STATE OF CALIFORNIA GAVIN NEWSOM, *Governor*

PUBLIC UTILITIES COMMISSION
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SAN FRANCISCO, CA 94102-3298

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Ratesetting

TO PARTIES OF RECORD IN APPLICATION 21-07-003, *et al.*:

This is the proposed decision of Administrative Law Judge Sophia J. Park. Until and unless the Commission hears the item and votes to approve it, the proposed decision has no legal effect. This item may be heard, at the earliest, at the Commission's February 2, 2023 Business Meeting. To confirm when the item will be heard, please see the Business Meeting agenda, which is posted on the Commission's website 10 days before each Business Meeting.

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

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

/s/ MICHELLE COOKE
Michelle Cooke
Acting Chief Administrative Law Judge

MLC:jnf
Attachment

Decision **PROPOSED DECISION OF ALJ PARK** **(Mailed 12/20/2022)**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of Liberty Utilities (Apple Valley Ranchos Water) Corp. (U346W) for Authority to Increase Rates Charged for Water Service by $2,862,903 or 11.11% in 2022, $2,068,273 or 7.18% in 2023, and $2,280,637 or 7.35% in 2024.	Application 21-07-003
And Related Matter.	Application 21-07-004

DECISION ON FISCAL TEST YEAR 2022 GENERAL RATE CASES OF LIBERTY UTILITES (APPLE VALLEY RANCHOS WATER) CORP. AND LIBERTY UTILITIES (PARK WATER) CORP.

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DECISION ON FISCAL TEST YEAR 2022 GENERAL RATE CASES OF LIBERTY UTILITES (APPLE VALLEY RANCHOS WATER) CORP. AND LIBERTY UTILITIES (PARK WATER) CORP.

Summary

This decision resolves the Liberty Utilities (Apple Valley Ranchos Water) Corp. (AVR) and Liberty Utilities (Park Water) Corp. (Park Water) general rate cases for Fiscal Test Year (TY) 2022. For AVR, we adopt a revenue requirement of $27.7 million in TY 2022, an increase of $1.1 million or 4.2 percent over revenues collected at estimated present rates. For Park Water, we adopt a revenue requirement of $39.1 million in TY 2022, an increase of $0.5 million or 1.3 percent over revenues collected at estimated present rates.

For TY 2022, the average AVR residential customer with a 5/8 x 3/4" meter can expect a bill increase of 2.8 percent over the interim rates currently in effect. These rate impacts represent AVR's main district and Yermo district, known as Liberty Apple Valley-Domestic. The rates for the single customer in the Liberty Apple Valley-Irrigation district are developed separately, and these bill impacts are shown below in Table 1.

For TY 2022, the average Park Water residential customer with a 5/8 x 3/4" meter can expect a bill decrease of 6.8 percent over the interim rates currently in effect.

Table 1
Monthly bill comparison for residential customer, average use, with a 5/8 or 3/4" meter (excluding any applicable surcharges/surcredits)

Customer Service Area	Average Usage (CCF)[1]	Bill Under Interim Rates	Bill Under Adopted Rates	Change	
				Amount	Percent
Liberty Park	9.21	$81.74	$76.17	-$5.57	-6.8%
Liberty Apple Valley-Domestic	11.95	$73.90	$75.98	$2.08	2.8%
Liberty Apple Valley-Irrigation	39,788	$16,218.67	$22,968.09	$6,749.43	41.6%

These consolidated proceedings are closed.

1. Background

On July 2, 2021, Liberty Utilities (Apple Valley Ranchos Water) Corp. (AVR) filed its general rate case (GRC) application, Application (A.) 21-07-003. On the same date, Liberty Utilities (Park Water) Corp. filed its GRC application, A.21-07-004. Both applications requested authority to increase rates for water service for the period July 1, 2022 through June 30, 2025.[2]

On August 6, 2021, the Public Advocates Office at the California Public Utilities Commission (Cal Advocates) timely filed protests to both applications.

On September 1, 2021, the assigned Administrative Law Judge (ALJ) issued a ruling consolidating the proceedings. Both applicants will collectively be referred to as Liberty in this decision.

A prehearing conference was held on September 16, 2021, to determine the parties and discuss the scope of issues, categorization, schedule of the proceeding, and other procedural matters.

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[1] A CCF (centum cubic feet) is one hundred cubic feet.

[2] All references to the test year (TY) in this decision are to the fiscal test year, which runs from July 1, 2022 through June 30, 2023.

On September 30, 2021, the assigned Commissioner issued a Scoping Memo and Ruling setting forth the scope of issues, need for hearing, schedule, and category.

On December 3, 2021, Park Water and AVR filed motions for leave to amend their respective GRC applications. The assigned ALJ granted the motions on January 10, 2022 and Park Water and AVR filed their amended applications on January 14, 2022. The amendments corrected various substantive and typographical errors but did not change the utilities' projected revenue requirements.

The Commission held remote public participation hearings (PPHs) on March 8, 2022, for AVR and March 9, 2022, for Park Water.

Evidentiary hearings were held virtually from March 21 through March 23, 2022. Additional exhibits were admitted into evidence by ALJ Ruling issued on April 27, 2022.

On April 29, 2022, Liberty filed an unopposed motion for interim rate relief. On May 27, 2022, the assigned ALJ issued a ruling granting, in part, the motion for interim rate relief, which set interim rates equal to the rates then currently in effect. The ruling authorized AVR and Park Water to establish memorandum accounts to track the difference between interim rates and the final rates for subsequent recovery or refund, consistent with the final rates adopted by the Commission in the consolidated proceedings.

On May 12, 2022, Liberty Utilities and Cal Advocates filed Opening Briefs (OBs).

On May 25, 2022, the Commission's Water Division hosted a technical conference to review the ratemaking models used by the parties in this proceeding.

On May 26, 2022, Liberty Utilities and Cal Advocates filed Reply Briefs (RBs) at which time the proceeding was submitted for the Commission's decision.

2. Public Comments

The Commission held two remote PPHs on March 8, 2022 for AVR and two remote PPHs on March 9, 2022 for Park Water. The remote PPHs were held to provide Liberty's customers with an opportunity to communicate directly with the Commission regarding the Applications and the proposed rate increases.

All the speakers at the PPHs were opposed to the requested increases. Speakers stated that the requested increases are not justified and that Liberty should be looking to cut costs, especially during these difficult economic times. Speakers also questioned whether Liberty was spending money in imprudent ways and called for a thorough Commission investigation and audit of Liberty and the requested rate increases.

Speakers raised concerns regarding the affordability of Liberty's requests and the impacts on their communities. Many speakers on fixed incomes stated that the requested rate increases were too high and exceeded the rate of inflation and cost of living adjustments. Several speakers also stated that there have been many rate increases over the past several years and that Liberty's rates are higher than those of other local water providers. Several speakers noted that Liberty is a monopoly and that customers have no choice to turn to another water provider despite Liberty's high rates. Speakers also commented that their communities are currently facing challenges due to effects of the pandemic, high inflation, and war.

Many speakers also expressed opposition to the proposed increases to the fixed service charge. Speakers stated that the increased service charge will decrease incentives for conservation since customers will have to pay more for using less water.

A few speakers in Park Water's service territory commented on issues they have had in the past with meter misreadings or billing errors.

In addition to the comments at the PPHs, 40 written public comments were submitted in these consolidated proceedings prior to the submission of the record in this proceeding. Thirty-eight of the comments addressed AVR's application. Nearly all the public comments opposed AVR's proposed rate increase. Commenters stated that AVR's rates are already higher than in neighboring areas and that additional increases are not justified. The public comments raised concerns about the impacts of AVR's rates on customers, particularly those who are retired and on fixed incomes, who cannot afford additional increases. Several commenters noted that AVR is a monopoly supplying a necessity and that customers do not have the choice to turn to another water provider.

A couple of comments supported a smaller rate increase in line with cost-of-living adjustments. One commenter stated that a rate increase makes sense because AVR spends millions on improvements and maintenance and has a good water quality record.

A couple of commenters opposed the proposed increase to the service charge from 25% to 50%.

3. Evidentiary Standard and Burden of Proof

Public Utilities (Pub. Util.) Code Section 451 requires that "all charges demanded or received by any public utility … shall be just and reasonable." Pursuant to Pub Util. Code Section 454(a):

> a public utility shall not change any rate or so alter any classification, contract, practice, or rule as to result in any new rate, except upon a showing before the commission and a finding by the commission that the new rate is justified.

As the applicants, AVR and Park Water bear the burden of proving that their cost recovery requests are reasonable. AVR and Park Water have the burden of affirmatively establishing the reasonableness of all aspects of their applications.[3] The Commission has held that the standard of proof the applicant must meet in rate cases is that of a preponderance of the evidence.[4] Preponderance of the evidence usually is defined "in terms of probability of truth, *e.g.*, 'such evidence as, when weighed with that opposed to it, has more convincing force and the greater probability of truth.'"[5]

Although the utility bears the ultimate burden to prove the reasonableness of the relief they seek and the costs they seek to recover, the Commission has held that when other parties propose a different result, they too have a "burden of going forward" to produce evidence to support their position and raise a reasonable doubt as to the utility's request.[6]

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[3] Decision (D.) 09-03-025 at 8; D.06-05-016 at 7.

[4] D.19-05-020 at 7; D.15-11-021 at 8-9; D.14-08-032 at 17.

[5] D.08-12-058 at 19, citing Witkin, Calif. Evidence, 4th Edition, Vol. 1 at 184.

[6] D.20-07-038 at 3-4; D.87-12-067 at 25-26, 1987 Cal. PUC LEXIS 424, *37.

4. Uncontested and Resolved Matters

Many of Liberty's requests in these consolidated proceedings were uncontested. With respect to individual uncontested issues, we find that Liberty has made a *prima facie* just and reasonable showing, and approve Liberty's uncontested requests, unless otherwise stated.

In addition, Cal Advocates and Liberty engaged in extensive settlement discussions and stipulated to numerous items. The most up to date stipulations are reflected in Exhibits JOINT-19 and JOINT-20. We find reasonable and adopt the stipulations for each of the issues listed in Exhibits JOINT-19 and JOINT-20.

5. Water Sales Forecast

Liberty estimates future water use using either econometric modeling, five-year average growth rates, or the most recent 12-months of recorded usage to forecast unit consumption for each customer class.[7] Cal Advocates concurs with Liberty's forecast methodology for AVR and Park Water except for the customer classes discussed below.

5.1. Park Water

Cal Advocates disputes Park Water's unit consumption estimates for the customer classes in the table below. Park Water's consumption forecasts for the disputed customer classes are based on a logarithmic econometric model. Cal Advocates recommends use of a two-year (2019-2020) recorded average to develop the forecasts because they are more representative of current trends. The parties' methodologies result in the following forecasts:[8]

[7] Ex. LIB-02 at 30; Ex. LIB-10 at 30.

[8] Cal Advocates OB at 3.

Customer Class	**Park Water TY Forecast (CCF)**	**Cal Adv TY Forecast (CCF)**
Residential	105.47	110.58
Business Monthly	4,595.25	4,611.71
Business Bi-Monthly	423.47	443.11
Industrial Monthly	8,515.50	8,722.33
Public Authority Monthly	2,644.19	2,494.55

With respect to the residential forecast, Park Water states its methodology assumes pre-COVID trends and recognizes permanent conservation-driven consumption reductions driven by prior years' droughts.[9] There is much uncertainty surrounding the long-term effects of the COVID pandemic on residential water consumption. Cal Advocates notes that the increase in residential water usage is the result of an increase in the number of people working from home.[10] It is unclear when or if the pandemic-driven increase in residential water consumption will revert to pre-pandemic levels. There are uncertainties regarding when the pandemic will end. Moreover, even after the end of the pandemic, it is uncertain whether the number of people working from home will revert to levels seen prior to the pandemic.

There is some merit to Park Water's assertions that drought-related water conservation measures are likely to be in place during the GRC period. As noted by Park Water, the Governor's emergency drought declaration was made statewide, including Los Angeles County, on October 19, 2021.[11] However, Park

[9] Liberty OB at 7.

[10] Cal Advocates OB at 3.

[11] Liberty OB at 8.

Water does not quantify the extent to which anticipated drought-related conservation measures would impact residential consumption.

Given the uncertain effects of both the pandemic driven impacts and drought-related impacts, we find Cal Advocates' proposed use of a two-year average to be reasonable. Residential unit consumption has fluctuated over the past five years and Cal Advocates' recommended two-year average is also in line with the five-year average.[12] Furthermore, recorded data for 2021 shows that consumption did not decrease between 2020 and 2021 as forecast by Park Water but stayed flat at 115 CCF.[13] The recorded unit consumption for 2021 is higher than both Park Water's and Cal Advocates' recommended forecasts. Therefore, adopting Cal Advocates' forecast would still account for some reduction in consumption from the last recorded year.

With respect to the disputed forecasts for Park Water's customer classes other than the residential class, Cal Advocates presents no explanation as to why use of a two-year (2019-2020) average would be reasonable, particularly given that 2020 was an atypical year due to the pandemic. In the absence of adequate justification for Cal Advocates' recommended forecasts and based on review of recorded consumption for 2009-2020,[14] we find reasonable and adopt Park Water's forecasts for the business monthly, business bi-monthly, industrial monthly, and public authority monthly customer classes.

5.2. AVR

Cal Advocates disputes AVR's unit consumption estimates for the residential and business customer classes. AVR's residential and business unit

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[12] Ex. LIB-10 at 32, Table III-4.

[13] *Ibid.*; Ex. LIB-38.

[14] Ex. LIB-10 at 32, Table III-4.

consumption forecasts are based on a logarithmic econometric model. Cal Advocates recommends use of a two-year (2019-2020) recorded average for the residential forecast and a 12-month average for the business forecast because they are more representative of current trends. The parties' methodologies result in the following forecasts:[15]

Customer Class	**AVR TY Forecast (CCF)**	**Cal Adv TY Forecast (CCF)**
Residential	141.62	143.42
Business	526.67	539.10

With respect to AVR's residential forecast, the parties raise the same arguments raised with respect to Park Water's residential forecast.[16] As discussed above regarding Park Water, given the uncertain effects of both pandemic driven impacts and drought-related impacts, we find Cal Advocates' proposed use of a two-year average to be reasonable for AVR's residential forecast. AVR's recorded data for 2021 shows that consumption did not decrease between 2020 and 2021 as forecast by AVR but increased from 149 CCF to 151 CCF.[17] The recorded unit consumption for 2021 is higher than both AVR's and Cal Advocates' recommended forecasts. Therefore, adopting Cal Advocates' forecast would still account for some reduction in consumption from the last recorded year.

With respect to AVR's business forecast, Cal Advocates provides no explanation as to why use of a 12-month average based on 2020 recorded data would be more representative of current trends. It is unclear whether 2020 usage

[15] Cal Advocates OB at 4.

[16] Liberty OB at 10-12; Cal Advocates OB at 4-5.

[17] Ex. LIB-02 at 33, Table III-9; Ex. LIB-37.

would be typical given the circumstances of the pandemic. AVR has made a *prima facie* case for its business forecast, which AVR based on a logarithmic econometric model taking into account variables such as precipitation, temperature, retail level expectations, and commercial rates.[18] In the absence of adequate justification for Cal Advocates' forecast, we find reasonable and adopt AVR's forecast for the business class.

6. Expenses

6.1. Park Water

6.1.1. Account 7011.2 Telemetry

Park Water's forecast for the Telemetry account (7011.2) is based on a five-year average (2016-2020) of recorded expenses escalated to 2022 dollars.[19] Park Water agrees with Cal Advocates that its initially reported 2020 expenses of $102,527 inadvertently included $45,000 in expenses that should have been charged to AVR instead of Park Water.[20] Park Water recommends adjusting its 2020 recorded expenses to remove $45,000 and using the adjusted 2020 recorded expenses to calculate the five-year average. Park Water states that this approach is consistent with Cal Advocates' proposal for AVR's Telemetry account.[21]

Cal Advocates recommends that the Commission adopt a forecast based on a four-year average (2016-2019) of recorded expenses.[22] Park Water's recorded expenses for this account are as follows: $35,692 in 2016; $44,470 in 2017; $40,726 in 2018, $41,150 in 2019, and $57,527 in 2020.[23] Cal Advocates notes that even

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[18] Ex. LIB-02 at 35.

[19] Liberty OB at 12.

[20] *Ibid*.

[21] *Id*. at 13.

[22] Cal Advocates OB at 5.

[23] Ex. CalAd-02 at 3-4.

with the deduction of the $45,000 in AVR expenses inadvertently charged to Park Water, the recorded 2020 figure of $57,527 is atypical for this account, representing an almost 50% increase from the previous four years.[24]

We find reasonable and adopt a five-year (2016-2020) average for this account with the $45,000 deduction to Park Water's initially reported 2020 recorded expense.[25] Park Water's recorded expenses for this account have varied through the years and there is no indication that there are any errors in Park Water's 2020 recorded expenses other than the inadvertently charged $45,000, which Park Water agrees should be deducted prior to calculating the average. AVR's expenses for its Telemetry account increased by a larger percentage in 2020 yet Cal Advocates recommends use of a five-year (2016-2020) average for AVR's account.[26] We do not find a reasoned basis to use a different methodology for Park Water.

6.1.2. Account 7717.663 Oth-T&D Op Meter Exp

Park Water's Oth-T&D Op Meter Exp account (7717.663) is used to record meters-related operations and maintenance costs. Park Water's forecast for this account is based on a five-year average (2016-2020) of recorded expenses escalated to 2022 dollars.[27]

Cal Advocates recommends a forecast based on an average of Park Water's recorded costs for 2016, 2017, and 2020.[28] Cal Advocates excludes the recorded costs for 2018 and 2019, which include costs for an outside contractor to replace a

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[24] Cal Advocates OB at 5-6.

[25] All TY expense forecasts adopted in this decision shall be escalated to 2022 dollars.

[26] *See* Ex. CalAd-29 at 3-8, Table 3-9.

[27] Liberty OB at 14.

[28] Cal Advocates OB at 6.

large number of failed meters, from the average. Cal Advocates argues the 2018 and 2019 expenses are atypical and unlikely to be repeated.[29]

Park Water argues that meter failures are unanticipated and not pre-planned in nature, and that given its aging meters and ongoing battery failures, it is likely that unforeseen failures resulting in significant expenses will occur in the TY.[30]

The recorded expenses in this account for 2016-2021 show significant fluctuation ranging from a low of $0 to a high of $372,061.[31] Park Water explains that it experienced "an elevated level of failures" with its automated meter reading (AMR) registers in 2018 and 2019.[32] However, Park Water fails to explain why the elevated level of meter failures seen in 2018 and 2019 is an occurrence that is likely to be repeated during the TY. Park Water cites aging meters as a factor that may contribute to meter failure. However, Park Water does not provide information regarding the average age the previously installed meters failed, which makes it difficult for the Commission to assess the likelihood of the currently installed AMR meters failing during the TY.[33] In the absence of an adequate showing by Park Water, we find reasonable and approve Cal Advocates' recommended forecast.

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[29] *Ibid.*

[30] Liberty OB at 14.

[31] Ex. CalAd-02 at 3-6, Table 3-6.

[32] Ex. LIB-18 at 10.

[33] Park Water originally installed a total of 26,388 AMR meters between 2004 and 2017, with 18,557 of these meters being installed after 2012. (Ex. CalAd-02 at 7-3, Table 7-2.) Park Water has already replaced 11,783 of these original meters between 2012 and 2020. (*Ibid.*)

6.1.3. Account 7717.677 Oth-T&D Mt Hydrants

Park Water's forecast for the Other-T&D Mt Hydrants account (7717.677) is based on a five-year average (2016-2020) of recorded expenses escalated to 2022 dollars.[34] This account is used to record painting costs for fire hydrants. Park Water argues that use of a five-year average is reasonable because the number of fire hydrants that require painting can fluctuate by year depending on a variety of operational factors.[35]

Cal Advocates recommends use of a two-year average (2019-2020) for this account.[36] Cal Advocates notes that Park Water had a significant reduction in expenses for this account in 2019 and 2020. Park Water's recorded expenses ranged from $25,200 and $50,703 between 2016-2018 but were $1,759 in 2019 and $5,237 in 2020.[37] According to Park Water, the reductions in 2019 and 2020 were due to fewer fire hydrants requiring painting and the use of in-house labor as opposed to use of an outside consultant.[38]

Park Water began using in-house labor for this work in 2019. Given the lack of evidence regarding the extent to which Park Water intends to use in-house labor versus outside consultant services for this work in the future, there is a lack of justification for basing the TY forecast on recorded years when outside consultant services were used. Therefore, we find reasonable and adopt Cal Advocates' recommended forecast.

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[34] Liberty OB at 14.

[35] *Ibid.*

[36] Cal Advocates OB at 6.

[37] Ex. CalAd-02 at 3-9, Table 3-10.

[38] *Id.* at 3-8.

6.1.4. Account 7050.2 Company Membership

Park Water's forecast for the Company Membership account (7050.2) is based on a three-year average (2018-2020) of recorded expenses escalated to 2022 dollars.[39] Dues paid to the California Water Association, which were previously recorded in Park Water's books, have been recorded in General Office books beginning in 2018. Park Water contends that its forecast methodology reflects this bookkeeping change and is also consistent with Cal Advocates' recommended methodology for the same account for AVR.[40]

Cal Advocates recommends use of a two-year average (2019-2020) for this account.[41] Cal Advocates argues that it is appropriate to exclude 2018 expenses from the forecast since expenditures in this account have steadily decreased from $8,020 in 2018 to $2,475 in 2020.[42]

Park Water has failed to justify the reasonableness of any ratepayer funding for this account. Park Water does not provide any description of what memberships are funded through this account, and therefore, the Commission is unable to assess whether ratepayers receive any benefits from these memberships. Since Park Water has failed to adequately justify its request, we adopt a test year forecast of $0 for this account.

6.1.5. Purchased Water

For Park Water's Central Basin systems, the amount of water to be purchased is calculated based on the projected total production less the amount

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[39] Liberty OB at 15.

[40] *Ibid.*

[41] Cal Advocates OB at 7.

[42] *Ibid.*

of water pumped.[43] This volume is then multiplied by an estimated rate per acre foot (AF) plus any service charges.[44] Park Water forecasts pumped water quantities of 3,350 AF in 2022, 3,550 AF in 2023, and 4,150 AF in 2024.[45] Based on these pumped water forecasts, Park Water forecasts purchased water expense of $7,831,608 in 2022, $7,636,372 in 2023, and $6,921,096 in 2024.[46]

Cal Advocates argues that Park Water overestimates its purchased water forecast because it underestimates the amount of lower cost pumped water.[47] Cal Advocates argues that Park Water's pumped water forecasts are unsupported by the record and recent pumping data. Cal Advocates recommends using a forecast of 7,717 AF of pumped water for the TY to calculate purchased water expense, consisting of: (1) 5,136 AF based on the amount of pumped water in the most recent 2021 Central Basin Watermaster report, and (2) 2,581 AF to account for production from a new well, Well 28D, which Park Water forecasts will be in service in the TY.[48]

Cal Advocates also notes that Park Water under forecast its pumped water forecast in the last GRC, which resulted in an approximately $5 million overcollection of purchased water expense. This overcollection was refunded to ratepayers through the Water Revenue Adjustment Mechanism (WRAM)/ Modified Cost Balancing Account (MCBA) but the WRAM/MCBA will not be in

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[43] Ex. LIB-10 at 55.

[44] *Id*. at 66, Table IV-10.

[45] *Ibid.*

[46] *Ibid*.

[47] Cal Advocates OB at 7.

[48] Ex. CalAd-02 at 3-12 to 3-13.

use during this rate case period, which means that any overcollection of purchased water expense in this GRC would not be refunded to ratepayers.[49]

Park Water fails to adequately justify its pumping estimate of 3,350 AF for 2022. We agree with Cal Advocates that Park Water's estimate of pumped water is low considering historical pumping data and available production from new Well 28D. We find it reasonable to adopt a TY pumping forecast of 6,427 AF for the reasons discussed below.

First, we find it reasonable to incorporate the 5,136 AF from the most recent Watermaster report into the pumped water forecast.[50] This report presents the most recent data regarding Park Water's pumping production and Park Water does not provide any justification as to why a similar amount could not be pumped during this GRC cycle.

Park Water argues that the Watermaster report includes production associated with water service provided to the Sativa Los Angeles County Water District (Sativa) under the non-tariff product and service (NTP&S) rules and that it would be inappropriate to include this production in the forecast.[51] We do not find justification to exclude this production from the forecast. Park Water provided water to Sativa pursuant to a temporary emergency interconnection while Sativa searched for a buyer for its water system.[52] It is speculative whether

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[49] Cal Advocates OB at 9-10.

[50] Ex. CalAd-20. The Watermaster report covers the period from July 1, 2020 through June 30, 2021. Liberty argues that reliance on 2019 data from the Watermaster report is misplaced since it includes production from Wells 28B, 41A, and 46C, which have since been taken out of service. (Liberty RB at 6-7.) However, the 2021 data takes into account removal of production from these three wells.

[51] Liberty OB at 16.

[52] Ex. LIB-18 at 9; Park Water Advice Letter 321-W-A, dated March 31, 2022, at 2.

this arrangement would continue during this GRC cycle, especially considering the Commission has since approved the purchase of Sativa by Suburban Water Systems.[53] Moreover, Park Water fails to justify exclusion of this production based on the fact that it was for an NTP&S offering. Among other requirements, NTP&S must be provided utilizing excess or unused capacity of a utility asset or resource, and must not adversely affect the cost of tariffed utility products and services.[54] In this case, not allocating this pumped water for ratepayer use means that ratepayers would need to fund additional purchased water at higher cost. Park Water fails to explain why this would be appropriate or consistent with the NTP&S rules.

Second, we find that the forecast should account for some production from new Well 28D. The Commission authorized the construction of new groundwater Well 28D in Park Water's last GRC.[55] Park Water estimates that Well 28D will be online by the end of 2021 and includes the well in rate base for this GRC period.[56] However, Park Water forecasts zero AF of production from this well for 2022-2024.[57] Cal Advocates' recommended TY production forecast of 2,581 AF for Well 28D is based on the production capacity of the well (2,000 gallons per minute (gpm) or 3,226 AF) and application of an 80% duty factor.[58] Cal Advocates argues its forecast is reasonable based on the performance of existing Well 19C, which has a capacity of 1,750 gpm and has produced more

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[53] D.22-04-010.

[54] D.10-10-019, Appendix A, Rule X.B.

[55] In this GRC, Park Water requests 2021 costs of $1,727,022 for the well. (Ex. LIB-10 at 84.) Park Water estimates the total costs for the well to be $3,454,044. (*Ibid.*)

[56] *Ibid*.

[57] Liberty OB at 55.

[58] Cal Advocates OB at 8.

than 2,500 AF in 2020.[59] Liberty counters that while true in engineering theory, the true production of Well 28D will only be realized after the well is operational for one year.[60] Liberty also argues that Wells 28D and 19C are not comparable.[61]

We do not find Park Water's TY production forecast of zero AF for Well 28D to be reasonable given Park Water's estimate that the well will be online by the end of 2021 and inclusion of the well in rate base during this GRC cycle as a used and useful asset. In the absence of a reasonable forecast presented by Park Water, we find it reasonable to forecast production based on the capacity of the well and 80% duty factor, which Liberty has used in the past to generally calculate active capacity.[62] We recognize the true production capacity of a new well may not be realized immediately. Based on Liberty's estimate that the true production will be realized after one year of operations, we forecast this production to be realized by the end of 2022 (*i.e.*, halfway into the TY). Therefore, we include 1,291 AF of production from Well 28D in the TY.

6.1.6. Purchased Power, Replenishment, and Leased Water

The pumped water forecast impacts the amount of electricity needed to pump water, the replenishment charges that will need to be paid to the Watermaster, and the supplementary leased water rights that will need to be acquired. Park Water and Cal Advocates agree on the calculation methodologies for the purchased power, replenishment, and leased water rights accounts.[63] The

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[59] Ex. CalAd-02 at 5-7.

[60] Liberty OB at 54-55.

[61] *Ibid.*

[62] Ex. CalAd-02 at 5-27 (excerpt from Park Water's Water Resources Plan, dated June 2016).

[63] Cal Advocates OB at 10; Liberty RB at 7.

differences in the parties' forecasts for these accounts are due to differing recommendations for the underlying pumped water and water sales forecasts.

We find reasonable and approve the undisputed calculation methodologies for the purchased power, replenishment, and leased water accounts. The underlying pumped water and sales forecasts are addressed in Sections 6.1.5 and 5.1, respectively.

6.2. AVR

6.2.1. Account 6181: Replenishment Make Up Assessment

The Mojave Water Agency (MWA) assesses an annual make-up obligation on water producers, such as AVR, located in the Alto Sub-Area of the Mojave Basin, pursuant to the Mojave River Adjudication.[64] AVR is obligated to cover the make-up obligation for AVR and Jess Ranch Water Company (JRWC). AVR can cover this obligation by paying MWA the assessed obligation at the replacement rate ($604/AF in water year (WY) 2019/2020) or by leasing available rights from Centro Sub-Area producers.[65] AVR's obligation for WY 2019/2020 was 361.50 AF and JRWC's make-up obligation was 59.42 AF for a total obligation of 844 AF. AVR rounds this obligation to 850 AF and multiplies by $50 per AF to arrive at a total TY make-up assessment forecast of $42,500.[66]

Cal Advocates recommends a forecast of $6,289 based on using a five-year recorded average (2016-2020, unadjusted for inflation) of make-up assessment

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[64] Liberty OB at 17. The make-up obligation is separate from the replacement obligation, which is due to MWA when a producer pumps more water from the basin than the sum of its owned and carryover water rights.

[65] *Id.* at 18. The WY runs from October 1 through September 30.

[66] *Ibid.*

expense.[67] Cal Advocates argues that the average cost is the best way to set the TY forecast since AVR has been able to meet the make-up obligation in a number of ways, including by leasing rights from other producers to satisfy the obligation at much lower cost.[68]

AVR has failed to adequately justify its forecast. AVR provides no explanation for its $50 per AF estimate, which forms the basis of its forecast. Moreover, AVR's forecast is more than double any make-up obligation expense it incurred from 2016-2020.[69]

We find reasonable and adopt Cal Advocates' recommendation to base the TY forecast on the five-year (2016-2020) average. AVR argues that use of a five-year (2016-2020) recorded average would not be representative of future assessments because recorded expense for 2016 shows a negative dollar amount from a prior year adjustment.[70] However, AVR's witness testified it is common for AVR to have accruals, which would be reversed in a subsequent year resulting in a negative dollar amount for that year.[71] Given the lack of evidence that this is an atypical occurrence, we find use of the 2016-2020 average to be reasonable.

6.2.2. Uninsured Property Damage

AVR forecasts $274,404 in TY uninsured property damage expense.[72] AVR's forecast is based on a three-year average of recorded 2018-2020 expenses,

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[67] Cal Advocates OB at 10.

[68] *Id*. at 10, 11.

[69] *See* Ex. CalAd-01 at 3-4, Table 3-2.

[70] Liberty OB at 18.

[71] Reporter's Transcript (RT), Vol. 4 at 352:19-25.

[72] Ex. LIB-02 at 66, Table IV-13.

escalated to 2022 dollars.[73] AVR historically used insurance carriers but moved to a self-insured approach in 2017. Under AVR's current self-insured program, AVR has a $250,000 deductible per incident and uses Umbrella coverage to fund claims over the deducible limit. AVR contends that the higher deductible means that AVR incurs lower premium costs.[74]

Cal Advocates argues that AVR has failed to adequately provide documentation for its recorded expense. Cal Advocates recommends the Commission use Park Water's uninsured property damage forecast of $352 for AVR, which Cal Advocates argues is based on known and verifiable amounts.[75]

We do not find a reasoned basis to use Park Water's uninsured property damage forecast for AVR. AVR explains that AVR has higher uninsured property damage expense compared to Park Water due to differences between the two utilities' service territory environments, such as the fact that AVR is primarily in a rural desert setting with lack of flood control infrastructure, whereas Park Water is in an urban setting with well-developed flood control measures.[76] Review of AVR's and Park Water's recorded expenses from 2015-2020 reflects that AVR has had significantly higher expenses than Park Water whether covered by an insurance carrier or self-insured.[77] Therefore, adopting a forecast for AVR based on Park Water's recorded expenses would likely not be representative of the costs AVR is likely to incur in the TY.

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[73] Ex. LIB-17 at 9.

[74] *Id.* at 8.

[75] Cal Advocates OB at 11-12.

[76] Ex. LIB-17 at 9.

[77] Ex. JOINT-04 at 4-1; Ex. JOINT-13 at 4-1.

We find that AVR has provided adequate justification for its TY forecast based on its recorded expenses during periods of self-insurance and explanation of the characteristics of its service territory. Contrary to Cal Advocates' assertion, we do not find evidence of errors in AVR's general ledger for this account. AVR's explanation that the entries are based on accruals (the date an expense is incurred) rather than when an expense is recorded is reasonable and consistent with standard accrual accounting.[78] Moreover, although Cal Advocates challenges AVR's recorded expenses for 2020, these expenses are within the range of recorded expenses for 2018 and 2019, which AVR recorded after making the change to self-insurance.[79] Therefore, we find reasonable and approve AVR's TY forecast.

6.2.3. Account 7717.676 Oth-T&D Mt Meters

AVR's Oth-T&D Mt Meters account (7717.676) is used to record meters-related operations and maintenance costs. AVR's forecast for this account is based on a five-year average (2016-2020) of recorded expenses escalated to 2022 dollars.[80]

Cal Advocates argues that AVR's recorded expenses for 2017 and 2018 should not be included in the average to forecast the TY since AVR incurred unusually high expenditures in those years due to the hiring of an outside contractor, which are unlikely to be repeated. Cal Advocates recommends the Commission adopt a TY forecast based on a two-year average of AVR's recorded costs for 2019 and 2020 because it more appropriately reflects typical expenses.[81]

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[78] *See* RT, Vol. 4 at 361:16-362:23.

[79] Ex. JOINT-04 at 4-1.

[80] Liberty OB at 21.

[81] Cal Advocates OB at 12.

AVR argues that given its aging meters and ongoing battery failures, it is not unlikely that unforeseen failures resulting in significant expenses will occur in the TY.[82] AVR argues that given the unpredictability of such failures and resulting expenses, use of a five-year average is appropriate to smooth out fluctuation in such expenses.[83]

The recorded expenses in this account for 2016-2021 show relatively steady recorded expenses in 2016, 2019, and 2020, and a spike in recorded expenses in 2017 and 2018.[84] AVR explains that it experienced "an elevated level of failures" with its AMR registers in 2017 and 2018.[85] However, AVR fails to explain why the elevated level of meter failures seen in 2017 and 2018 is an occurrence that is likely to be repeated during the TY. AVR cites aging meters as a factor that may contribute to meter failure. However, AVR does not provide information regarding the average age the previously installed meters failed, which makes it difficult for the Commission to assess the likelihood of the currently installed AMR meters failing during the TY.[86] In the absence of an adequate showing by AVR, we find reasonable and approve Cal Advocates' recommended forecast.

6.2.4. Account 7200.50 Other General Consulting

AVR's forecast for the Other General Consulting account (7200.50) is based on a five-year average (2016-2020) of recorded expenses escalated to

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[82] Liberty OB at 21.

[83] *Ibid.*

[84] Ex. CalAd-29 at 3-9, Table 3-10.

[85] Liberty OB at 21.

[86] AVR originally installed a total of 19,282 AMR meters between 2006 and 2013, and replaced 11,320 of the originally installed AMR meters between 2014 and 2020. (Ex. CalAd-01 at 7-2 to 7-3, Table 7-2.)

2022 dollars.[87] AVR argues that its general consulting expenses vary annually based on strategic initiatives and projects AVR undertakes in any given year and that use of a five-year average is appropriate to smooth out expense fluctuations.[88] AVR also notes that its 2020 recorded expense was impacted by the stringent COVID-19 related restrictions on travel and in-person meetings.

Cal Advocates recommends the Commission adopt a forecast of $92,099 based on a two-year (2019-2020) average.[89] According to Cal Advocates, AVR incurred significantly higher costs in 2016 through 2018 for a consultant opposing a possible eminent domain proceeding.[90] Cal Advocates argues that AVR's expenses have since significantly decreased and the company has not indicated whether similar consulting services will be required in the TY.[91]

Although AVR contends that these expenses can fluctuate, AVR's expenses have trended downward every year since 2017 with significant decreases in 2019 and 2020.[92] Moreover, AVR does not point to any strategic initiatives or projects it intends to undertake in the TY that would justify AVR's request, which is significantly higher than its recorded expenses for the past two years. AVR explains that its 2020 expenses were impacted by COVID restrictions but there is no evidence that its 2019 expenses were impacted by atypical circumstances. Given the downward trend in this account, lack of justification for why higher expense would be warranted in the TY, and atypical circumstances impacting

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[87] Liberty OB at 22.

[88] *Id.* at 21-22.

[89] Cal Advocates OB at 12.

[90] *Id.* at 13.

[91] *Ibid.*

[92] Ex. CalAd-29 at 3-9, Table 3-11.

2020 expenses, we find reasonable and adopt a forecast based on AVR's 2019 recorded costs of $123,248.

6.2.5. Account 7011.4 Leased Lines

AVR's forecast for the Leased Lines account (7011.4) is based on a five-year average (2016-2020) of recorded expenses escalated to 2022 dollars.[93] AVR argues that these expenses can fluctuate based on operational needs and that use of a five-year average is appropriate to smooth out expense fluctuations.[94]

Cal Advocates recommends the Commission adopt a forecast of $0 based on a two-year (2019-2020) average.[95]

We find reasonable and adopt Cal Advocates' forecast of $0 for this account. AVR does not explain why it did not incur any expenses in this account for the past two years or justify why it is likely to incur expenses in this account in the TY.

6.2.6. Account 6500.675 Temp Labor-T&D Mt Services

AVR's forecast for the Temp Labor-T&D Mt Services account (6500.675) is based on a five-year average (2016-2020) of recorded expenses escalated to 2022 dollars.[96] AVR argues that these expenses can fluctuate based on operational needs and that use of a five-year average is appropriate to smooth out expense fluctuations.[97]

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[93] Liberty OB at 22.

[94] *Ibid.*

[95] Cal Advocates OB at 13.

[96] Liberty OB at 23.

[97] *Id.* at 22-23.

Cal Advocates recommends the Commission adopt a forecast of $1,453 based on a three-year (2018-2020) average.[98] Cal Advocates notes that AVR recorded over $50,000 in 2015 and 2016 but had substantially lower costs in 2018 and zero costs in 2019 and 2020.[99] Cal Advocates argues AVR has not explained why it expects these costs to increase in the TY.

We agree that AVR fails to provide justification for why these costs are expected to increase in the TY. Given that AVR has recorded less than $5,000 in this account for the past three recorded years, we find that AVR has failed to justify its forecast of $24,978 for 2021 and $25,727 for 2022.[100] Therefore, we find reasonable and approve Cal Advocates' forecast.

7. Payroll

7.1. Park Water

7.1.1. Positions

Park Water requests a total of 38 positions for the TY.[101] Park Water states that this is a reduction of 8 positions from the previous GRC, of which 6 positions were transferred to the West Region, resulting in a net reduction of 2 positions.[102]

Cal Advocates recommends the Commission remove the following positions from Park Water's payroll forecast: (1) Operations, Team Lead; (2) Program Manager; and (3) Manager, Operations. Cal Advocates argues these

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[98] Cal Advocates OB at 14.

[99] *Ibid.*

[100] Ex. CalAd-29 at 3-12, Table 3-14.

[101] Liberty OB at 23.

[102] *Ibid.* In January 2017, Liberty Utilities Co. (LUCo.) restructured and regionalized its multi-state regulated utility operations into three regions: West, Central, and East. (Ex. LIB-11 at 2-3.) Park Water and AVR are part of LUCo's West Region, which is made up of regulated utilities located in Arizona, California, and Texas. (*Id.* at 3.) The ownership of Park Water and AVR is further discussed at footnote 130, *infra*.

positions are unnecessary and would create a top-heavy payroll forecast in the meter reading department.[103]

Park Water argues that the position of Operations, Team Lead in the meter reading department is needed to assist with directing, training, and leading inexperienced operators while providing relief to the Operations, Supervisor so that the Supervisor can focus on higher level issues revolving around complex billing issues, integration, schedules, and budgets.[104] Cal Advocates argues that this position has overlapping supervisory duties with the Operations, Supervisor, which would be unreasonable given the small number of staff-level meter reading positions.[105] We find that Park Water has failed to adequately justify the need for this position. We agree with Park Water that there is not necessarily a one size fits all solution to determine the ideal supervisor to staff ratio and that the appropriate span of control in an organization may depend on numerous factors. However, Park Water provides no explanation regarding the factors that would justify having two managerial positions in the meter reading department to oversee three meter operators. Therefore, we exclude the Operations, Team Lead position from the payroll forecast.

In requesting the new Program Manager position, Park Water stated that the title of the previously authorized position of Supervisor, Dispatch was changed to Program Manager but the duties and responsibilities for the position have not changed.[106] Park Water subsequently stated that the Program Manager

[103] Cal Advocates OB at 14.

[104] Ex. LIB-18 at 16.

[105] Ex. CalAd-02 at 4-4.

[106] Ex LIB-10 at 51.

position does not involve direct supervision of staff.[107] Park Water further described this position as "necessary to carry out a plan, process, or program at the direction and oversight of the Manager, Operations or Director, Operations."[108] Park Water's description of this new position is inconsistent and vague. We find that Park Water has failed to justify the need for the Program Manager position, and therefore, exclude this position from the payroll forecast.

Park Water requests the new position of Manager, Operations to manage system operations, including the Production, Distribution, and Field Services departments, as well as warehouse and fleet activities.[109] Park Water argues this position is necessary to oversee operations for Park Water because the position of Director, Operations, which used to be responsible for the day-to-day operations of Park Water, now oversees the operations of both Park Water and AVR.[110] We find that Park Water has adequately justified the need for this position given that the Director, Operations is no longer dedicated to overseeing day-to-day operations for Park Water. Although Cal Advocates argues that this new position has overlapping duties with the Program Manager position,[111] as discussed above, we exclude the Program Manager position from the payroll forecast.

7.1.2. Payroll Adjustments

7.1.2.1. Vacancy

Cal Advocates proposes a vacancy adjustment of $94,702 for Park Water based on the number of vacant days from two Park Water positions in 2017 and

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[107] Ex. LIB-18 at 15.

[108] *Ibid.*

[109] Ex. LIB-10 at 50-51.

[110] Liberty OB at 24.

[111] Cal Advocates OB at 14-15.

2021.[112] Although Park Water acknowledges that there will be some short-term vacancies from time to time, Park Water disagrees with Cal Advocates' vacancy adjustment methodology.[113]

Cal Advocates' methodology uses total gross payroll to calculate the vacancy adjustment. Given that the vacancy adjustment is made to the payroll expense forecast, we find that the adjustment calculation should be based on the forecast payroll expense for the vacant positions, not total gross payroll, which includes payroll distributed to capital projects and other affiliates.[114]

Moreover, Cal Advocates uses vacancies from two separate years to forecast the vacancies for the TY. The evidence in the record does not support that it is reasonable to combine vacancies experienced in two separate years to forecast vacancies for a single year. Given that these vacancies occurred over a five-year period, we find it reasonable to use the five-year average to determine the vacancy adjustment.

Based on the above, we adopt a vacancy adjustment of $17,925 for the TY.[115]

7.1.2.2. Overtime

Park Water forecasts a total of 2,681 overtime hours and 105 double-time hours in the TY, which includes 1,420 overtime hours forecast for the production department.[116] Cal Advocates recommends a forecast of 1,393 overtime hours. Cal Advocates' recommendation is based on adjusting the overtime forecast for

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[112] *Id*. at 15.

[113] Liberty OB at 26.

[114] *Id*. at 27.

[115] *See Id.* at 27, Table 5-4.

[116] Ex. LIB-18 at 20.

the production department to zero hours to account for the new position of Production Team Lead, which is projected to add approximately 2,080 person-hours to the production department.[117]

We do not find a reduction in Park Water's overtime forecast to be warranted. Park Water explains that the overtime hours forecast for the production department are primarily used to provide service to customers in times of emergency, on weekends, or after hours so that customers are not inconvenienced by a shutdown.[118] Therefore, the addition of a new position would not eliminate the need for all overtime hours. Moreover, Park Water's overtime hours forecast for the production department reflects an overall reduction of approximately 17% compared to its 2020 recorded hours, including the elimination of all double-time hours, to account for anticipated savings due to the new position.[119] Park Water's overtime hours forecast for all departments reflects a 13% percent decrease compared to 2020 recorded hours, including an 85% decrease in double-time hours.[120] Based on the above, we find reasonable and approve Park Water's forecast of 2,681 overtime hours and 105 double-time hours.

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[117] Ex. CalAd-02 at 4-7 to 4-8.

[118] Ex. LIB-18 at 20.

[119] *Id*. at 20-21, Table IV-4.

[120] *Id.* at 21, Table IV-4.

7.2. AVR

7.2.1. Positions

AVR requests an employee head count of 38 regular positions for the TY, which is a reduction of five positions from the 43 positions authorized in the last GRC.[121]

Cal Advocates recommends that the Commission remove the positions of Human Resources (HR) Business Partner and Manager, Environment Health and Safety (EHS) from AVR's payroll forecast. Cal Advocates argues that similar positions already exist at the General Office level and should provide the same support to Park and AVR's employees that the requested new positions would provide.[122]

AVR argues that the requested positions are not duplicative of other positions. In the previous GRCs, the Commission authorized separate HR Business Partner positions for AVR and Park Water. The Park Water HR Business Partner position was repurposed to a regionally shared position of Talent Acquisition Manager, who is responsible for managing recruiting efforts for the utilities in the West Region.[123] The AVR HR Business Partner position was reorganized into a shared HR resource for AVR and Park Water, which will provide a broad range of day-to-day support administering all HR activities for over 100 employees across AVR, General Office, and Park Water.[124]

The Commission had also previously authorized separate EHS Manager positions for AVR and Park Water. The Park Water EHS Manager position has

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[121] Ex. LIB-02 at 49.

[122] Cal Advocates OB at 16.

[123] Liberty OB at 28.

[124] *Id.* at 28-29.

been repurposed to a regional position and the AVR EHS Manager position has been reorganized into a shared EHS resource for AVR and Park Water.[125]

We find reasonable and approve the inclusion of the HR Business Partner and Manager, EHS positions in the TY forecast.[126] Based on AVR's descriptions of the positions, we do not find that the requested positions are duplicative of the regional positions. The regional positions are responsible for providing HR and EHS-related management for all West Region utilities, whereas the positions included in the payroll forecast are responsible for providing day-to-day HR and EHS-related support to AVR and Park Water. Moreover, the reorganization should result in cost savings to AVR and Park Water for receiving HR and EHS-related support compared to the two HR Business Partner and two EHS Manager positions authorized in the previous GRCs.

7.2.2. Payroll Adjustments

Cal Advocates proposes a vacancy adjustment of $58,781 for AVR based on the number of vacant days from two AVR positions in 2020 and 2021.[127] Although AVR acknowledges that there will be some short-term vacancies from time to time, AVR disagrees with Cal Advocates' vacancy adjustment methodology.[128]

As discussed above with respect to Park Water's vacancy adjustment, we find that the adjustment calculation for AVR should be based on the forecast

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[125] *Id*. at 29.

[126] 43% of the salaries for these positions is included in AVR's payroll forecast; the remaining 57% is allocated to general office payroll. (Ex. CalAd-01 at 4-3.)

[127] *Id*. at 4-4.

[128] Liberty OB at 30.

payroll expense for the vacant positions, rather than Cal Advocates' recommended methodology of using total gross payroll.

Moreover, Cal Advocates uses vacancies from two separate years to forecast the vacancies for the TY. The evidence in the record does not support that it is reasonable to combine vacancies experienced in two separate years to forecast vacancies for a single year. Given that these vacancies reflect the most recent two years of recorded data, we find it reasonable to use the two-year average to determine the vacancy adjustment.

Based on the above, we adopt a vacancy adjustment of $20,603 for the TY.[129]

8. General Office

8.1. Home Office Expense

Park Water and AVR are indirectly owned by Algonquin Power & Utilities Corp. (APUC).[130] Park Water and AVR receive a suite of corporate services from APUC, Liberty Utilities (Canada) Corp. (LU Canada), and Liberty Utilities Service Corp. (LUSC). APUC provides financial, strategic management, corporate governance, administrative, and support services to its subsidiaries.[131] Liberty Algonquin Business Services (LABS) is a business unit with LU Canada and LUSC that provides corporate shared services to both the regulated and unregulated business groups.[132] LU Canada provides administrative and general

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[129] *See Id.* at 31, Table 5-5.

[130] AVR is a wholly owned subsidiary of Park Water. (Ex. LIB-11 at 1.) Park Water is a wholly owned subsidiary of Western Water Holdings LLC, which is owned by Liberty Utilities Co. (LUCo). (*Ibid.*) LUCo is indirectly owned by APUC. (*Ibid.*) The Commission approved LUCo's acquisition of Western Water Holdings LLC, Park Water, and AVR in D.15-12-029, and the transaction was consummated and closed on January 8, 2016. (Ex. LIB-14 at 2.)

[131] Ex. LIB-18 at 24.

[132] *Id.* at 26.

support services to the regulated utilities, including Park Water and AVR.[133] Liberty uses the 2020 recorded total APUC, LABS, and LU Canada expenses; escalates them to the projected year; then allocates the costs to Park Water and AVR based on APUC's Cost Allocation Manual (CAM).[134]

Cal Advocates notes that when determining the allocable expense from the General Office, Liberty uses an escalated 5-year average. Cal Advocates argues Liberty should be consistent in how it calculates allocable expenses and proposes use of a 5-year (2016-2020) average to calculate the Home Office (APUC, LABS, and LU Canada) expenses.[135]

Liberty argues that both Park Water and AVR have benefited from being part of a larger organization and that use of a five-year average is unreasonable because it does not reflect the current state of the economy, current interest rates, or the actual costs of services in today's market.[136] Liberty also argues that Home Office costs differ from General Office costs because General Office costs are primarily payroll and related costs for the California water utilities, whereas Home Office costs are for corporate shared services for the entire organization, which has grown significantly in recent years.[137]

8.1.1. APUC Expenses

There has been a consistent upward trend in the total indirect APUC costs billed to APUC's regulated utilities from 2016-2020.[138] This trend is in line with

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[133] *Id.* at 27.

[134] Ex. LIB-11 at 11, 30-31.

[135] Cal Advocates OB at 32.

[136] Liberty OB at 32, 34-35.

[137] Liberty RB at 14.

[138] Liberty OB at 36, Table 6-9.

Liberty's explanation that APUC has grown significantly over the last 6 years. Given this trend, a five-year 2016-2020 average is likely to underestimate indirect APUC costs to be billed to the regulated utilities in the TY. We find that using the 2020 recorded costs would yield a more accurate TY estimate.

We do not find that adopting this forecast would result in unreasonable rates for Park Water or AVR as asserted by Cal Advocates.[139] First, Liberty explains that Cal Advocates' calculation of the five-year average is based on indirect allocations from APUC to its regulated utilities but does not take into account direct allocations.[140] APUC directly billed its regulated utilities $0 in 2020 compared to direct billings ranging from $3.2 million to $4.6 million between 2016 and 2019.[141] Although APUC's indirect billed costs increased by approximately $3.4 million between 2019 to 2020, the direct billings decreased by approximately $4.6 million over the same period.[142] Since the TY forecast is based on 2020 recorded expense, there is $0 forecast for APUC direct billings in the TY.

Moreover, although APUC costs have increased, both Park Water and AVR labor-related costs have decreased. According to Liberty, AVR's total labor-related costs (operations and shared services) have decreased 14% and Park Water's total labor-related costs have decreased 25% since LUCo's ownership.[143]

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[139] Cal Advocates RB at 14-15.

[140] Liberty OB at 35-36.

[141] *Id.* at 36, Table 6-9.

[142] *Ibid.*

[143] Liberty OB at 33 and 34. Liberty calculates these decreases by comparing 2018 authorized costs escalated to 2022 versus 2022 proposed costs.

Cal Advocates claims that "the increased allocated costs from Park's and AVR's parent entity and corporate structure more than wipe out any labor savings."[144] Cal Advocates does not fully justify this claim. As explained above, Cal Advocates does not factor direct billings into its analysis. Furthermore, although APUC's total indirect allocated expenses increased from 2016-2020, Cal Advocates' analysis does not take into account what portion of these costs were allocated to Park Water and AVR. Cal Advocates notes that APUC allocated expenses rose from $4.48 million in 2016 to $13.62 million in 2020.[145] However, the percentage of costs allocated to Park Water has varied over the years. The percentage of APUC costs allocated to Park Water pursuant to APUC's CAM would have been 17.35% (or $0.78 million) in 2016 and 5.52% (or $0.75 million) in 2020.[146]

Based on the above, we find reasonable and adopt a TY forecast for APUC expenses based on the escalated 2020 recorded expense.

8.1.2. LABS Expenses

Similar to APUC expenses, LABS expenses have trended upward every year from 2016-2020.[147] Given this trend, using a five-year average is likely to underestimate LABS expenses in the TY. We find use of the last year recorded costs is more likely to yield an accurate forecast, and therefore, adopt Liberty's proposal to use escalated 2020 expenses for the TY.

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[144] Cal Advocates RB at 15.

[145] *Id.* at 12, fn. 30.

[146] *See* Liberty OB at 41, Table 6-13. The costs allocated to Park Water under these allocations are further assigned between Park Water and AVR.

[147] *Id.* at 37, Table 6-10.

8.1.3 LU Canada Expenses

With the exception of a slight increase between 2018-2019 (3% increase), LU Canada costs have trended downward between 2016-2020 with a significant decrease between 2017 and 2018 (28% decrease).[148] In this instance, we find Cal Advocates' recommended use of a five-year average would likely overstate the costs in the TY. Therefore, we find reasonable and adopt Liberty's proposal to use escalated 2020 expenses for the TY.

8.2. Allocation Factors

Indirect Home Office expenses attributable to LUCo are allocated to LUCo's regulated utilities, including Park Water and AVR, using the Utility Four Factor Methodology set forth in the APUC CAM. This methodology applies the following weightings to each of the four factors: Customer Count (40%), Non-Labor Expenses (20%), Labor (20%), and Utility Net Plant (20%).[149] Application of this methodology results in a 5.46% allocation to Park Water.[150]

The Commission's Standard Practice (SP) U-6-W sets forth procedures for the allocation of administrative and general expenses and common utility plant among departments, districts, and states. According to Cal Advocates, the APUC CAM deviates from SP U-6-W in two ways: (1) the CAM uses utility net plant, whereas SP U-6-W uses gross plant; and (2) the CAM weights customer count twice as much as the remaining factors, whereas SP U-6-W weights each factor

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[148] *Id.* at 38, Table 6-11. Relying on a Park Water data request response, Cal Advocates stated in testimony that LU Canada's recorded 2020 expense was $8,368,571. (Ex. CalAd-01 at 12-7, Table 12-5; Ex. Cal.Ad-02 at 12-13, Table 12-15.) However, according to Liberty's rebuttal testimony, the 2020 recorded expense was $4,314,110. (Ex. LIB-17 at 25; Ex. LIB-18 at 27.)

[149] Ex. LIB-11 at 12.

[150] Liberty OB at 40, Table 6-12.

equally.[151] Cal Advocates argues Liberty does not provide adequate reasoning for deviating from SP U-6-W, and therefore, recommends the Commission require Liberty to adhere to SP U-6-W.[152] Application of the methodology in SP U-6-W results in a 5.39% allocation to Park Water.[153]

Liberty acknowledges the CAM deviates from SP U-6-W by using net plant instead of gross plant.[154] However, Liberty disagrees with Cal Advocates that SP U-6-W requires all factors to be equally weighted.[155] Liberty states that based on its experience owning and operating utilities in multiple jurisdictions, "one of the pertinent factors when considering how indirect corporate costs should be allocated, is a heavier weighting on the size of a utility in terms of the number of customers."[156]

SP U-6-W states:

> Considering the relative complexity and magnitude of the operations usually involved, it is believed that the application of the arithmetical average of the percentages derived from the use of four factors … produces results within the range of reasonableness in most instances.[157]

The Commission has explained that:

> The Commission's Standard Practice Manual U-6-W allows for considerable judgement in choice and weighting of factors, indicated by: "Indirect general expenses which have a significant relationship to a particular factor, such as pension expense to payroll, should be

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[151] Ex. CalAd-02 at 12-16.

[152] Cal Advocates OB at 33-34.

[153] Liberty OB at 40, Table 6-12.

[154] *Id*. at 39.

[155] *Ibid.*

[156] Liberty OB at 39.

[157] SP U-6-W at 2.

> segregated and prorated on the basis of an appropriate single factor. The remaining indirect expenses may be so general in nature as to require prorations based on a combination of several pertinent factors."[158]

In this instance, we find that APUC's CAM produces a result that is within the range of reasonableness. The difference in using the CAM vs. SP U-6-W methodology is not very significant (5.46% vs. 5.39% allocation). Furthermore, the Commission approved use of the same CAM in Liberty's prior GRC.[159] Therefore, we approve continued use of the CAM for this GRC cycle.

8.3. G.O. Payroll

8.3.1. Incentive Pay

According to Liberty, its pay philosophy is to set pay at P50 of market (50th percentile of market).[160] Liberty performed a market review of total renumeration utilizing standard roles, which were benchmarked against market median compensation or P50 of market. Liberty states the market review took into account total compensation, including base pay, Short Term Incentive Pay (STIP), and Long-Term Incentive Pay (LTIP), which are part of the overall compensation structure.[161]

Cal Advocates recommends the Commission limit incentive payments to the STIP percentages provided by Liberty in its market review and disallow LTIP.[162] Cal Advocates argues STIP is used to bring a position's compensation to

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[158] D.20-09-019 at 36.

[159] *Ibid.*

[160] Liberty OB at 42.

[161] *Ibid.*

[162] Cal Advocates OB at 35.

the P50 market average and that adding LTIP on top of STIP would push the compensation above average.

We find Liberty's philosophy of setting pay at P50 of market to be reasonable. The market study relied upon by Liberty sets forth average target STIP percentages at P50 of market for different grades and for specific job titles.[163] We do not find a basis to approve STIP percentages in excess of the P50 of market STIP targets set forth in the market study. Liberty asserts that when looking at total compensation in a holistic manner rather than as individual components, the aggregate of the pay structure soundly fits within the P50 pay philosophy.[164] However, Liberty does not provide any evidence or further explanation as to why STIP in excess of the targets in the study would be warranted. Since the only evidence in the record concerning P50 of market STIP targets is the market study, we limit STIP to the P50 of market STIP percentages set forth in the market study. If a P50 of market STIP percentage is specified for a specific position, then the STIP for the position shall be limited to the specified percentage. If a P50 of market STIP percentage is not specified for a specific position, then the STIP for the position shall be limited to the average P50 of market STIP target for the relevant grade of the position.

The market study relied on by Liberty did not review compensation for positions above the Director level.[165] Cal Advocates recommends that Liberty's proposed STIP increase for the California President position be removed since it

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[163] Ex. CalAd-06C, Attachment 12-2: SIH-09 (GO Payroll 2), Attachment to Question 2 Response at 11 and 12.

[164] Liberty OB at 43.

[165] Ex. CalAd-06C, Attachment 12-2: SIH-09 (GO Payroll 2), Attachment to Question 2 Response at 3.

is not supported by any of the market data provided by Liberty.[166] Liberty counters that it would be impractical to benchmark every role in the organization but that the California President position falls within the executive structure review and within the company's P50 philosophy.[167] We find it reasonable for the compensation structure for positions above Director to include STIP. However, Liberty does not provide any specific information justifying the reasonableness of its proposed STIP percentages for positions above Director. Given this lack of justification, we find it reasonable to limit STIP for positions above the Director level to the average P50 of market target STIP percentage for the top grade, Grade 11, included in the market study.[168]

With respect to LTIP, Liberty's assertion that the market study took into account total compensation, including base pay, STIP, and LTIP, is supported by the study itself.[169] However, Liberty provides no explanation as to why its proposed LTIP percentages would be supported by the market study or any other evidence in the record. We do not find Liberty has met its burden of justifying the reasonableness of the LTIP proposed for any of the General Office payroll positions, and therefore, we remove LTIP from the General Office payroll forecast.

8.3.2. New Positions

Cal Advocates recommends the Commission disallow the following new General Office positions proposed by Liberty: (1) Supply Chain Director,

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[166] Ex. CalAd-01 at 12-13 to 12-14.

[167] Liberty OB at 42-43.

[168] Ex. CalAd-06C, Attachment 12-2: SIH-09 (GO Payroll 2), Attachment to Question 2 Response at 11.

[169] Liberty OB at 42; Ex. CalAd-06C, Attachment 12-2: SIH-09 (GO Payroll 2), Attachment to Question 2 Response at 3.

(2) Senior Manager, Rates and Regulatory Affairs, and (3) Senior Legal Counsel.[170] Cal Advocates argues that the current General Office staff can and has met all the utility's operational needs.[171] Cal Advocates also argues that there are no savings associated with the proposed new positions and that it would be unreasonable for ratepayers to pay for them.[172]

We find that Liberty has adequately justified its request for the Supply Chain Director position. This position is responsible for managing and providing strategic oversight over procurement, warehouse, and facilities for the utilities in the West Region. Cal Advocates asserts this position's responsibilities overlap with elements of the new SAP software. However, as Liberty points out, the position includes many duties that would not be fulfilled by the SAP software, including negotiating and executing vendor agreements, analyzing process improvements, and providing oversight for warehouse, fleet, and facilities functions.[173]

We also find Liberty has adequately justified its request for the positions of Senior Manager, Rates and Regulatory Affairs, and Senior Legal Counsel due to increased regulatory, legal, and compliance demands. Among other work, Liberty points to proceedings and new requirements around affordability, debt relief, and disconnections, which have increased overall workload.[174]

Therefore, we approve Liberty's request for the above General Office positions.

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[170] Cal Advocates OB at 35.

[171] *Id.* at 36.

[172] *Ibid.*

[173] Liberty OB at 44.

[174] Ex. LIB-11 at 27-29; Ex. LIB-17 at 15-17.

8.4. G.O. Capital Expenditures

Liberty requests the following funding for General Office Miscellaneous Corporate Improvements Projects: $600,000 in 2021, $650,000 in 2022, $700,000 in 2023, and $750,000 in 2024.[175] The projects include: server and storage infrastructure upgrades, network upgrades, security upgrades, and enterprise application upgrades.[176] Liberty argues that Park Water and AVR need a large amount of information technology (IT) infrastructure and systems to run their operations.[177] The Liberty corporate home office meets most of those needs and apportions costs for managing the IT infrastructure and systems using the CAM allocation method.[178] Liberty notes that it has a history of meeting its ongoing needs with capital expenditures in this category.[179]

Cal Advocates argues the Commission should remove all requested funds for General Office-based IT upgrades from rate base because Liberty has failed to provide sufficient detail regarding how the money would be spent.[180]

We find reasonable Liberty's explanation that companies the size of Park Water and AVR would have an ongoing need for IT replacements and upgrades to support business operations. However, Liberty does not provide adequate information regarding how it developed its cost estimates for this GRC period. Given this lack of information, we do not find it reasonable to approve funding in excess of the five-year average (2016-2020) recorded expenditures for these

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[175] Ex. LIB-11 at 39.

[176] *Id*. at 39-41.

[177] Liberty OB at 47.

[178] *Id*. at 47-48.

[179] *Id*. at 47.

[180] Cal Advocates OB at 37.

budgets.[181] Therefore, we approve the following annual budgets based on the 5-year average of recorded capital expenditures: $140,125 for server and storage infrastructure, $34,079 for network upgrades, and $37,579 for security upgrades. With respect to enterprise application upgrades, we find Liberty's request of $200,000 annually for 2021-2023 and $225,000 for 2024 to be reasonable based on our review of historical spend from 2016-2020, which averaged $369,979 per year.

9. Utility Plant in Service

9.1. Park Water

9.1.1. PFOA/PFOS Treatment

Park Water requests the following capital costs in 2022-2024 for installing perfluorooctanesulfonic acid (PFOS) and perfluorooctanoic acid (PFOA) treatment at Wells 28B, 41A, and 46C in the Bellflower-Norwalk water system:[182]

Well	2022	2023	2024	Total (by site)
Well 46C	$306,900	$1,959,844	-	$2,266,744
Well 41A	-	$313,959	$1,791,181	$2,105,140
Well 28B	-	-	$321,180	$321,180
Total (by year)	$306,900	$2,273,803	$2,112,361	$4,693,064

In 2019, the State Water Resources Control Board (SWRCB) provided guidelines for local water agencies to follow in detecting and reporting the presence of PFOS and PFOA in drinking water. The SWRCB also set notification levels, which require a community water system to take a water source out of use

[181] Ex. LIB-24, Data Request No. SIH-05, Response to Request No. 3.

[182] Ex. LIB-10 at 101, 113, and 128. Although Park Water is not requesting funding for 2025 in this GRC, Cal Advocates notes Park Water would require an additional $2,208,340 in 2025 to complete construction of the proposed treatment system for Well 28B. (Cal Advocates OB at 21; Ex. JOINT-14 at 6-57.)

or provide public notification within 30 days if detected levels of a substance exceed the notification levels.[183] Park Water's Wells 28B, 41A and 46C tested above the notification levels. Due to various considerations, including potential liability, likely confusion to customers and residents in adjacent service areas, and potential loss of company reputation regarding water quality, Park Water placed the three wells out of service in 2020 and replaced the lost production in the Bellflower-Norwalk system with imported water.[184] Although Park Water acknowledges the notifications levels are not maximum contaminant levels (MCLs), Park Water expects MCLs for PFOS and PFOA will be developed soon.[185]

Cal Advocates argues that Park Water's requested costs to treat PFOS and PFOA at Wells 46C, 41A, and 28B should be removed from the capital budget because: (1) there are currently no applicable MCLs for PFOS or PFOA; (2) the wells are likely to fail or be retired fairly soon; (3) production from new Well 28D will make up for the loss in production from the three wells; and (4) even without production from Well 28D, use of imported water is less expensive for ratepayers than installing treatment in the three wells.[186]

We find that Park Water has failed to justify the reasonableness of these capital expenditures in light of the age and expected remaining life of the wells. The three wells are currently over 70 years old. Well 41A was placed into service in 1948, and Wells 28B and 46C were placed into service in 1950.[187] In its

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[183] Ex. LIB-18 at 33-34.

[184] *Id.* at 34; Ex. CalAd-02 at 5-2.

[185] Ex. LIB-18 at 34-35.

[186] Cal Advocates OB at 18-21.

[187] Ex. CalAd-02 at 5-23.

2016 GRC, Park Water testified that its wells failed at an average age of 54 years and that failure will occur soon for many of the old wells then serving the Bellflower-Norwalk water system, which included Wells 46C, 41A, and 28B.[188] In the current GRC, Park Water submitted a report by Richard Slade and Associates (Slade Study), dated September 2017, which set forth findings, conclusions and recommendations related to 11 wells owned by Park Water.[189] The Slade Study found that some of Park Water's wells, including Wells 46C, 41A, and 28B, "are very old and are at/beyond their normal life expectancy" and had a high probability of failure within the next few years.[190]

Park Water has not established the reasonableness of ratepayers funding $4.7 million in capital expenditures during this GRC cycle (and potentially an additional $2.2 million in the next GRC cycle) to install treatment at wells that have a high probability of failing in the next few years. Park Water asserts it "has significant expertise in the operation and management of its water systems" and "would not invest capital improvements in a facility that was in imminent danger of failure."[191] However, Park Water does not present any evidence that supports a finding that these wells will continue to be used beyond the next few years. Instead, as detailed above, the evidence in this proceeding supports that there is a high probability these wells will fail within the next few years.

Park Water states that, if the treated wells needed to be abandoned, the filter vessels and a good portion of the associated equipment could be reused at

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[188] *Id*. at 5-4 to 5-5.

[189] Ex. JOINT-16.

[190] *Id*. at 11-35 and 11-36.

[191] Ex. LIB-18 at 36.

another Liberty site or sold to another water company.[192] However, Park Water does not provide any details regarding the feasibility or economics of reusing or selling this equipment, including what portion of the equipment could be resold and at what cost.

Based on the above, we deny Park Water's requested 2022-2024 capital expenditures for installing PFOS and PFOA treatment at Wells 28B, 41A, and 46C.

9.1.2. Water Rights

Park Water proposes to purchase the following water rights during this GRC cycle:[193]

Period	Cost per AF	Number of AF	Total Cost
2022-2023	$16,480	81	$1,329,900
2023-2024	$16,974	80	$1,360,488
2024-2025	$17,484	80	$1,391,779
Total		241	$4,082,167

Park Water's two main sources of water supply are: (1) pumped groundwater and (2) purchased water from the Central Basin Municipal Water District.[194] Park Water also uses purchased recycled water supplies to meet the demands of some irrigation and industrial customers.

Park Water argues that purchasing water rights is essential because it secures the right to pump water in a tightening market and allows capacity to store groundwater for future drought conditions.[195] Park Water performed a

[192] *Ibid.*

[193] Ex. JOINT-13 at 4-22.

[194] Liberty OB at 58.

[195] *Id.* at 59.

cost-benefit analysis, which shows that the benefits of the water rights purchases would be realized in 12 to 15 years.[196] Park Water argues its requested funding for water rights purchases is justified based on the long-term benefits.

Cal Advocates recommends the Commission remove the cost of additional water rights purchases from the capital budget.[197] Cal Advocates argues that purchasing water rights is the most expensive option for water supply during the TYs.[198] Cal Advocates also argues that Park Water's cost-benefit analysis is erroneous, inconsistent with its testimony in previous GRCs, and overstates the avoided cost of the imported water alternative.[199]

We do not find Park Water's cost-benefit analysis to be persuasive. Cal Advocates points out various inconsistencies in the analysis, which Park Water does not adequately explain. We agree with Cal Advocates that Park Water's analysis likely overstates the avoided cost of the imported water alternative because Park Water factors in fixed monthly charges into the price per AF for imported water, which would not vary based on the quantity of water purchased.[200]

It is undisputed that ratepayers would not receive any benefits from the purchase of water rights during this GRC cycle. Even under Park Water's cost-benefit analysis, ratepayers would not realize any benefits from the purchase of water rights for at least another 12 to 15 years. In addition to the flaws in Park Water's cost-benefit analysis noted by Cal Advocates, we have less

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[196] *Id.* at 60.

[197] Cal Advocates OB at 21.

[198] *Ibid.*

[199] *Id.* at 22.

[200] *Ibid.*

confidence in cost estimates that go 12 to 15 years into the future. Given that ratepayers will not receive any benefits from the water rights purchases during this GRC cycle, the speculative nature of when ratepayers would begin to see benefits from the purchases, and the fact that water rights purchases are non-depreciable and would remain in rate base in perpetuity,[201] we do not find it reasonable to approve Park Water's requested ratepayer funding for water rights purchases.

9.1.3. Mains

Park Water proposes to install replacement mains projects throughout its Central Basin and Mesa Crest water systems. Park proposes five mains projects in 2022, one in 2023, and four in 2024.[202]

Cal Advocates recommends the Commission remove a total of $7,608,116 from Park Water's requested mains budget for proposed projects for 2022-2024 in the Central Basin where the Commission had previously authorized funding in rates during the 2018 GRC.[203] Cal Advocates does not contest Park Water's proposed mains projects for its Mesa Crest system.[204]

Cal Advocates argues the Commission should remove the costs of the duplicate mains projects from the 2022 to 2024 capital budget regardless of Park Water's explanation for deferring the projects.[205] However, the fact that a

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[201] Ex. CalAd-02 at 5-9.

[202] Ex. LIB-10 at 96-97, 110, 124-125.

[203] Ex. CalAd-02 at 6-2. Cal Advocates does not explain how it calculated its recommended disallowance of $7,608,116. The duplicate mains projects for 2022-2024 listed by Cal Advocates total $7,863,117. (*Id*. at 6-3, Table 6-2.) Cal Advocates also states it recommends removing $1 million for construction work in progress in 2024 for the Jersey-Rosecrans-Liggett project. (*Id*. at 6-3, fn. 133.)

[204] *Id*. at 6-2.

[205] *Id*. at 6-3.

project authorized in a GRC was deferred does not necessarily mean that a funding request for the same project in a subsequent GRC is unreasonable. In considering whether to authorize a renewed request for funding in a subsequent GRC, the Commission examines whether the deferral and reprioritization were reasonable.

The Commission has affirmed that under a prospective ratemaking framework, utility management has the prerogative and responsibility to provide safe and reliable service by reprioritizing and deferring activities as necessary.[206] The Commission has further explained that this management flexibility is not absolute and that the Commission must be assured that the process is reasonable.[207] In instances where the Commission has found deferral and reprioritization to be unreasonable, the Commission has reduced or disallowed costs of activities that were requested and included in prior GRC authorizations, deferred, and re-requested in another GRC.[208]

Park Water asserts it re-prioritized spending in 2019 and 2020 to cover unforeseen costs and delays in other Commission-approved projects and to maintain the operational integrity of its water systems in the interest of providing safe and reliable service.[209] According to Park Water, it did not complete $5,438,000 of major plant improvements authorized in the 2019 GRC TYs but did complete $6,018,981 of major plant improvements that were not authorized in those years.[210] Park Water also states that its recorded capital

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[206] D.11-05-018 at 29.

[207] D.12-11-051 at 12; D.11-05-018 at 29.

[208] *See, e.g.,* D.15-11-021 at 346; D.07-03-044 at 94-95.

[209] Liberty OB at 66.

[210] *Id.* at 62-66.

expenditures for 2019-2021 were in excess of the authorized amounts for those years.[211]

We find Park Water's accounting of the deferred and re-prioritized projects to be generally reasonable. The funding that was not spent on authorized projects was still spent on projects to support utility operations and the provision of safe and reliable service. With the exception of $142,000 Park Water spent for the replacement of office furniture and equipment, Cal Advocates does not raise any arguments indicating the re-prioritized projects were unreasonable.[212] Moreover, Cal Advocates does not present evidence that there is a pattern of repeated deferment of these mains projects.

Cal Advocates does not dispute the need for the mains projects or Park Water's estimated costs to complete the projects. Park Water relied on the findings and recommendations of its Asset Management Report prepared by its Corporate Engineering Department and KANEW Analysis Study conducted by InfraPLAN to decide which water mains to include in its proposed capital budget for this GRC cycle.[213]

Under these circumstances, we do not find cause to deny Park Water's request for the funding of mains projects that are indisputably needed to provide safe and reliable service. We remind Park Water that it has an obligation to maintain its operations and plant in the condition to provide safe and reliable service. If these projects are not undertaken for yet another GRC cycle, we will critically examine any request for additional funding in a subsequent GRC and

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[211] Liberty RB at 20.

[212] Cal Advocates RB at 24.

[213] Ex. LIB-10 at 74-75.

the reasonableness of deferring projects Park Water asserts are needed during this GRC cycle to maintain an adequate and reliable water system.

9.1.4. Meters

Park Water completed installation of automated meter reading (AMR) equipped meters throughout its water system with the exception of a few large and problematic meters.[214] Park Water contends that the older AMR meters are now in need of replacement due to the age of the meters and battery failures and proposes to replace these meters at an aggressive rate.[215] Park Water requests the following capital budget for meters in its Central Basin and Mesa Crest systems: $1,685,161 in 2022, $1,702,718 in 2023, and $1,671,774 in 2024.[216]

Cal Advocates recommends the Commission adjust Park Water's meters budget to $442,268 in 2022, $460,727 in 2023, and $441,065 in 2024.[217] After a battery failure, Park Water has the option of replacing the register[218] or the entire meter. Park Water's registers are covered by a warranty that replaces the register for free within 10 years and then at a discounted rate in years 11 through 20.[219] In the prior GRC, the Commission found that there was no reason to forgo the equipment cost savings of replacing only the register and adjusted Park Water's and AVR's meter budgets to account for the lower costs of meter upgrades and

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[214] *Id.* at 82.

[215] *Ibid*.

[216] Ex. JOINT-14 at 6-55 and 6-239.

[217] Cal Advocates OB at 24. Cal Advocates' recommended budget includes an adjustment to Park Water's budget for 5/8-inch size meter replacements in the Central Basin system but does not include adjustments to Park Water's meter replacement budgets for other meter sizes in the Central Basin system or for any meters in the Mesa Crest system.

[218] Registers are the component of AMR meters that use battery-powered sensors to track water usage. (Ex. CalAd-02 at 7-1.)

[219] *Id.* at 7-6.

maintenance rather than wholesale meter replacement.[220] Cal Advocates argues the Commission should adjust the meter budget in this GRC consistent with the prior GRC's decision.

To ensure meters are accurate, Park Water typically changes its small meters every 15-20 years.[221] Liberty argues that based on the timing for meter replacement, it is not cost effective to expend the labor cost to change registers when the entire meter will be scheduled for replacement in 5 to 10 years or less.[222] Liberty also argues that the software and hardware for the AMR meters are old technology that is being phased out and that changing out the meters with new Itron remote reading equipment, which has the capability of being read in AMR mode or Advanced Meter Infrastructure (AMI) mode, will control long-term costs and add reliability.[223]

Liberty fails to demonstrate the cost-effectiveness of wholesale meter replacement. Liberty does not provide any cost comparison of the labor and long-term costs of wholesale meter replacement versus replacing only the register. Although Liberty touts the future benefits of AMI, the cost effectiveness and benefits of AMI as compared to AMR have not been established. In the prior GRC, the Commission found Liberty's request for ratepayer funding to replace current AMR meters with a new AMI system to be inadequately justified and denied the request.[224]

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[220] D.20-09-019 at 53-54.

[221] Liberty OB at 68.

[222] *Ibid.*

[223] *Id.* at 68-69.

[224] D.20-09-019 at 48-52.

Cal Advocates presents evidence that most of Park Water's 5/8-inch meters will be ten years old or less during this GRC cycle, and therefore, would qualify for free register replacement under the existing warranty. Park Water installed 7,831 new AMR meters between 2004-2011 and another 18,557 new AMR meters between 2012-2017 for a total of 26,388 new meters.[225] Park Water also replaced 11,783 meters between 2012 and 2020.[226] Therefore, most of the currently installed meters will not have reached the end of their 15-20 year expected life during this GRC period.

Liberty does not demonstrate it would be cost-effective or reasonable for ratepayers to fund the accelerated and premature replacement of meters when Park Water can get continued use from the meters with free or discounted register replacement. Therefore, we find reasonable and approve Cal Advocates' recommended budget for meter upgrades and maintenance.

9.2. AVR

9.2.1. New Office Building

AVR requests the following capital costs for 2022-2024 to design and construct a new office building and to purchase furniture and equipment for the new building:[227]

	2022	2023	2024
Site and Building Structure Improvements	$3,966,863	$3,354,577	$2,624,923
Furniture and Office Equipment for New Building			$706,423

[225] Ex. CalAd-02 at 7-3, Table 7-2.

[226] *Ibid.*

[227] Ex. LIB-02 at 106, 121, and 132-134.

Cal Advocates argues the Commission should remove the costs for the new office building and related improvements from the capital budget during the years 2022-2024.[228] Cal Advocates notes AVR received ratepayer funding of $3.1 million in 2019 and $4.3 million in 2020 for the new office building, as well as $664,487 in 2020 for related office furniture, but chose to defer the project.[229] Cal Advocates argues the Commission should remove costs for projects where the Commission authorized funding in rates in prior GRCs but are not yet providing benefits to ratepayers.[230]

As discussed above in Section 9.1.3, in considering whether to authorize a renewed request for funding in a subsequent GRC, the Commission examines whether the deferral and reprioritization were reasonable.

AVR argues the delay of the new office was a prudent and reasonable decision due to: the delay in the Commission's adoption of a decision in AVR's last GRC; a pending condemnation trial with the Town of Apple Valley, which was not resolved until the middle of 2021; and a high number of water leaks on water mains and extreme increase in the number of leaks on services to customers.[231] According to AVR, it did not complete $10,763,715 of major plant improvements authorized in the 2019 GRC TYs but did complete $13,395,885 of major plant improvements that were not authorized in those years.[232] AVR also

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[228] Cal Advocates OB at 26. Cal Advocates presents a summary of the 2022-2024 costs for the new Apple Valley Office in Ex. CalAd-01 at 5-2, Table 5-2. It is unclear how Cal Advocates arrived at the costs presented in its summary. Although Cal Advocates cites to AVR's Revenue Requirement Report (Ex. LIB-02), the costs presented by Cal Advocates do not correspond to AVR's budgets in Ex. LIB-02.

[229] Cal Advocates OB at 26.

[230] *Ibid.*

[231] Liberty OB at 70-71.

[232] *Id.* at 72-76.

states that its recorded capital expenditures compared to authorized amounts show a variance of $0.1 million for 2019-2020 and $0.7 million for 2020-2021.[233]

We find AVR's accounting of the deferred and re-prioritized projects to be generally reasonable. However, we find that AVR has failed to make a *prima facie* case regarding the reasonableness of including this project in rate base for this GRC cycle. AVR does not give adequate details regarding the project, including the need for the project, scope, and basis for the budget. The fact that the Commission found it reasonable to approve the project in the last GRC does not equate to a finding that it would be reasonable to approve the project in this GRC. Based on the record before us, AVR has failed to provide adequate justification for the project, and therefore, we deny AVR's requested funding for the new office building and furniture and equipment for the new building.

9.2.2. Well Site Improvements

AVR regularly makes various improvements to its well sites. Among other improvements, AVR plans to install new block buildings and update electrical systems, discharge piping and equipment, disinfection system, and entry gates, at Wells 12 and 16 in 2021, Well 18 in 2023, and Well 17R in 2024.[234] Cal Advocates recommends adjustments to AVR's cost estimates for these well site improvements.[235]

AVR initially estimated the costs for work at Wells 12 and 16 to be $1,000,364 per well based on bid costs for work on Well 26.[236] AVR subsequently

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[233] Liberty RB at 21-22.

[234] Ex. LIB-02 at 92, 116, and 131.

[235] Ex. CalAd-01 at 5-4 to 5-5.

[236] Ex. LIB-02 at 92.

updated its cost estimates to $980,457 per well based on the completed costs for Well 26.[237]

Cal Advocates argues that Well 26 included costs for a power generator building that is not needed at Wells 12 and 16 because no permanent generator exists at those sites.[238] Cal Advocates recommends the Commission authorize $1,728,555 for well site improvements at Wells 12 and 16 based on adjusting AVR's initial cost estimates to remove the costs for the power generator rooms.[239]

We do not find AVR has adequately justified its requested costs for Wells 12 and 16. Well 26 has a stationary generator, whereas Wells 12 and 16 have mobile generators.[240] AVR states that Well 26 does not have a generator room but rather a block wall around an existing spill containment slab.[241] The need for a similar block wall and slab for the generators at Wells 12 and 16 is unclear, especially in light of AVR's statement in rebuttal testimony that it removed the wall and slab costs for the generator containment area from its updated cost estimates.[242] Although AVR presents updated cost estimates based on the completed costs for Well 26, AVR does not provide any supporting documentation or breakdown of these costs that would enable the Commission to assess what costs are included. In the absence of adequate justification for the costs for the generator containment area and updated cost estimates, we find reasonable and adopt Cal Advocates' recommended budget for Wells 12 and 16.

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[237] Ex. LIB-17 at 36.

[238] Cal Advocates OB at 27-28.

[239] *Id.* at 28.

[240] Ex. CalAd-01 at 5-5.

[241] Ex. LIB-17 at 36.

[242] *Ibid.*

AVR initially estimated costs of $1,080,370 for Well 18 and $1,110,189 for Well 17R.[243] AVR subsequently updated these costs estimates to $980,457 per well.[244] Cal Advocates recommends AVR's initial cost estimates be reduced by $619,594 for Well 18 and $636,696 for Well 17R to remove the costs of block buildings, which Cal Advocates argues are not needed at Wells 17R and 18.[245]

We agree with Cal Advocates that AVR has failed to justify the need for block buildings to enclose Wells 18 and 17R. AVR proposes the block buildings to mitigate noise, and to protect the wells from weather and vandalism.[246] However, there is no evidence that a noise problem exists at these well sites.[247] Moreover, AVR does not explain why the existing enclosures and measures are inadequate to protect the wells from weather and vandalism.[248]

Although not specifically addressed by Cal Advocates, Cal Advocates' recommended budgets for Wells 18 and 17R also remove costs for the generator containment area. Like Wells 12 and 16, Wells 18 and 17R have mobile generators.[249] For the reasons discussed above with respect to Wells 12 and 16, we do not find that AVR has adequately justified the need for generator containment areas for Wells 18 and 17R.

AVR also does not explain how it developed the updated cost estimates for Wells 18 and 17R. AVR does not provide any supporting documentation or

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[243] Ex. LIB-02 at 116 and 131.

[244] Ex. LIB-17 at 37.

[245] Ex. CalAd-01 at 5-4 to 5-5.

[246] Liberty OB at 78.

[247] Cal Advocates OB at 28.

[248] *See Id.* at 28-29.

[249] Ex. CalAd-01 at 5-15.

breakdown of these costs that would enable the Commission to assess what costs are included. In the absence of adequate justification for the costs for the generator containment areas, block buildings, and updated cost estimates, we find reasonable and adopt Cal Advocates' recommended budgets for Wells 18 and 17R.

9.2.3. Stoddard Tank

AVR plans to install a new 1.5 million-gallon (MG) tank on the existing Stoddard tank site adjacent to an already existing 1.0 MG tank. AVR contends the new tank is needed to improve the reliability of the Stoddard Zone by providing additional gravity storage capacity needed to meet emergencies and required fire flow capacity in the area.[250] AVR estimates costs of $2,795,062 in 2024 for this project.[251]

Cal Advocates recommends the costs for the proposed second Stoddard tank be removed from the capital budget. Cal Advocates argues that pursuant to AVR's tariffs, developers, not ratepayers, are responsible for the costs of growth and the proposed second tank.[252] Cal Advocates states its recommendation is consistent with the Commission's determination in AVR's prior GRC that building developers were responsible for the costs of fire flow storage in the Bell Mountain zone.[253] Cal Advocates also disputes AVR's assertion that the proposed tank is needed for storage for the rest of AVR's water system.[254]

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[250] Ex. LIB-02 at 124-125.

[251] *Id.* at 126.

[252] Cal Advocates OB at 29-30.

[253] *Id*. at 30 citing D.20-09-019 at 59-60.

[254] Cal Advocates OB at 30.

The primary purpose of the proposed second tank is to provide additional fire flow storage to existing large industrial customers in the Stoddard Zone.[255] AVR acquired this portion of its system from the Town of Apple Valley in 1998.[256] The industrial buildings served by the existing Stoddard tank were constructed after AVR acquired this portion of the water system.[257]

Pursuant to the local fire ordinance and AVR's tariffs, the developers have responsibility for funding the required fire flow capacity for these industrial developments. Apple Valley Fire Protection District Ordinance 42 provides: "The developer of any property within the Apple Valley Fire Protection District assumes responsibility for providing the hydrants and fire flow required by this ordinance."[258] AVR's Tariff Rule 15.D.3. states: "The cost of facilities other than hydrants and distribution mains required to provide supply, pressure, or storage primarily for fire protection purposes, or portions of such facilities allocated in proportion to the capacity designed for fire protection purposes, shall be paid to the utility as a contribution in aid of construction."[259]

AVR states that under the local fire ordinance, a development will not be approved without a developer demonstrating that the necessary hydrants and fire flow capacity are available.[260] We presume the existing industrial developments would not have been approved for construction without meeting fire flow capacity requirements. To the extent fire flow capacity was not

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[255] Ex. LIB-17 at 38; Ex. JOINT-15 at 15-26.

[256] Ex. CalAd-01 at 5-27.

[257] RT, Vol. 3 at 233:22-234:4; Ex. CalAd-16 at 2-11.

[258] Ex. CalAd-01 at 5-25.

[259] Ex. CalAd-17.

[260] Ex. LIB-17 at 37.

sufficient for a development, pursuant to AVR's tariff, the developer would have been responsible for funding the necessary facilities other than hydrants and distribution mains for supply, pressure, or storage. The Walmart Distribution Center provides an illustrative example. In a data request response, AVR stated that prior to construction of the Walmart Distribution Center, AVR informed Walmart representatives of the lack of adequate fire flow storage within the existing AVR system and Walmart decided to construct their own on-site fire system with storage to augment the firefighting capabilities of the AVR system.[261]

AVR does not explain what circumstances have changed from when the existing industrial developments were approved for construction that would necessitate additional fire flow capacity in the area. AVR relies on the analysis and recommendations of the North Apple Valley Water System Improvement Plan prepared by Water Systems Consulting, Inc. (WSC Study) to support the need for the project. However, the WSC Study accounted for the needs of the Walmart Distribution Center, which is the largest customer in the area, but did not account for the supplemental storage provided on-site.[262] Based on AVR's data request response, the fire flow storage needs of the Walmart Distribution Center were addressed prior to construction and we presume the same would be true of all the other industrial developments in the Stoddard Zone, which were constructed after AVR's acquisition.

Furthermore, although AVR contends that the proposed tank is needed to serve the entire water system,[263] AVR does not point to any evidence supporting

[261] Ex. CalAd-01 at 5-27.

[262] Ex. JOINT-15 at 15-16 and 15-24.

[263] Ex. LIB-17 at 38.

the need for a second tank in the Stoddard Zone to increase reliability and fire flow capacity in other zones. Cal Advocates notes that AVR's own study reports a storage surplus in AVR's Main Zone.[264]

Based on the foregoing, we find that AVR has failed to justify ratepayer funding for its proposed second tank in the Stoddard Zone, and therefore, we deny AVR's requested ratepayer funding in 2024 for this project.

9.2.4. Meters

AVR has completed installation of AMR equipped meters throughout its water system except for a few large and problematic meters.[265] AVR proposes to replace the AMR meters at an aggressive rate to keep up with meter aging and battery failure rates.[266] AVR requests the following capital budget for meters for the AVR and Yermo systems: $782,361 in 2022, $800,624 in 2023, and $751,244 in 2024.[267]

Cal Advocates recommends the Commission adjust AVR's capital budget for meters to $233,237 in 2022, $227,148 in 2023, and $212,548 in 2024.[268] For the same reasons discussed above with respect to Park Water, Cal Advocates recommends the Commission adopt a budget to account for regular meter maintenance and upgrades rather than wholesale meter replacement. AVR's

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[264] Cal Advocates OB at 30 citing Ex. JOINT-07 at 14-20.

[265] Ex. LIB-02 at 89.

[266] *Id.* at 104, 115, and 130.

[267] Ex. JOINT-05 at 6-78 and 6-561.

[268] Cal Advocates OB at 31. Cal Advocates' recommended budget includes an adjustment to AVR's budget for 3/4-inch or 5/8-inch size meter replacements in AVR's system but does not include adjustments to AVR's meter replacement budgets for other meter sizes in the AVR system or for any meters in the Yermo system.

registers are also covered by a warranty that replaces the register for free within 10 years and then at a discounted rate in years 11 through 20.[269]

AVR typically changes its small meters every 15-20 years.[270] Liberty raises the same arguments regarding the long-term cost-effectiveness of wholesale meter replacement and added reliability benefits for AVR as it raised with respect to Park Water's meters.[271] For the reasons discussed above with respect to Park Water, we find that Liberty fails to demonstrate the cost-effectiveness of wholesale meter replacement for AVR.

AVR originally installed 19,282 AMR meters (3/4- or 5/8-inch size meters) between 2006 to 2013.[272] We would expect some of the earlier installed meters to be nearing the end of their 15-20 year expected life during this GRC cycle. However, AVR already replaced 11,320 of the originally installed meters between 2014 and 2020 and had proposed to replace an additional 2,309 meters in 2021.[273] In the absence of specific information regarding which meters were replaced, we find it reasonable to assume that AVR would have replaced the older meters first. Given the number of originally installed AMR meters that have already been replaced, the proposed replacements for 2022-2024 likely include many meters that will not have reached the end of their useful life, and which qualify for free or significantly discounted register replacement under the terms of the warranty.

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[269] Ex. CalAd-01 at 7-5.

[270] Liberty OB at 81.

[271] *Id.* at 81-83.

[272] Ex. CalAd-01 at 7-2 to 7-3, Table 7-2.

[273] *Ibid.*

Liberty does not demonstrate it would be cost-effective or reasonable for ratepayers to fund the accelerated and premature replacement of meters when AVR can get continued use from the meters with free or discounted register replacement. Therefore, we find reasonable and approve Cal Advocates' recommended budget for meter upgrades and maintenance.

10. Memorandum and Balancing Accounts

10.1. Administration of Accounts

Cal Advocates contends there were many inconsistences found during its review of Park Water's and AVR's memorandum and balancing accounts in this proceeding, which demonstrate a pattern of substandard administration.[274] Cal Advocates recommends the Commission require Park Water and AVR to each submit a plan within 90 days of a final decision in this GRC to ensure future administration of these accounts that result in correct and accurate reports filed with the Commission.

We do not find that the examples raised by Cal Advocates demonstrate a pattern of substandard administration of Park Water's and AVR's memorandum and balancing accounts. For example, Cal Advocates cites to an "instance of noncompliance" related to Park Water's Group Pension Expense Balancing Account discovered during an audit of Park Water's balancing accounts reported for 2018 conducted by the Commission's Utility Audits, Risk and Compliance Division.[275] Liberty explains that during the audit, it self-reported this single error, which was the result of a calculational error made by Liberty's outside actuary, and provided the corrected balance and associated calculations.[276] The

[274] Cal Advocates OB at 38-39.

[275] *Ibid.*

[276] Liberty OB at 85.

Commission's Utility Audits Branch commended Park Water for its effort in the development and implementation of corrective actions in response to the audit report.[277]

We do not find it necessary to require Liberty to submit a compliance plan as proposed by Cal Advocates. However, we remind Liberty that it has the responsibility to ensure that the balances in its balancing and memorandum accounts are accurate, complete, and in compliance with applicable laws and Commission directives. In addition, Liberty shall ensure that Park Water's and AVR's preliminary statements are updated promptly and accurately whenever the Commission approves the opening, modification, or closure of an account. The Commission will continue to monitor and periodically audit Liberty's accounts, and order corrective action as needed.

10.2. WRAM/MCBA Termination After July 1, 2022

In D.20-08-047, the Commission ordered that any GRC application filed after the effective date of the decision (August 27, 2020) may not include a proposal to continue the Water Revenue Adjustment Mechanism (WRAM)/Modified Cost Balancing Account (MCBA) mechanism, but rather may

[277] Balancing Accounts Performance Audit, Liberty Utilities (Park Water) Corp., January 1, 2018 through December 31, 2018, Appendix B available at: _ (ca.gov).

include a proposal for a Monterey-Style WRAM with Incremental Cost Balancing Account (ICBA).[278]

The Commission previously authorized the WRAM/MCBA mechanism for Park Water and AVR. Cal Advocates argues that pursuant to D.20-08-047, Park Water and AVR should terminate the WRAM/MCBA and that any associated surcharges should not be included in customer bills after July 1, 2022.[279]

Park Water and AVR do not seek to continue the WRAM/MCBA mechanism during this GRC cycle.[280] However, Park Water and AVR argue that D.20-08-047 does not require existing WRAM and MCBA balances to be zeroed out as of July 1, 2022. Park Water and AVR argue they should be allowed to recover their respective WRAM and MCBA balances existing as of June 30, 2022 because the recorded amounts represent monies previously authorized by the Commission that have not been recovered by the companies.[281] Park Water and AVR do not seek amortization of their existing WRAM/MCBA balances in the

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[278] D.20-08-047 at 106, Ordering Paragraph 3.

The WRAM tracks the difference between authorized quantity rate revenues and actually billed quantity rate revenues over a calendar year and recovers any shortfall or returns any overcollection via a quantity-based surcharge or meter-based sur-credit, respectively. (*Id*. at 51-52.) The MCBA tracks the difference in authorized water production expenses and actual water production expenses over a calendar year. (*Id*. at 52.) Any over- or under-collection in the MCBA is netted against the WRAM in calculating revenue shortfalls or overcollections. (*Ibid.*)

The Monterey-Style WRAM tracks the difference in billed quantity-rate revenues at actual sales over a calendar year between the adopted tiered rate design and a revenue-neutral uniform rate. (*Ibid*.) The ICBA tracks differences in the authorized prices of water production components and actual water production price components. (*Ibid.*)

[279] Cal Advocates OB at 40, 41.

[280] Park Water Amended Application at 11-12; AVR Amended Application at 12.

[281] Liberty OB at 86, 90-91.

instant GRC applications because the Commission has authorized use of the advice letter process to amortize the balances.[282]

We agree with Park Water and AVR that D.20-08-047 does not require the zeroing out of balances in the WRAM/MCBA, which were recorded during periods when the Commission had authorized the utilities to use the WRAM/MCBA. The Commission authorized Park Water and AVR to use the WRAM/MCBA during their last GRC cycles and the Commission adopted forecasts for those cycles anticipating that corrections between forecasted and actual sales would be resolved through WRAM balances.[283] Therefore, we do not find cause to zero out Park Water's and AVR's WRAM/MCBA balances existing as of June 30, 2022. Park Water and AVR may continue to use the advice letter process to amortize these balances. Consistent with D.20-08-047, Park Water and AVR are not authorized to record any new amounts in the WRAM/MCBA as of July 1, 2022. Park Water's and AVR's unopposed requests to use the Monterey-Style WRAM/ICBA during this GRC cycle are granted.

10.3. Conservation Expense One-Way Balancing Account

Park Water and AVR each have a Conservation Expense One-Way Balancing Account (CEOWBA), which tracks the difference between actual and authorized conservation program expenses. Because the balancing accounts cover the entire rate case cycle, Park Water and AVR propose that Cal Advocates conduct its audit of the accounts after the completion of the 2019-2021 rate case

[282] Ex. LIB-02 at 189-179; Ex. LIB-10 at 161-162.

[283] *See* D.20-08-047 at 72.

cycle when Park Water and AVR file advice letters for resolution of their accounts authorized for that period.[284]

Cal Advocates states that it does not dispute Park Water's or AVR's recovery of the CEOWBA but that the Commission should only authorize recovery through December 31, 2020 and permit Park Water and AVR to request the remaining balances in their next GRCs.[285]

Contrary to Cal Advocates' statements, Park Water and AVR are not seeking any recovery of the CEOWBA in this GRC. Moreover, the CEOWBA is a one-way balancing account, and therefore, it is not possible for there to be an undercollection that would need to be recovered from ratepayers. The balance at the end of the 2019-2021 GRC cycle is likely to reflect an overcollection to be refunded to ratepayers.

We find Park Water's and AVR's proposals with respect to the CEOWBA to be reasonable and consistent with past treatment the Commission has authorized for this account.[286] Once the recorded data for the 2019-2021 GRC cycle is available, Park Water and AVR shall each file a Tier 1 advice letter requesting approval and resolution of the balances in the CEOWBA for the 2019-2021 GRC cycle. Cal Advocates may then conduct an audit of the expenses and any overcollection shall be promptly returned to ratepayers.

10.4. Yermo Water Revenue Balancing Account

The Yermo Water Revenue Balancing Account (YWRBA) tracks the difference between the total authorized revenue and recorded revenue for the 2019 -2021 rate cycle for future disposition. AVR requests authorization to file an

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[284] Ex. LIB-02 at 182; Ex. LIB-10 at 165.

[285] Cal Advocates OB at 40, 41.

[286] *See* D.20-09-019 at 45.

advice letter at the conclusion of the 2019-2021 rate cycle to dispose of the balance of this account.[287]

Cal Advocates initially recommended that the Commission authorize AVR to amortize the balance existing as of November 30, 2021 and discontinue the account after AVR requests disposition of the remaining balance at the conclusion of the 2019-2021 rate cycle.[288] Cal Advocates subsequently recommended that the Commission only authorize recovery through December 31, 2020 and require AVR to request the remaining balance in the next GRC.[289]

We find AVR's proposed treatment of the YWRBA to be reasonable. We authorize AVR to submit a Tier 2 advice letter at the conclusion of the 2019-2021 rate cycle to dispose of the balance in the YWRBA, subject to approval by the Commission's Water Division. A Tier 2 advice letter process will provide Cal Advocates with the opportunity to review and protest the advice letter prior to the advice letter becoming effective. AVR shall discontinue the YWRBA upon disposition of the balance.

10.5. Pension Expense Balancing Account

With respect to Park Water's Pension Expense Balancing Account (PEBA), the parties agree that the balance as of December 31, 2021 should be amortized over a 3-year period and that the Commission should authorize continuation of

[287] Ex. LIB-17 at 66.

[288] Ex. CalAd-01 at 13-7 to 13-8.

[289] Cal Advocates OB at 41.

this account.[290] We find reasonable and adopt the same treatment for AVR's PEBA, which reflects a balance of $2,424,820 as of December 31, 2021.[291]

11. Special Request: Sales Reconciliation Mechanism

D.16-12-026 authorizes water utilities to request a Sales Reconciliation Mechanism (SRM) in a GRC proceeding. Pursuant to this decision, Liberty requests that the Commission authorize an SRM for this rate case cycle for Park Water and AVR because of the strong probability of California entering a new period of drought.[292] The SRM adjusts the adopted sales forecast in the two escalation years following the TY if total sales for the prior year are more than 5% above or below the adopted TY sales. The SRM would provide for an adjustment of 50% of the difference.[293] Liberty argues the SRM would help minimize an over- or under-collection of revenue tracked in the Monterey-Style WRAM and better effectuate the goals of the Water Action Plan by providing clearer conservation rate signals to customers and more definitely decoupling sales and revenues.[294]

Cal Advocates opposes Liberty's request for an SRM. Cal Advocates argues, among other things, that the SRM is unnecessary for a water utility with a Monterey-Style WRAM, decreases transparency of customer rates and bill impacts, shifts the risk of sales forecasting from the utility to ratepayers,

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[290] Ex. JOINT-20. Ex. JOINT-20 lists the Pension Expense Balancing Account as the Group Pension Balancing Account.

[291] Ex. LIB-17 at 66, Table XI-12.

[292] Ex. LIB-02 at 183; Ex. LIB-10 at 165-166.

[293] For example, if sales are 6% below adopted, the escalation year rates would be reset based on a 3% downward adjustment in the sales forecast.

[294] Ex. LIB-02 at 184; Ex. LIB-10 at 166.

disincentivizes conservation, and can result in changing base rates without necessary Commission review and oversight.[295]

We do not find Liberty's request for an SRM to be adequately justified. The Commission denied Liberty's request for an SRM in Liberty's last GRC finding that: "Liberty's request for the SRM did not provide what D.16-12-026 directed: analysis and information to make a showing that the proposals are well-calculated to provide more timely cost information to customers, while furthering the Commission's goals of conservation and affordability."[296] In the last GRC, the Commission instructed: "If Liberty makes a future request for an SRM, it should present lessons learned from existing pilots and propose a more tailored solution."[297]

Liberty does not provide more detailed analysis and information in this GRC. Liberty makes general assertions regarding the benefits of the SRM that are not supported by analysis and information. In particular, Liberty has not established the need for an SRM given that Liberty is authorized to use the Monterey-Style WRAM as opposed to the WRAM during this GRC cycle.[298] D.16-12-026 invited water utilities to propose an SRM or alternative mechanisms to reduce WRAM balances and surcharges.[299] The impact of an SRM on a Monterey-Style WRAM balance is unclear. The need for an SRM in conjunction with a Monterey-Style WRAM has not been established. The Commission has previously found that the primary reason for an SRM does not exist if a water

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[295] Cal Advocates OB at 41-44.

[296] D.20-09-019 at 17-18.

[297] *Id.* at 18.

[298] Descriptions of the WRAM and Monterey-Style WRAM can be found at footnote 278, *supra*.

[299] D.16-12-026 at 32-33.

utility has a Monterey-Style WRAM as opposed to a WRAM.[300] Liberty does not provide any analysis or information that would support a contrary finding.

Based on the foregoing, Liberty's request for an SRM is denied.

12. Comments on Proposed Decision

The proposed decision of ALJ Sophia J. Park in this matter was mailed to the parties in accordance with Section 311 of the Public Utilities Code and comments were allowed under Rule 14.3 of the Commission's Rules of Practice and Procedure. Comments were filed on _____, and reply comments were filed on _____ by _____.

13. Assignment of Proceeding

Darcie L. Houck is the assigned Commissioner and Sophia J. Park is the assigned Administrative Law Judge in this proceeding.

Findings of Fact

1. With respect to individual uncontested issues in these proceedings, Park Water and AVR have made a *prima facie* just and reasonable showing, unless otherwise stated in this opinion.

2. The parties' stipulations for each of the issues listed in Exhibits JOINT-19 and JOINT-20 are reasonable.

3. There is much uncertainty surrounding the long-term effects of the COVID pandemic on residential water consumption.

4. The extent to which drought-related conservation measures may impact residential consumption during this GRC cycle has not been quantified.

5. Given the uncertain effects of both the pandemic driven impacts and drought-related impacts, Cal Advocates' proposed use of a two-year (2019-2020)

[300] Resolution W-5153 at 5-6; D.19-06-010 at 5-6.

average to forecast residential consumption for Park Water and AVR is reasonable.

6. Cal Advocates' proposals to use a two-year (2019-2020) average to forecast consumption for Park Water' customer classes other than the residential class are not adequately justified.

7. Park Water's consumption forecasts for the business monthly, business bi-monthly, industrial monthly, and public authority monthly customer classes are reasonable.

8. Cal Advocates' proposal to use a 12-month average based on 2020 recorded data for AVR's consumption for the business class is not adequately justified.

9. AVR's consumption forecast for the business class is reasonable.

10. Park Water's forecast for the Telemetry account based on a five-year average (2016-2020) of recorded expenses is reasonable.

11. Park Water's recorded expenses for the Telemetry account have varied through the years.

12. There is no indication that there are any errors in Park Water's 2020 recorded expenses for the Telemetry account other than the inadvertently charged $45,000, which Park Water subsequently deducted prior to calculating the average.

13. Park Water's recorded expenses in the Oth-T&D Op Meter Exp account for 2016-2021 show significant fluctuation ranging from a low of $0 to a high of $372,061.

14. There is a lack of evidence that the elevated level of Park Water meter failures seen in 2018 and 2019 is an occurrence that is likely to be repeated during the TY.

15. Cal Advocates' recommended forecast for the Oth-T&D Op Meter Exp account based on an average of Park Water's recorded costs for 2016, 2017, and 2020 is reasonable.

16. Park Water had a significant reduction in expenses for the Other-T&D Mt Hydrants account in 2019 and 2020.

17. In 2019, Park Water began using in-house labor for painting fire hydrants.

18. There is a lack of evidence regarding the extent to which Park Water intends to use in-house labor versus outside consultant services for painting fire hydrants in the future.

19. There is a lack of justification for basing the TY forecast for the Other-T&D Mt Hydrants account on recorded years when outside consultant services were used.

20. Cal Advocates' proposal to use a two-year average (2019-2020) for the Other-T&D Mt Hydrants account is reasonable.

21. Park Water does not provide any description of what memberships are funded through the Company Membership account.

22. There is a lack of justification for ratepayer funding of Park Water's Company Membership account.

23. A TY forecast of $0 is reasonable for Park Water's Company Membership account.

24. Park Water fails to adequately justify its pumping estimate of 3,350 AF for 2022.

25. A TY pumped water forecast of 6,427 AF for Park Water is reasonable.

26. It is reasonable to incorporate the 5,136 AF from the most recent Watermaster report into Park Water's TY pumped water forecast.

27. Park Water fails to justify exclusion of production associated with water service provided to Sativa from the pumped water forecast.

28. It is speculative whether Park Water's temporary emergency interconnection with Sativa will continue during this GRC cycle, especially considering the Commission has since approved the purchase of Sativa by Suburban Water Systems.

29. Park Water's TY production forecast of zero AF for Well 28D is not reasonable given Park Water's estimate that the well will be online by the end of 2021 and inclusion of the well in rate base during this GRC cycle as a used and useful asset.

30. It is reasonable to include 1,291 AF of production from Well 28D in Park Water's TY production forecast based on the capacity of the well, application of an 80% duty factor, and an estimate that the true production will be realized by the end of 2022.

31. Cal Advocates' recommendation to base AVR's TY replenishment make up assessment forecast on the five-year (2016-2020) average is reasonable given the lack of evidence that a negative dollar amount recorded in 2016 is an atypical occurrence.

32. Cal Advocates' recommendation to use Park Water's uninsured property damage forecast for AVR is not adequately justified.

33. AVR has higher uninsured property damage expense compared to Park Water due to differences between the two utilities' service territory environments.

34. AVR has provided adequate justification for its TY uninsured property damage forecast based on its recorded expenses during periods of self-insurance and explanation of the characteristics of its service territory.

35. AVR's TY uninsured property damage forecast based on a three-year average of recorded 2018-2020 expenses is reasonable.

36. AVR fails to explain why the elevated level of meter failures seen in 2017 and 2018 is an occurrence that is likely to be repeated during the TY.

37. Cal Advocates' recommended forecast for the Oth-T&D Op Meter Exp account based on an average of AVR's recorded costs for 2019 and 2020 is reasonable.

38. AVR's expenses in the Other General Consulting account have trended downward every year since 2017 with significant decreases in 2019 and 2020.

39. There is a lack of justification for why higher expense for AVR's Other General Consulting account would be warranted in the TY.

40. AVR's 2020 recorded expense for the Other General Consulting Account was impacted by the stringent COVID-19 related restrictions on travel and in-person meetings.

41. A TY forecast for AVR's Other General Consulting account based on 2019 recorded costs is reasonable.

42. AVR does not explain why it did not incur any expenses in the Leased Lines account for the past two years or why it is likely to incur expenses in this account in the TY.

43. Cal Advocates' forecast of $0 for AVR's Leased Lines account is reasonable.

44. AVR fails to provide justification for why costs in the Temp Labor-T&D Mt Services account are expected to increase in the TY.

45. Cal Advocates' TY forecast for AVR's Temp Labor-T&D Mt Services account based on a three-year (2018-2020) average is reasonable.

46. Park Water has failed to adequately justify the need for the position of Operations, Team Lead in the meter reading department.

47. Park Water provides no explanation regarding the factors that would justify having two managerial positions in the meter reading department to oversee three meter operators

48. Park Water provided inconsistent descriptions of the Program Manager position and has failed to justify the need for the position.

49. Park Water has adequately justified the need for the Manager, Operations position given that the Director, Operations is no longer dedicated to overseeing day-to-day operations for Park Water.

50. Given that the vacancy adjustment is made to the payroll expense forecast, it is reasonable to base the adjustment calculation on the forecast payroll expense for the vacant positions, not total gross payroll, which includes payroll distributed to capital projects and other affiliates.

51. It is not reasonable to combine vacancies experienced in two separate years to forecast vacancies for a single year.

52. It reasonable to use the five-year (2017-2021) average to determine the vacancy adjustment for Park Water.

53. Park Water's forecast of 2,681 overtime hours and 105 double-time hours is reasonable.

54. The addition of a new position would not eliminate the need for all overtime hours since overtime is also used to provide service to customers in times of emergency, on weekends, or after hours.

55. Park Water's overtime hours forecast for all departments reflects a 13% percent decrease compared to 2020 recorded hours, including an 85% decrease in double-time hours.

56. It is reasonable to include the positions of HR Business Partner and Manager, EHS in Park Water's and AVR's TY forecast.

57. The HR Business Partner and Manager, EHS positions are not duplicative of regional positions.

58. The reorganization, which provides for regionally shared positions and positions shared between AVR and Park Water, should result in cost savings to AVR and Park Water for receiving HR and EHS-related support compared to the two HR Business Partner and two EHS Manager positions authorized in the previous GRC.

59. It reasonable to use the two-year (2020-2021) average to determine the vacancy adjustment for AVR.

60. APUC has grown significantly over the last six years and there has been a consistent upward trend in the total indirect APUC costs billed to APUC's regulated utilities from 2016-2020.

61. A five-year 2016-2020 average is likely to underestimate indirect APUC costs to be billed to the regulated utilities in the TY.

62. Use of 2020 recorded costs to forecast indirect APUC costs to be billed to the regulated utilities in the TY is likely to yield a more accurate estimate and is reasonable.

63. Cal Advocates' analysis of billings from APUC considers indirect allocations from APUC to its regulated utilities but does not consider direct allocations.

64. Cal Advocates' analysis of billings from APUC does not consider that the percentage of costs allocated to Park Water has varied over the years.

65. LABS expenses have trended upward every year from 2016-2020 and use of a five-year average is likely to underestimate LABS expenses in the TY.

66. Liberty's proposal to use escalated 2020 expenses to forecast LABS expenses in the TY is reasonable.

67. With the exception of a slight increase between 2018-2019 (3% increase), LU Canada costs have trended downward between 2016-2020 with a significant decrease between 2017 and 2018 (28% decrease).

68. Cal Advocates' recommended use of a five-year average for LU Canada costs would likely overstate the costs in the TY.

69. Liberty's proposal to use escalated 2020 expenses to forecast LU Canada costs in the TY is reasonable.

70. APUC's CAM produces a result that is within the range of reasonableness.

71. The difference in using the CAM vs. SP U-6-W methodology is not very significant (5.46% vs. 5.39% allocation).

72. The Commission approved use of APUC's CAM in Liberty's prior GRC.

73. It is reasonable for Liberty to continue using the APUC CAM for this GRC cycle.

74. Liberty's philosophy of setting pay at P50 of market is reasonable.

75. Since the only evidence in the record concerning P50 of market STIP targets is the market study, it is reasonable to limit STIP to the P50 of market STIP percentages set forth in the market study.

76. It is reasonable for the compensation structure for positions above Director to include STIP.

77. Given the lack of specific information regarding STIP percentages for positions above Director, it is reasonable to limit STIP for positions above the Director level to the average P50 of market target STIP percentage for the top grade, Grade 11, included in the market study.

78. Liberty provides no explanation as to why its proposed LTIP percentages would be supported by the market study or any other evidence in the record.

79. It is reasonable to remove LTIP from the General Office payroll forecast.

80. Liberty has adequately justified its request for the following General Office positions: Supply Chain Director; Senior Manager, Rates and Regulatory Affairs; and Senior Legal Counsel.

81. It is reasonable that companies the size of Park Water and AVR would have an ongoing need for IT replacements and upgrades to support business operations.

82. Liberty does not provide adequate information regarding how it developed its cost estimates for General Office Miscellaneous Corporate Improvements Projects for this GRC period, and therefore, it is not reasonable to approve funding in excess of the five-year average (2016-2020) recorded expenditures for these budgets.

83. The following annual budgets for General Office projects based on the 5-year average of recorded capital expenditures are reasonable: $140,125 for server and storage infrastructure, $34,079 for network upgrades, and $37,579 for security upgrades.

84. With respect to General Office enterprise application upgrades, Liberty's request of $200,000 annually for 2021-2023 and $225,000 for 2024 is reasonable based on review of historical spend from 2016-2020, which averaged $369,979 per year.

85. Park Water's Wells 46C, 41A, and 28B are currently over 70 years old.

86. Park Water's Wells 46C, 41A, and 28B are at or beyond their normal life expectancy and have a high probability of failure within the next few years.

87. It is not reasonable for ratepayers to fund $4.7 million in capital expenditures during this GRC cycle (and potentially an additional $2.2 million in the next GRC cycle) to install treatment at wells that have a high probability of failing in the next few years.

88. Park Water's cost-benefit analysis relating to proposed water rights purchases likely overstates the avoided cost of the imported water alternative and contains other inconsistencies.

89. Ratepayers will not receive any benefits from Park Water's proposed purchase of water rights during this GRC cycle.

90. It is uncertain when ratepayers would begin to see benefits from Park Water's proposed purchase of water rights.

91. Water rights purchases are non-depreciable and would remain in rate base in perpetuity.

92. Park Water's accounting of its deferred and re-prioritized projects is generally reasonable.

93. There is no evidence of a pattern of repeated deferment of Park Water's mains projects.

94. The need for Park Water's proposed mains projects and Park Water's estimated costs to complete the projects are undisputed.

95. There is a lack of evidence regarding the cost-effectiveness of wholesale meter replacement.

96. There is a lack of evidence regarding the cost effectiveness and benefits of AMI as compared to AMR.

97. Most of Park Water's currently installed meters will not have reached the end of their 15-20 year expected life during this GRC period.

98. AVR's proposed meter replacements for 2022-2024 likely include many meters that will not have reached the end of their useful life.

99. Park Water and AVR can get continued use from their meters during this GRC period with free or discounted register replacement.

100. It is not cost-effective or reasonable for ratepayers to fund the accelerated and premature replacement of meters when Park Water and AVR can get continued use from the meters with free or discounted register replacement.

101. Cal Advocates' recommended budgets for meter upgrades and maintenance are reasonable.

102. There is a lack of evidence in the record regarding AVR's proposed new office building and furniture and equipment for the new building, including the need for the project, scope, and basis for the budget.

103. AVR has failed to make a *prima facie* case regarding the reasonableness of including its new office building project in rate base for this GRC cycle.

104. AVR's Well 26 has a stationary generator, whereas AVR's Wells 12, 16, 17R, and 18 have mobile generators.

105. There is no evidence of a noise problem at AVR's Wells 18 and 17R.

106. There is a lack of evidence that existing enclosures and measures at AVR's Wells 18 and 17R are inadequate to protect the wells from weather and vandalism.

107. AVR did not provide supporting documentation or a breakdown of its updated cost estimates for well site improvements at Wells 12, 16, 17R, and 18.

108. AVR has failed to justify the need and costs for a generator containment area at Wells 12, 16, 17R, and 18.

109. AVR has failed to justify the need for block buildings to enclose Wells 18 and 17R.

110. Cal Advocates' recommended budgets for well site improvements at AVR's Wells 12, 16, 17R, and 18 are reasonable.

111. The primary purpose of the proposed second Stoddard tank is to provide additional fire flow storage to existing large industrial customers in the Stoddard Zone.

112. The industrial buildings currently served by the existing Stoddard tank were constructed after AVR acquired this portion of the water system.

113. The existing industrial developments in the Stoddard Zone would not have been approved for construction without meeting fire flow capacity requirements.

114. There is a lack of evidence regarding what circumstances have changed from when the existing industrial developments in the Stoddard Zone were approved for construction that would necessitate additional fire flow capacity in the area.

115. The WSC Study accounted for the needs of the Walmart Distribution Center, which is the largest customer in the Stoddard Zone, but did not account for the supplemental storage provided on-site

116. There is a lack of evidence that a second tank in the Stoddard Zone is needed to increase reliability and fire flow capacity in other zones.

117. AVR has failed to justify ratepayer funding for its proposed second tank in the Stoddard Zone.

118. The examples cited by Cal Advocates do not demonstrate a pattern of substandard administration of Park Water's and AVR's memorandum and balancing accounts.

119. The Commission authorized Park Water and AVR to use the WRAM/MCBA during their last GRC cycles and the Commission adopted

forecasts for those cycles anticipating that corrections between forecasted and actual sales would be resolved through WRAM balances.

120. Park Water's and AVR's proposals with respect to the CEOWBA are reasonable and consistent with past treatment the Commission has authorized for this account.

121. AVR's proposed treatment of the YWRBA is reasonable.

122. It is reasonable to adopt the same treatment for AVR's PEBA as Park Water's PEBA.

123. The impact of an SRM on a Monterey-Style WRAM balance is unclear.

124. The need for an SRM in conjunction with a Monterey-Style WRAM has not been established.

125. Liberty's request for an SRM is inadequately justified.

Conclusions of Law

1. As the applicants, Park Water and AVR have the burden of affirmatively establishing the reasonableness of all aspects of their applications.

2. The standard of proof the applicant must meet in rate cases is that of a preponderance of the evidence.

3. All the forecasts and ratemaking mechanisms we find to be reasonable in this decision should be approved.

4. Non-tariffed products and services (NTP&S) must be provided utilizing excess or unused capacity of a utility asset or resource, and must not adversely affect the cost of tariffed utility products and services.

5. It is inconsistent with the NTP&S rules to require Park Water's ratepayers to fund additional purchased water at higher cost due to excluding production associated with water service provided to Sativa from Park Water's pumped water forecast.

6. Park Water's requested new positions of Operations, Team Lead and Program Manager should be denied.

7. Park Water's request for the position of Manager, Operations should be approved.

8. The shared positions of HR Business Partner and Manager, EHS should be approved.

9. Liberty has not met its burden of justifying the reasonableness of the LTIP proposed for any of the General Office payroll positions, and therefore, Liberty's request to include LTIP in the General Office payroll forecast should be denied.

10. The General Office positions of: Supply Chain Director; Senior Manager, Rates and Regulatory Affairs; and Senior Legal Counsel should be approved.

11. Park Water's requested 2022-2024 capital expenditures for installing PFOS and PFOA treatment at Wells 28B, 41A, and 46C should be denied.

12. Park Water's requested funding for water rights purchases should be denied.

13. In considering whether to authorize a renewed request for funding in a subsequent GRC, the Commission examines whether the deferral and reprioritization were reasonable, and whether the additional funding request is adequately justified.

14. Park Water's request for the funding of mains projects during this GRC cycle should be approved.

15. AVR's requested funding for the new office building and furniture and equipment for the new building should be denied.

16. Pursuant to the local fire ordinance and AVR's tariffs, developers have responsibility for funding the required fire flow capacity for new industrial developments.

17. AVR's requested ratepayer funding for its proposed second tank in the Stoddard Zone should be denied.

18. Liberty should ensure that the balances in its balancing and memorandum accounts are accurate, complete, and in compliance with applicable laws and Commission directives.

19. Liberty should ensure that Park Water's and AVR's preliminary statements are updated promptly and accurately whenever the Commission approves the opening, modification, or closure of an account.

20. D.20-08-047 does not require the zeroing out of balances in the WRAM/MCBA, which were recorded during periods when the Commission had authorized the utilities to use the WRAM/MCBA.

21. Park Water and AVR should be authorized to continue to use the advice letter process to amortize WRAM/MCBA balances existing as of June 30, 2022.

22. Park Water's and AVR's unopposed requests to use the Monterey-Style WRAM/ICBA during this GRC cycle should be granted.

23. Consistent with past treatment of the CEOWBA, Park Water and AVR should be authorized to submit a Tier 1 advice letter requesting approval and resolution of the balances in the CEOWBA for the 2019-2021 GRC cycle.

24. AVR should be authorized to submit a Tier 2 advice letter at the conclusion of the 2019-2021 rate cycle to dispose of the balance in the YWRBA.

25. AVR should discontinue the YWRBA upon disposition of the balance.

26. The balances in AVR's and Park Water's PEBAs as of December 31, 2021, should be amortized over a 3-year period.

27. AVR and Park Water should be authorized to continue their PEBAs.

28. Liberty's request for an SRM should be denied.

O R D E R

IT IS ORDERED that:

1. Liberty Utilities (Apple Valley Ranchos Water) Corp. is authorized to collect, through rates and through authorized ratemaking accounting mechanisms, the Test Year 2022 revenue requirement set forth in Appendices A, B, and D, effective July 1, 2022.

2. Liberty Utilities (Park Water) Corp. is authorized to collect, through rates and through authorized ratemaking accounting mechanisms, the Test Year 2022 revenue requirement set forth in Appendices C and D, effective July 1, 2022.

3. For Test Year 2022, within 60 days of the issuance of this decision, Liberty Utilities (Apple Valley Ranchos Water) Corp. and Liberty Utilities (Park Water) Corp. shall submit Tier 1 advice letters with revised tariff schedules in compliance with this decision and to concurrently cancel their present schedules for such service. These advice letters are subject to approval by the Commission's Water Division.

4. Treatment of Liberty Utilities (Apple Valley Ranchos Water) Corp.'s balancing and memorandum accounts is approved as set forth in this decision and Exhibit JOINT-19.

5. Treatment of Liberty Utilities (Park Water) Corp.'s balancing and memorandum accounts is approved as set forth in this decision and Exhibit JOINT-20.

6. Within 120 days of the issuance of this decision, Liberty Utilities (Apple Valley Ranchos Water) Corp. and Liberty Utilities (Park Water) Corp. shall submit Tier 1 advice letters to compare the difference between interim rates and approved rates. The difference between interim rates and final rates adopted here, shall be recovered in accordance with Standard Practice U-27-W.

7. For each escalation year 2023 and 2024, Liberty Utilities (Apple Valley Ranchos Water) Corp. and Liberty Utilities (Park Water) Corp. shall submit Tier 1 advice letters in conformance with General Order 96-B proposing new revenue requirements and corresponding revised tariff schedules. The advice letters must follow the escalation procedures set forth in the Revised Rate Case Plan for Class A Water Utilities adopted in Decision 07-05-062 and must include supporting workpapers.

8. Liberty Utilities (Apple Valley Ranchos Water) Corp. and Liberty Utilities (Park Water) Corp. shall file their next General Rate Cases in accordance with the schedule set forth in the Revised Rate Case Plan for Class A Water Utilities adopted in Decision 07-05-062.

9. Applications 21-07-003 and 21-07-004 are closed.

This order is effective today.

Dated _____, at San Francisco, California.