

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



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Application of Suburban Water Systems (U339W) for Authority to Increase Rates Charged for Water Service by \$19,971,673 or 19.41% in 2027, by \$10,876,890 or 8.91% in 2028, and by \$10,831,656 or 8.15% in 2029.

A.26-01-\_\_\_\_  
(Filed January 2, 2026)

**APPLICATION OF SUBURBAN WATER SYSTEMS (U339W)  
FOR AUTHORITY TO INCREASE RATES CHARGED FOR WATER SERVICE**

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January 2, 2026

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A.26-01-\_\_\_\_

**APPLICATION OF SUBURBAN WATER SYSTEMS (U339W)  
FOR AUTHORITY TO INCREASE RATES CHARGED FOR WATER SERVICE**

As directed by the California Public Utilities Commission (“Commission”) in Decision 07-05-062 (Order Instituting Rulemaking to Consider Revisions to the General Rate Case Plan for Class A Water Companies, (“Rate Case Plan”)), Suburban Water Systems (“Suburban” or “Applicant”) hereby submits its general rate case (“GRC”) application to increase rates for water service.

**I. STATEMENT OF RELIEF SOUGHT**

With this application, Suburban seeks a general rate increase for water service for the total company in order to realize the following increased revenue:

<u>Year</u>	<u>Amount of Increase</u>	<u>Percent</u>
2027	\$19,971,673	19.41%
2028	\$10,876,890	8.91%
2029	\$10,831,656	8.15%

The following is a summary of the requested increase:

Comparison of Proposed Increase to Last  
Test Year Adopted and Recorded Actual Amounts  
(Dollar Amounts in Thousands)

	<u>Last Test Year Adopted</u>	<u>Last Recorded Year</u>
Total Rev Req \$	\$16,296.4	\$19,309.9
Total Rev Req %	15.29%	18.65%
Rate Base \$	\$104,977.8	\$64,162.1
Rate Base %	38.27%	20.36%
Operating Expenses \$	\$ 8,534.3	\$ 8,730.0
Operating expenses %	10.00%	10.26%
Rate of Return	-0.09%	1.77%

## **II. NECESSITY FOR GENERAL RATE RELIEF**

Basic to Applicant's request for authority to raise rates is the fact that, in the test years at its present general metered rates, any annual increase in revenues will be more than offset by increases in expenses, rate of return, including costs related to capital expenditures. Suburban has little opportunity for customer growth inasmuch as its service area is substantially built out. The customer count increased by 2.40% since Suburban's last GRC (from recorded year 2021 to recorded year 2024) which mainly was brought about by the Sativa System acquisition of approximately 1,300 unmetered customers in 2022. Suburban's last acquisition occurred in 2000. The general metered rates the Commission previously authorized will, with the passage of time, become unjustly and unreasonably low. The rates Suburban requests are just and reasonable and reflect pass through to customers of only increased costs to the Applicant for service.

### **A. Primary Factors for Increase**

As required by the Rate Case Plan, following are primary factors behind Suburban's request for increased rates:

### **Increased Volume Related Costs \$4,844,781**

In this rate case cycle purchased and groundwater pumping assessment water costs have increased by more than \$4,800,000 as compared to the adopted water costs in 2025. The volume related costs included in 2025 present rates were based on 2024/2025 cost per acre foot. The estimated volume related costs in Test Year 2027 are based on 2024/2025 rates.

### **Increased Shared Services Allocation Expense \$5,396,245**

The increase is predominately related to disallowance of costs allocation factor, including payroll and benefits in the last GRC. This is addressed in the testimony of Robert M. Hunter.

### **Three Tier Rate Design**

Pursuant to Decision (D.) 24-12-030, Suburban proposes to transition from a two-tier to three-tier rate design for residential water service. Suburban's three-tier rate design addresses the objectives stated in D.16-12-026 by improving revenue stability, promoting efficient water use, and ensuring affordability and equity for all customers. D.16-12-026 orders Class A water utilities to shift more water rate collection to fixed charges, with a floor of 40 percent revenues collected from fixed charges and up to 50 percent fixed charges. Suburban requests the lowest percentage, 40 percent, for its revenues collected from fixed charges. Please see Direct Testimony of David Mitchell for the three-tier conservation rate design.

Some of Suburban's non-residential customers are highly water intensive, such as juice beverage manufacturers. Water is a large component of their cost structure. Given the continued fragile state of the local economy, Suburban strongly recommends that for purposes of this proceeding that the Suburban's proposed three-tier rate structure not be expanded beyond the current residential customer class.

In this proceeding Suburban requests that the rate structure for residential customers be revised to the three-tier rate design, no change in the uniform rate design for non-residential

customers and that the current Monterey-style WRAM and long-standing incremental supply cost balancing accounts (“ICBA”) be changed to a decoupling Revenue Stabilization Mechanism (“RSM”).<sup>1</sup> We request that the current recycled water rate design that provides recycled water quantity rates set at 85% of the quantity rate of non-residential metered service be maintained. Suburban requests that any changes in cost of service and rates resulting from this proceeding be applied as proposed in this application; that is, applied uniformly to the rate design and decoupling RSM that the Commission ultimately approves beginning Test Year January 1, 2027.

#### **Payroll expense \$1,795,711**

The proposed increase in payroll expense is primarily a catch up from the previous GRC where adopted payroll for 2025 was less than the payroll expense requested in that GRC, and less than the actual payroll in 2025.

#### **Sativa System Capital Expenditures \$10,036,467**

The proposed increase in capital projects for the Sativa system, acquired in December 2022, is \$10,036,467 in escalation year 2028. These prudent and necessary projects were requested by Suburban in the previous GRC and denied.

### **III. LIST OF CONTENTIOUS ISSUES**

As required by the Rate Case Plan, Suburban includes potentially contentious issues in this application.

**Issue:** Water Conservation Program (Revenue requirement impacts for 2027 and 2028 are \$500,000 in each year). Water Conservation Expense reflects ongoing aggressive conservation efforts in recognition of continuing drought conditions, regulatory requirements, and political and

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<sup>1</sup> As part of the RSM, Suburban requests authorization for the Rate Stabilization Mechanism Balancing Account, Production Expense Balancing Account, and Sales Reconciliation Mechanism.

social pressure. The Company's conservation efforts are described in further detail in the Direct Testimonies of Lauren James and Maureen Erbeznik.

**Issue:** Parent Company Rate Base – (Revenue requirement impacts for 2027 and 2028 are \$457,443 and \$780,298, respectively). Year 2027 rate base is based on the previous capital expenditures for years 2018 through 2022, in addition to expenditures for years 2023 through 2027. Parent Company rate base consists primarily of plant in service less depreciation reserve and ADFIT allocated to Suburban based on the cost allocation methodology. Parent Company plant in service consists entirely of IT projects. Depreciation of Parent Company plant was calculated using the same depreciation rates as used by Suburban. No CWIP is included in Parent Company Rate Base inasmuch as projects are of relatively short duration and projects are typically completed within the same calendar year.

**Issue:** Decoupling Revenue Stabilization Mechanism – Suburban proposes to transition from the M-WRAM and ICBA to a decoupling RSM in this proceeding to address the potential for substantial revenue variability associated with the implementation of Suburban's proposed three-tier rate design.

#### **IV. COMPLIANCE MATTERS**

Suburban has complied with D.24-12-030 that included compliance items requiring that Suburban in its next GRC to prepare evidence and testimony related to the three-tier rate design, which Suburban has included and proposed in this GRC. Please see direct testimony of David Mitchell.

In compliance with D.24-02-014, Suburban has incorporated in this proceeding the compliance report pursuant to the settlement agreement between Corix Infrastructure, IIF, SW Merger Acquisition Corp., SouthWest Water Company, Suburban Water Systems, and the Public Advocates Office. Please see Attachment F to this Application.

#### **V. SPECIAL REQUESTS**

##### **A. Special Request No. 1: Various Offsets**

Suburban requests a one-time surcharge consisting of the sum of six offsets, in addition to

the residual amounts from previously authorized amortizations of Parent Company IT Rate Base and CEMA – COVID-19, which is proposed to be netted and charged to customers as a one-time surcharge \$.357 per hundred cubic feet of consumption per customer. Details of the various offsets is as follows:

No.	Description	Under/ (Over) Collection		
		Amount	Interest	Total
1.	ATR - Employee Transfer Memorandum Account	(\$62,870)	(\$7,471)	(\$70,341)
2.	Mandatory Conservation Memorandum Account	\$97,995	\$18,542	\$116,537
3.	Drinking Water Fees Balancing Account	\$48,003	\$12,777	\$60,781
4.	PFAS-Per-and Polyfluoroalkyl Substances Memorandum Account	\$120,910	\$14,488	\$135,398
5.	Sativa Transaction Memorandum Account	\$98,436	\$13,316	\$111,752
6.	Lead & Copper Rule Revisions Memorandum Account	\$111,073	\$14,471	\$125,543
Subtotal Amount		\$413,547	\$66,123	\$479,670
1.20% Add Franchise Fee				\$5,756
0.22% Add Uncollectible				\$1,055
Total Amount Before Offsets by Residual Previously Approved AL				\$486,481
7.	Residual Parent Co. IT Rate Base Offset (AL 365-W)	\$2,716	\$8,432	\$11,148
8.	Residual CEMA - COVID-19 Amortization (AL 408-W)	(\$33,797)	(\$2,042)	(\$35,840)
Request for Amortization Amount				\$461,790 (a)
Estimated 2027 Water Sales/Month (ccf)				1,294,737 (b)
One Time Surcharge/ccf = (a/b) =				\$0.357



**B. Special Request No. 2: Customer Assistance Program (CAP) Memorandum Account, and Update CAP Credit and Surcharge**

Suburban requests authority to amortize the CAP Memorandum Account with a debit balance of \$1,362,918 as of August 2025 as a one-year surcharge of \$.098 per 100 cubic feet of water used. In order to support the CAP program, beginning January 1, 2027, Suburban requests authority to increase the amount of CAP credit based on fifty percent of monthly service charge for ¾” meter size, and a surcharge increase from \$.09 (as of September 2025) to \$.195 per 100 cubic feet. This amount is based on the estimated increased participants from current to Test Year 2027. Furthermore, following the Test Year 2027, the CAP surcharge should be calculated based on the proforma rate increase.

**C. Special Request No. 3: Finding on Water Quality**

Suburban is in compliance with all water quality regulations and requirements and requests that the Commission make a finding that Suburban’s water quality meets all applicable state and federal drinking water standards and the provisions of General Order 103 based upon the evidence presented in the Direct Testimony of Michael De Ghetto.

**D. Special Request No. 4: Decoupling Revenue Stabilization Mechanism**

Suburban proposes to transition from the Monterey-Water Rate Adjustment Mechanism (M-WRAM) and Incremental Cost Balancing Account (ICBA) to a decoupling Revenue Stabilization Mechanism (RSM) to address the potential for substantial revenue variability associated with the implementation of Suburban’s proposed three-tier rate design. See the Direct Testimony of Carmelitha Bordelon for more information.

**E. Special Request No. 5: Subsequent Rate Changes**

Suburban requests explicit Commission authorization to incorporate into new rates any rate changes that occurred after this proceeding opened and acknowledgement that these changes will

also need to be placed into present rates for the determination of the actual rate increase caused by this application. This is discussed in the Results of Operations, Chapter 12.

#### **F. Special Request No. 6: Most Recent Escalation Rates**

Suburban requests that the adopted rates reflect the most current escalation rates published by the Commission's Public Advocates Office and the Consumer Price Index (CPI-U) at the time the final decision is issued. See Direct Testimony of Kiki Carlson for more information.

#### **G. Special Request No. 7: Interim Rates per Settlement Agreement**

In the event Suburban and Public Advocates reach a settlement agreement on the revenue requirement, and the final decision is not adopted on the first day of the Test Year 2027, Suburban requests that the Commission issue an interim decision allowing Suburban to implement interim rates at the levels reflected in the settlement agreement, subject to adjustment upward or downward when the final decision is adopted.

#### **H. Special Request No. 8: Reinstate Recycled Water Balancing Account**

Suburban requests approval of the reinstatement of the Recycled Water Balancing Account which was closed at the end of attrition year 2023 per D.21-10-024. See Direct Testimony of Kiki Carlson for more information.

#### **I. Special Request No. 9: Closing Selected Memorandum Accounts**

Suburban requests to delete the following Memorandum Accounts from its Preliminary Statement once the balance included in the Special Request No. 1 have been fully amortized and trued-up:

- Allocated Parent Company IT Rate Base Memorandum Account
- Sativa Transaction Memorandum Account

**J. Special Request No. 10: Request Backflow Device Upgrades Memorandum Account (BDUMA)**

Suburban requests an authorization to open Backflow Device Upgrades Memorandum Account in response to the adoption of Cross Connection Control Policy Handbook (CCCPH) by State Water Resources Control Board with the latest amendments on March 19, 2025. Suburban anticipates that the costs to modify or replace, and additional backflow assemblies will be too great to be included in the revenue requirement in this proceeding. Please see Direct testimony of Michael De Ghetto and Kiki Carlson for further explanations.

**K. Special Request No. 11: Lead and Copper Rule Revisions Memorandum Account**

Suburban requests authorization to retain this memorandum account due to the additional physical service line inspections which will be conducted on an ongoing basis, and the cost is unknown. Please see Direct Testimony of Michael De Ghetto for further explanation, and discussion in the Results of Operations, Chapter 5.

**VI. SB 960 SCOPING MEMORANDUM**

(A) Category: Ratesetting

(B) Are Evidentiary Hearings Necessary? Yes.

Potentially, there may be factual disputes on material issues, which will necessitate evidentiary hearings on such topics as water sales and operating revenue, operation and maintenance expenses, utility plant, depreciation, rate base, taxes, revenue requirements, conservation and customer service. Pursuant to the Rate Case Plan, Suburban based cost of capital on Decision 24-12-007, which established cost of capital for Suburban as well as three other applicants in that proceeding.

(C) Support: Suburban plans to introduce the following evidentiary items, as necessary, in support of its rate request: this application, exhibits to the application and testimony, together with Suburban's work papers, and Minimum Data Requirements Responses.

(D) Are Public Witness Hearings Necessary? Yes.

(E) Safety Considerations: Suburban has developed a number of comprehensive health and safety programs for employees to follow and management to utilize to comply with all applicable regulations and laws. Suburban is also proposing in this general rate case projects that will enhance and promote safety. These are addressed in the direct testimony of Jorge Lopez.

(F) Environmental and Social Justice Action Plan: Suburban's proposals in this general rate case help further the goals that the Commission has established in its Environmental and Social Justice Action Plan. This is addressed in the direct testimony of Carmelitha Bordelon.

## VII. SCHEDULE

The Commission's Rate Case Plan governs this application. Under the Rate Case Plan, the Commission should issue a final decision in December 2026. The schedule for the case is shown below. The day schedule shown is consistent with the Commission's Opinion Adopting Revised Rate Case Plan For Class A Water Utilities, D.07-05-062.

### PROPOSED 2026 GENERAL RATE CASE SCHEDULE SUBURBAN WATER SYSTEMS

No.	EVENT	DATE	14-Month Schedule	Item Scheduled Shift Due to Holidays/ Weekends
1.	Proposed Application Tendered	Mon, 11/03/25	(60)	1
2.	Deficiency Letter Mailed	Tue, 12/02/25	(30)	
3.	Appeal to Executive Director	Mon, 12/08/25	(25)	1
4.	Executive Director Acts	Fri, 12/12/25	(20)	
5.	<b>Application Filed/Testimony Served</b>	Fri, 01/02/26	<b>0</b>	1
6.	PHC & PPH Start Date	Mon, 01/12/26	10	1
7.	PHC Finish Date	Tue, 03/17/26	75	
8.	Update of Applicant's Showing	Mon, 02/16/26	45	1
9.	Public Participation Hearings (End Date)	Wed, 04/01/26	90	
10.	ORA Testimony	Wed, 04/08/26	97	
11.	Other Parties Serve Testimony	Wed, 04/08/26	97	

12.	Rebuttal Testimony	Thu, 04/23/26	112	
13.	ADR Process (Start Date)	Sun, 04/26/26	115	
14.	ADR Process (End Date)	Wed, 05/06/26	125	
15.	Evidentiary Hearings (if required - start)	Thu, 05/07/26	126	
16.	Evidentiary Hearings (if required - end)	Mon, 05/11/26	130	
17.	Opening Briefs Filed and Served	Wed, 06/10/26	160	
18.	Motion for Interim Rates	Wed, 06/10/26	160	
19.	Mandatory Status Conference	Thu, 06/11/26	161	
20.	Reply Briefs Filed & Served (with Comparison Exhibit)	Thu, 06/25/26	175	
21.	Water Division Technical Conference	Tue, 06/30/26	180	
22.	Proposed Decision Mailed	Mon, 08/31/26	240	2
23.	Comments on Proposed Decision	Fri, 09/18/26	260	
24.	Reply Comments	Wed, 09/23/26	265	
25.	Commission Meeting (TBD)	Thu, 10/08/26	280	

## **VIII. OTHER FORMAL MATTERS AND PROCEDURAL REQUIREMENTS**

(A) This application is made pursuant to Section 451 et seq. of the California Public Utilities Code.

(B) Applicant's legal name is Suburban Water Systems. Suburban's corporate office and post office address is 1325 N. Grand Avenue, Suite 100, Covina, CA 91724.

(C) Applicant Suburban Water Systems, a California corporation, organized under the laws of the State of California, October 23, 1953, is a Class A regulated water utility organized and operating under the laws of the State of California. Suburban provides water services in various areas of Los Angeles County and Orange County.

(D) A certified copy of Applicant's Articles of Incorporation and all amendments thereto have heretofore been filed with the Commission in connection with Application Nos. 41492, 44154, 53900, 57025, 83-08-29 and 06-08-015. The Articles of Incorporation have not been subsequently amended.

(E) None of the persons described in Section 2 of General Order No. 104-A has a material financial interest in any transaction involving the purchase of materials or equipment or the contracting, arranging, or paying for construction, maintenance work, or service of any kind to which Applicant has been a party during the period subsequent to the filing of Suburban's last

Annual Report with this Commission or to which Suburban proposed to become a party at the conclusion of the year covered by said Annual Report.

(F) Applicant is now and will be ready to proceed with its showing as prescribed by the Commission's Rate Case Plan.

(G) Applicant anticipates that, subsequent to the filing of this applicant and prior to the issuance of a decision by the Commission, Applicant may file one or more advice letter requests to offset unanticipated increases in expenses that may be incurred, or to file one or more advice letters requesting recovery or refund of captured balances in its various memorandum or balancing accounts. Any such offset rate increases requested by advice letter will be in addition to the increases in rates requested in this application. If necessary, such rate and revenue changes will be incorporated into the calculations of the final rates adopted in this proceeding.

#### **IX. CORRESPONDENCE, NOTICE, AND SERVICE**

Correspondence concerning this application should be sent to:

Carmelitha Bordelon  
VP, Regulatory Affairs and Finance  
Suburban Water Systems  
1325 N. Grand Avenue, Suite 100  
Covina, CA 91724-4044  
Telephone: 626-543-2547  
Email: Carmelitha.Bordelon@nexuswg.com

Copies of such correspondence and communication should be sent to:

Lori Anne Dolqueist  
Nossaman, LLP  
50 California Street, 34<sup>th</sup> Floor  
San Francisco, CA 94111-4799  
Telephone: (415) 398-3600  
Facsimile: (415) 398-2438  
Email: ldolqueist@mossaman.com

Within ten days of filing this final application, Applicant will cause to be published a notice of the proposed increases in a newspaper of general circulation in the area served and will file proof of publication with the Commission. Applicant will mail a copy of this application to the parties set forth in Exhibit C within 20 days of filing, as required by CPUC Rule 3.2(b).

## **X. EXHIBITS AND TESTIMONY**

Suburban provides the following exhibits and testimony in support of this application:

### **EXHIBITS**

Exhibit A	Income Statement and Balance Sheet
Exhibit B	Notice To Customers (for approval by the Public Advisors Office)
Exhibit C	Rule 3.2(b) Mailing List for Final Application
Exhibit D	Year 2025 Tariffs Rate Schedules
Exhibit E	Proposed Test Year 2027 Tariffs Rate Schedules
Exhibit F	D.24-02-014 Compliance Report
Exhibit G	Comparison Exhibit Explanation

### **SUPPORTING DOCUMENTS**

Suburban Water Systems, Results of Operations, Test Years Ending December 31, 2027 and 2028, and Attrition Year 2029 (“Results of Operations”).

Suburban Water Systems, 2020 Urban Water Management Plan. June 15, 2021.

Suburban Water Systems, Minimum Data Requirements.

Suburban Water Systems, Workpapers, Vols. I-VI (including Capital Project Descriptions, Water Main Renewal, and System Master Plans).

### **TESTIMONY**

Testimony of John J. Spanos	Depreciation; sponsoring <u>Results of Operations</u> Chapter 7, “Depreciation Accruals, Reserve For Depreciation”
Testimony of Kiki Carlson	Sponsoring <u>Results of Operations</u> Chapter 4 “Water Sales and Operating Revenues” as it relates to demand forecasts for industrial, public authority and recycled water and construction water customers, sales to other utilities; Chapter 5 “Operating Expenses” except for the areas of payroll expense, conservation expenses, insurance, parent company expenses and allocation methodology; Chapter 8, “Rate Base” as it relates to working cash; Special Request Nos. 1, 2, 5 – 10.
Testimony of Jeff Farney	Parent Company – Parent Company Rate Base and IT
Testimony of Robert M. Hunter	Indirect Parent Company Costs, Insurance, sponsoring <u>Results of Operations</u> Chapter 5, “Operating Expenses” as it relates to parent company expenses, and Cost Allocation Methodology.

Testimony of Stephen Johnson	San Gabriel Basin hydrogeology and groundwater quality.
Testimony of Jorge Lopez	Safety and Capital Projects; sponsoring <u>Results of Operations</u> Chapter 6 “Utility Plant.”
Testimony of Carmelitha Bordelon	Sponsoring <u>Results of Operations</u> Chapter 1, “Introduction”; Chapter 2, “Company History”; Chapter 3, “Company Operations”; Chapter 5, “Operating Expenses” as it relates to payroll expense; Chapter 8, “Rate Base”, except for working cash; Chapter 9, “Taxes”; Chapter 10, “Summary of Earnings”; Chapter 11, “Revenue Requirements”; Chapter 12, “Rates”; Special Request No. 4.
Testimony of Robert V. Mustich	Compensation Programs.
Testimony of Brian J. Devereux	Sponsoring <u>Results of Operations</u> , Chapter 5 as it relates to Medical, Prescription Drug, Dental Insurance Premium expense.
Testimony of Michael De Ghetto	Water Quality.
Testimony of Maureen K. Erbeznik	Making Conservation a California Way of Life Regulations.
Testimony of Thomas W. Chesnutt	<u>Results of Operations</u> Chapter 4 “Water Sales and Operating Revenues” as it relates to demand forecasts for residential and business.
Testimony of Lauren James	<u>Results of Operations</u> Chapter 5, “Operating Expenses” as it relates to Water Conservation Expenses.
Testimony of David Mitchell	<u>Results of Operations</u> Chapter 12 as it relates to three-tier conservation rate design for residential.
Testimony of Craig Gott	Affordability, Cost of Living, and Water Rates.

## **XI. CONCLUSION**

WHEREFORE, Suburban respectfully requests that this Commission issue its findings and an order to the effect that:

1. The present rates authorized for Suburban are projected to be, in the test years, unfair, unjust and unreasonable;
2. The rates proposed and requested by Suburban are fair, just and reasonable;
3. Suburban be granted the relief requested in of this application;



4. Suburban Water Systems be authorized to publish, file and make effective, beginning January 1, 2027, the proposed rates requested or such other rates as will result in the additional gross revenues requested in this application; and

5. For such other and further relief as is just.

Respectfully submitted on January 2, 2026.

By: /s/ Carmelitha Bordelon  
Carmelitha Bordelon

VP, Regulatory Affairs and Finance

SUBURBAN WATER SYSTEMS

## VERIFICATION

I am an officer of the applicant corporation herein and am authorized to make this verification on its behalf. The statements in the foregoing document are true of my own knowledge, except as to matters which are therein stated on information or belief, and as to those matters I believe them to be true.

I declare under penalty of perjury that the foregoing is true and correct.

Executed on January 2, 2026, at Pasadena, CA.

/s/ Craig Gott

Craig Gott, President  
Suburban Water Systems