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**EXHIBIT A**

**Amended Partial Settlement Agreement of  
California Water Service Company (U 60 W) and the Public Advocates Office**

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

In the Matter of the Application of CALIFORNIA WATER SERVICE COMPANY (U-60-W), a California corporation, for an order (1) authorizing it to increase rates for water service by \$80,484,801 or 11.1% in test year 2023, (2) authorizing it to increase rates on January 1, 2024 by \$43,582,644 or 5.4%, and (3) authorizing it to increase rates on January 1, 2025 by \$43,197,258 or 5.1% in accordance with the Rate Case Plan, and (4) adopting other related rulings and relief necessary to implement the Commission's ratemaking policies.

Application 21-07-002  
Filed July 1, 2021

**AMENDED PARTIAL SETTLEMENT AGREEMENT OF**

**CALIFORNIA WATER SERVICE COMPANY (U-60-W) AND THE PUBLIC ADVOCATES OFFICE**

December 16, 2022

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1       **I.       INTRODUCTION**

2               This Settlement Agreement (“Agreement”) resolves certain contested issues raised in  
3       Application (“A.”) 21-07-002, the 2021 General Rate Case (“GRC”) filing of California Water  
4       Service Company (“Cal Water”) for rates in calendar years 2023, 2024, and 2025 for 21 Class A  
5       ratemaking areas (“Application”).<sup>1</sup> Pursuant to Article 12 of the Rules of Practice and Procedure  
6       (“Rules”) of the California Public Utilities Commission (“Commission”), this Agreement is  
7       submitted for Commission approval by Cal Water and the Public Advocates Office at the  
8       California Public Utilities Commission (“Cal Advocates”) (collectively, “Parties”). If the  
9       Commission approves the Agreement and fully agrees with Cal Advocates’ positions on the  
10      remaining contested issues, the overall increase for Cal Water revenues would be  
11      approximately 12.8% for the year 2023, with rate impacts that will vary by district. If the  
12      Commission fully agrees with Cal Water on the remaining contested items, the overall increase  
13      for Cal Water revenues would be approximately 19.6% for the year 2023, with rate impacts that  
14      will vary by district.<sup>2</sup> (See Section III for more details.)

15              In consideration of the mutual obligations, covenants, and conditions contained herein,  
16      both Cal Water and Cal Advocates agree to the terms of this Agreement. Nothing in this  
17      Agreement shall be deemed to constitute an admission by any Party that its position taken in

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<sup>1</sup> This GRC addresses the following twenty-one (21) Class A ratemaking areas: Bakersfield District, Bay Area Region, Bear Gulch District, Chico District, Dixon District, Dominguez District, East Los Angeles District, Hermosa-Redondo District, Kern River Valley District, Livermore District, Los Altos District, Los Angeles County Region, Marysville District, Salinas Valley Region, Oroville District, Selma District, Stockton District, Visalia District, Westlake District, Willows District, and Travis District. As discussed below, the Parties also propose to create the North Valley Region by consolidating the Chico and Oroville Districts, and the South Bay Region by consolidating the Dominguez and Hermosa-Redondo Districts, so that this GRC addresses a total of 19 Class A ratemaking areas. Cal Water also has another Class A ratemaking area (the Millerton District), and a Class D ratemaking area (Grand Oaks), however rates for these areas are not being addressed in this proceeding.

<sup>2</sup> The percentages provided regarding Cal Advocates’ and Cal Water’s positions represent company-wide revenue increases over “revenue at present rates,” with present rates defined as the rates in effect as of July 2021, updated with wholesale water rates as of January 1, 2022. Note that the Parties have not fully verified each other’s figures down to the ratemaking area level, but agree to work with the Commission’s Water Division to ensure settlement terms approved by the Commission are reflected in the GRC Excel model calculations. These percentages are for demonstration purposes, and not intended to reflect a floor or ceiling on the revenue changes that may result from a Commission decision that includes approval of this Settlement.

testimony on any issue lacks merit or that its position taken in testimony has greater or lesser merit than the position taken by any other Party.

## **II. LIST OF ISSUES RESOLVED IN THIS AGREEMENT**

This partial Settlement Agreement expands upon and adds to the Undisputed Issues List provided as an attachment to each party's Opening Brief. It addresses the issues on the Undisputed Issues List identified as Nos. 1 through 11, 13, 39, and 42, some of which were originally contested and some of which were not. The issues fall into the following broad categories:

- Revenue increase calculation and customer notice
- Rate Design
- Sales and Services
- Water Production Expenses and Mix
- Incorporation of Subsequent Rate Changes
- Consolidation of Skylonda Mutual into the Bear Gulch District

## **III. REVENUE INCREASE CALCULATION AND CUSTOMER NOTICE**

ISSUE: Cal Water's Application presented its proposed revenue increases relative to the last authorized revenue at that time.<sup>3</sup> Cal Advocates argues that the proposed revenue increases should be compared to the last authorized revenues at present rates.<sup>4</sup>

RESOLUTION: While the presentation of the revenue increase does not change the dollar amount of the proposed revenue request or the typical customer bill impact, the Parties agree to present the revenue increase percentages in both ways so that customers understand the magnitude of the overall revenue increase.

In addition, in its next general rate case, Cal Water agrees to compare its proposed revenue increases to revenues at present rates.

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<sup>3</sup> Exh. CW-01 (General Report) at 7. The "last adopted revenue" is the result of applying then-adopted sales and services to current tariffed rates (at the time of Application filing).

<sup>4</sup> Exh. CalAdv-01 (Amended Executive Summary) at 3-6. In general, the "revenue at present rates" is the result of applying *proposed* test year sales and services to current tariffed rates.

To better understand the revenue increase presentation, see the following tables provided in the Amended Table 1-A of the Joint Comparison Exhibit that compare proposed revenue to the last adopted revenue as of July 2021 (**Table i**), as well as proposed revenue to the revenue at present rates as of July 2021 (with updates) (**Table ii**).<sup>5</sup> The figures in **Table i** and **Table ii** present a side-by-side comparison of Cal Water’s and Cal Advocates’ numbers to demonstrate the differences the litigated issues would make.

i. Incremental Increase Over "Last Adopted Revenue"									
Public Advocates					California Water Service				Difference Between Public Advocates and CWS Revised
Year	Original	% change	Revised	% change	Application	% change	Revised	% change	
2023	\$ 16,450.1	2.3%	\$ 38,113.1	5.3%	\$ 80,484.8	11.1%	\$ 71,345.5	9.8%	\$ 33,232
2024	\$ 18,182.1	2.5%	\$ 30,089.1	4.0%	\$ 43,582.6	5.4%	\$ 42,496.5	5.3%	\$ 12,407
2025	\$ 20,763.0	2.7%	\$ 25,614.9	3.2%	\$ 43,197.3	5.1%	\$ 41,691.7	4.9%	\$ 16,077
ii. Incremental Revenue Increase Over "Revenue at Present Rates"									
Public Advocates					California Water Service				Difference Between Public Advocates and CWS Revised
Year	Original	% change	Revised	% change	Application	% change	Revised	% change	
2023	\$ 60,396.6	9.0%	\$ 86,130.1	12.8%	\$ 123,323.8	18.4%	\$ 131,380.4	19.6%	\$ 45,250
2024	\$ 18,182.1	2.5%	\$ 33,485.8	4.4%	\$ 43,582.6	5.4%	\$ 42,453.4	5.3%	\$ 8,968
2025	\$ 20,763.0	2.7%	\$ 25,607.1	3.2%	\$ 43,197.3	5.1%	\$ 41,649.0	4.9%	\$ 16,042

#### IV. RATE DESIGN ISSUES

##### A. Residential Tier Breakpoints

ISSUE: Cal Water’s Application proposed a modified rate design for residential customers following guidance from the Commission’s affordability proceeding in D.18-07-032 with the co-equal goals of balancing affordability, water conservation, and financial (revenue) stability. To increase affordability for low water users, the proposed rate design set the first tier of water usage at 6 CCFs (the Tier 1 quantity rate breakpoint) with a quantity rate that was

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<sup>5</sup> For the purposes of this Settlement Agreement, the “revenue at present rates” reflects July 2021 rates updated with wholesale water rates approved by the Commission for January 1, 2022.

1 heavily discounted. Another key aspect of the rate design was a steeply inclining fourth tier to  
2 incentivize water conservation by high-volume water users.<sup>6</sup>

3 Cal Advocates agreed with setting Tier 1 at 6 CCF, but expressed concern about Cal  
4 Water's proposed Tier 2-4 breakpoints and sales distributions, particularly the narrow width  
5 between Tier 1 and Tier 2. Cal Advocates' alternative rate design increased the tier widths and  
6 eliminated the fourth tier in several districts. In rebuttal, Cal Water proposed modifications to  
7 address some of Cal Advocates' concerns.

8 RESOLUTION: As shown in the table below, the Parties agree that the Tier 1 rate will  
9 apply to the first 6 CCF of water usage in all areas with residential tiered quantity rates. (The  
10 rate designs for the Kern River Valley District and the Travis District will remain unchanged.)

11 For all areas except for the Bakersfield, East Los Angeles, Los Angeles County, and Visalia  
12 areas, the breakpoints for Tiers 2, 3, and 4 will be set according to the average distribution of  
13 water use in each ratemaking area over a four-year period (2018-2021), as follows:

- 14 a. The Tier 2 breakpoint will be set at the 70<sup>th</sup> percentile.
- 15 b. The Tier 3 breakpoint will be set at the 85<sup>th</sup> percentile.
- 16 c. Tier 4 quantity rates will apply to all usage above the Tier 3 breakpoint.

17 For the East Los Angeles District, there will only be three tiers, with the Tier 1 and Tier 2  
18 breakpoints set as described above. For the Bakersfield, Los Angeles County, and Visalia areas,  
19 there will be four tiers, and the Tier 1 breakpoint will be at 6 CCF, but the remaining  
20 breakpoints will be at the levels originally proposed by Cal Water in its July 2021 application.

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<sup>6</sup> These proposals to modify the tier breakpoints do not impact the Kern River Valley District, which has a single quantity rate for all customers, and the Travis District, which has a flat-rate for a single customer, Travis Air Force Base.

Rate Area	Usage in Each Tier (CCF)				Sales Distribution (%)			
	Tier 1	Tier 2	Tier 3	Tier 4	Tier 1	Tier 2	Tier 3	Tier 4
Bay Area Region (Bayshore & Redwood Valley)	6	3	4	Over 13	59	16	11	14
Bakersfield	6	8	12	Over 26	29	29	23	20
Bear Gulch	6	12	17	Over 35	24	26	17	33
Dixon	6	7	5	Over 18	48	29	10	14
East Los Angeles	6	8	Over 14	N/A	47	34	19	
Kern River Valley	Single Quantity Rate				N/A			
Livermore	6	9	8	Over 23	40	32	13	15
Los Altos	6	14	10	Over 30	31	39	12	17
LA County Region (Antelope Valley & Palos Verdes)	6	11	8	Over 25	29	34	13	25
Marysville	6	6	7	Over 19	47	25	14	14
North Valley Region (Chico & Oroville)	6	12	11	Over 29	33	35	14	18
Salinas Valley Region (King City & Salinas)	6	6	5	Over 17	51	27	10	13
Selma	6	14	9	Over 29	33	44	11	12
South Bay Region (Dominguez & Hermosa-Redondo)	6	6	4	Over 16	54	28	8	10
Stockton	6	7	5	Over 18	48	29	9	14
Travis	Flat Rate				N/A			
Visalia	6	5	12	Over 23	31	20	27	22
Westlake	6	19	19	Over 44	20	35	15	29
Willows	6	9	8	Over 23	40	32	13	15

**References:** Exh. CW-01 (General Report) at 26-32; Exh. CW-04 (M.Cubed Reports) at Section 3 (Rate Design Analytics Report); Exh. CalAdv-13 (Amended Report on Sales Forecast, etc.) Chapter 3 at 1-7; Exh. CW-54 (Rebuttal Book #1) at 43-50.

## **B. Fixed Cost Recovery**

**ISSUE:** Cal Water’s Application proposed to increase the amount of fixed costs recovered in the fixed service charges (as opposed to the quantity rates) at an average of 52%<sup>7</sup> across all areas to offset the loss of the full decoupling Water Revenue Adjustment Mechanism (“WRAM”) and Modified Cost Balancing Account (“MCBA”) following their elimination pursuant to D.20-08-047. This was applicable to all customer classes (residential, non-residential, and

<sup>7</sup> Note that this is distinct from another commonly-used concept in rate design, total revenue allocation, defined as the percentage of total revenues collected through fixed service charges vs. variable quantity rates in a rate design.



recycled water). Cal Advocates disagreed with this proposal and instead recommends an average fixed cost recovery of 42% (across all areas) through fixed service charges.

**RESOLUTION:** The Parties agree that all rates for the upcoming GRC period should be designed to recover fixed costs in the fixed service charges according to the percentages proposed in Cal Water's Application as shown in the table below. The one exception is that, in the Livermore District, only 50% of fixed costs (rather than 60%) should be recovered through service charges.

Percentage of Fixed Costs Recovered Through Fixed Service Charges			
Bay Area Region	50%	Marysville	50%
Bear Gulch	50%	North Valley Region	50%
Bakersfield	50%	Selma	50%
Dixon	50%	Stockton	50%
East Los Angeles	50%	Salinas Valley Region	50%
Kern River Valley	40%	South Bay Region	60%
Los Angeles County Region	50%	Visalia	50%
Los Altos	50%	Westlake	60%
Livermore	50%	Willows	50%

**References:** Exh. CW-01 (General Report) at 26-32; Exh CW-04 (M.Cubed Reports) at Section 3 (Rate Design Analytics Report); Exh. CalAdv-13 (Amended Report on Sales Forecast, etc.) Chapter 3 at 12-13; Exh. CW-54 (Rebuttal Book #1) at 43-50.

### C. Price Differentials Between Tiers

**ISSUE:** As part of balancing affordability, conservation, and financial stability, Cal Water proposed adjustments to the price differentials between residential quantity rate tiers. Using the Tier 2 rate as the starting point, Cal Water proposed a quantity rate for Tier 1 usage equivalent to 25% of the Tier 2 rate, a Tier 3 rate that is equivalent to 125% of the Tier 2 rate, and a Tier 4 rate that is equivalent to 187.5% of the Tier 2 rate.<sup>8</sup> Cal Advocates recommended an alternative set of district-specific price differentials in conjunction with its alternative tier breakpoints.

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<sup>8</sup> Current 3-tiered quantity rates have Tier 2 at 125% of the Tier 1 rate, and Tier 3 at 187.5% of the Tier 2 rate.

1        RESOLUTION: The Parties agree to use the price differentials between tiers as  
2 presented in Cal Water's Application: the Tier 1 rate will be equivalent to 25% of the Tier 2 rate;  
3 the Tier 2 rate will be 100%<sup>9</sup>; the Tier 3 rate will be 125% of the Tier 2 rate; and the Tier 4 rate  
4 will be 187.5% of the Tier 2 rate. As the Tier 2 rate will be used as the starting point, the  
5 calculated Tier 2 rate and resulting price differentials between tiers will need to be revenue  
6 neutral and verified by the parties prior to adoption. The expected revenue is calculated based  
7 on the expected sales per tier and the proposed tiered rates in each district; revenue neutrality  
8 is achieved when expected revenue equals the revenue requirement in each district.

9        References: Exh. CW-01 (General Report) at 26-32; Exh CW-04 (M.Cubed Reports) at  
10 Section 3 (Rate Design Analytics Report); Exh. CalAdv-13 (Amended Report on Sales Forecast,  
11 etc.) Chapter 3 at 8-10; Exh. CW-54 (Rebuttal Book #1) at 43-50.

#### 12        **D. Coast Springs Capacity Surcharges**

13        ISSUE: The Coast Springs area is part of the Bay Area Region but is subject to severe  
14 water constraints. In addition to base rates, all customers are currently subject to a capacity  
15 surcharge of \$20/CCF on all usage at 5 CCF and higher to ensure the judicious use of water in a  
16 location with very limited water supply.

17        Under the modified rate design for residential customers proposed in this GRC, the first  
18 6 CCF of usage is subject to a Tier 1 rate that is significantly discounted to 25% of the Tier 2 rate.  
19 On its own, this discount would undermine the goal of the current capacity surcharge for Coast  
20 Springs, however. Cal Water, therefore, proposes to modify the current capacity surcharge  
21 framework. Because the median average usage for residential customers in this area is 2 CCF  
22 per month, Cal Water proposes that customers only be charged the Tier 1 quantity rate for the  
23 first 2 CCF of usage.

24        RESOLUTION: For Coast Springs, the Parties agree residential customers will experience  
25 the same tiered quantity rates as others in the Bay Area Region. In addition, usage between 3

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<sup>9</sup> To retain the stated price differential between tiers and to set rates to collect the authorized revenue requirement, note that the Tier 2 rate will be close to, but not exactly equal to, what would be the "single quantity rate" if residential customers did not have a -tiered rate design.

1 and 6 CCF will be subject to a capacity surcharge of \$8/CCF. For 7 CCF and higher, the capacity  
2 surcharge for residential customers will increase to \$20/CCF.

3 The Parties also agree that non-residential customers in Coast Springs will experience  
4 the same single quantity rates as other non-residential customers in the Bay Area Region, but  
5 will also be subject to a \$20/CCF capacity surcharge for usage at 7 CCF and higher.<sup>10</sup>

6 References: Exh. CW-01 (General Report) at 26-32; Exh. CW-54 (Rebuttal Book #1) at 43-  
7 50.

#### 8 **E. Private Fire Hydrant Rates in Palos Verdes**

9 ISSUE: Cal Water has an existing tariff, Service to Private Fire Hydrants on Private  
10 Property (Schedule PV-4A), in its Palos Verdes district. In 2019, Cal Water eliminated the fire  
11 hydrant tariffs in all other districts because no customers were being served under them, and  
12 consolidated all flat-rate fees to access the water system for “fire protection” under one Private  
13 Fire Protection Service tariff, Schedule AA-4. Cal Water did not eliminate Schedule PV-4A,  
14 however, because approximately 170 customers in Palos Verdes were still being served under  
15 it.

16 RESOLUTION: The Parties agree the tariff “Service to Private Fire Hydrants on Private  
17 Property” (Schedule PV-4A) for the Palos Verdes area will be modified to reflect a flat-rate  
18 amount per inch of meter, and will be increased by 50%. When the Schedule PV-4A rate is in  
19 line with the company-wide “Private Fire Protection” tariff, Schedule AA-4, customers on  
20 Schedule PV-4A will be transitioned to Schedule AA-4 and Schedule PV-4A will be eliminated.<sup>11</sup>

21 References: Exh. CW-01 (General Report) at 32.

#### 22 **F. Applicability to Existing and Proposed Consolidations**

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<sup>10</sup> The quantity rate for non-residential customers in the Bay Area Region does not change based on usage because they do not have tiered rates.

<sup>11</sup> This includes converting the monthly flat-rate tariff to a monthly “flat-rate per inch-of-meter” tariff to mirror the Private Fire Protection tariff.

1        ISSUE: The Commission approved the following ratemaking area consolidations in D.16-  
2 12-042: the Bay Area Region (Bayshore and Redwood Valley Districts), Los Angeles County  
3 Region (Antelope Valley and Palos Verdes Districts), and the Salinas Valley Region (King City and  
4 Salinas Districts).<sup>12</sup> In this proceeding, Cal Water has proposed the following consolidations:  
5 the North Valley Region (Chico and Oroville Districts) and the South Bay Region (Dominguez and  
6 Hermosa-Redondo Districts).

7        While Cal Water proposes the creation of the new North Valley Region ratemaking area,  
8 Cal Water nevertheless recommends that two separate tariff schedules be maintained for Chico  
9 and Oroville for the upcoming GRC period to mitigate the impact of the consolidation on Chico  
10 customers. Cal Water proposes a temporary transitional assessment on Oroville customers so  
11 that their rates are calculated to recover 15% of the new region's total revenue requirement.  
12 Absent this transitional assessment, Oroville customers would bear only 10% of the total  
13 revenue requirement of the North Valley Region due to their size relative to Chico.

14        RESOLUTION: The Parties agree that all of the rate design principles in this Agreement  
15 should be applied to both the existing and proposed consolidated ratemaking areas. In  
16 addition, for the North Valley Region the Parties agree that the transitional assessment should  
17 be reflected in final rates such that 15% of the North Valley Region's total revenue requirement  
18 should be used to calculate Oroville's rates, and the remaining 85% should be used to calculate  
19 Chico's rates. Modification or elimination of the transitional assessment will be considered in  
20 the next GRC.

21        References: Exh. CW-02 (Additional Testimony) at 1-14; Exh. CW-54 (Rebuttal Book #1)  
22 at 43-50.

23        **V.        OTHER RATE DESIGN ISSUES FOR AFFORDABILITY**

24        **A.    Low-Income Discount Methodology**

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<sup>12</sup> While the Salinas Valley Region was originally approved as the "Monterey Region," the Commission approved the name change in D.20-12-007.

1        ISSUE: Cal Water’s Customer Assistance Program (“CAP,” formerly known as the Low-  
2 Income Ratepayer Assistance or LIRA program) provides qualifying individually metered  
3 residential customers.

4        RESOLUTION: The Parties agree to retain Cal Water’s existing CAP discount  
5 methodology with a discount equal to 50% off of the monthly service charge of a 5/8 x 3/4-inch  
6 meter in their area, up to a discount of \$48.00.

7        References: CalAdv-13 (Amended Report on Sales Forecast, etc.) Chapter 3 at 13-14;  
8 Exh. CW-54 (Rebuttal Book #1) at 49-50.

#### 9            **B. Funding Sources for Public Purpose Programs**

10       ISSUE: Cal Water’s public purpose programs consist of the Customer Assistance  
11 Program (“CAP”) and the Rate Support Fund (“RSF”) program. CAP is currently funded by a  
12 surcharge on the bills of all customers except for CAP customers (and with the exceptions of  
13 private fire protection, fire hydrant, and certain Oroville customers).<sup>13</sup> RSF is currently funded  
14 by a surcharge on the bills of both CAP and non-CAP customers, with the exception of CAP  
15 customers located in the Kern River Valley District (and with the same exceptions of private fire  
16 protection, fire hydrant, and certain Oroville customers).

17       Cal Advocates recommends removing the RSF surcharge from CAP customer bills so that  
18 CAP customers no longer fund the RSF program. In rebuttal, Cal Water does not oppose this  
19 recommendation, but recommends mitigating the impact on the non-CAP customers who  
20 would continue to fund the RSF program by extending the RSF surcharge to customers on Cal  
21 Water’s Private Fire Protection tariff who pay a flat monthly fee for access to the water system  
22 for fire protection purposes only.

23       RESOLUTION: To fund the RSF Program, the Parties agree that RSF surcharges will no  
24 longer apply to CAP customers. The Parties agree, however, that both RSF and CAP surcharges  
25 will be expanded to apply to Private Fire Protection customers (Schedule AA-4), as well as to

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<sup>13</sup> The Oroville customers who are not subject to either the CAP or RSF surcharges are those served with raw water along the Powers Canal (Schedules OR-3M, OR-3M-I, and OR-2UL).

1 customers on the Private Fire Hydrants on Private Property (Schedule PV-4A) in Palos Verdes,  
2 who are in the process of being transitioned to Schedule AA-4.

3 References: Exh. CW-02 (Additional Testimony) at 15-17; Exh. CalAdv-13 (Amended  
4 Report on Sales Forecast, etc.) Chapter 4 at 17-19.

### 5 **C. RSF Subsidies**

6 ISSUE: Cal Water recommends continuing the existing RSF subsidies that are benefitting  
7 Kern River Valley, Dixon, and Willows customers, and recalculating the RSF Index Rate to reflect  
8 updated rates. Kern River Valley customers currently pay the discounted RSF Index Rate for the  
9 first 10 CCF of usage, with the RSF Index Rate calculated as 150% of the system-wide average  
10 residential rate. Usage above 10 CCF is charged at the single quantity rate for General Metered  
11 Service. Cal Water proposes recalculation of the RSF Index Rate to reflect the new rates when  
12 final rates are adopted in this proceeding. Cal Water also recommends that the RSF subsidies  
13 offsetting Dixon's revenue requirement (by \$1,704,784) and Willows' revenue requirement (by  
14 \$711,852) continue unchanged.

15 While Cal Advocates supports continuing the RSF subsidies with modifications, including  
16 increasing customer discounts by reducing the RSF Index Rate from 150% to 125% of the  
17 system-wide average residential rate, and in Kern River Valley then subsidizing the difference  
18 between the RSF Index Rate and standard quantity rate for usage up to a district's Tier 2  
19 breakpoint. Cal Water supports reducing the RSF Index Rate, but opposes other changes to the  
20 current RSF subsidies.

21 In addition, the Parties note that the rate design and sales proposed in this Agreement  
22 may result in a typical residential bill increase in the Stockton District that is slightly higher than  
23 \$5 per month.

24 RESOLUTION: The Parties agree to retain the structure of the current subsidies for the  
25 Kern River Valley, Dixon, and Willows Districts, with the exception of lowering the RSF Index  
26 Rate from 150% to 125% of the system-wide average rate to be calculated when final rates are  
27 adopted. In addition, the Parties agree that, if necessary, RSF subsidies should be provided to  
28 decrease the Stockton revenue requirement until the typical residential bill increase associated  
29 with this GRC is no more than \$5.00 per month.

1           References: Exh. CW-02 (Additional Testimony) at 15-17; Exh. CalAdv-13 (Amended  
2 Report on Sales Forecast, etc.) Chapter 4 at 17-19.

3   **VI.     SALES AND SERVICES**

4           **A.   Forecasted Water Sales**

5           ISSUE: Cal Water's total sales are a product of the number of customer services and  
6 consumption per customer. In this GRC, Cal Water proposed a sales per service forecast for  
7 each customer class and ratemaking area based on comprehensive, multivariate econometric  
8 models as developed by the consultant, M.Cubed. Cal Advocates thoroughly reviewed said  
9 models and proposed a different but objective methodology to develop forecasted sales per  
10 service figures. Cal Advocates did not oppose Cal Water's sales per service forecast for  
11 Bakersfield District flat-rate customers.<sup>14</sup>

12           RESOLUTION: Although the Parties disagree on the appropriate methodology for  
13 forecasting sales, the Parties agree to use the sales per connection figures proposed by Cal  
14 Advocates, with some modifications to account for Bakersfield District flat-rate customers, bi-  
15 monthly billing and ratemaking consolidation, as shown below.<sup>15</sup>

16           References: Exh. CW-01 (General Report) at 33-38; Exh CW-04 (M.Cubed Reports) at  
17 Section 2 (Sales Forecast Report); Exh. CalAdv-13 (Amended Report on Sales Forecast, etc.)  
18 Chapter 1 at 1-16; Exh. CW-54 (Rebuttal Book #1) at 50-53.

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<sup>14</sup> Although flat-rate customers are not charged based on sales, an assumption about the water they consume is required for total water production and rate design calculations.

<sup>15</sup> Note that, while sales aggregated at the ratemaking area level are used to design rates, sales by the areas identified here are used to forecast water production and water mix.

## Average Sales per Service

BK			
Customer Class	TY2023	2024	2025
COM	660.1	652.7	645.4
FLAT RES.	267.0	267.0	267.0
GOV	2650.1	2620.5	2591.2
IND	515.8	510.1	504.4
MFR	1162.7	1149.7	1136.8
OTH	1477.2	1460.7	1444.4
REC			
SFR	213.9	211.6	209.2

BG			
Customer Class	TY2023	2024	2025
COM	370.5	366.4	362.3
GOV	990.2	979.1	968.2
IND	752.5	744.1	735.8
IRR	1616.0	1598.0	1580.1
MFR	476.6	471.2	466.0
OTH	285.3	282.1	278.9
SFR	241.5	238.8	236.1

ELA			
Customer Class	TY2023	2024	2025
COM	381.6	377.3	373.1
GOV	1234.4	1220.6	1207.0
IND	2894.1	2861.8	2829.8
MFR	464.1	458.9	453.7
OTH	235.1	232.5	229.9
REC	7992.2	7902.9	7814.6
SFR	129.0	127.6	126.1

DIX			
Customer Class	TY2023	2024	2025
COM	210.4	208.0	205.7
GOV	491.9	486.4	480.9
IND	32.5	32.2	31.8
IRR	1342.2	1327.2	1312.4
MFR	1335.0	1320.1	1305.3
OTH	33317.3	32945.1	32577.1
SFR	117.9	116.6	115.3

KRV			
Customer Class	TY2023	2024	2025
COM	253.1	250.3	247.5
GOV	368.9	364.8	360.7
MFR	202.4	200.2	197.9
OTH	19.2	19.0	18.8
SFR	36.9	36.5	36.1

LIV			
Customer Class	TY2023	2024	2025
COM	535.2	529.2	523.3
GOV	1279.3	1265.0	1250.9
IRR	5024.7	4968.6	4913.0
MFR	1510.9	1494.1	1477.4
OTH	253.8	251.0	248.2
SFR	144.6	143.0	141.4

LAS			
Customer Class	TY2023	2024	2025
COM	878.1	868.3	858.6
GOV	1079.1	1067.0	1055.1
IND	442.4	437.4	432.5
MFR	1574.3	1556.7	1539.3
OTH	300.4	297.1	293.8
REC	19878.4	19656.3	19436.7
SFR	193.1	191.0	188.8

MRL			
Customer Class	TY2023	2024	2025
COM	441.6	436.7	431.8
GOV	1826.6	1806.2	1786.0
IND	179.4	177.4	175.4
MFR	953.0	942.3	931.8
OTH	569.2	562.8	556.5
SFR	134.0	132.5	131.0

COM = Commercial; GOV = Government;  
 IND = Industrial; IRR = Irrigation;  
 MFR = Multi-family residential; REC = Recycled;  
 SFR = Single-family residential



### Average Sales per Service

SEL			
Customer Class	TY2023	2024	2025
COM	397.8	393.4	389.0
GOV	908.5	898.3	888.3
IND	832.4	823.1	813.9
MFR	1900.0	1878.8	1857.8
OTH	302.5	299.2	295.8
SFR	178.9	176.9	174.9

STK			
Customer Class	TY2023	2024	2025
COM	554.8	548.6	542.4
GOV	2250.1	2224.9	2200.1
IND	9185.9	9083.3	8981.9
IRR	1194.1	1180.8	1167.6
MFR	1457.0	1440.7	1424.6
OTH	116.3	115.0	113.7
SFR	117.8	116.5	115.2

VIS			
Customer Class	TY2023	2024	2025
COM	751.1	742.7	734.4
GOV	1153.4	1140.5	1127.8
IND	2909.6	2877.1	2845.0
MFR	609.8	603.0	596.2
OTH	1729.4	1710.1	1691.0
SFR	187.3	185.2	183.1

WLK			
Customer Class	TY2023	2024	2025
COM	1254.5	1240.5	1226.7
GOV	755.0	746.5	738.2
MFR	653.6	646.3	639.1
OTH	496.8	491.2	485.7
REC	7451.5	7368.2	7285.9
SFR	288.3	285.1	281.9

WIL			
Customer Class	TY2023	2024	2025
COM	365.8	361.7	357.6
GOV	464.8	459.6	454.4
MFR	1057.3	1045.5	1033.8
OTH	183.4	181.3	179.3
SFR	141.7	140.1	138.6

BAY AREA REGION			
Customer Class	TY2023	2024	2025
MPS			
COM	326.6	323.0	319.4
GOV	1021.5	1010.1	998.8
IND	142.2	140.6	139.0
MFR	1093.3	1081.1	1069.0
OTH	814.1	805.1	796.1
SFR	100.1	99.0	97.9

SSF			
COM	662.2	654.8	647.5
GOV	589.6	583.0	576.5
IND	4245.4	4197.9	4151.0
MFR	853.8	844.2	834.8
OTH	652.2	644.9	637.7
SFR	73.8	72.9	72.1

RDV			
COM	81.4	80.5	79.6
GOV	188.3	186.2	184.1
MFR	629.4	622.4	615.4
OTH			
SFR	39.1	38.7	38.2

LOS ANGELES COUNTY REGION			
Customer Class	TY2023	2024	2025
AV			
COM	316.2	306.2	296.5
GOV	788.8	780.0	771.2
MFR	52.5	51.9	51.3
OTH	516.0	510.2	504.5
SFR	119.0	117.6	116.3

PV			
COM	1404.7	1389.0	1373.4
GOV	1124.9	1112.3	1099.9
IRR	733.1	724.9	716.8
MFR	1088.1	1075.9	1063.9
OTH	217.7	215.3	212.9
SFR	232.2	229.6	227.0

COM = Commercial; GOV = Government;  
IND = Industrial; IRR = Irrigation;  
MFR = Multi-family residential; REC = Recycled;  
SFR = Single-family residential

### Average Sales per Service

NORTH VALLEY REGION				SOUTH BAY REGION			
Customer Class	TY2023	2024	2025	Customer Class	TY2023	2024	2025
CH				HR			
COM	600.9	594.2	587.5	COM	314.8	311.3	307.8
GOV	808.7	799.7	790.7	GOV	449.6	444.6	439.6
IND	409.3	404.7	400.2	IND	7503.3	7419.5	7336.6
MFR	1140.4	1127.7	1115.1	IRR	91.8	90.8	89.8
OTH	632.7	625.6	618.6	MFR	457.5	452.4	447.4
SFR	181.6	179.6	177.6	OTH	172.5	170.6	168.7
ORO				REC	2376.1	2349.5	2323.3
COM	464.1	458.9	453.8	SFR	102.7	101.6	100.4
GOV	1160.2	1147.2	1134.4	DOM			
IND	14066.9	13909.7	13754.4	COM	843.2	833.8	824.5
IRR	15.2	15.0	14.8	GOV	1478.1	1461.6	1445.2
MFR	734.2	726.0	717.9	IND	34411.8	34027.4	33647.3
OTH	756.9	748.5	740.1	MFR	1261.0	1246.9	1233.0
SFR	110.5	109.3	108.1	OTH	158.5	156.8	155.0
Salinas Valley Region				REC	15041.5	14873.5	14707.3
Customer Class	TY2023	2024	2025	SFR	111.3	110.0	108.8
King City				Travis			
COM	582.6	576.1	569.6	Customer Class	TY2023	2024	2025
GOV	938.5	928.0	917.6	FLAT	n/a	n/a	n/a
IND	1551.7	1534.4	1517.2				
MFR	994.8	983.7	972.7				
OTH	1023.6	1012.1	1000.8				
SFR	127.8	126.3	124.9				
Salinas							
COM	766.8	758.2	749.7				
GOV	1440.1	1424.0	1408.1				
IND	21572.6	21331.6	21093.3				
IRR	574.8	568.4	562.0				
MFR	1350.3	1335.2	1320.3				
OTH	317.6	314.0	310.5				
SFR	112.6	111.3	110.1				

COM = Commercial; GOV = Government;  
IND = Industrial; IRR = Irrigation;  
MFR = Multi-family residential; REC = Recycled;  
SFR = Single-family residential

## B. Forecasted Number of Services

ISSUE: Cal Water has both metered and flat rate services. Metered services are grouped into eight classes: Residential, Business, Multi-Family, Industrial, Public Authority, Recycled, Irrigation, and Other. Cal Water's forecast for number of services is based on a methodology developed by a consultant, M.Cubed. Cal Advocates agrees with Cal Water's forecasts. In addition, since this proceeding opened, the Commission has approved Advice Letter 2444 allowing the incorporation of Skylonda Mutual Water Company, which has

1 approximately 158 residential customers, into the Bear Gulch District as discussed further  
2 below.

3 The Undisputed Issues List submitted with each Party's Opening Brief originally  
4 indicated that the number of residential services in the Bear Gulch District should be increased  
5 to reflect the additional Skylonda Mutual customers.

6 RESOLUTION: Cal Water has determined that Skylonda Mutual customers have been  
7 receiving service from Cal Water through a master meter for several years, so their water usage  
8 is already reflected in the sales-per-customer calculations agreed-upon by the Parties. As a  
9 result of this fact, no changes should be made to either the sales or services for Bear Gulch at  
10 this time. The appropriate corrections to sales and services can be made in the next GRC.

11 References: Attachment 1 to Agreement (AL 2444, a request to implement the  
12 acquisition of Skylonda Mutual Water Company).

## 13 **VII. WATER PRODUCTION EXPENSES AND MIX**

14 ISSUE: Cal Water's total water production supply is the sum of water produced from all  
15 its sources. The total Test Year 2023 production is the sum of the test year water sales and the  
16 test year Unaccounted-For Water (Non-Revenue Water). The sources of Cal Water's water  
17 production generally include groundwater, untreated surface water, purchased wholesale  
18 treated water, and purchased recycled water. The mix of water production sources is a  
19 characteristic that may vary and is unique to each of Cal Water's districts. For districts with  
20 multiple sources of supply, certain sources are subject to supply restrictions that cannot be  
21 expanded, or in some cases reduced, based on changes to the total water production.

22 Cal Water's methodology in calculating the total water production by source, the  
23 restrictions on certain sources of supply, and the methodology to calculate unaccounted for  
24 water for each district are not in dispute. However, Cal Advocates proposes that the wholesale  
25 water rates that impact forecasted expenses for purchased water and pump taxes be updated  
26 to the most current rates when final rates are calculated.

27 RESOLUTION: The Parties agree to use Cal Water's methodology for water mix, as  
28 adjusted to reflect the sales forecast agreed-upon in this Agreement, and to update wholesale  
29 water rates to calculate purchased water and pump tax expenses.

1           References: CW-01 (General Report) at 37-38; CW-54 (Rebuttal Book #1) at 88.

2   **VIII.   ACQUISITION OF SKYLONDA MUTUAL (BEAR GULCH DISTRICT)**

3           On March 10, 2022, Cal Water submitted Advice Letter 2444 (“AL 2444”) (provided as  
4   **Attachment 1** to this Agreement) requesting a service area map extension to include the area  
5   served by the Skylonda Mutual Water Company, which has approximately 158 customers in a  
6   system adjacent to the Bear Gulch District. The Skylonda system is located between what were  
7   formerly known as the Woodside Mutual and the Skyline County water systems. While water  
8   was historically provided through a surface water diversion from the La Honda Creek that was  
9   treated on-site, and supplemented at times by small groundwater wells, the facilities are  
10   currently out of service and the system is now served through a Cal Water connection. The  
11   system has three hydraulic zones and a small hydro-pneumatic pressure system. No parties  
12   filed protests to AL 2444, and the Commission approved the service area map extension on May  
13   31, 2022. Under the asset purchase agreement, Cal Water will acquire the assets of Skylonda  
14   Mutual for \$1.00. The transaction is anticipated to close by the end of 2022.

15           ISSUE: Cal Water’s AL 2444 discussed the benefits of the consolidation for both  
16   Skylonda and Bear Gulch customers; in particular, the opportunity to physically consolidate the  
17   systems to address deficiencies and improve reliability. In this GRC, Cal Water originally  
18   proposed to install a pipeline (PID 125671) to interconnect the Skyline system in Bear Gulch  
19   with the district’s Woodside system in the south. With tie-ins on both sides of the Skylonda  
20   water system, however, the Skyline system could be supplied water through the Skylonda  
21   system such that PID 125671 will not be needed.

22           AL 2444 identified anticipated costs to interconnect the Skylonda system with Bear  
23   Gulch in the amount of approximately \$1,711,000. There are other immediate integration  
24   improvements of \$1,291,200 that will be necessary upon the transfer of ownership.

25   **Attachment 2** to this Agreement describes the projects associated with these activities.<sup>16</sup>

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<sup>16</sup> These are the result of a report developed by Jacobs Engineering that was submitted in the workpapers for AL 2444.

1        **RESOLUTION:** The Parties agree that, in place of the \$5,837,024<sup>17</sup> in direct costs  
2 proposed for PID 125671, the Commission should approve costs for the Bear Gulch District in  
3 the amount of \$3,002,200<sup>18</sup> for capital costs associated with the acquisition of Skylonda Mutual  
4 Water Company.<sup>19</sup> However, any funding related to contingency for the Immediate Integration  
5 Improvements Projects and Improvements to Connect Skylonda to Cal Water Bear Gulch  
6 System is contingent on the Commission’s decision regarding contingency.<sup>20</sup> As discussed  
7 above, the Parties also agree to adjust the number of services in Bear Gulch to reflect the  
8 additional customers from Skylonda.

9        **References:** Exh. CW-01 (General Report) at 12-13; Exh. CW-54 (Cal Water Rebuttal  
10 Book #1) at 18; Attachment 1 to this Agreement (AL 2444); Attachment 2 to this Agreement  
11 (tables excerpted from workpapers for AL 2444).

## 12        **IX.        UPDATED UNDISPUTED ISSUES LIST**

13        The list of undisputed issues provided by the Parties as attachments to their Opening  
14 Briefs has been updated to reflect this Agreement, and is provided as Attachment 3.

## 15        **X.        LEGAL TERMS OF AGREEMENT**

### 16        **A.        Incorporation of Complete Agreement**

17        This Agreement is to be treated as an integrated agreement and not as a collection of  
18 separate agreements on discrete issues. To accommodate the interests related to diverse  
19 issues, the Parties acknowledge that changes, concessions, or compromises by any Party in one

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<sup>17</sup> Direct costs do not reflect indirect costs such as company overhead and AFUDC.

<sup>18</sup> The total estimate of \$3,002,200 (\$1,291,200 for “Immediate Integration Improvements Projects” plus \$1,711,000 for “Improvements to Connect Skylonda to Cal Water Bear Gulch System”) includes 10% contingency.

<sup>19</sup> Approximately \$640,000 of the \$3,002,200 is related to acquiring additional land to expand the Skylonda tanks site for a potential new larger tank. The inclusion of the easement, encroachments, and acquisition costs does not indicate agreement for any future tank. Any proposed future tank Cal Water requests is still subject to Commission review for reasonableness and prudence.

<sup>20</sup> Approximately \$117,382 of the \$1,291,200 for “Immediate Integration Improvements Projects” is related to contingency. In addition, approximately \$155,545 of the \$1,711,000 for “Improvements to Connect Skylonda to Cal Water Bear Gulch System” is related to contingency.

1 section of this Agreement resulted in changes, concessions, or compromises by the Settling  
2 Parties in other sections.

### 3 **B. Signature Date**

4 This Agreement shall become binding as of the last signature date of the Parties.

### 5 **C. Regulatory Approval**

6 The Settling Parties, by signing this Agreement, acknowledge that they support  
7 Commission approval of this Agreement. The Parties shall use their best efforts to obtain  
8 Commission approval of the Agreement.

9 Should any Proposed Decision or Alternate Proposed Decision seek a modification to  
10 this Settlement Agreement, and should any Party be unwilling to accept such modification, that  
11 Party shall notify the other Party within five business days of issuance of such Proposed  
12 Decision or Alternate Proposed Decision. The Parties shall thereafter promptly discuss the  
13 proposed modification and negotiate in good faith to achieve a resolution acceptable to the  
14 Parties, and shall promptly seek Commission approval of any resolution so achieved. If the  
15 Commission adopts the joint position, the Parties shall file an amended settlement agreement  
16 reflecting the modified terms within 30 days of the final decision. The Parties may file joint  
17 comments on a Proposed Decision stating their agreement to the modified terms.

18 The Parties agree to oppose any modification of this Agreement not agreed to by both  
19 Parties. Failure to resolve such proposed modification to the satisfaction of the Parties, or to  
20 obtain Commission approval of such resolution promptly thereafter, shall entitle any Party to  
21 terminate its participation from this Agreement through prompt notice to the other Parties and  
22 the terms and conditions reflected in this Agreement shall no longer apply to the Parties.

### 23 **D. Performance**

24 The Parties agree to support and defend this Agreement, and shall perform diligently,  
25 and in good faith, all actions required or implied hereunder, including, but not necessarily  
26 limited to, the execution of any other documents required to effectuate the terms of this  
27 Agreement, and the preparation of exhibits for, and presentation of witnesses at, any required

1 hearings to obtain the approval and adoption of this Agreement by the Commission. No Party  
2 will contest in this proceeding, or in any other forum, or in any manner before this Commission,  
3 the recommendations contained in this Agreement. It is understood by the Parties that time is  
4 of the essence in obtaining the Commission's approval of this Agreement and that all will  
5 extend their best efforts to ensure its adoption. In this regard, Parties agree that they will not  
6 seek or support any measure that would delay immediate Commission consideration and  
7 disposition of the motion filed submitting this Agreement for the Commission's approval.

#### 8 **E. Non-Precedential**

9 This Agreement is not intended by the Parties to be precedent for any other proceeding,  
10 whether pending or instituted in the future. The Parties have assented to the terms of this  
11 Agreement only for the purpose of arriving at the settlement embodied in this Agreement.  
12 Each Party expressly reserves its right to advocate, in other current and future proceedings, or  
13 in the event that the Agreement is rejected by the Commission, positions, principles,  
14 assumptions, arguments and methodologies which may be different than those underlying this  
15 Agreement, and the Parties expressly declare that, as provided in Rule 12.5 of the Commission's  
16 Rules of Practice and Procedure, this Agreement should not be considered as a precedent for or  
17 against them.

#### 18 **F. Non-Waiver**

19 None of the provisions of this Agreement shall be considered waived by any Party unless  
20 such waiver is given in writing. The failure of a Party to insist in any one or more instances  
21 upon strict performance of any of the provisions of this Agreement or take advantage of any of  
22 their rights hereunder shall not be construed as a waiver of any such provisions or the  
23 relinquishment of any such rights for the future, but the same shall continue and remain in full  
24 force and effect.

#### 25 **G. General Provisions**

26 The Parties acknowledge that the positions expressed in the Agreement were reached  
27 after consideration of positions advanced by parties in the proceeding and declare and mutually

1 agree that the terms and conditions herein are reasonable, consistent with the law, and in the  
2 public interest. The Parties agree to support the terms of the Agreement. This Agreement sets  
3 forth the entire agreement of the Parties on all of the subject matters addressed herein and  
4 may only be modified in writing subscribed by all Settling Parties.

5 No Party has relied, or presently relies, upon any statement, promise, or  
6 representation by any other Party, whether oral or written, except as specifically set forth in  
7 this Agreement.

8 Should any dispute arise among the Parties regarding the manner in which this  
9 Agreement or any term shall be implemented, the Parties agree, prior to initiation of any other  
10 remedy, to work in good faith to resolve such differences in a manner consistent with both the  
11 express language and the intent of the Parties in entering into this Agreement.

#### 12 **H. Modification of Settlement Agreement**

13 The terms and conditions of this Agreement may only be modified in writing subscribed  
14 to by the Parties.

#### 15 **I. Petition for Modification**

16 The Parties are prohibited from filing a petition for modification of a Commission  
17 decision approving this Agreement, in full or in part, regarding any issue resolved in this  
18 Agreement, unless the Parties agree.

#### 19 **J. Governing Law**

20 This Agreement shall be interpreted, governed and construed under the laws of the  
21 State of California, including Commission decisions, orders and rulings, as if executed and to be  
22 performed wholly within the State of California.

#### 23 **K. Attachments**

24 The Attachments to this Agreement are part of the agreement of the Parties and are  
25 incorporated herein by reference.  
26



**XI. EXECUTION**

This Agreement may be executed in counterparts by the Parties with the same effect as if all the Settling Parties had signed one and the same document. All such counterparts shall be deemed to be an original and shall together constitute one and the same Agreement.

The representatives of the Parties signing this Agreement are fully authorized to enter into this Agreement.

<p>PUBLIC ADVOCATES OFFICE</p> <p>By: <u>Chris Ungson</u></p> <p>Chris Ungson Deputy Director California Public Utilities Commission 505 Van Ness Avenue San Francisco, CA 94102 415-703-2574 <a href="mailto:chris.ungson@cpuc.ca.gov">chris.ungson@cpuc.ca.gov</a></p>	<p>CALIFORNIA WATER SERVICE COMPANY</p> <p>By: <u>Greg Milleman</u></p> <p>Greg Milleman Vice President – Rates and Regulatory Affairs 1720 North First Street San Jose, CA 95112 408-367-8498 <a href="mailto:gmilleman@calwater.com">gmilleman@calwater.com</a></p>
<p>December 14, 2022</p>	

## **SETTLEMENT ATTACHMENT 1**

### **Advice Letter 2444**

#### **Request to Implement Acquisition of Skylonda Mutual Water Company**

**CALIFORNIA PUBLIC UTILITIES COMMISSION  
DIVISION OF WATER AND AUDITS**

**Advice Letter Cover Sheet**

**Utility Name:** California Water Service Company

**Date Mailed to Service List:** 03/10/2022

**District:** Bear Gulch

**CPUC Utility #:** U-60-W

**Protest Deadline (20<sup>th</sup> Day):** 03/30/2022

**Advice Letter #:** 2444

**Review Deadline (30<sup>th</sup> Day):** 04/09/2022

**Tier:** ☐ 1 ☒ 2 ☐ 3 ☐ Compliance

**Requested Effective Date:** 06/01/2022

**Authorization:** General Order 96-B & D.20-08-047

**Rate Impact:** no immediate impact  
to Bear Gulch  
customers

**Description:** Implement the acquisition of Skylonda  
Mutual Water Company (Skylonda)

The protest or response deadline for this advice letter is 20 days from the date that this advice letter was mailed to the service list. Please see the "Response or Protest" section in the advice letter for more information.

**Utility Contact:** Todd Pray

**Utility Contact:** Natalie Wales

**Phone:** 408-367-8250

**Phone:** (408) 367-8566

**Email:** [tpray@calwater.com](mailto:tpray@calwater.com)

**Email:** [nwales@calwater.com](mailto:nwales@calwater.com)

**DWA Contact:** Tariff Unit

**Phone:** (415) 703-1133

**Email:** [Water.Division@cpuc.ca.gov](mailto:Water.Division@cpuc.ca.gov)

**DWA USE ONLY**

DATE

STAFF

COMMENTS

_____	_____	_____
_____	_____	_____

[ ] APPROVED

[ ] WITHDRAWN

[ ] REJECTED

**Signature:** \_\_\_\_\_

**Comments:** \_\_\_\_\_

**Date:** \_\_\_\_\_

\_\_\_\_\_



**CALIFORNIA WATER SERVICE COMPANY**  
1720 NORTH FIRST STREET  
SAN JOSE, CA 95112 ☎ (408) 367-8200 ☐ F (408) 367-8428

March 10, 2022

**Advice Letter No. 2444**

**CALIFORNIA WATER SERVICE COMPANY (U 60 W)**

To The Public Utilities Commission of the State of California:

California Water Service Company ("Cal Water") respectfully submits this Tier 2 advice letter requesting approval for the acquisition of Skylonda Mutual Water Company by Cal Water, and for authority to make the changes to the below tariff sheets applicable to its Bear Gulch ratemaking area. ***Please note that, due to limitations on non-essential travel as a result of the COVID-19 virus, this advice letter will only be distributed electronically to the Water Division and the attached service lists.***

C.P.U.C.		Canceling
		C.P.U.C.
<u>Sheet No.</u>	<u>Title of Sheet</u>	<u>Sheet No.</u>
XXXXX-W	Bear Gulch Service Area Map	11344-W
XXXXX-W	Preliminary Statement A (Page 1)	12635-W
XXXXX-W	BG-1-R Residential Metered Service (Page 1)	12823-W
XXXXX-W	BG-1-NR Non Residential Metered Service (Page 1)	12825-W
XXXXX-W	Table of Contents (Page 11)	XXXXX-W
XXXXX-W	Table of Contents (Page 2)	XXXXX-W
XXXXX-W	Table of Contents (Page 1)	XXXXX-W

**Summary**

Cal Water requests approval to implement the acquisition of Skylonda Mutual Water Company (Skylonda), located near Cal Water's Bear Gulch facilities. Cal Water requests under Water Industry Rule 7.3.2 (8) that its service area be expanded to encompass the existing boundary of Skylonda. Cal Water also requests under Water Industry Rule 7.3.2 (1) that the Commission adopt Cal Water's currently adopted Bear Gulch District tariff rates for Skylonda.

**Background**

Cal Water and Skylonda have signed an agreement for Cal Water to purchase its water system, subject to Commission and other regulatory approvals. Skylonda is a small mutual water system that serves approximately 158 connections in unincorporated San Mateo County. Skylonda, founded in 1931, is a predominantly rural residential system. It is adjacent to Cal Water's Bear Gulch system and can be found at the intersection of highway 82 and highway 35 (Skyline Boulevard) stretching along Skyline Boulevard.



## **Discussion**

Since Cal Water's Bear Gulch District and Skylonda are physically contiguous, the spacing is well within the 2,000 foot maximum allowed by General Order 96-B, Water Industry Rule 8.1, to be considered appropriate to an advice letter filing. In accordance with General Order 96-B, Water Industry Rule 7.3.2 paragraph (1), (8), and (9), this filing is considered a Tier 2 Advice Letter that may be approved by Commission staff.

## **Small System Acquisitions**

Cal Water will acquire Skylonda's distribution system, wells, tanks, pumps, reservoirs, water diversion points and associated water rights, reservoir, and water treatment plant. The agreement calls for a purchase price of \$1 for the water system assets. Cal Water is not requesting a premium over existing Skylonda rate base but is asking the Commission to adopt Cal Water's currently adopted Bear Gulch District tariff rates for Skylonda.

The Commission has previously recognized the benefits of small water system acquisitions. Per Resolution W-5080 approving California American Water's acquisition of Adams Ranch Mutual Water Company,

*The State of California and the Commission encourage mergers of water systems especially when small systems can no longer economically provide adequate and safe water supplies. In Resolution No. 2008-0048 the State Water Resources Control Board noted that small or disadvantaged communities cannot "provide the economies of scale necessary to build and maintain adequate water and wastewater systems."*

In addition to the above, there are a number of acquisition benefits for Skylonda customers and current Bear Gulch customers. By adopting the Bear Gulch District tariff rates upon approval of the Advice Letter and closing of the transaction, the average Skylonda customer will see a bill decrease from their current rate structure. For the average Skylonda customer that uses 7 ccf of water (based on 2021 sales), their bill decreases from \$142.80 to \$78.67<sup>1</sup> based on the current Bear Gulch tariff. Their average bill could decrease further in 2023 depending upon the outcome of Cal Water's 2021 General Rate Case (GRC). If the GRC is approved as proposed in the application, the average bill could decrease to \$64.46 assuming the same usage. Cal Water also has the operating experience and resources to provide safe and reliable drinking water. Skylonda has relied upon a part time third party contractor since 2016 to operate the system and a member of the Skylonda community prior to that. They also only have a part time book keeper and meter reader to manage billing. With the transition to Cal Water, customers will have access to full time customer service representatives to handle issues, access its website, and other online services such as online payment and paperless billing. Additionally, Skylonda customers who qualify will have access to Cal Water's customer assistance program for service charge discounts. Customers

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<sup>1</sup> In order to provide a consistent comparison, excludes current temporary surcharges and credits because it is unknown what surcharges and credits will be in effect for 2023.



will also be able to utilize Cal Water's conservation programs.

Furthermore, there are opportunities to physically consolidate the systems to address deficiencies and improve reliability for both parties since they are adjacent. With tie-ins on both sides of the Skylonda System, the southern portions of the Bear Gulch district's Skyline System could be supplied water through the Skylonda System. Cal Water has proposed a project to install a parallel pipeline to provide the same interconnectivity that would exist between the Skyline and Bear Gulch Systems. The direct cost<sup>2</sup> of the proposed project is \$5,837,024 which would not be needed if this acquisition moves forward. However, there are offsetting improvements necessary to connect the systems which are anticipated to cost approximately \$1,711,000. There are other immediate improvements of \$1,291,200 that will be necessary upon the transfer of ownership. These are outlined in a report developed by Jacobs Engineering which can be made available upon request. If approved, the result would be a reduction in Bear Gulch near-term capital of approximately \$2,834,824. Longer term improvements identified in the Jacobs report, currently \$4,604,000, will likely be proposed and reviewed in future Cal Water GRC filings.

The surface water sources and the wells in Skylonda also represent a valuable resource both to meet annual demand in the Peninsula and to provide emergency local supplies. These sources are not currently operated but could reduce purchased water supplied from a San Francisco Public Utilities (SFPUC) connection if brought online. Bringing these sources back online, which CWS currently prefers, would ease Cal Water's reliance on the SFPUC locally sourced supply. If the sources were operated, it is anticipated to increase operational labor costs by approximately \$246,000 for additional operating labor complements. This additional cost would likely be offset by a SFPUC purchased water savings estimate of \$178,000, for a total operating expense increase of \$68,000. The transaction would also incur estimated one-time, non-recurring fees of approximately \$17,500 for escrow company closing costs and legal costs associated with preparing and following the closing checklist.

For administrative efficiency, Cal Water proposes to have the capital and expense changes as a result of the acquisition be incorporated into the 2021 GRC revenue requirement for which new rates are anticipated in 2023. Accordingly, Cal Water proposes no changes to the revenue requirement for 2022. Therefore, Cal Water is not asking for an immediate rate change associated with the approval of this advice letter.

### **Timing**

- Cal Water proposes to incorporate the Skylonda customers at current Bear Gulch rates upon approval of the acquisition.
- As part of the 2021 GRC process, Cal Water will propose changes reflecting the Skylonda acquisition so that all customers (Skylonda customers and existing Bear Gulch customers) receive the full benefits of the acquisition described above starting January 1, 2023.

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<sup>2</sup> Direct costs do not reflect indirect costs such as company overhead and AFUDC.



## CALIFORNIA WATER SERVICE COMPANY

Advice Letter 2444, Skylonda Mutual Water Company Acquisition  
Page 5

### Service Area Map Modifications

With Cal Water's purchase of the Skyline County Water District (Skyline), Skyline's service area was incorporated into that of Bear Gulch in 2008. Cal Water has since determined that the service area map of Skyline included large areas without Skyline's water infrastructure, as well as areas already being served by small water systems like Skylonda Mutual Water Company. The service area map submitted with this advice letter specifically identifies these other entities in order to exclude those areas and incorporate the Skylonda area being acquired.

### Required Documentation

Cal Water complies with the data elements approved in D.20-08-047. Please reference the checklist in Appendix A.

### Requested Effective Date

Cal Water requests an effective date of **June 1, 2022**.

### Notice

Customer Notice: A notice has not been provided for Skylonda as mutual system customers are the system owners and have previously approved the transaction. Since there is no change in existing rates as a result of the transaction, no special notice is being provided to existing Bear Gulch customers under Water Industry Rule 3.1 of General Order 96-B.

Service List: In accordance with General Order 96-B, General Rule 4.3 and 7.2 and Water Industry Rules 4.1 and 4.2, a copy of this advice letter will be transmitted electronically on **March 10, 2022**, to competing and adjacent utilities and other utilities or interested parties having requested such notification, including the Local Agency Formation Commission (LAFCO). ***Please note that, due to limitations on non-essential travel as a result of the COVID-19 virus, this advice letter will only be distributed electronically.***

### Response or Protest

Anyone may respond to or protest this advice letter. When submitting a response or protest, please include the utility name and advice letter number in the subject line. A response supports the filing and may contain information that proves useful to the Commission in evaluating the advice letter. A protest objects to the advice letter in whole or in part and must set forth the specific grounds on which it is based. These grounds are:

- (1) The utility did not properly serve or give notice of the advice letter;
- (2) The relief requested in the advice letter would violate statute or Commission order, or is not authorized by statute or Commission order on which the utility relies;
- (3) The analysis, calculations, or data in the advice letter contain material error or omissions;
- (4) The relief requested in the advice letter is pending before the Commission in a formal proceeding; or



**CALIFORNIA WATER SERVICE COMPANY**

Advice Letter 2444, Skylonda Mutual Water Company Acquisition

Page 6

(5) The relief requested in the advice letter requires consideration in a formal hearing, or is otherwise inappropriate for the advice letter process; or

(6) The relief requested in the advice letter is unjust, unreasonable, or discriminatory (provided such a protest may not be made where it would require relitigating a prior order of the Commission.)

A protest shall provide citations or proofs where available to allow staff to properly consider the protest. A response or protest must be made in writing or by electronic mail and must be received by the Water Division within 20 days of the date this advice letter is filed. The address for mailing or delivering a protest is:

Tariff Unit, Water Division, 3<sup>rd</sup> floor  
California Public Utilities Commission,  
505 Van Ness Avenue, San Francisco, CA 94102  
[water.division@cpuc.ca.gov](mailto:water.division@cpuc.ca.gov)

On the same date the response or protest is submitted to the Water Division, the respondent or protestant shall send a copy by mail (or e-mail) to Cal Water at the following address:

Natalie Wales  
California Water Service Company  
1720 North First Street,  
San Jose, California 95112  
Fax 408/367-8430 or  
E-mail [cwsrates@calwater.com](mailto:cwsrates@calwater.com)

Cities and counties requiring Board of Supervisors or Board of Commissioners approval to protest should inform the Water Division within the 20-day protest period so a late-filed protest can be entertained. The informing document should include an estimate of the date the proposed protest might be voted on. The advice letter process does not provide for any responses, protests or comments, except for the utility's reply, after the 20-day comment period.

**Replies:** The utility shall reply to each protest and may reply to any response. Each reply must be received by the Water Division within 5 business days after the end of the protest period and shall be served on the same day to the person who filed the protest or response. If you have not received a reply to your protest within 10 business days, contact California Water Service Company at (408) 367-8200, and ask for the Rates Department.

CALIFORNIA WATER SERVICE COMPANY

/s/

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Todd Pray, Regulatory Program Manager





**CALIFORNIA WATER SERVICE COMPANY**

Advice Letter 2444, Skylonda Mutual Water Company Acquisition

Page 7

Enclosures

cc: Syreeta Gibbs (Public Advocates Office), [PublicAdvocatesWater@cpuc.ca.gov](mailto:PublicAdvocatesWater@cpuc.ca.gov)

## **APPENDIX A**

**APPENDIX A**  
**D.20-08-047 Minimum Data Requirements (MDRs)**

<b>Minimum Data Requirements</b>		<b>Response</b>
1.	Estimate the potential monthly incremental cost impact on existing and acquired customers following the actual results of the Buyer's most recently authorized tariffs.	See Wkpr A for acquired customers. No change for existing customers.
1.a	If a Buyer has pending request before the Commission to change rates, it must also calculate the above using data as proposed in its pending request.	Wkpr A
2.	If the Buyer is seeking authority to increase the acquired system's rates to a certain level, please state the basis for the targeted rate and period of time for such targeted rate to be implemented.	N/A - no increase to rates
3.	Provide the annual depreciation expense using the proposed rate base of the acquired assets. If the exact depreciation expense is not available, provide the best estimate of the annual depreciation expense. Show how the depreciation expense is calculated.	N/A - rate base = \$1
4.	Provide an estimate of the annual revenue requirement of the system proposed to be acquired. Provide the assumptions for the annual revenue requirement, including expected rate of return, expected depreciation expense, O&M expenses, etc.	No separate revenue requirement is proposed for this acquisition
5.	Other than the revenue requirement data requested above, separately identify all other approved and/or intended impacts to customer bills (i.e., surcharges, passthrough fees, etc.).	Wkpr A
6.	Provide a listing of any entities that currently receive free service from the acquired utility.	None, to our knowledge
7.	If the acquired utility has increased rates in the last year, please state the date of the increase and provide a copy of the new rate schedule and the total annual revenues projected under the new rates.	None, to our knowledge
8.	Are there any leases, easements, and access to public rights-of-way that Buyer expects to be needed in order to provide service which will not be conveyed at closing? If yes, identify when the conveyance will take place and whether there are expected to be additional costs involved.	See Confidential Wkpr C.2_APA Amendment #2
9.	Provide a breakdown of the estimated transaction and closing costs. Provide invoices to support any transaction and closing costs that have already been incurred.	See Advice Letter
10.	Describe known and anticipated general expense savings and efficiencies under Buyer's ownership. State the basis for assumptions used in developing these savings and efficiencies and provide all supporting documentation for the assumptions.	See Advice Letter & Wkpr B
11.	Provide a copy of the Seller's request for proposals (if there was one) and any accompanying exhibits with respect to the proposed sale of the water system or water system assets.	None
12.	Provide a copy of the response to the request for proposals (if there was one) of the Buyer for the purchase of the acquired water system or water system assets.	None
13.	For each Utility Valuation Expert (UVE) providing testimony or exhibits, please provide the following:	N/A - rate base = \$1
13.a	A list of valuations of utility property performed by the UVE in the last two years;	N/A - rate base = \$1
13.b	A list of appraisals of utility property performed by the UVE in the last two years;	N/A - rate base = \$1
13.c	A list of all dockets in which the UVE submitted testimony to a public utility commission or regulatory authority related to the acquisition of utility property in the last two years; and	N/A - rate base = \$1

**APPENDIX A**  
**D.20-08-047 Minimum Data Requirements (MDRs)**

<b>Minimum Data Requirements</b>		<b>Response</b>
13.d	An electronic copy of or electronic link to written testimony in which the UVE testified on public utility fair value acquisitions in the past two years.	N/A - rate base = \$1
14.	Explain each discount rate used in the appraisals and valuations, including explanations of the capital structure, cost of equity and cost of debt. State the basis for each input. Provide all sources, documentation, calculations and/or workpapers used in determining the inputs.	N/A - rate base = \$1
15.	Explain whether the appraisal/valuation used replacement cost or reproduction cost and why that methodology was chosen.	N/A - rate base = \$1
16.	Explain the basis for any comparable acquisitions used in the appraisal/valuation including the purchase price and number of customers for each comparable acquisition.	N/A - rate base = \$1
17.	Are there any outstanding compliance issues, including but not limited to water quality violations, that the Seller's system has pending with the Board's Division of Drinking Water? If yes, provide the following information:	See Confidential Wkpr C, Appendix A schedules 6.18 and 6.19
17.a	Identify the compliance issue(s);	N/A
17.b	Provide an estimated date of compliance;	N/A
17.c	Explain Buyer's anticipated or actual plan for remediation;	N/A
17.d	Provide Buyer's estimated costs for remediation; and,	N/A
17.e	Indicate whether the cost of remediation was or is anticipated to be factored into either or both fair market valuation appraisals offered in this proceeding.	N/A
18.	Are there any outstanding compliance issues that the Seller's system has pending with the US Environmental Protection Agency? If yes, provide the following information:	None, to our knowledge
18.a	Identify the compliance issue(s);	N/A
18.b	Provide an estimated date of compliance;	N/A
18.c	Explain Buyer's anticipated or actual plan for remediation;	N/A
18.d	Provide Buyer's estimated costs for remediation; and	N/A
18.e	Indicate whether the cost of remediation was or is anticipated to be factored into either or both fair market valuation appraisals offered in this proceeding.	N/A
19.	Provide copies of all notices of a proposed acquisition given to affected customers.	See Advice Letter
20.	Provide copies of all disclosures and customer notices required by Pub. Util. Code § 10061 related to the sale and disposal of utilities owned by municipal corporations.	N/A
21.	Describe other requests to be included in the application, including but not limited to requests for approval of:	See Advice Letter
21.a	Consulting, transition of service, water wholesaling, or other agreements;	None
21.b	Interim rate increases outside of a general rate case proceeding or other special rate treatment (e.g., CPI-U rate increases, or rate increases under Class C/D requirements);	None
21.c	Facilities construction;	None
21.d	Memorandum or Balancing Accounts.	None
22.	Identify the ratepayer benefits that accrue to current ratepayers of the system being acquired due to this transaction.	See Advice Letter
23.	Identify all actions the applicant has taken with governmental agencies related to obtaining required permits and/or approvals to effectuate the acquisition.	See Wkpr D
24.	Provide all workpapers that support the testimony for each of the witnesses that accompany the application, in native format where possible.	N/A

**APPENDIX A**  
**D.20-08-047 Minimum Data Requirements (MDRs)**

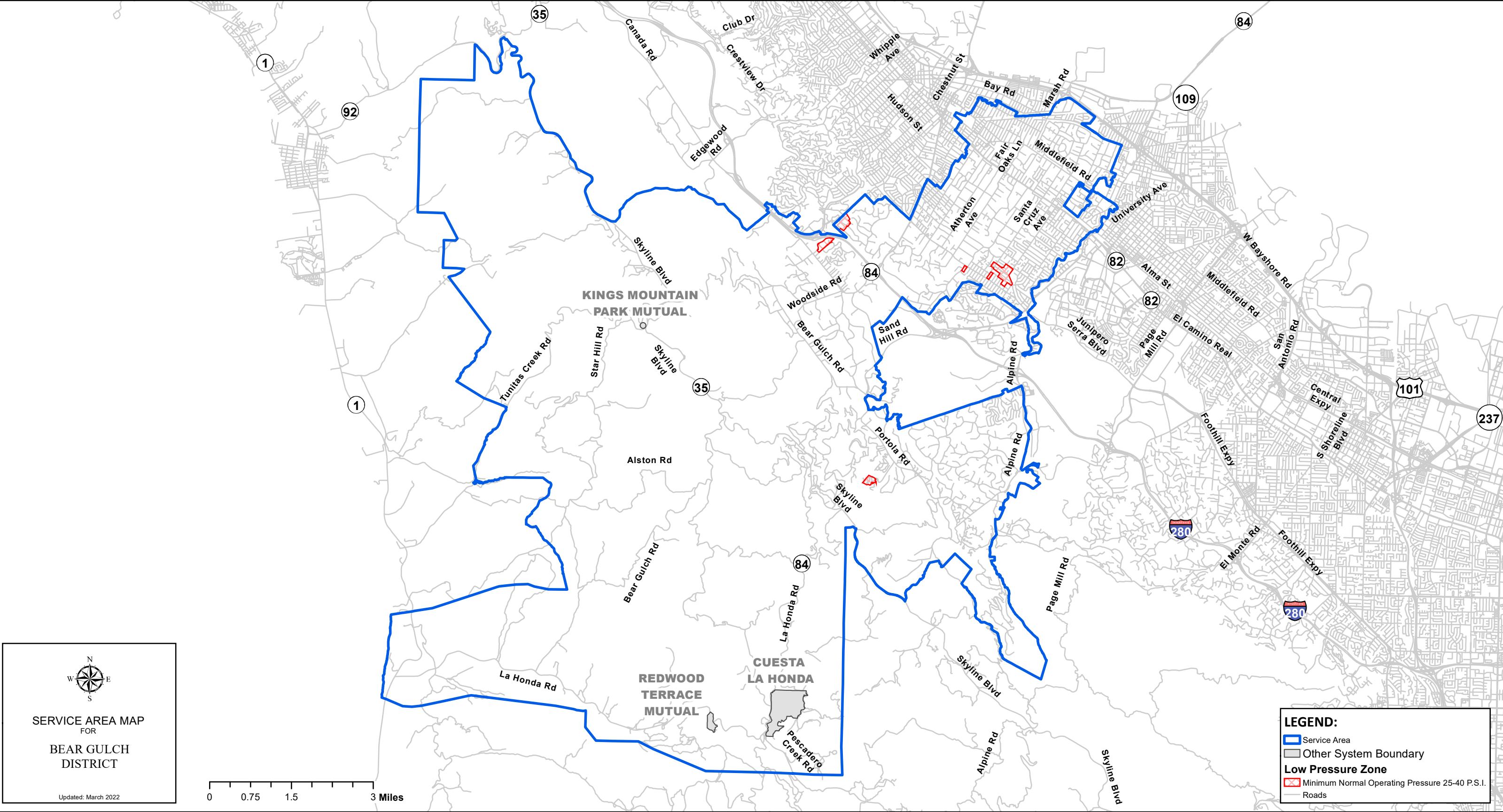
<b>Minimum Data Requirements</b>		<b>Response</b>
25.	A list of recommended, proposed or required capital improvements to the acquired water system known at the time of the application, with cost estimates, if available;	See Wkpr E (contains confidential information)
26.	If applicable, supporting documentation for the designation of Disadvantaged Community; and	N/A
27.	If applicable, documents required by Pub. Util. Code Section 10061(c).	N/A

<b>Agreed-upon data elements approved by D.99-10-064</b>		<b>Response</b>
1.	A copy of the purchase agreement	See Confidential Wkpr C
2.	A copy of any appraisals conducted in the past five years;	None
3.	A forecast of the results of operation for (1) the acquiring utility, (2) the acquired utility, and (3) the combined operation;	See Wkpr F
4.	A list of all assets funded by the state or federal government and other contributions;	None, to our knowledge
5.	Assets funded by contributions; and	None, to our knowledge
6.	Indication of compliance orders for failures to meet drinking water standards	None, to our knowledge



CALIFORNIA WATER SERVICE  
1720 North First Street, San Jose, CA 95112  
(408) 367 - 8200

Revised \_\_\_\_\_ Cal. P.U.C. Sheet No. \_\_\_\_\_ XXXXX-W  
Cancelling \_\_\_\_\_ Cal. P.U.C. Sheet No. \_\_\_\_\_ XXXXX-W



**NOTE :**  
This map may not be considered by the Public Utilities Commission of the State of California as a final conclusive determination or establishment of the dedicated area of service or any other portion thereof.

(To be inserted by Utility)  
Advice Letter No. : 2444  
Decision No. : \_\_\_\_\_

Issued By  
**Greg Milleman**  
NAME  
**Vice President of Rates**  
TITLE

(To be inserted by Cal. P.U.C.)  
Date Filed : \_\_\_\_\_  
Effective : \_\_\_\_\_  
Resolution No. : \_\_\_\_\_

**CALIFORNIA WATER SERVICE COMPANY**

1720 North First Street

San Jose, CA 95112

(408) 367-8200

Revised  
CancellingCal. P.U.C. Sheet No. XXXXX-W  
Cal. P.U.C. Sheet No. 12635-W**Preliminary Statement A**

Page 1

**A. TERRITORY SERVED BY THE UTILITY**

The areas in which water service is or will be furnished by this Utility under its Water Main Extension Rule are delineated on the Service Area Maps of the following Districts:

<u>District</u>	<u>County</u>	<u>Principal Communities Served in Whole or in Part</u>	
Antelope Valley	Los Angeles & Kern	Lake Hughes, Leona Valley, Lancaster, and vicinities of Fremont Valley	
Bayshore	San Mateo	South San Francisco, San Mateo, San Carlos, and unincorporated areas	
Bear Gulch	San Mateo	Atherton, Menlo Park, Portola Valley, Woodside, Skyline and Skylonda Service Areas	(N)
Bakersfield	Kern	Bakersfield	(L)
Chico	Butte & Glenn	Chico and Hamilton City	
Dixon	Solano	Dixon	
Dominguez	Los Angeles	Carson, Los Angeles, Long Beach, Torrance	
East Los Angeles	Los Angeles	East Los Angeles and Commerce	
Grand Oaks	Los Angeles	Lancaster	
Hermosa-Redondo	Los Angeles	Hermosa Beach, Redondo Beach, Torrance	
Kern River Valley	Kern	Bodfish, Canyon Heights, Kernville, Lakeland Tracts, Mountain Shadows, Onyx, South Lake, Split Mountain, Squirrel Mountain, Wofford Heights	
King City	Monterey	King City	
Livermore	Alameda	Livermore, Crane Ridge Service Area	

(Continued)

(To be inserted by utility)	Issued By	(To be inserted by CPUC)
Advice Letter <u>2444</u>	<u>Greg A. Milleman</u>	Date Filed _____
Decision	<u>Vice President</u>	Effective _____
		Resolution _____

**CALIFORNIA WATER SERVICE COMPANY**

1720 North First Street

San Jose, CA 95112

(408) 367-8200

Revised  
CancellingCal. P.U.C. Sheet No. XXXXX-W  
Cal. P.U.C. Sheet No. 12823-W**Schedule No. BG-1-R**  
**Bear Gulch Tariff Area**  
**RESIDENTIAL METERED SERVICE**

Page 1

**APPLICABILITY**

Applicable to all metered water service provided to single-family residential customers.

**TERRITORY**

The communities of Atherton, Menlo Park, Portola Valley, Woodside, and vicinity, San Mateo County.

The Skyline and Skylonda service areas in San Mateo County.

(T)

**RATES**

1 CCF is 100 cubic feet (approximately 748 gallons)

## Quantity Rates:

For 1 - 12 CCF, per CCF	\$6.4669
For 13 to 29 CCF, per CCF	\$8.0835
For over 29 CCF, per CCF	\$12.1246

## Service Charge:

**Per Meter Per Month**

For	5/8 x 3/4 - inch meter	\$30.04
For	3/4 - inch meter	\$45.06
For	Fire Sprinkler with 1 - inch meter	\$30.94
For	1 - inch meter	\$75.10
For	1-1/2 - inch meter	\$150.20
For	2 - inch meter	\$240.32
For	3 - inch meter	\$450.60
For	4 - inch meter	\$751.00
For	6 - inch meter	\$1,502.00
For	8 - inch meter	\$2,403.20
For	10 - inch meter	\$3,454.60
For	12 - inch meter	\$4,956.60
For	14 - inch meter	\$6,759.00

The service charge is a readiness-to-serve charge which is applicable to all metered service and to which is added the charge for water used computed at the quantity rates.

**SPECIAL CONDITIONS**

1. Qualifying low-income individually metered residential customers are eligible for credits as shown on **Schedule CAP**.

(Continued)

(To be inserted by utility)		Issued By	(To be inserted by CPUC)	
Advice Letter	<u>2444</u>	<u>Greg A. Milleman</u>	Date Filed	_____
Decision		<u>Vice President</u>	Effective	_____
			Resolution	_____



**CALIFORNIA WATER SERVICE COMPANY**

1720 North First Street

San Jose, CA 95112

(408) 367-8200

Revised

Cancelling

Cal. P.U.C. Sheet No. XXXXX-W

Cal. P.U.C. Sheet No. 12825-W

**Schedule No. BG-1-NR**  
**Bear Gulch Tariff Area**  
**NONRESIDENTIAL METERED SERVICE**

Page 1

**APPLICABILITY**

Applicable to all metered water service except that provided to single-family residential customers.

**TERRITORY**

The communities of Atherton, Menlo Park, Portola Valley, Woodside, and vicinity, San Mateo County. The Skyline and Skylonda service areas in San Mateo County.

(T)

**RATES**

1 CCF is 100 cubic feet (approximately 748 gallons)

Quantity Rates:

Per CCF

\$8.8538

Service Charge:

Per Meter Per Month

For	5/8 x 3/4 - inch meter	\$29.95
For	3/4 - inch meter	\$44.93
For	1 - inch meter	\$74.88
For	1-1/2 - inch meter	\$149.75
For	2 - inch meter	\$239.60
For	3 - inch meter	\$449.25
For	4 - inch meter	\$748.75
For	6 - inch meter	\$1,497.50
For	8 - inch meter	\$2,396.00
For	10 - inch meter	\$3,444.25
For	12 - inch meter	\$4,941.75
For	14 - inch meter	\$6,738.75

The service charge is a readiness-to-serve charge which is applicable to all metered service and to which is added the charge for water used computed at the quantity rates.

**SPECIAL CONDITIONS**

1. Qualifying non-profit group living facilities, agricultural employee housing facilities, and migrant farm worker housing centers are eligible for credits as shown on **Schedule CAP**.

2. All bills are subject to the following tariff schedules: **Schedule UF** (CPUC reimbursement fee) and applicable surcharges and surcredits on **Schedule RSF** (Rate Support Fund), **Schedule CAP** (Customer Assistance Program), and **Schedule AS** (Additional Surcharges and Surcredits).

(Continued)

(To be inserted by utility)	Issued By	(To be inserted by CPUC)
Advice Letter <u>2444</u>	<u>Greg A. Milleman</u>	Date Filed _____
Decision	<u>Vice President</u>	Effective _____
		Resolution _____

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(continued)

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Leona Valley .....	11158-W
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Bakersfield District .....	12336-W
Bayshore District .....	
Mid Peninsula District .....	10196-W
South San Francisco District .....	9017,3245-W
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Dixon District .....	10189-W
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East Los Angeles District .....	11153-W
Grand Oaks District .....	6824-W
Hermosa-Redondo District .....	11152-W
King City District .....	11151-W
Kern River Valley District .....	
Arden, Poderosa Pines, Split Mtn. and Mt. Shadows .....	11150-W
Bodfish .....	11149-W
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Los Altos District .....	12169-W
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Oroville District .....	10192-W
Palos Verdes District .....	6898-W
Redwood Valley District .....	
Coast Springs Service Area .....	11142-W
Armstrong .....	11141-W
Hawkins .....	11140-W
Lucerne .....	11139-W
Noel Hights .....	11138-W
Rancho Del Paradiso .....	11137-W
Salinas District .....	11398-W
Las Lomas Service Area .....	11136-W
Oak Hills Service Area .....	3821-W
Selma District .....	11135-W
Stockton District .....	11134-W
Travis District .....	12078-W
Visalia District .....	12319-W
Westlake District .....	9018-W
Willows District .....	11133-W

(continued)

(To be inserted by utility)  
Advice Letter No. 2444  
Decision No. -

**Issued by**  
**GREG A. MILLEMAN**  
NAME  
Vice President  
TITLE

(To be inserted by Cal. P.U.C.)  
Date Filed \_\_\_\_\_  
Effective \_\_\_\_\_  
Resolution No. -

**Table of Contents - Page 2**

**Preliminary Statements**

<u>Sheet</u>	<u>Subject Matter</u>	<u>Service Area</u>	<u>CPUC Sheet No.</u>
<u>Preliminary Statements</u>			
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M	Water Revenue Adjustment Mechanism/ Modified Cost Balancing Account (WRAM/MCBA)		
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	Bay Area Region	BAR	12724-W
	Bear Gulch	BG	12867-W
	Chico	CH	12727-W
	Dixon	DX	12728-W
	Dominguez	DOM	12868-W
	East Los Angeles	EL	12869-W
	Hermosa Redondo	HR	12870-W
	Kern River Valley	KRV	12732-W
	Livermore	LV	12872-W
	Los Altos	LS	12735-W
	Los Angeles County Region	LAR	12871-W
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	Salinas Valley Region	SVR	12737-W
	Oroville	OR	12873-W
	Palos Verdes Peninsula Water Reliability Project	PV Pipeline	12469-W
	Selma	SL	12740-W

(continued)

(To be inserted by utility)  
 Advice Letter No. 2444  
 Decision No.

Issued by  
GREG A. MILLEMAN  
 Name  
Vice President  
 TITLE

(To be inserted by CPUC)  
 Date Filed   
 Effective   
 Resolution No.

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The following listed tariff sheets contain all effective rates and rules affecting the rates and service of the Utility together with information relating thereto:

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Title Page				5613-W
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Page 1	Table of Contents			XXXXX-W (C)
Page 2	Preliminary Statements			XXXXX-W (C)
Page 3	Preliminary Statements			12880-W
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Page 5	Rate Schedules - All Districts			12666-W
Page 6	Rate Schedules - District Specific			12879-W
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Page 13	Rules			12891-W
Page 14	Sample Forms			12553-W
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(continued)

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## Bear Gulch District

ADVICE LETTER FILING MAILING LIST  
PER SECTION III (G) OF GENERAL ORDER NO. 96-A

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## **Bear Gulch District**

ADVICE LETTER FILING MAILING LIST  
PER SECTION III (G) OF GENERAL ORDER NO. 96-A

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## **SETTLEMENT ATTACHMENT 2**

### **Capital Projects for Skylonda Mutual Water Company**

**Table 1. Immediate Integration Improvements Projects**

<b>Project</b>	<b>Description</b>	<b>Deficiencies / Rationale for Improvements/ Recommendation</b>	<b>Project Start/Finish Year</b>	<b>Budget Cost Estimate <sup>1</sup></b>	<b>Category</b>
<b>Asset Inventory</b>	<ul style="list-style-type: none"> <li>▪ Survey and inventory all Skylonda Mutual System assets</li> <li>▪ Complete baseline mapping and GIS</li> </ul>	<ul style="list-style-type: none"> <li>▪ Asset inventory currently does not exist and is needed to integrate Skylonda Mutual System to Cal Water</li> </ul>	2022 / 2023	\$11,600	Cal Water standard
<b>Easements, Encroachments and Acquisition</b>	<ul style="list-style-type: none"> <li>▪ Complete acquisition of additional area to expand Skylonda Tanks site</li> </ul>	<ul style="list-style-type: none"> <li>▪ Acquisition of additional easements on private property for a new larger tank at the Skylonda Tanks Station</li> </ul>	2022	\$640,000 <sup>2</sup>	Cal Water standard
<b>Initial Water Supply Reliability &amp; Compliance Assessment</b>	<ul style="list-style-type: none"> <li>▪ Review background information to assess water quality, operation and performance of the existing water supply and treatment assets</li> <li>▪ Develop a long-term plan to cost effectively meet demand and ensure compliance with DDW requirements and Water Quality standards.</li> <li>▪ Develop conceptual design for improvements.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Assessment of operational reliability of the system and identification of additional infrastructure necessary to maintain the reliability based on available supplies and projected demands is recommended.</li> </ul>	2023	\$58,000 <sup>3</sup>	Condition/ Reliability/ Water Quality / Fire Resiliency
<b>Skylonda Reservoir Dam Condition and Risk of Failure Evaluation</b>	<ul style="list-style-type: none"> <li>▪ Inspect the Skylonda Reservoir dam</li> <li>▪ Complete geotechnical investigations to asses risk of failure based on current seismic and dam safety standards</li> <li>▪ Develop mitigation measures</li> </ul>	<ul style="list-style-type: none"> <li>▪ Previous evaluation of the Skylonda Reservoir earthen dam (SCI, 1982) indicates that the dam embankment should perform satisfactorily under long-term static and earthquake loading conditions and that there is no evidence for potential for damage to the dam from surface/embankment landslide. Report noted seepage, and recommended repairs and removal of vegetation.</li> <li>▪ Since approximately 40 years have lapsed since the evaluation, it's recommended to inspect the dam and assess risk of failure based on current seismic and dam safety standards.</li> </ul>	2023	\$46,400	Condition/Reliability, Safety



<b>Electrical and SCADA Upgrades to Enable Remote Monitoring and Control from District Offices</b>	<ul style="list-style-type: none"> <li>▪ Provide network hardware/software and complete integration with District SCADA system</li> <li>▪ Install control cabinets/PLCs and RTUs at all remote locations</li> </ul>	<ul style="list-style-type: none"> <li>▪ SCADA upgrades necessary to monitor and control facilities remotely from District office.</li> </ul>	2023	\$116,000	Operability
<b>Electrical Repairs to Address Code Violations</b>	<ul style="list-style-type: none"> <li>▪ Perform minor electrical repairs to loose connections, exposed wiring, and improve conduit/wiring management.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Electrical code violations were noted during the September 18, 2020 site visit (see site visit notes for details). Repairs are needed to ensure compliance and safe operations</li> <li>▪ Deficiencies include loose connections, exposed wiring, and other electrical code violations at Treatment Plant, Geovanetti Tanks, Skylonda Tanks and Van Crego Well</li> </ul>	2023	\$23,200	Safety/Code Compliance
<b>Replacement of All Service Meters</b>	<ul style="list-style-type: none"> <li>▪ Replace the existing 157 service meters</li> </ul>	<ul style="list-style-type: none"> <li>▪ There is no information on when meters were installed or tested. There are concerns over meter age and accuracy. Per GO 103-A § IV.6.A meters 1" or less have a max service life of 20 years, as such existing meters are in need of replacement.</li> <li>▪ New meters would facilitate accurate monitoring of water use and are required by California PUC</li> </ul>	2023	\$70,000	Cal Water standard
<b>Distribution System Water Quality Sampling Stations</b>	<ul style="list-style-type: none"> <li>▪ Install six water quality sampling stations in the distribution system (2 per zone)</li> </ul>	<ul style="list-style-type: none"> <li>▪ Distribution system sampling is currently done at residential properties taps</li> <li>▪ Need to provide accessible sampling points for regulatory compliance</li> </ul>	2023	\$70,000	Water quality/regulatory compliance
<b>Security and Safety Improvements</b>	<ul style="list-style-type: none"> <li>▪ Install fencing at Geovanetti Tanks</li> <li>▪ Clear vegetation around existing structures and install level walking/access surface</li> </ul>	<ul style="list-style-type: none"> <li>▪ The sites are overgrown with ivy and shrubs. Vegetation around the tanks/buildings is restricting safe access for operation and maintenance.</li> <li>▪ Recommend clearing vegetation around sheds/pump houses, tanks and walkways, and installing surfaces that can be easily maintained and facilitate safe access.</li> <li>▪ Recommend installing fencing at Geovanetti Tanks</li> </ul>	2023	\$29,000	Safety/Security

<b>Distribution Piping - Fire Hydrants Improvements</b>	<ul style="list-style-type: none"> <li>▪ Install 10 new fire hydrants</li> </ul>	<ul style="list-style-type: none"> <li>▪ The current fire hydrant spacing is inadequate</li> </ul>	2023 - 2024	\$167,000 <sup>(3)</sup>	Fire Resiliency
<b>Miscellaneous Repairs to Buildings/Sheds</b>	<ul style="list-style-type: none"> <li>▪ Replace exterior cladding on existing sheds, complete roof repairs, painting/coating of exterior structures, weather proofing at Treatment Plant and Skylonda Tanks</li> </ul>	<ul style="list-style-type: none"> <li>▪ Existing sheds/structures show evidence of dry rot, water damage, rodent damage and are in need of repairs and maintenance</li> </ul>	2023 - 2024	\$60,000	Condition
<b>Total - Immediate Integration Improvements Projects</b>				<b>\$1,291,200</b>	
Notes: 1. Cost estimates include 5% location factor, 10% contingency and are escalated to the project implementation year at 3% per year. 2. Budget cost estimate to implement this project was developed by Cal Water assuming acquisition of approximately 2,400 sq. ft. of additional land. 3. Budget cost estimate to implement this project was developed by Cal Water.					

**Table 3 - Improvements to Connect Skylonda to Cal Water Bear Gulch System**

<b>Project</b>	<b>Description</b>	<b>Deficiencies / Rationale for Improvements/ Recommendation</b>	<b>Project Start/Finish Year</b>	<b>Budget Cost Estimate <sup>(1)</sup></b>	<b>Category</b>
<b>Install Connection to Cal Water Bear Gulch System #1</b>	<ul style="list-style-type: none"> <li>Install a new connection between Bear Gulch System, Station 47 and Skylonda's 1900 zone at Well #7 station, 850-ft of 6-in DI piping</li> </ul>	<ul style="list-style-type: none"> <li>The Skylonda Mutual System is adjacent to Cal Water Woodside Mutual and Skyline Systems. Providing permanent connection between these systems would improve reliability of supply.</li> <li>Use Cal Water Station 47 and our 1930 zone to supply Skylonda's 1900 zone for additional reliability (8 customers)</li> <li>Abandonment of Well #7 may be possible after connection of the Woodside Mutual system to Skylonda</li> </ul>	2023 - 2024	\$686,000	Operability/Reliability
<b>Install Connection to Cal Water Bear Gulch System #2</b>	<ul style="list-style-type: none"> <li>Install a new connection between Bear Gulch System 1810 zone and Skylonda's Upper pressure zone at Geovanetti Tanks Station, 875-ft of 8-in DI piping</li> </ul>	<ul style="list-style-type: none"> <li>The Skylonda Mutual System is adjacent to Cal Water Woodside Mutual and Skyline Systems. Providing permanent connection between these systems would improve reliability of supply.</li> <li>Use Cal Water Station 1810 zone to supply Skylonda's Upper Pressure zone for additional reliability (115 customers)</li> <li>Removal of old Geovanetti Tanks may be possible after connection of the Woodside Mutual system to Skylonda</li> </ul>	2023 – 2024	\$704,000	Operability/Reliability
<b>Pressure Reducing Valve (PRV) Installation</b>	<ul style="list-style-type: none"> <li>Install a PRV at the Skylonda Tanks Station between the 1800 to the 1610 zone</li> </ul>	<ul style="list-style-type: none"> <li>The Skylonda Mutual System is adjacent to Cal Water Woodside Mutual and Skyline Systems. Providing permanent connection between these systems would improve reliability of supply.</li> <li>The PRV will make it possible to move water from Cal Water's Station 47 to Station 42 through the Skylonda system to provide additional reliability to Cal Water's Skyline system from the Woodside Mutual and Skylonda systems</li> </ul>	2023 – 2024	\$30,000	Operability/Reliability
<b>Install Connection to Cal Water Bear Gulch System #3</b>	<ul style="list-style-type: none"> <li>Install a new connection between Bear Gulch System 1610 zone and Skylonda's Lower pressure</li> </ul>	<ul style="list-style-type: none"> <li>The Skylonda Mutual System is adjacent to Cal Water Woodside Mutual and Skyline Systems. Providing permanent connection between these systems would improve reliability of supply.</li> </ul>	2023 - 2024	\$291,000	Operability/Reliability

Project	Description	Deficiencies / Rationale for Improvements/ Recommendation	Project Start/Finish Year	Budget Cost Estimate <sup>(1)</sup>	Category
	zone along Skywood Way (300-ft of 8-in DI piping)	<ul style="list-style-type: none"> <li>▪ Use Skylonda's Lower Pressure zone to supply Cal Water's 1610 zone for additional reliability</li> <li>▪ Removal of old Skylonda Tanks may be possible after connection of the Skyline system to Skylonda</li> </ul>			
<b>Total - Improvements to Connect Skylonda to Cal Water Bear Gulch System</b>				<b>\$1,711,000</b>	
<b>Notes:</b> 1. Cost estimates include 5% location factor, 10% contingency and are escalated to the project implementation year at 3% per year.					

## **SETTLEMENT ATTACHMENT 3**

### **Updated Undisputed Issues List**

**(with List of Partially Resolved Capital Projects)**

**Undisputed Issues and Partially Resolved Capital Projects  
(Updated September 2, 2022)**

Item	Category	Issue	References	Description of Resolution
1	Services	Number of services	Exh. CW-01 at 33-36. Exh. CW-04 at Section 2 (Sales Forecast Report) at 11-13. Exh. CalAdv-13 at 1-1 to 1-3. Exh. CW-54 at 51.	The number of services will be those proposed by Cal Water.
2	Sales	Sales figures	See Agreement.	Although the parties do not agree on the methodology, the parties agreed to apply the sales per connection figures proposed by Cal Advocates to the updated services.
3	Rate Design	Tier 1 Breakpoint	See Agreement.	The Tier 1 breakpoint of 6 ccf will apply to all areas except KRV, which will continue to have a single quantity rate with the first 10 CCFs subsidized.
4	Rate Design	Coast Springs Capacity Surcharge	See Agreement.	For Coast Springs, there is a tier break at 6 CCFs, but also there are two capacity surcharges per CCF (\$8/ccf for 3-6 ccf, and \$20/ccf for 7+ccf) to replace the current single capacity surcharge of \$20/ccf for 5+ccf.
5	Rate Design	PV Private Fire Hydrant tariff	See Agreement.	The rates for the Palos Verdes Private Fire Hydrant service (Schedule No. PV-4A) will increase by 50% until they are in line with the Private Fire Protection tariff (Schedule No. AA-4).
6	Rate Design	RSF Quantity Rate Discount	See Agreement.	The discounted "RSF Index Rate" that KRV customers pay for their first 10 CCFs will be reduced from 150% to 125% of the company-wide average residential quantity rate, which is to be recalculated based on final adopted rates.
7	Rate Design	RSF and CAP Funding	See Agreement.	RSF surcharges will no longer apply to CAP customers. To fund the RSF and CAP programs, RSF and CAP surcharges will also apply to customers on the Private Fire Protection tariff (Schedule No. AA-4) and the Palos Verdes Private Fire Hydrant tariff (Schedule No. PV-4A).
8	Rate Design	RSF Embedded Subsidies	See Agreement.	The RSF Program will continue to offset the revenue requirements of Dixon and Willows Districts before rates are calculated, as the program currently works.
9	Rate Design	Existing Consolidations	See Agreement.	The settlement rate design methodology will be applied to the existing regional consolidations consisting of the Bay Area Region (BAY+RDV), the Salinas Valley Region (SLN+KC), and the LA County Region (AV+PV).
10	Rate Design	Proposed Consolidations	See Agreement.	The settlement rate design methodology will be applied to the additional regional consolidations proposed by Cal Water consisting of the North Valley Region (CHI+ORO) and the South Bay Region (DOM+HR).
11	Rate Design	Proposed Consolidations	See Agreement.	In the new North Valley Region ratemaking area, CHI and ORO will have different tariffs so that CHI is partially subsidizing ORO rates.

**Undisputed Issues and Partially Resolved Capital Projects  
(Updated September 2, 2022)**

Item	Category	Issue	References	Description of Resolution
12	Expenses	Conservation Expenses	Exh. CalAdv-13 at 2-2 (line 16).	From TY 2023, the annual company-wide Conservation Expense Budget is \$8,566,084.
13	Expenses	Water Production - Purchased Water, Power, Pump tax, & Chemicals	See Agreement.	Water production expenses (including chemicals) will be based on the final sales and water mix described in the forthcoming settlement.
14	Expenses	Water Production - Purchased Water, Power and Pump tax	Exh. CalAdv-6 at 3-21 (lines 8-10). Exh. CW-54 at 88-89.	The final rate calculation will use the most current wholesaler rates for Purchased Water, Pump Taxes, and Purchased Power available.
15	Expenses	Postage	Exh. CalAdv-6 at Attachment 1-1. Exh. CW-54 at 76.	Parties agree to a 6% increase in the postage rate, and that final expenses will be based on the adopted number of services.
16	Expenses	Transmission and Distribution	Exh. CalAdv-6 at 2-17 (lines 4-9). Exh. CW-54 at 86 (lines 8-12).	For Transmission and Distribution Expenses, the parties agree to adjustments proposed in Cal Water's application and the adjustments proposed in Cal Advocates's report.
17	Expenses	Maintenance - Stores	Exh. CW-54 at 58.	No dispute on the maintenance stores expenses.
18	Expenses	Transportation - for complement	Exh. CalAdv-6 at 2-5. Exh. CW-54 at 77.	For each of the 13 new complement associated with a vehicle, maintenance costs for the vehicle should be included if the complement is approved.
19	Expenses	Water Treatment - for WQ Lab	Exh. CW-01 at 49-50. Exh. CalAdv-6 at 2-15. Exh. CW-54 at 85; Exh. CW-55 at 246.	Parties agree that depending on currently litigated ELA Water Quality Lab Project authorization, the Water Treatment expense will be adjusted accordingly.
20	Expenses	Customer Accounting - for WQ Lab	Exh. CW-01 at 55-56. Exh. CalAdv-6 at 2-18. Exh. CW-54 at 86. Exh. CW-55 at 246.	Parties agree that depending on currently litigated ELA Water Quality Lab Project authorization, the Customer Accounting expense will be adjusted accordingly.
21	Expenses	Contracted Maintenance - for 3 new positions	CalAdv-6 at 2-19. Exh. CW-54 at 87. Exh. CW-55 at 246.	Parties agree that depending on currently litigated 3 new positions for Diesel Generator Technicians authorization, the Contracted Maintenance expense will be adjusted accordingly.
22	Expenses	Contracted Maintenance - for tank painting	CalAdv-6 at 2-18.	Tank painting and coating expenses should be adjusted to reflect the tank painting projects approved in Common Plant.

**Undisputed Issues and Partially Resolved Capital Projects  
(Updated September 2, 2022)**

Item	Category	Issue	References	Description of Resolution
23	Expenses	Various Administrative and General Expenses	Exh. CWS-01 at 46 (pumping), 49-50 (water treatment), 51-53 (T&D), 55-56 (customer accounting), 63 (rent), and 67-68 (non-specifics).  Exh. CalAdv-2 at 5-1 (rent), and 7-2 to 7-4 (non-specifics).  Exh. CalAdv-6 at 2-16 to 2-17 (T&D).  Exh. CW-54 at 85-86 (T&D), 90 (rent), and 92 (non-specifics).	To forecast expenses in various accounts, Parties agree to exclude recorded expenses relating to the 2016 Erskine fire (KRV) and the previous drought (2015-2017). To account for variations due to COVID-19, the Parties agree to use a 4-year inflation adjusted average for travel, meal, and conference expenses in the non-specifics account. Parties also agree on the expense adjustments Cal Water made for Public Safety Power Shutoffs (PSPS) events in various accounts, except that the forecast for non-specific expenses in Marysville should retain historic PSPS expenses to reflect the likelihood of future PSPS events.
24	Expenses	Dues and Donations	Exh. CW-54 at 93.	With adjustment to dues described by Cal Water, parties are in agreement.
25	Expenses	Amortization of Intangibles	[not addressed in testimony]	The methodology for the amortization of limited term investments (intangibles) is properly reflected in the GRC excel model (ROM). Parties will work together to ensure the amortization of intangibles flows through the ROM correctly for final rates.
26	Payroll and Benefits	New Complement - re WQ Lab	Exh. CW-01, Attach. C at 76-87.	If the ELA Water Quality Lab project is not approved, 3 new complement proposed for the lab should not be approved.
27	Payroll and Benefits	Pension and Healthcare expense	Exh. CW-54, Chapter 4, Attachment 1.	The methodology shown in Exh. CW-54, Chapter 4, Attachment 1, will be used to calculate the per-employee benefit cost (with an exception noted below), which will then be multiplied by the final approved headcount. The per-employee benefit calculation will be based on the EY actuarial forecast for retirement fund, group insurance, retiree group insurance and PBOP + 5 year average for remainder of Benefits' components (retirement savings plan, widow's benefits, employee welfare admin, off duty time, disability benefits). (Note that whether SERP should be included in payroll expenses and in the Pension Balancing Account are in dispute.)
28	Payroll and Benefits	Capitalized Labor	Exh. CW-02 at Exh. CalAdv-2 at 2-4 to 2-5. Exh. CW-54 at 61-64.	Cal Water's methodology for estimating test year capitalized labor will be used.
29	Payroll and Benefits	New Complement - 6 hires	Exh. CW-02 at Exh. CalAdv-2 at 2-3 to 2-4. Exh. CW-54 at 57 (lines 10-12).	Parties agree that 6 new complement recently hired by Cal Water can be included in payroll. As discussed above, 3 additional complement should be authorized if the ELA WQ Lab project is approved. Of the 25 new complement proposed by Cal Water, the parties are now in dispute regarding 16 positions, aside from the 3 ELA WQ positions.



**Undisputed Issues and Partially Resolved Capital Projects  
(Updated September 2, 2022)**

Item	Category	Issue	References	Description of Resolution
30	Allocations	Four-Factor District Allocations	Exh. CW-01 at 129-130. Exh. CW-54 at 108 (lines 1-3).	The costs for Customer Support Services will be allocated to the ratemaking areas within Cal Water using the standard four-factor methodology Cal Water has used in the past. (Note that the appropriate 4-factor methodology to allocate costs among Cal Water and its affiliates remains a disputed issue.)
31	Allocations	Four-Factor District Allocations	Exh. CW-01 at 130.	The newly approved Millerton District (also referred to as the "Preserve") will receive a CSS allocation equal to that proposed in Cal Water's CPCN application for the Millerton District.
32	Allocations	Non-Tariffed Products and Services	Exh. CW-01 at 69-70, 131. Exh. CalAdv-5 at 2-2 to 2-4. Exh. CW-54 at 106-107.	For the use of regulated resources in the ELA District to operate the unregulated O&M lease of the City of Commerce's water system, the revenues shared with customers will be based on a four-year average (2016-2019). Revenue sharing is implemented as an offset to expenses through the Administrative Charges Transferred account.
33	Allocations	Non-Tariffed Products and Services	Exh. CW-01 at 69-70, 131. Exh. CalAdv-5 at 2-4 to 2-5. Exh. CW-54 at 107.	For the use of regulated resources in the DOM, HR, and PV Districts to operate the unregulated O&M lease of the City of Hawthorne's water system, the revenues shared with customers will reflect escalation for 2021, 2022, and 2023. Revenue sharing is implemented as an offset to expenses through the Administrative Charges Transferred account.
34	Taxes	TOTI and Income Taxes	Exh. CW-01 at 78-88. Exh. CalAdv-14 at 2-1 to 3-3. Exh. CW-54 at 102-104.	Parties agree on the methodologies for calculating expenses for income taxes and taxes-other-than-income (TOTI). Federal income tax expense will be calculated by deducting current-year California Corporate Franchise Taxes (CCFT) from federally taxable income. Final TOTI expenses are dependent upon amounts adopted for net plant, revenues, uncollectibles, and payroll.
35	Rate Base	ELA Vacuum Truck Retirement	Exh. CW-54 at 96.	Parties agree that the 2021 retirement forecast for the ELA District will be increased by \$100K to reflect a vacuum truck that was unintentionally excluded.
36	Rate Base	ELA CIAC to reflect grant funding for Treatment	Exh. CW-01 at 101. Exh. CalAdv-12 at 1-4. Exh. CW-54 at 99.	The Contributions in Aid of Construction (CIAC) account for the ELA District will be adjusted to reflect the final grant funds received from the Water Replenishment District for PFAS treatment (PID #122456).
37	Rate Base	Methodologies used for various rate base calculations	See Exh. CalAdv-12. See Exh. CW-54 at Chapter 4.	Aside from the AFUDC and Early Retirements issues specifically addressed in briefs, Parties agree upon the rate base methodologies for all other categories. Final numbers will be impacted by the Commission's resolution of the disputed items affecting rate base.
38	Rate Base	Proposed Depreciation Rates	Exh. CW-05 thru Exh. CW-26 (Attachment G). Exh. CW-51 & Exh. CW-52. Exh. CW-54 at 97 (lines 14-15).	Cal Water's proposed depreciation rates for years 2021-2024 will be used.

**Undisputed Issues and Partially Resolved Capital Projects**  
**(Updated September 2, 2022)**

Item	Category	Issue	References	Description of Resolution
39	Utility Plant in Service	Proposed Capital Projects for Bear Gulch	Exh. CW-30 at 164-210. (and see Agreement)	Due to CPUC approval of Cal Water's acquisition of Skylonda in Advice Letter 2444, Cal Water will adjust its forecasted plant additions for Bear Gulch to reflect a substitution of PID 125671 (\$5.8M in direct costs) out for \$3M in necessary capital improvements in 2022-2024 to connect the Skylonda System to the Bear Gulch system.
40	GRC Model	Capital Budget Translator fix in GRC Model	Exh. CW-54 at 96-97.	Parties agree to work together to ensure that data flows through the "Capital Budget Translator" segment of the excel GRC model (ROM) correctly.
41	GRC Model	RO Model inputs and functions	[not addressed in testimony]	The parties agree that their positions are reflected in the text of their reports, and take precedence over any inconsistencies contained in their GRC models.
42	Revenues	Revenue Increase Calculation and Customer Notice	Exh. CalAdv-1 at 3 to 6. Exh. CW-54 at 10-12.	To the extent that the company is out of line with other large water utilities, and barring any significant unforeseen circumstances that would merit different treatment, Cal Water agrees that its next GRC application should compare its proposed revenue increases to revenue at present rates, rather than to its last adopted revenue requirement.
43	SR 1 - Proposed Consolidations	Consolidation of CH/ORO (NVR) and DOM/HR (SBR)	Exh. CW-02 at 1-14. Exh. CW-54 at 122.	The Chico and Oroville Districts will be consolidated for ratemaking purposes into the North Valley Region. The Dominguez and Hermosa-Redondo Districts will be consolidated for ratemaking purposes into the South Bay Region.
44	SR 1 - Proposed Consolidations	Capital related to Consolidation of DOM/HR (SBR)	Exh. CW-02 at 13-14 (fn 12). Exh. CW-34 at 79-85. Exh. CW-43 at 37-47.	With the creation of the new South Bay Region, the following projects proposed for DOM and HR can be deferred from this proceeding: - PID 00123419 (DOM Zone 1 Supply Reliability) for \$2,468,873 - PID 00124092 (HR 005 Station Rebuild Design) for \$244,276
45	SR 3 - MWRAM/ICBA	MWRAM	Exh. CW-02 at 18-24. Exh. CalAdv-15 at 1-1. Exh. CW-54 at 117.	Monterey-style Revenue Adjustment Mechanisms ("M-WRAMs") should be approved for Cal Water's ratemaking areas starting in the test year.
46	SR 3 - MWRAM/ICBA	ICBA	Exh. CW-02 at 20-24. Exh. CalAdv-15 at 1-2 to 1-3. Exh. CW-54 at 117-120.	For the Incremental Cost Balancing Accounts (ICBAs) for purchased power, purchased water, and pump taxes, fixed and variable costs will be adopted to correspond with the fixed and variable components of the wholesalers' prices, as applicable. For the purchased power ICBA, a simplified power calculation will be used as a pilot program. (Parties do not agree on amortization of existing full decoupling WRAM/MCBA accounts after 12/31/22, so the issue is in dispute.)

**Undisputed Issues and Partially Resolved Capital Projects**  
**(Updated September 2, 2022)**

Item	Category	Issue	References	Description of Resolution
47	SR 3 - MWRAM/ICBA	MWRAM/ICBA	Exh. CW-54 at 120.	Cal Water may request amortization of the M-WRAM and ICBA accounts on an annual basis.
48	SR 6 - Subsequent Rates	Incorporating Subsequent Rate Changes into Final Rates	Exh. CW-02 at 38. Exh. CalAdv-4 at 19-1 to 19-2. Exh. CW-54 at 129-131.	Final rates that are implemented will reflect GRC rates as well as any other CPUC-approved revenue changes. Customers will be informed if the rates implemented reflect more than GRC rates.
49	SR 7 - Grants	Rate Basing Taxes on Grants	Exh. CW-02 at 39-42. Exh. CalAdv-14 at 4-1 to 4-2. Exh. CW-54 at 131.	Cal Water withdraws its request to ratebase taxes paid on government grants.
50	SR 8 - Federal Tax Law Changes	Memo Account for Federal Tax Law Changes	Exh. CW-02 at 43-44. Exh. CalAdv-14 at 5-1 to 5-2. Exh. CW-54 at 131-132.	Cal Water withdraws its request to reflect changes in federal tax law.
51	SR 9 - PV Pipeline	Authorize Memo Account for PV Pipeline	Exh. CW-02 at 45-48. Exh. CalAdv-10 at 8-4 to 8-8. Exh. CW-54 at 132.	A PV Pipeline Memorandum Account may be opened to track incremental capital-related costs, legal costs, and other expenses associated with closing the PV Pipeline project, which is already used and useful. Parties disagree on an AFUDC issue relating to those costs and the issue remains in dispute.
52	SR 11 - 13 Memo and Balancing Accounts	Continuation of CAP MA	Exh. CW-02 at 61. Exh. CalAdv-3 at 2-6. Exh. CW-54 at 138.	The Customer Assistance Program (CAP) Memo Account will be closed unless the CPUC approves continuation of the account when it resolves Advice Letter 2445 (filed 3/11/2022), which requests creation of an Arrearage Management Program (AMP) to assist customers with overdue bills.
53	SR 11 - 13 Memo and Balancing Accounts	Corrections to Annual Reports re Lucerne DWR loan	Exh. CalAdv-3 at 2-14 to 2-15. Exh. CW-54 at 144-146.	The Parties agree that no further activity is needed with regard to the Lucerne Balancing Account.
54	SR 11 - 13 Memo and Balancing Accounts	Re-authorization of the conservation, pension, and healthcare BAs for the 2021 GRC period	Exh. CW-02 at 66-67. Exh. CalAdv-3 at 2-10 to 2-12. Exh. CW-54 at 142.	Cal Water should be authorized to open a Conservation Expense Balancing Account (CEBA), Pension Cost Balancing Account (PCBA), and Health Cost Balancing Account (HCBA) for the period of 2023-2025. - For the PCBA, however, Cal Water proposes to track Supplemental Executive Retirement Plan (SERP) costs in the new account while Cal Advocates proposes to exclude SERP costs from the new account. The SERP issue remains in dispute. - When the PCBA and HCBA are amortized, a reduction of 30.2% should be applied to reflect benefit dollars that are capitalized.
55	SR 11 - 13 Memo and Balancing Accounts	Tier 1 or Tier 2 AL to amortize conservation, pension, and healthcare BAs	Exh. CW-02 at 66-67 Exh. CalAdv-3 at 2-9 to 2-10. Exh. CW-54 at 141, 143.	Cal Water withdraws its request to amortize the CEBA, PCBA, and HCBA accounts via a Tier 1 advice letter. For both sets of accounts approved in the 2018 GRC and in this 2021 GRC, amortization will be requested through a Tier 2 advice letter.

**Undisputed Issues and Partially Resolved Capital Projects  
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Item	Category	Issue	References	Description of Resolution
56	SR 11 - 13 Memo and Balancing Accounts	Reviews of requests to amortize the conservation, pension, and healthcare BAs	Exh. CalAdv-3 at 2-7 to 2-9, 2-10 (lines 6-8). Exh. CW-54 at 140-141.	CPUC review of amortization requests relating to the CEBA, PCBA, and HCBA approved in the 2018 GRC and those approved in this GRC will be through the advice letter (Tier 2) process, rather than through the GRC process.
57	SR 11 - 13 Memo and Balancing Accounts	Timing for BAMA amortizations approved in final decision	Exh. CW-02 at 58-59. Exh. CalAdv-3 at 2-9 (lines 3-10). Exh. CW-54 at 141-142, 144, 146-148.	For the BAMA amortizations authorized in the decision, Cal Water should be allowed 90 days from the date of a final decision to file advice letters. This may enable Cal Water to implement surcharges/surcredits at the same time as other customer rate changes. (There will be no change to the current procedure for applying interest to the accounts.)
58	SR 11 - 13 Memo and Balancing Accounts	Conservation credit methodology	Exh. CW-02 at 66. Exh. CalAdv-3 at 2-11 (lines 9-15). Exh. CW-54 at 144.	CWS withdraws its request to change how unspent conservation funds are returned to customers, so current amortization methodology specified in the preliminary statements for the Conservation BAs will continue.
59	SR 15 - Updating GRC Model	Use of Most Current Escalation Factors	Exh. CW-02 at 85. Exh. CW-54 at 153-154.	Final rates will reflect the most current escalation factors approved by the CPUC.
60	SR 16 - Labor rates for escalation and attrition	Use union wage increases	Exh. CW-02 at 86-89. Exh. CW-54 at 154.	In lieu of the CPUC's payroll escalation rates, union wage increases will be used for escalation rates and attrition rates.
61	SR 17 - Environmental and Social Justice	Comply with CPUC ESJ plan v2.0	Exh. CalAdv-1 at 3. Exh. CW-54 at 155-157.	Cal Water agrees to specifically address the CPUC's ESJ 2.0 Plan in its next GRC.
62	Scoping Issues - #6	Whether Cal Water has complied with prior Commission orders, including those in Cal Water's last general rate case Decision	Exh. CW-54 at 14.	Cal Water provided proof of compliance in its Minimum Data Requirements Book for all ordering paragraphs except 22, 23, and 26. In Rebuttal, Cal Water provided an update demonstrating compliance with these three ordering paragraphs. Cal Advocates has not identified any failures in compliance.
63	Scoping Issues - #7	Whether Cal Water has complied with applicable health and safety standards, as well as conservation, accessibility and water equity safeguards	Exh. CW-02 at 183-252. Exh. CalAdv-4 at 20-1 to 20-9. Exh. CW-54 at 14-15.	Cal Water provided Water Quality testimony in its Additional Testimony book. Cal Advocates reviewed this testimony and did not identify any water quality concerns associated with Cal Water's systems.
64	Scoping Issues - #8	Adequacy of Cal Water's Emergency Preparedness Plans	Exh. CW-02 at Exh. CalAdv-4 at 21-1 to 21-6. Exh. CW-54 at 15.	Cal Water confirmed submission of its Emergency Preparedness Plans to the cities it operates in and to the Water Division and is in compliance with Assembly Bill 1650. Additionally, Cal Water certified to the federal EPA that it has completed the risk assessment and mitigation process required by the American Water Infrastructure Act of 2018. Cal Advocates conducted a review of Cal Water's submissions and did not identify any inadequacies.

**Undisputed Issues and Partially Resolved Capital Projects**  
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Item	Category	Issue	References	Description of Resolution
	<i>Utility Plant in Service</i>	<i>Partially or Fully Resolved Capital Projects</i>	<i>See the pages that follow.</i>	See the subsequent list of partially or fully resolved capital projects associated with issues that were addressed by the Parties after issuance of Cal Advocates' Reports. - This is not a comprehensive list; there are other proposed Cal Water projects that Cal Advocates did not directly contest; they are NOT included on this list.

**Undisputed Issues and Partially Resolved Capital Projects**  
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Item	District/Region	PID	Capital Project Description	Year	Direct Cost*	Partially or Fully Resolved Projects
65	Bakersfield	00123799	BK 2024 Vehicle Replacement Program	2024	\$ 431,695	Cal Water has reduced its forecasted number of vehicles to reach the 120,000 mile threshold for this year in this district
66	Bay Area Region - Bayshore	00123284	BAY. 2022 Vehicle Replacements.	2022	\$ 134,391	Cal Water has reduced its forecasted number of vehicles to reach the 120,000 mile threshold for this year in this district
67	Bay Area Region - Bayshore	00123292	BAY. 2023 Vehicle Replacements.	2023	\$ 137,751	Cal Water has reduced its forecasted number of vehicles to reach the 120,000 mile threshold for this year in this district
68	Bay Area Region - Redwood Valley	00125118	LUC Field Yard Land Acquisition	2023	\$ 118,418	Cal Water has reduced its cost estimate due to removal of location factor for this project
69	Bay Area Region - Redwood Valley	00116100	HKN_01_Add_4_100_Gal_pressure_tanks		\$ -	This project is deferred because it is replaced with PID 123623 (HKN Station Rebuild)
70	Bear Gulch	00125671	Skylonda Improvements (Formerly BG Skyline Woodside Main)	2024	\$ 3,000,000	With the acquisition of Skylonda, the estimate for this project will be revised downwards
71	Chico	00123167	CH 80 Pump and Motor Replacement		\$ -	In Rebuttal Cal Water agreed to defer the project
72	Chico	00124059	CH 41 Pump and Motor Replacement		\$ -	In Rebuttal Cal Water agreed to defer the project
73	Chico	00123724	CH Vehicle Replacement 2024	2024	\$ 227,018	Cal Water has reduced its forecasted number of vehicles to reach the 120,000 mile threshold for this year in this district
74	Customer Support Services	00123734	CSS 2022 Vehicle Replacement Program	2022	\$ 379,964	Cal Water has reduced its forecasted number of vehicles to reach the 120,000 mile threshold for this year in this district
75	Customer Support Services	00123737	CSS 2023 Vehicle Replacement Program	2023	\$ 420,202	Cal Water has reduced its forecasted number of vehicles to reach the 120,000 mile threshold for this year in this district
76	Customer Support Services	00123739	CSS 2024 Vehicle Replacement Program	2024	\$ 209,087	Cal Water has reduced its forecasted number of vehicles to reach the 120,000 mile threshold for this year in this district
77	Customer Support Services	00116250	UPS and SAN Array Replacements	2021	\$ 360,882	In Rebuttal, Cal Water agreed that the revised estimate was achievable

**Undisputed Issues and Partially Resolved Capital Projects**  
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Item	District/Region	PID	Capital Project Description	Year	Direct Cost*	Partially or Fully Resolved Projects
78	Customer Support Services	00124615	CSS Database Encryption Software	2022	\$ 641,772	In rebuttal, Cal Water agreed to reduce two years of annual support cost.
79	Dominguez	00123419	Zone 1 Supply Reliability		\$ -	With the consolidation of Dominguez and Hermosa-Redondo, this project is no longer needed
80	East Los Angeles	00123731	Vehicle replacements		\$ -	Cal Water has reduced its forecasted number of vehicles to reach the 120,000 mile threshold for this year in this district
81	Hermosa-Redondo	00124092	HR-005 Station Rebuild Design		\$ -	With the consolidation of Dominguez and Hermosa-Redondo, this project is no longer needed
82	Livermore	00124142	LIV 2022 Flowmeter Replacements.	2022	\$ 250,473	In Rebuttal, Cal Water agreed to remove 1 flowmeter and adjust the labor hours in the estimate
83	Livermore	00124146	LIV 2023 Flowmeter Replacements	2023	\$ 236,934	In Rebuttal, Cal Water agreed to adjust the labor hours in the estimate
84	Livermore	00124154	LIV 2024 Flowmeter Replacements	2024	\$ 222,987	In Rebuttal, Cal Water agreed to remove 1 flowmeter and adjust the labor hours in the estimate
85	Marysville	00117409	Army Corps Marysville Phase 3		\$ -	Agreed to move the completion date beyond 2024. In Rebuttal Cal Water recommended extending the current authority of the advice letter status
86	Oroville	00124264	Oroville WSFMP	2023	\$ 131,375	Cal Water agrees to reduce the estimate of this project to reflect the low end of the range provided in its justification
87	Rancho Dominguez	00123768	RD 2024 Vehicle Replacement Program	2024	\$ 170,330	Cal Water has reduced its forecasted number of vehicles to reach the 120,000 mile threshold for this year in this district
88	Rancho Dominguez	00125170	Car Port/Cover For Vehicle Maint.	2022	\$ 42,065	Construction overhead for this project was inadvertently included in the direct costs. This was made in error and the duplicative amount should be removed.
89	Rancho Dominguez	00125171	Install Cover Over Spoils/Dump Area	2022	\$ 63,098	Construction overhead for this project was inadvertently included in the direct costs. This was made in error and the duplicative amount should be removed.
90	Salinas Valley Region - King City	00125004	KC 2022 SB 1398 Service Replacement		\$ -	In Rebuttal Cal Water agreed to defer the project

**Undisputed Issues and Partially Resolved Capital Projects**  
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Item	District/Region	PID	Capital Project Description	Year	Direct Cost*	Partially or Fully Resolved Projects
91	Salinas Valley Region - King City	00125005	KC 2023 SB 1398 Service Replacement		\$ -	In Rebuttal Cal Water agreed to defer the project
92	Salinas Valley Region - King City	00125006	KC 2024 SB 1398 Service Replacement		\$ -	In Rebuttal Cal Water agreed to defer the project
93	Stockton	00123781	STK 2023 Veh. Replacement Program	2023	\$ 43,731	Cal Water has reduced its forecasted number of vehicles to reach the 120,000 mile threshold for this year in this district
94	Stockton	00123783	STK 2024 Veh. Replacement Program	2024	\$ 224,119	Cal Water has reduced its forecasted number of vehicles to reach the 120,000 mile threshold for this year in this district
95	Visalia	00123784	VIS 2022 Vehicle Replacement Progm	2022	\$ 175,118	Cal Water has reduced its forecasted number of vehicles to reach the 120,000 mile threshold for this year in this district
96	Visalia	00123785	VIS 2023 Vehicle Replacement Progm	2023	\$ 131,192	Cal Water has reduced its forecasted number of vehicles to reach the 120,000 mile threshold for this year in this district
97	Willows	00124193	WIL 009-01 - Replace Pump & Motor		\$ -	In Rebuttal Cal Water agreed to defer the project
98	Anelope Valley	129-NON-SP	Non-Specific Funding Project	2021	\$ 47,192	To correct for inadvertant error
99	Dixon	105-NON-SP	Non-Specific Funding Project	2021	\$ 135,932	To correct for inadvertant error
100	Marysville	112-NON-SP	Non-Specific Funding Project	2021	\$ 128,656	To correct for inadvertant error
101	Rancho Dominguez	151-NON-SP	Non-Specific Funding Project	2021	\$ 158,644	To correct for inadvertant error
102	Willows	121-NON-SP	Non-Specific Funding Project	2021	\$ 56,100	To correct for inadvertant error
103	Bakersfield	00125251	BK 49-03 GAC Treatment	2022	\$ 1,049,224	In their Opening Brief, Cal Advocates states they agree this project is needed.
104	Visalia	00123309	VIS 38 - PFAS Treatment	2023	\$ 1,306,587	In their Opening Brief, Cal Advocates states they agree this project is needed.
105	Visalia	00123313	VIS 55 - PFAS Treatment	2023	\$ 1,932,611	In their Opening Brief, Cal Advocates states they agree this project is needed.

\* Estimates do not include Contingency, which is applied to most capital projects, and Construction Management/Special Inspections, both of which are currently in dispute. The authorized levels for this will be applied to the project estimates as approved by the Commission.