sizes and applying an adjustment factor of 25 percent, which results in an increase in the adopted ratios in Tariff Schedule No. FO-FF. The Public Advocates Office agreed with San Gabriel's proposed Facilities Fees for meter sizes less than 1-inch. However, the Public Advocates Office recommended setting the Facilities Fees for a 1-inch meter at \$12,000 to closely match the average fees charged by surrounding water agencies. Meter sizes larger than 1-inch were calculated using the meter ratios proposed by San Gabriel, multiplied by the Facility Fee charged for a 1-inch meter. In rebuttal, San Gabriel accepted the Public Advocates Office's recommendations for the FWC Division Facilities Fees schedule.

San Gabriel and the Public Advocates Office both proposed to keep Facilities Fees for private fire service connections at the present rates shown in its Tariff Schedule No. FO-FF.

RESOLUTION: Parties agree to the following Facilities Fees schedule for the FWC Division, as recommended by the Public Advocates Office and shown in the following table:

Meter Service Connection Size and Type	Meter Ratio	Facility Fee
Fire Services:		
5/8 x 3/4-inch Fire Service	--	\$5,000
3/4-inch Fire Service	--	\$5,000
1-inch Fire Service	1.0	\$6,650
1-1/2-inch Fire Service	1.5	\$10,000
2-inch Fire Service	2.0	\$13,350
3-inch Fire Service	3.0	\$20,000
4-inch Fire Service	4.0	\$26,650
6-inch Fire Service	6.0	\$40,000
8-inch Fire Service	8.0	\$53,350
10-inch Fire Service	10.0	\$66,650
12-inch Fire Service	12.0	\$80,000
All Others:		
5/8 x 3/4-inch All Others	--	\$8,000
3/4-inch All Others	--	\$9,000
1-inch All Others	1.0	\$12,000
1-1/2-inch All Others	2.0	\$24,000
2-inch All Others	2.75	\$33,000
3-inch All Others	4.5	\$54,000
4-inch All Others	7.0	\$84,000
6-inch All Others	13.25	\$159,000
8-inch All Others	20.75	\$249,000
10-inch All Others	29.5	\$354,000
12-inch All Others	42.0	\$504,000

REFERENCES: Exh. SG-4 (DiPrimio), pp. 28-31; Exh. SG-6 (Reiker), p. 79; Exh. Cal Adv-1 (General Office), pp. 4-1 to 4-5; Exh. SG-8 (DiPrimio), pp. 2-4.

2. Amortization of Certain Balancing Accounts

ISSUE: San Gabriel seeks Commission authorization to amortize the balances in the following balancing accounts:

Los Angeles County Division:

Water Cost Balancing Account
Power Cost Balancing Account
Previously Authorized Balances Balancing Account
CARW Balancing Account
Water Revenue Adjustment Mechanism
Conservation Program Balancing Account

Fontana Water Company Division:

Power Cost Balancing Account
Previously Authorized Balances Balancing Account
CARW Balancing Account
Water Revenue Adjustment Mechanism
Conservation Program Balancing Account

The Public Advocates Office agrees that the net balances in these balancing accounts applicable to the LA and Fontana Divisions as of December 2018 should each be amortized by a single surcharge on San Gabriel's customer bills.

RESOLUTION: The Parties agree to amortize the net balances in these balancing accounts as of December 2018 by a single surcharge on customer bills, as shown in the table below. Note that San Gabriel's Water Revenue Adjustment Mechanism ('WRAM') accounts are in fact "Monterey-style" "conservation-based" WRAM accounts rather than "full WRAMs."

LA Division Balancing Accounts

Preliminary Statement	Account	Division	Balance as of December 2018 Under / (Over) Collection
P1	Water Cost Balancing Account	LA	\$778,792
P2	Power Cost Balancing Account	LA	(\$287,192)
F1	Previously Authorized Balances Balancing Account	LA	\$545,971
G1	CARW Balancing Account	LA	(\$350,695)
H1	Water Revenue Adjustment Mechanism	LA	\$1,459,060
J1	Conservation Program Balancing Account	LA	(\$275,449)
LA DIVISION NET TOTAL TO BE AMORTIZED			\$1,870,487

FWC Division Balancing Accounts

Preliminary Statement	Account	Division	Balance as of December 2018 Under / (Over) Collection
P4	Power Cost Balancing Account	FWC	(\$648,265)
F2	Previously Authorized Balances Balancing Account	FWC	\$2,823,604
G2	CARW Balancing Account	FWC	\$1,133,188
H2	Water Revenue Adjustment Mechanism	FWC	\$487,113
J2	Conservation Program Balancing Account	FWC	(\$2,961)
FWC DIVISION NET TOTAL TO BE AMORTIZED			\$3,792,679

REFERENCES: Exh. SG-6 (Reiker), pp. 79-80, Attachment H; Exh. Cal Adv-2 (Los Angeles), pp. 11-1 to 11-9; Exh. Cal Adv-3 (Fontana), pp. 11-1 to 11-9.

3. Amortization of Certain Memorandum Accounts

ISSUE: San Gabriel seeks Commission authorization to amortize the balances in the following memorandum accounts:

Los Angeles County Division:

- Water Conservation Memorandum Account
- School Lead Testing Memorandum Account
- Water-Energy Nexus Memorandum Account
- 2018 Tax Act Memorandum Account
- Cost of Capital Memorandum Account
- Water Quality Litigation - Defense Related Memorandum Account

Fontana Water Company Division:

- Water Conservation Memorandum Account
- School Lead Testing Memorandum Account
- Cost of Capital Interim Rate Memorandum Account (D.13-05-027 in A.12-05-002)
- Cost of Capital Litigation Expense Memorandum Account (A.12-05-002)
- Water-Energy Nexus Memorandum Account
- 2018 Tax Act Memorandum Account
- Cost of Capital Memorandum Account

The Public Advocates Office agrees that the net balances in these memorandum accounts applicable to the LA and Fontana Divisions as of December 2018 should be amortized by a single surcharge on San Gabriel's customer bills.

RESOLUTION: The Parties agree to amortize the net balances in these memorandum accounts as of December 2018 by a single surcharge on customer bills, as shown in the tables below.

LA Division Memorandum Accounts

Preliminary Statement	Account	Division	Balance as of December 2018 Under / (Over) Collection
V2	Water Conservation Memorandum Account	LA	\$91,059
Z	School Lead Testing Memorandum Account	LA	\$4,066
Y	Water-Energy Nexus Memorandum Account ¹	LA	\$223,424
I	2018 Tax Act Memorandum Account	LA	(\$1,135,968)
O	Cost of Capital Memorandum Account	LA	\$57,275
I2	Water Quality Litigation - Defense Related Memorandum Account	LA	\$173,357
LA DIVISON NET TOTAL TO BE AMORTIZED			(\$586,787)

FWC Division Memorandum Accounts

Preliminary Statement	Account	Division	Balance as of December 2018 Under / (Over) Collection
V2	Water Conservation Memorandum Account	FWC	\$91,048
Z	School Lead Testing Memorandum Account	FWC	\$3,179
O2	Cost of Capital Interim Rate Memorandum Account (D.13-05-027 in A.12-05-002)	FWC	(\$16,143)
N/A	Cost of Capital Litigation Expense Memorandum Account (A.12-05-002)	FWC	\$61,299
Y	Water-Energy Nexus Memorandum Account ²	FWC	\$224,768
I	2018 Tax Act Memorandum Account	FWC	(\$1,135,049)
O	Cost of Capital Memorandum Account	FWC	\$57,620
FWC DIVISON NET TOTAL TO BE AMORTIZED			(\$713,278)

¹ This is a combined account that records expenses for both the LA and FWC Divisions. The amount shown here attributed to LA and FWC Divisions respectively is calculated by multiplying the total balance of \$448,192 at the end of December 2018 by the respective allocations of each division (49.85% for LA Division and 50.15% for FWC Division).

² This is a combined account that records expenses for both the LA and FWC Divisions. The amount shown here attributed to LA and FWC Divisions respectively is calculated by multiplying the total balance of \$448,192 at the end of December 2018 by the respective allocations of each division (49.85% for LA Division and 50.15% for FWC Division).

REFERENCES: Exh. SG-6 (Reiker), pp. 81-82, Attachment H; Exh. Cal Adv-2 (Los Angeles), pp. 11-1 to 11-9; Exh. Cal Adv-3 (Fontana), pp. 11-1 to 11-9.

4. Incorporating Rate Changes

ISSUE: San Gabriel requests that the Commission explicitly authorize that the rates adopted in this proceeding be permitted to be adjusted by any rate changes adopted subsequent to the filing of this GRC Application and not reflected in the proposed revenue requirement. Specifically, San Gabriel requests authorization to incorporate into the final decision any rate changes adopted after January 1, 2019. The Public Advocates Office recommended that the Commission approve this special request.

RESOLUTION: The Parties recommend that the Commission incorporate into the final decision any rate changes adopted after filing of formal application in January 1, 2019.

REFERENCES: Exh. SG-6 (Reiker), pp. 83-84; Exh. Cal Adv-1 (General Office), pp. 4-6 to 4-7.

5. Water Rights Memorandum Accounts

ISSUE: San Gabriel requests that the Commission authorize it to continue to maintain its Water Rights Memorandum Accounts for the LA Division and FWC Division for the purpose of recording the revenue requirement related to the purchase of water rights, as previously authorized in D.17-06-008. The Public Advocates Office recommended that the Commission approve this special request.

RESOLUTION: The Parties agree that San Gabriel may continue to maintain its Water Rights Memorandum Account in both the LA and FWC Divisions.

REFERENCES: Exh. SG-4 (DiPrimio), pp. 6-9; Exh. SG-6 (Reiker), p. 84; Exh. Cal Adv-1 (General Office), pp. 4-7 to 4-9.

6. Surcharge Tariff Schedules

ISSUE: San Gabriel requests that the Commission authorize it to create two new tariff schedules, Tariff Schedule LA-AS and Tariff Schedule FO-AS, for the LA Division and FWC Division, respectively, for the purpose of listing all authorized surcharges and surcredits on a separate tariff schedule designed specifically for that purpose. The Public Advocates Office recommended that the Commission approve this special request.

RESOLUTION: The Parties agree that San Gabriel may create new tariff schedules for listing surcharges and surcredits as requested.

REFERENCES: Exh. SG-6 (Reiker), pp. 84-85; Exh. Cal Adv-1 (General Office), pp. 4-9 to 4-11.

7. Compliance with Water Quality Standards

ISSUE: San Gabriel seeks a finding that San Gabriel fully complied with all water quality standards. Based on information provided by San Gabriel and by the State Water Resources Control Board's Division of Drinking Water ("DDW"), the Public Advocates Office determined that San Gabriel's water systems in both its operating divisions are currently in compliance with DDW requirements and all applicable federal and state drinking water standards.

RESOLUTION: The Parties agree that the proposed Finding of Fact listed in San Gabriel's Special Request "g" as set forth on page 11 of San Gabriel's Application in this proceeding is appropriate and recommend that the Commission include it in the final decision.

REFERENCES: Exh. SG-4 (DiPrimio), pp. 13-14, 22-23; Exh. SG-6 (Reiker), p. 85; Exh. Cal Adv-1 (General Office), p. 4-2; Exh. Cal Adv-2 (Los Angeles), pp. 13-1 to 13-5; Exh. Cal Adv-3 (Fontana), pp. 13-1 to 13-4.

8. Montebello Hills Adjustment

ISSUE: San Gabriel requests Commission authorization to add to the adopted figures in its advice letters implementing Escalation Year rates in the LA Division the actual number of additional customers served within the Montebello Hills development, including their incremental revenues and water production costs. The Public Advocates Office opposed this special request and argued that San Gabriel should instead be required to wait until its next GRC filing for the Test Year 2023 to include new customers, if any, in its LA Division.

RESOLUTION: The Parties agree that it is premature to include speculative Montebello Hills customers in Escalation Year filings.

REFERENCES: Exh. SG-6 (Reiker), pp. 12-13, 86; Exh. Cal Adv-1 (General Office), pp. 4-11 to 4-13.

9. Overhead Rates

ISSUE: San Gabriel requests Commission authorization to maintain the current overhead capitalization rates for Stores and Transportation and adopt an Administrative overhead rate of 10%, at the rates shown below:

Stores Overhead:	4.0%
Trans. Overhead:	0.6%
Admin. Overhead:	10.0%

The Public Advocates Office reviewed San Gabriel's request to increase the Administrative overhead rate to 10%, found it to be reasonable, and recommended that the Commission grant the request.

RESOLUTION: The Parties agree that it is appropriate to include a Finding of Fact that these overhead rates of 4% for Stores, 0.6% for Transportation and 10% for Administrative are appropriate during this GRC cycle.

REFERENCES: Exh. SG-5 (Harris), pp. 15-19, Attachment F; Exh. EG-6 (Reiker), pp. 86-87; Exh. Cal Adv-1 (General Office), pp. 4-13 to 4-14.

VI. CONCLUSION

1. The Parties mutually believe that, based on the terms and conditions set forth above, this Settlement Agreement is reasonable, consistent with the law, and in the public interest.
2. Each Party to this Settlement Agreement represents that his or her signature to this Settlement Agreement binds his or her respective party to the terms of this Settlement Agreement.

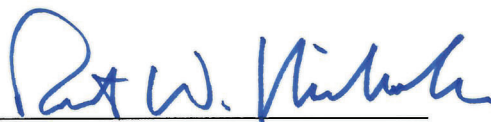
Respectfully submitted,

Respectfully submitted,

THE PUBLIC ADVOCATES OFFICE

SAN GABRIEL VALLEY WATER
COMPANY

By: _____
Elizabeth Echols
Director

By: 
Robert W. Nicholson
President

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Dated: December ___, 2019

Dated: December 11, 2019

RESOLUTION: The Parties agree that it is appropriate to include a Finding of Fact that these overhead rates of 4% for Stores, 0.6% for Transportation and 10% for Administrative are appropriate during this GRC cycle.

REFERENCES: Exh. SG-5 (Harris), pp. 15-19, Attachment F; Exh. EG-6 (Reiker), pp. 86-87; Exh. Cal Adv-1 (General Office), pp. 4-13 to 4-14.

VI. CONCLUSION

1. The Parties mutually believe that, based on the terms and conditions set forth above, this Settlement Agreement is reasonable, consistent with the law, and in the public interest.
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Respectfully submitted,

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THE PUBLIC ADVOCATES OFFICE

SAN GABRIEL VALLEY WATER
COMPANY

By: 

Elizabeth Echols
Director

By: _____

Robert W. Nicholson
President

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Dated: December __, 2019

Dated: December __, 2019

ATTACHMENT A

COMPARISON EXHIBIT **Exhibit COM-1**

San Gabriel Valley Water Company
Los Angeles County Division
TEST YEAR 2020-2021
SUMMARY OF EARNINGS

(Dollars in Thousands)

10/25/19

	SGVWC		
	GRC Update		
	<u>April 2019</u>	<u>Settlement</u>	<u>Cal-PA</u>
Present Rate Revenue	\$74,302.4	\$76,718.6	\$78,051.0
Proposed Increase	\$4,352.9	\$799.5	(\$1,274.9)
	5.9%	1.0%	-1.6%
Operating Revenues	\$78,655.3	\$77,518.1	\$76,776.1
Operating Expenses			
Purchased Water & Assessments	\$18,490.6	\$20,010.4	\$21,050.1
Purchased Power	\$3,728.3	\$3,728.3	\$3,897.4
Chemicals	\$3,395.5	\$3,544.9	\$3,646.8
Payroll	\$6,492.9	\$6,296.5	\$6,211.7
Materials & Supplies	\$1,516.2	\$1,516.2	\$1,516.2
Transportation	\$904.1	\$904.1	\$904.1
Insurance	\$1,266.8	\$1,263.9	\$1,260.4
Employee Pensions & Benefits	\$2,974.4	\$2,759.5	\$2,665.5
Uncollectibles	\$56.5	\$55.6	\$55.0
Franchise Fees	\$691.8	\$680.6	\$673.2
Regulatory Commission Expense	\$405.4	\$373.8	\$373.8
Outside Services	\$1,789.6	\$1,789.6	\$1,789.6
Utilities & Rents	\$1,395.1	\$1,395.1	\$1,395.1
Miscellaneous Expense	\$1,160.8	\$1,080.4	\$1,068.5
Administrative Expense Transferred	(\$2,420.2)	(\$2,163.0)	(\$1,906.9)
Subtotal	\$41,847.7	\$43,235.8	\$44,600.4
Allocated Common Expenses	\$6,656.0	\$6,416.4	\$6,094.8
Total Operating Expense	\$48,503.7	\$49,652.2	\$50,695.2
Depreciation	\$7,670.3	\$7,326.7	\$7,105.8
Ad Valorem Taxes	\$2,076.8	\$2,043.2	\$1,884.7
Payroll Taxes	\$888.4	\$856.5	\$842.7
Total Expense before Income Taxes	\$59,139.2	\$59,878.5	\$60,528.3
Net Revenue Before Income Taxes	\$19,516.1	\$17,639.6	\$16,247.7
State Income Tax	\$703.8	\$617.5	\$554.3
Federal Income Tax	\$718.1	\$393.0	\$133.6
Total Expenses	\$60,561.1	\$60,889.0	\$61,216.3
Net Operating Revenues	\$18,094.2	\$16,629.1	\$15,559.8
Rate Base	\$222,728.0	\$204,759.1	\$191,490.2
Rate of Return	8.12%	8.12%	8.12%

San Gabriel Valley Water Company
Los Angeles County Division
ESCALATION YEAR 2021-2022
SUMMARY OF EARNINGS

(Dollars in Thousands)

10/25/19

	SGVWC		
	GRC Update		
	<u>April 2019</u>	<u>Settlement</u>	<u>Cal-PA</u>
Present Rate Revenue	\$78,715.4	\$77,580.5	\$76,836.1
Proposed Increase	\$7,003.7	\$5,798.8	\$5,563.5
	8.9%	7.5%	7.2%
Operating Revenues	\$85,719.1	\$83,379.3	\$82,399.5
Operating Expenses			
Purchased Water & Assessments	\$18,492.9	\$20,014.3	\$21,055.1
Purchased Power	\$3,728.8	\$3,729.0	\$3,898.4
Chemicals	\$3,476.0	\$3,628.9	\$3,733.2
Payroll	\$6,651.3	\$6,450.2	\$6,363.3
Materials & Supplies	\$1,552.1	\$1,552.1	\$1,552.1
Transportation	\$925.6	\$925.6	\$925.6
Insurance	\$1,300.2	\$1,297.2	\$1,293.6
Employee Pensions & Benefits	\$3,047.0	\$2,826.8	\$2,730.5
Uncollectibles	\$62.2	\$60.3	\$59.6
Franchise Fees	\$848.1	\$825.0	\$815.3
Regulatory Commission Expense	\$405.4	\$373.8	\$373.8
Outside Services	\$1,861.0	\$1,861.0	\$1,861.0
Utilities & Rents	\$1,428.1	\$1,428.1	\$1,428.1
Miscellaneous Expense	\$1,188.3	\$1,106.0	\$1,093.8
Administrative Expense Transferred	(\$2,477.6)	(\$2,214.2)	(\$1,952.1)
Subtotal	\$42,489.4	\$43,864.2	\$45,231.2
Allocated Common Expenses	\$6,813.8	\$6,568.4	\$6,239.3
Total Operating Expense	\$49,303.2	\$50,432.6	\$51,470.5
Depreciation	\$8,432.2	\$7,799.8	\$7,498.9
Ad Valorem Taxes	\$2,507.6	\$2,331.2	\$2,200.5
Payroll Taxes	\$910.1	\$877.4	\$863.3
Total Expense before Income Taxes	\$61,152.9	\$61,440.9	\$62,033.1
Net Revenue Before Income Taxes	\$24,566.1	\$21,938.4	\$20,366.3
State Income Tax	\$947.3	\$852.9	\$777.5
Federal Income Tax	\$3,742.8	\$3,329.1	\$3,071.4
Total Expenses	\$65,843.1	\$65,622.9	\$65,882.1
Net Operating Revenues	\$19,875.9	\$17,756.3	\$16,517.4
Rate Base	\$244,699.2	\$218,643.6	\$203,362.6
Rate of Return	8.12%	8.12%	8.12%

San Gabriel Valley Water Company
Los Angeles County Division
ESCALATION YEAR 2022-2023
SUMMARY OF EARNINGS

(Dollars in Thousands)

10/25/19

	SGVWC		
	GRC Update		
	<u>April 2019</u>	<u>Settlement</u>	<u>Cal-PA</u>
Present Rate Revenue	\$85,861.6	\$83,516.8	\$82,534.9
Proposed Increase	\$3,930.9	\$2,673.6	\$2,326.1
	4.6%	3.2%	2.8%
Operating Revenues	\$89,792.4	\$86,190.4	\$84,861.0
Operating Expenses			
Purchased Water & Assessments	\$18,526.5	\$20,050.4	\$21,093.1
Purchased Power	\$3,735.5	\$3,735.8	\$3,905.4
Chemicals	\$3,567.5	\$3,724.3	\$3,831.4
Payroll	\$6,823.6	\$6,617.2	\$6,528.1
Materials & Supplies	\$1,592.9	\$1,592.9	\$1,592.9
Transportation	\$949.9	\$949.9	\$949.9
Insurance	\$1,334.5	\$1,331.5	\$1,327.8
Employee Pensions & Benefits	\$3,125.9	\$2,900.0	\$2,801.2
Uncollectibles	\$65.5	\$62.6	\$61.5
Franchise Fees	\$888.4	\$852.8	\$839.6
Regulatory Commission Expense	\$405.4	\$373.8	\$373.8
Outside Services	\$1,939.0	\$1,939.0	\$1,939.0
Utilities & Rents	\$1,465.7	\$1,465.7	\$1,465.7
Miscellaneous Expense	\$1,219.6	\$1,135.1	\$1,122.6
Administrative Expense Transferred	(\$2,542.8)	(\$2,272.5)	(\$2,003.5)
Subtotal	\$43,097.2	\$44,458.7	\$45,828.6
Allocated Common Expenses	\$6,993.0	\$6,741.2	\$6,403.4
Total Operating Expense	\$50,090.2	\$51,199.9	\$52,232.0
Depreciation	\$9,194.0	\$8,272.8	\$7,892.0
Ad Valorem Taxes	\$2,760.6	\$2,497.5	\$2,334.3
Payroll Taxes	\$933.6	\$900.1	\$885.6
Total Expense before Income Taxes	\$62,978.4	\$62,870.4	\$63,343.9
Net Revenue Before Income Taxes	\$26,814.0	\$23,320.0	\$21,517.2
State Income Tax	\$989.8	\$859.5	\$766.5
Federal Income Tax	\$4,169.3	\$3,575.3	\$3,271.4
Total Expenses	\$68,137.5	\$67,305.2	\$67,381.8
Net Operating Revenues	\$21,655.0	\$18,885.1	\$17,479.3

**San Gabriel Valley Water Company
Fontana Water Company
TEST YEAR 2020-2021
SUMMARY OF EARNINGS**

(Dollars in Thousands)

10/25/19

	SGVWC		
	GRC Update		
	<u>April 2019</u>	<u>Settlement</u>	<u>Cal-PA</u>
Present Rate Revenue	\$68,826.2	\$73,296.8	\$75,802.3
Proposed Increase	\$8,369.3 12.2%	\$4,296.8 5.9%	\$2,445.2 3.2%
Operating Revenues	\$77,195.6	\$77,593.6	\$78,247.4
Operating Expenses			
Purchased Water & Assessments	\$20,507.9	\$23,094.8	\$24,566.2
Purchased Power	\$4,661.2	\$4,661.2	\$5,003.6
Chemicals	\$669.8	\$730.3	\$764.7
Payroll	\$6,555.6	\$6,357.3	\$6,271.7
Materials & Supplies	\$1,054.0	\$1,054.0	\$1,054.0
Transportation	\$885.1	\$885.1	\$885.1
Insurance	\$1,295.6	\$1,295.6	\$1,295.6
Employee Pensions & Benefits	\$3,142.6	\$2,918.7	\$2,847.7
Uncollectibles	\$147.2	\$147.9	\$133.5
Franchise Fees	\$497.3	\$499.9	\$504.1
Regulatory Commission Expense	\$410.3	\$423.3	\$423.3
Outside Services	\$1,322.3	\$1,322.3	\$1,322.3
Utilities & Rents	\$121.1	\$121.1	\$121.1
Miscellaneous Expense	\$837.2	\$650.1	\$639.7
Administrative Expense Transferred	(\$2,317.3)	(\$1,968.5)	(\$1,850.4)
Subtotal	\$39,789.8	\$42,193.1	\$43,982.1
Allocated Common Expenses	\$6,853.2	\$6,606.5	\$6,275.4
Total Operating Expense	\$46,643.0	\$48,799.6	\$50,257.5
Depreciation	\$8,971.2	\$8,686.4	\$8,474.9
Ad Valorem Taxes	\$2,182.1	\$2,063.8	\$2,000.8
Payroll Taxes	\$915.5	\$882.1	\$867.7
Total Expense before Income Taxes	\$58,711.8	\$60,431.9	\$61,600.8
Net Revenue Before Income Taxes	\$18,483.8	\$17,161.7	\$16,646.6
State Income Tax	\$653.1	\$617.0	\$603.6
Federal Income Tax	\$803.4	\$576.9	\$448.6
Total Expenses	\$60,168.3	\$61,625.8	\$62,653.0
Net Operating Revenues	\$17,027.3	\$15,967.8	\$15,594.4
Rate Base	\$209,584.2	\$196,527.7	\$192,034.0
Rate of Return	8.12%	8.12%	8.12%

**San Gabriel Valley Water Company
Fontana Water Company
ESCALATION YEAR 2021-2022
SUMMARY OF EARNINGS**

(Dollars in Thousands)

10/25/19

	SGVWC		
	GRC Update		
	<u>April 2019</u>	<u>Settlement</u>	<u>Cal-PA</u>
Present Rate Revenue	\$78,863.2	\$79,118.0	\$79,676.2
Proposed Increase	\$5,094.5 6.5%	\$4,286.7 5.4%	\$3,846.5 4.8%
Operating Revenues	\$83,957.7	\$83,404.7	\$83,522.6
Operating Expenses			
Purchased Water & Assessments	\$20,596.7	\$23,200.7	\$24,682.5
Purchased Power	\$4,681.4	\$4,682.6	\$5,027.3
Chemicals	\$689.6	\$751.9	\$787.3
Payroll	\$6,754.4	\$6,550.1	\$6,461.9
Materials & Supplies	\$1,085.3	\$1,085.3	\$1,085.3
Transportation	\$911.3	\$911.3	\$911.3
Insurance	\$1,337.5	\$1,337.5	\$1,337.5
Employee Pensions & Benefits	\$3,237.9	\$3,007.2	\$2,934.0
Uncollectibles	\$160.1	\$159.1	\$142.5
Franchise Fees	\$541.2	\$537.6	\$538.3
Regulatory Commission Expense	\$410.3	\$423.3	\$423.3
Outside Services	\$1,382.8	\$1,382.8	\$1,382.8
Utilities & Rents	\$124.7	\$124.7	\$124.7
Miscellaneous Expense	\$862.0	\$669.4	\$658.6
Administrative Expense Transferred	(\$2,385.9)	(\$2,026.8)	(\$1,905.2)
Subtotal	\$40,389.2	\$42,796.6	\$44,592.2
Allocated Common Expenses	\$7,056.3	\$6,802.2	\$6,461.3
Total Operating Expense	\$47,445.5	\$49,598.8	\$51,053.5
Depreciation	\$9,807.5	\$9,260.0	\$8,976.8
Ad Valorem Taxes	\$2,458.2	\$2,264.7	\$2,185.3
Payroll Taxes	\$943.2	\$908.9	\$894.0
Total Expense before Income Taxes	\$60,654.4	\$62,032.4	\$63,109.6
Net Revenue Before Income Taxes	\$23,303.3	\$21,372.3	\$20,413.0
State Income Tax	\$860.1	\$797.7	\$767.1
Federal Income Tax	\$3,663.0	\$3,353.1	\$3,198.4
Total Expenses	\$65,177.5	\$66,183.2	\$67,075.1
Net Operating Revenues	\$18,780.2	\$17,221.5	\$16,447.5
Rate Base	\$231,169.9	\$211,973.8	\$202,426.7
Rate of Return	8.12%	8.12%	8.12%

San Gabriel Valley Water Company
Fontana Water Company
ESCALATION YEAR 2022-2023
SUMMARY OF EARNINGS

(Dollars in Thousands)

10/25/19

	SGVWC		
	GRC Update		
	<u>April 2019</u>	<u>Settlement</u>	<u>Cal-PA</u>
Present Rate Revenue	\$85,034.5	\$84,330.1	\$84,341.0
Proposed Increase	\$3,085.5 3.6%	\$2,214.0 2.6%	\$1,654.8 2.0%
Operating Revenues	\$88,120.1	\$86,544.2	\$85,995.8
Operating Expenses			
Purchased Water & Assessments	\$20,675.6	\$23,296.9	\$24,788.8
Purchased Power	\$4,699.3	\$4,702.0	\$5,049.0
Chemicals	\$711.8	\$776.1	\$812.7
Payroll	\$6,969.4	\$6,758.6	\$6,667.5
Materials & Supplies	\$1,120.2	\$1,120.2	\$1,120.2
Transportation	\$940.7	\$940.7	\$940.7
Insurance	\$1,380.7	\$1,380.7	\$1,380.7
Employee Pensions & Benefits	\$3,341.0	\$3,102.9	\$3,027.4
Uncollectibles	\$168.1	\$165.1	\$146.7
Franchise Fees	\$568.1	\$557.9	\$554.4
Regulatory Commission Expense	\$410.3	\$423.3	\$423.3
Outside Services	\$1,449.0	\$1,449.0	\$1,449.0
Utilities & Rents	\$128.7	\$128.7	\$128.7
Miscellaneous Expense	\$889.8	\$691.0	\$679.9
Administrative Expense Transferred	(\$2,462.8)	(\$2,092.1)	(\$1,966.6)
Subtotal	\$40,989.9	\$43,400.9	\$45,202.4
Allocated Common Expenses	\$7,283.7	\$7,021.4	\$6,669.5
Total Operating Expense	\$48,273.5	\$50,422.3	\$51,872.0
Depreciation	\$10,643.8	\$9,833.6	\$9,478.8
Ad Valorem Taxes	\$2,734.2	\$2,465.7	\$2,369.8
Payroll Taxes	\$973.3	\$937.8	\$922.5
Total Expense before Income Taxes	\$62,624.8	\$63,659.4	\$64,643.0
Net Revenue Before Income Taxes	\$25,495.3	\$22,884.7	\$21,352.8
State Income Tax	\$880.0	\$778.7	\$687.4
Federal Income Tax	\$4,080.3	\$3,633.2	\$3,361.9
Total Expenses	\$67,585.1	\$68,071.3	\$68,692.3
Net Operating Revenues	\$20,535.0	\$18,472.9	\$17,303.5

**San Gabriel Valley Water Company
Los Angeles County Division
TEST YEAR 2020-2021
AVERAGE DEPRECIATED RATE BASE**

(Dollars in Thousands)

10/25/19

<u>Description</u>	SGVWC		
	GRC Update	Settlement	Cal-PA
	<u>April 2019</u>		
Utility Plant	\$413,523.7	\$396,981.0	\$384,648.1
Depreciation Reserve	\$122,607.2	\$122,405.2	\$122,428.9
Net Utility Plant	<u>\$290,916.5</u>	<u>\$274,575.8</u>	<u>\$262,219.2</u>
Less:			
Advances	\$2,372.8	\$2,372.8	\$2,372.8
Contributions	\$56,365.4	\$56,365.4	\$55,328.0
Accumulated Deferred Income Taxes	\$33,164.5	\$33,019.3	\$32,824.6
Deferred Investment Tax Credit	\$164.1	\$164.1	\$164.1
Subtotal	<u>\$198,849.7</u>	<u>\$182,654.2</u>	<u>\$171,529.7</u>
Plus:			
Materials and Supplies	\$1,469.9	\$1,411.5	\$1,413.6
Operational Cash Requirement	\$15.0	\$15.0	\$15.0
Working Cash-Lead Lag	\$5,486.7	\$5,443.9	\$5,495.0
Tax on Advances and Contributions	\$3,760.8	\$3,760.8	\$3,429.7
Net Common Plant Allocation	\$13,145.8	\$11,473.7	\$9,607.3
Average Rate Base	<u><u>\$222,728.0</u></u>	<u><u>\$204,759.1</u></u>	<u><u>\$191,490.2</u></u>

**San Gabriel Valley Water Company
Los Angeles County Division
ESCALATION YEAR 2021-2022
AVERAGE DEPRECIATED RATE BASE**

(Dollars in Thousands)

10/25/19

<u>Description</u>	SGVWC		
	GRC Update		
	<u>April 2019</u>	<u>Settlement</u>	<u>Cal-PA</u>
Utility Plant	\$445,103.9	\$421,612.2	\$406,973.3
Depreciation Reserve	\$132,182.3	\$131,764.1	\$131,739.3
Net Utility Plant	<u>\$312,921.6</u>	<u>\$289,848.2</u>	<u>\$275,234.0</u>
Less:			
Advances	\$2,244.7	\$2,244.7	\$2,244.7
Contributions	\$57,067.4	\$57,067.4	\$55,854.3
Accumulated Deferred Income Taxes	\$34,549.5	\$34,210.0	\$33,904.7
Deferred Investment Tax Credit	\$152.4	\$152.4	\$152.4
Subtotal	<u>\$218,907.5</u>	<u>\$196,173.6</u>	<u>\$183,077.8</u>
Plus:			
Materials and Supplies	\$1,613.9	\$1,519.3	\$1,512.1
Operational Cash Requirement	\$15.0	\$15.0	\$15.0
Working Cash-Lead Lag	\$4,981.9	\$4,968.9	\$4,983.5
Tax on Advances and Contributions	\$4,634.8	\$4,634.8	\$4,260.5
Net Common Plant Allocation	\$14,546.1	\$11,332.0	\$9,513.7
Average Rate Base	<u><u>\$244,699.2</u></u>	<u><u>\$218,643.6</u></u>	<u><u>\$203,362.6</u></u>

**San Gabriel Valley Water Company
Fontana Water Company
TEST YEAR 2020-2021
AVERAGE DEPRECIATED RATE BASE**

(Dollars in Thousands)

10/25/19

<u>Description</u>	SGVWC		
	GRC Update		
	<u>April 2019</u>	<u>Settlement</u>	<u>Cal-PA</u>
Utility Plant	\$462,069.7	\$449,464.5	\$446,126.6
Depreciation Reserve	\$138,177.7	\$138,093.0	\$138,078.0
Net Utility Plant	<u>\$323,892.0</u>	<u>\$311,371.5</u>	<u>\$308,048.7</u>
Less:			
Advances	\$35,486.8	\$35,486.8	\$35,486.8
Contributions	\$69,679.6	\$69,641.2	\$69,641.2
Accumulated Deferred Income Taxes	\$38,039.4	\$37,884.5	\$37,749.9
Deferred Investment Tax Credit	\$192.1	\$192.1	\$192.1
Subtotal	<u>\$180,494.1</u>	<u>\$168,166.8</u>	<u>\$164,978.6</u>
Plus:			
Materials and Supplies	\$1,500.6	\$1,453.2	\$1,468.6
Operational Cash Requirement	\$15.0	\$15.0	\$15.0
Working Cash-Lead Lag	\$3,768.4	\$4,821.1	\$5,421.8
Tax on Advances and Contributions	\$7,765.8	\$7,753.1	\$7,753.1
Water Entitlements - Fontana Union	\$2,578.3	\$2,578.3	\$2,578.3
Net Common Plant Allocation	\$13,462.0	\$11,740.3	\$9,818.7
Average Rate Base	<u><u>\$209,584.2</u></u>	<u><u>\$196,527.7</u></u>	<u><u>\$192,034.0</u></u>

**San Gabriel Valley Water Company
Fontana Water Company
TEST YEAR 2021-2022
AVERAGE DEPRECIATED RATE BASE**

(Dollars in Thousands)

10/25/19

<u>Description</u>	SGVWC		Cal-PA
	GRC Update	SGVWC	
	<u>April 2019</u>	<u>Settlement</u>	
Utility Plant	\$491,441.8	\$473,962.6	\$465,445.6
Depreciation Reserve	\$149,006.5	\$148,760.2	\$148,720.7
Net Utility Plant	<u>\$342,435.3</u>	<u>\$325,202.4</u>	<u>\$316,725.0</u>
Less:			
Advances	\$33,942.0	\$33,942.0	\$33,942.0
Contributions	\$67,566.1	\$67,528.7	\$67,528.7
Accumulated Deferred Income Taxes	\$39,660.1	\$39,316.6	\$39,093.6
Deferred Investment Tax Credit	\$172.9	\$172.9	\$172.9
Subtotal	<u>\$201,094.1</u>	<u>\$184,242.0</u>	<u>\$175,987.6</u>
Plus:			
Materials and Supplies	\$1,630.5	\$1,563.7	\$1,568.3
Operational Cash Requirement	\$15.0	\$15.0	\$15.0
Working Cash-Lead Lag	\$3,480.2	\$4,524.6	\$5,099.4
Tax on Advances and Contributions	\$7,468.0	\$7,455.8	\$7,455.8
Water Entitlements - Fontana Union	\$2,578.3	\$2,578.3	\$2,578.3
Net Common Plant Allocation	\$14,903.7	\$11,594.4	\$9,722.3
Average Rate Base	<u><u>\$231,169.9</u></u>	<u><u>\$211,973.8</u></u>	<u><u>\$202,426.7</u></u>

San Gabriel Valley Water Company
Los Angeles County Division
COMPUTATION OF TAXES ON INCOME
TEST YEAR 2020-2021
AT PROPOSED RATES

(Dollars in Thousands)

10/25/19

	SGVWC		
	GRC Update		
	<u>April 2019</u>	<u>Settlement</u>	<u>Cal-PA</u>
<u>Operating Revenues</u>	\$78,655.3	\$77,518.1	\$76,776.1
<u>Deductions</u>			
Operating Expenses, excluding			
Depreciation & Income Taxes	\$51,468.9	\$52,551.8	\$53,422.5
Interest Expense	\$4,884.0	\$4,490.0	\$4,199.0
Subtotal	\$56,352.9	\$57,041.8	\$57,621.6
<u>State Tax Calculation</u>			
Taxable Income Before Deductions	\$22,302.4	\$20,476.3	\$19,154.5
Less: Depreciation-State	\$13,376.4	\$12,715.5	\$12,225.0
Less: Repair Regulations Deduction	\$1,529.2	\$1,339.9	\$1,173.6
State Taxable Income	\$7,396.7	\$6,420.8	\$5,755.9
State Corporate Franchise Tax at 8.84%	\$653.9	\$567.6	\$508.8
Amortization of CIAC Tax	\$49.9	\$49.9	\$45.5
Total State Income Tax Expense	\$703.8	\$617.5	\$554.3
<u>Federal Tax Calculation</u>			
Taxable Income Before Deductions	\$22,302.4	\$20,476.3	\$19,154.5
Less: Depreciation-Federal (book)	\$7,670.3	\$7,326.7	\$7,105.8
Less: State Corp. Franchise Tax - Prior Year	\$970.5	\$1,036.3	\$1,125.0
Federal Taxable Income	\$13,661.6	\$12,113.3	\$10,923.7
Federal Tax at 21%	\$2,868.9	\$2,543.8	\$2,294.0
Amortization of CIAC Tax	\$108.1	\$108.1	\$98.6
Amortization of EDIT	(\$278.4)	(\$278.4)	(\$278.4)
Amortization of EDIT (Jan. 2018 - Jun. 2020)	(\$1,980.5)	(\$1,980.5)	(\$1,980.5)
Total Federal Income Tax Expense	\$718.1	\$393.0	\$133.6

San Gabriel Valley Water Company
Los Angeles County Division
COMPUTATION OF TAXES ON INCOME
ESCALATION YEAR 2021-2022
AT PROPOSED RATES

(Dollars in Thousands)

10/25/19

	SGVWC		
	GRC Update		
	<u>April 2019</u>	<u>Settlement</u>	<u>Cal-PA</u>
<u>Operating Revenues</u>	\$85,719.1	\$83,379.3	\$82,399.5
<u>Deductions</u>			
Operating Expenses, excluding			
Depreciation & Income Taxes	\$52,720.9	\$53,641.2	\$54,534.3
Interest Expense	\$5,365.8	\$4,794.5	\$4,459.4
Subtotal	\$58,086.7	\$58,435.6	\$58,993.7
<u>State Tax Calculation</u>			
Taxable Income Before Deductions	\$27,632.4	\$24,943.7	\$23,405.8
Less: Depreciation-State	\$15,698.9	\$14,613.8	\$14,079.1
Less: Repair Regulations Deduction	\$1,932.5	\$1,396.4	\$1,188.3
State Taxable Income	\$10,001.0	\$8,933.4	\$8,138.4
State Corporate Franchise Tax at 8.84%	\$884.1	\$789.7	\$719.4
Amortization of CIAC Tax	\$63.2	\$63.2	\$58.1
Total State Income Tax Expense	<u>\$947.3</u>	<u>\$852.9</u>	<u>\$777.5</u>
<u>Federal Tax Calculation</u>			
Taxable Income Before Deductions	\$27,632.4	\$24,943.7	\$23,405.8
Less: Depreciation-Federal (book)	\$8,432.2	\$7,799.8	\$7,498.9
Less: State Corp. Franchise Tax - Prior Year	\$703.8	\$617.5	\$554.3
Federal Taxable Income	\$18,496.4	\$16,526.4	\$15,352.6
Federal Tax at 21%	\$3,884.2	\$3,470.5	\$3,224.0
Amortization of CIAC Tax	\$136.9	\$136.9	\$125.8
Amortization of EDIT	(\$278.4)	(\$278.4)	(\$278.4)
Amortization of EDIT (Jan. 2018 - Jun. 2020)	\$0.0	\$0.0	\$0.0
Total Federal Income Tax Expense	<u>\$3,742.8</u>	<u>\$3,329.1</u>	<u>\$3,071.4</u>

**San Gabriel Valley Water Company
Los Angeles County Division
COMPUTATION OF TAXES ON INCOME
ESCALATION YEAR 2022-2023
AT PROPOSED RATES**

(Dollars in Thousands)

10/25/19

	SGVWC GRC Update <u>April 2019</u>	<u>Settlement</u>	<u>Cal-PA</u>
<u>Operating Revenues</u>	\$89,792.4	\$86,190.4	\$84,861.0
<u>Deductions</u>			
Operating Expenses, excluding			
Depreciation & Income Taxes	\$53,784.4	\$54,597.6	\$55,451.9
Interest Expense	<u>\$5,365.8</u>	<u>\$4,794.5</u>	<u>\$4,459.4</u>
Subtotal	\$59,150.2	\$59,392.0	\$59,911.3
<u>State Tax Calculation</u>			
Taxable Income Before Deductions	\$30,642.2	\$26,798.3	\$24,949.7
Less: Depreciation-State	\$18,021.3	\$16,512.1	\$15,933.1
Less: Repair Regulations Deduction	<u>\$2,168.2</u>	<u>\$1,307.2</u>	<u>\$1,029.7</u>
State Taxable Income	\$10,452.8	\$8,979.0	\$7,987.0
State Corporate Franchise Tax at 8.84%	\$924.0	\$793.7	\$706.0
Amortization of CIAC Tax	<u>\$65.8</u>	<u>\$65.8</u>	<u>\$60.5</u>
Total State Income Tax Expense	<u><u>\$989.8</u></u>	<u><u>\$859.5</u></u>	<u><u>\$766.5</u></u>
<u>Federal Tax Calculation</u>			
Taxable Income Before Deductions	\$30,642.2	\$26,798.3	\$24,949.7
Less: Depreciation-Federal (book)	\$9,194.0	\$8,272.8	\$7,892.0
Less: State Corp. Franchise Tax - Prior Year	<u>\$947.3</u>	<u>\$852.9</u>	<u>\$777.5</u>
Federal Taxable Income	\$20,500.9	\$17,672.6	\$16,280.3
Federal Tax at 21%	\$4,305.2	\$3,711.2	\$3,418.9
Amortization of CIAC Tax	\$142.5	\$142.5	\$130.9
Amortization of EDIT	(\$278.4)	(\$278.4)	(\$278.4)
Amortization of EDIT (Jan. 2018 - Jun. 2020)	<u>\$0.0</u>	<u>\$0.0</u>	<u>\$0.0</u>
Total Federal Income Tax Expense	<u><u>\$4,169.3</u></u>	<u><u>\$3,575.3</u></u>	<u><u>\$3,271.4</u></u>

**San Gabriel Valley Water Company
Fontana Water Company
COMPUTATION OF TAXES ON INCOME
TEST YEAR 2020-2021
AT PROPOSED RATES**

(Dollars in Thousands)

10/25/19

	SGVWC GRC Update <u>April 2019</u>	<u>Settlement</u>	<u>Cal-PA</u>
<u>Operating Revenues</u>	\$77,195.6	\$77,593.6	\$78,247.4
<u>Deductions</u>			
Operating Expenses, excluding			
Depreciation & Income Taxes	\$49,740.7	\$51,745.5	\$53,126.0
Interest Expense	\$4,595.8	\$4,309.5	\$4,211.0
Subtotal	<u>\$54,336.5</u>	<u>\$56,055.0</u>	<u>\$57,336.9</u>
<u>State Tax Calculation</u>			
Taxable Income Before Deductions	\$22,859.1	\$21,538.6	\$20,910.5
Less: Depreciation-State	\$14,892.2	\$14,228.1	\$13,836.1
Less: Repair Regulations Deduction	<u>\$1,762.4</u>	<u>\$1,512.5</u>	<u>\$1,428.0</u>
State Taxable Income	\$6,204.6	\$5,798.1	\$5,646.4
State Corporate Franchise Tax at 8.84%	\$548.5	\$512.5	\$499.1
Amortization of CIAC Tax	<u>\$104.6</u>	<u>\$104.4</u>	<u>\$104.4</u>
Total State Income Tax Expense	<u><u>\$653.1</u></u>	<u><u>\$617.0</u></u>	<u><u>\$603.6</u></u>
<u>Federal Tax Calculation</u>			
Taxable Income Before Deductions	\$22,859.1	\$21,538.6	\$20,910.5
Less: Depreciation-Federal (book)	\$8,971.2	\$8,686.4	\$8,474.9
Less: State Corp. Franchise Tax - Prior Year	<u>\$590.2</u>	<u>\$631.0</u>	<u>\$825.4</u>
Federal Taxable Income	\$13,297.8	\$12,221.2	\$11,610.3
Federal Tax at 21%	\$2,792.5	\$2,566.5	\$2,438.2
Amortization of CIAC Tax	\$226.5	\$226.1	\$226.1
Amortization of EDIT	(\$256.5)	(\$256.5)	(\$256.5)
Amortization of EDIT (Jan. 2018 - Jun. 2020)	<u>(\$1,959.2)</u>	<u>(\$1,959.2)</u>	<u>(\$1,959.2)</u>
Total Federal Income Tax Expense	<u><u>\$803.4</u></u>	<u><u>\$576.9</u></u>	<u><u>\$448.6</u></u>

San Gabriel Valley Water Company
Fontana Water Company
COMPUTATION OF TAXES ON INCOME
ESCALATION YEAR 2021-2022
AT PROPOSED RATES

(Dollars in Thousands)

10/25/19

	SGVWC		
	GRC Update		
	<u>April 2019</u>	<u>Settlement</u>	<u>Cal-PA</u>
<u>Operating Revenues</u>	\$83,957.7	\$83,404.7	\$83,522.6
<u>Deductions</u>			
Operating Expenses, excluding			
Depreciation & Income Taxes	\$50,846.9	\$52,772.4	\$54,132.8
Interest Expense	\$5,069.1	\$4,648.2	\$4,438.9
Subtotal	\$55,916.0	\$57,420.6	\$58,571.6
<u>State Tax Calculation</u>			
Taxable Income Before Deductions	\$28,041.7	\$25,984.1	\$24,951.0
Less: Depreciation-State	\$17,563.5	\$16,516.8	\$16,087.3
Less: Repair Regulations Deduction	\$1,936.4	\$1,629.8	\$1,372.5
State Taxable Income	\$8,541.8	\$7,837.5	\$7,491.3
State Corporate Franchise Tax at 8.84%	\$755.1	\$692.8	\$662.2
Amortization of CIAC Tax	\$105.0	\$104.9	\$104.9
Total State Income Tax Expense	<u>\$860.1</u>	<u>\$797.7</u>	<u>\$767.1</u>
<u>Federal Tax Calculation</u>			
Taxable Income Before Deductions	\$28,041.7	\$25,984.1	\$24,951.0
Less: Depreciation-Federal (book)	\$9,807.5	\$9,260.0	\$8,976.8
Less: State Corp. Franchise Tax - Prior Year	\$653.1	\$617.0	\$603.6
Federal Taxable Income	\$17,581.1	\$16,107.1	\$15,370.6
Federal Tax at 21%	\$3,692.0	\$3,382.5	\$3,227.8
Amortization of CIAC Tax	\$227.4	\$227.1	\$227.1
Amortization of EDIT	(\$256.5)	(\$256.5)	(\$256.5)
Amortization of EDIT (Jan. 2018 - Jun. 2020)	\$0.0	\$0.0	\$0.0
Total Federal Income Tax Expense	<u>\$3,663.0</u>	<u>\$3,353.1</u>	<u>\$3,198.4</u>

**San Gabriel Valley Water Company
Fontana Water Company**
COMPUTATION OF TAXES ON INCOME
ESCALATION YEAR 2022-2023
AT PROPOSED RATES

(Dollars in Thousands)

10/25/19

	SGVWC		
	GRC Update		
	<u>April 2019</u>	<u>Settlement</u>	<u>Cal-PA</u>
<u>Operating Revenues</u>	\$88,120.1	\$86,544.2	\$85,995.8
<u>Deductions</u>			
Operating Expenses, excluding			
Depreciation & Income Taxes	\$51,981.0	\$53,825.8	\$55,164.2
Interest Expense	\$5,069.1	\$4,648.2	\$4,438.9
Subtotal	\$57,050.2	\$58,474.0	\$59,603.1
<u>State Tax Calculation</u>			
Taxable Income Before Deductions	\$31,069.9	\$28,070.2	\$26,392.7
Less: Depreciation-State	\$20,234.8	\$18,805.5	\$18,338.4
Less: Repair Regulations Deduction	\$2,071.3	\$1,644.9	\$1,466.8
State Taxable Income	\$8,763.9	\$7,619.8	\$6,587.5
State Corporate Franchise Tax at 8.84%	\$774.7	\$673.6	\$582.3
Amortization of CIAC Tax	\$105.2	\$105.1	\$105.1
Total State Income Tax Expense	\$880.0	\$778.7	\$687.4
<u>Federal Tax Calculation</u>			
Taxable Income Before Deductions	\$31,069.9	\$28,070.2	\$26,392.7
Less: Depreciation-Federal (book)	\$10,643.8	\$9,833.6	\$9,478.8
Less: State Corp. Franchise Tax - Prior Year	\$860.1	\$797.7	\$767.1
Federal Taxable Income	\$19,566.1	\$17,438.8	\$16,146.8
Federal Tax at 21%	\$4,108.9	\$3,662.2	\$3,390.8
Amortization of CIAC Tax	\$227.9	\$227.5	\$227.5
Amortization of EDIT	(\$256.5)	(\$256.5)	(\$256.5)
Amortization of EDIT (Jan. 2018 - Jun. 2020)	\$0.0	\$0.0	\$0.0
Total Federal Income Tax Expense	\$4,080.3	\$3,633.2	\$3,361.9