

Decision 24-12-030 December 19, 2024

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of Suburban Water Systems (U399W) for Authority to Increase Rates Charged for Water Service by \$19,763,961 or 19.79% in 2024, by \$6,392,906 or 5.49% in 2025, and by \$6,387,933 or 5.20% in 2026.

Application 23-01-001

DECISION RESOLVING SUBURBAN WATER SYSTEMS' GENERAL RATE CASE INCREASES FOR 2024-2026

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**DECISION RESOLVING SUBURBAN WATER SYSTEMS' GENERAL RATE
CASE INCREASES FOR 2024-2026**

Summary

This decision adopts a total revenue requirement for each of the three rate case years for Suburban Water Systems (Suburban), with resulting percentage increases as set forth below:

Rate Year Period	Adopted Revenue Requirements	% Increase
Test Year (TY) 2024	\$99,873,237	8.02%
Escalation Year 2025	\$108,829,989	3.51%
Attrition Year 2026	\$112,635,258	3.38%

The adopted revenue requirements incorporate: (1) approval of undisputed issues and (2) disposition of remaining disputes as discussed below. The Summary of Earnings in Appendix C sets forth supporting elements of the adopted revenue requirements. We authorize Suburban to implement retail rate increases necessary to recover the adopted revenue requirements in accordance with the adopted rate design methodology set forth in this decision.

We find the revenue requirements noted above and resulting rate increases just and reasonable in accordance with Public Utilities Code § 451, and so we adopt them. We also find that Suburban's water quality meets all applicable state and federal drinking water standards and the provisions of General Order 103. We also have carefully examined whether there will be impacts on the Commission's Environmental and Social Justice (ESJ) Action Plan, including the extent to which increased rate charges may impact the achievement of the ESJ goals.

Based upon the rate design measures we adopt, as discussed below, we conclude that there will be no adverse impact on the achievement of ESJ goals in that regard.

We order Suburban to file a Tier 1 Advice Letter as specified in the ordering paragraphs to implement the adopted rate changes and all other directives of this order.

A.23-01-001 is closed.

1. Background

1.1. Suburban Water Systems

Suburban Water Systems (Suburban or Applicant) is a regulated Class A water utility that supplies and distributes potable water primarily in east Los Angeles County and is divided into two service areas. These service areas are approximately three miles apart, separated by the La Puente Hills. Suburban serves a population of approximately 300,000 people.

Suburban's districts are the San Jose Hills District (SJH) and the Whitter/La Mirada (WLM) District. SJH is three separate permitted water systems known as San Jose Hills, Glendora, and Covina Knolls. Glendora and Covina Knolls are small systems that both rely entirely on treated water purchased from Covina Irrigation Company (CIC), a local wholesaler with no retail customers of its own. More than half of SJH's water supply comes from four groundwater wells in the main San Gabriel basin. The remainder of SJH's supply is imported from the Metropolitan Water District (MWD) or purchased from other local suppliers.

WLM relies on a mix of pumped groundwater and imported or purchased water from wholesalers. Approximately 24 percent of La Mirada's supply is from groundwater and approximately 76 percent is purchased. WLM's supply is

approximately 68 percent groundwater and the remaining 32 percent is purchased.

1.2. Procedural Background

On January 3, 2023, Suburban filed its general rate case (GRC) Application (A.) 23-01-001 (Application) with the California Public Utilities Commission (Commission) requesting rate increases over a three-year period, beginning on January 1, 2024, and other relief, in accordance with the Rate Case Plan (RCP) prescribed in Decision (D.) 07-05-062 and D.04-06-018, and other applicable Commission decisions, resolutions, and standard practices.

Administrative Law Judge (ALJ) Resolution 176-3522 was issued on February 2, 2023. On February 6, 2023, the Public Advocates Office at the California Public Utilities Commission (Cal Advocates) filed a protest to A.23-01-001. No other party filed a protest or other response to the Application. On February 16, 2023, Suburban filed a reply to the protest.

On February 17, 2023, Suburban filed and served its Rule 3.2(e) Compliance Filing.¹ A prehearing conference (PHC) was held before the assigned Administrative Law Judge (ALJ) Gerald F. Kelly on May 1, 2023. A procedural schedule was developed during the PHC. At the PHC, Suburban and Cal Advocates confirmed that there were contested issues of fact that would require evidentiary hearings. The Assigned Commissioner's Scoping Memo and Ruling (Scoping Memo) was issued on May 25, 2023. Pursuant to the Scoping Memo schedule, on June 12, 2023, Suburban filed its "Motion for Authority to Implement Interim Rates by Tier 1 Advice Letter" (Interim Rates Motion), which was granted on June 16, 2023. The Scoping Memo directed Suburban to engage

¹ All references to Rule or Rules refer to the Commission's Rules of Practice and Procedure.

in the required alternative dispute resolution (ADR) meeting with an assigned ADR ALJ neutral. Suburban did not comply with this directive.

On August 28, 2023, two public participation hearings (PPH) were held virtually following notice to Suburban's customers, during which presentations were made by both Suburban and Cal Advocates.

Cal Advocates served its Opening Testimony on August 14, 2023. On September 5, 2023, Suburban served Rebuttal Testimony. Following the service of Suburban's Rebuttal Testimony, Suburban and Cal Advocates engaged in settlement negotiations, but were unable to resolve their differences. Some elements of the Application, accompanying testimony and exhibits, and responses to data requests were not and are not contested by Cal Advocates. As such, those issues are uncontested issues. Similarly, certain testimony and exhibits offered by Cal Advocates were and are agreed to by Suburban; thus, those issues are also uncontested issues.

Evidentiary hearings were held remotely on October 2, 3, and 4, 2023. On November 13, 2023, Cal Advocates and Suburban filed a motion seeking approval to submit confidential materials under seal. On November 15, 2023, Cal Advocates and Suburban filed a motion to move all exhibits into the record.²

A dispute arose concerning Cal Advocates request at the final day of evidentiary hearings to correct Cal Advocates Exhibit 1 and whether Cal Advocates could introduce a new cross examination exhibit.³ This dispute

² Because some of the issues in Suburban's Application were not contested by Cal Advocates, several witnesses were not called at the evidentiary hearings and therefore their testimony was not sponsored for admission at the evidentiary hearings. Therefore, it was necessary for Cal Advocates and Suburban to file said motion to identify and move these exhibits into the record.

³ Cal Advocates asserted that they had incorrect information which resulted in their Results of Operation Model containing inaccurate figures. Left uncorrected, this could have resulted in an adverse impact on ratepayers if inflated figures were used rather than the correct figures.

resulted in the parties having to submit Opening and Reply briefs on this disputed issue and ultimately required an additional day of evidentiary hearings that were held on January 26, 2024.⁴

Opening briefs addressing contested issues were filed February 23, 2024. Reply briefs on those issues were filed March 15, 2024. On April 2, 2024, this matter was reassigned from Commissioner Genevieve Shiroma to President Alice Reynolds. On May 20, 2024, Suburban filed a Motion to Reopen the Record to bring to the attention of the Commission the United States Environmental Protection Agency's (EPA) final National Primary Drinking Water Regulations for per- and polyfluoroalkyl substances (PFAS). The proceeding was submitted on May 20, 2024. On June 20, 2024, the Commission issued Decision (D.) 24-06-016, which extended the statutory deadline in this matter to November 3, 2024. On October 17, 2024, the Commission issued D.24-10-015, which extended the statutory deadline to December 31, 2024.

2. Uncontested Issues

There are issues which the parties agree on as it relates to various requests in the Application. Since they agree, we find these requests to be reasonable and we grant them as set forth below.

2.1. Special Requests

Suburban made several special requests in its Application. Cal Advocates did not dispute many of these requests. Therefore, we grant the uncontested special requests as set forth below.

⁴ Suburban refused to agree to a correction in Cal Advocates' exhibit. Suburban believed it was too late to make a correction and contended that Cal Advocates should be forced to rely on its original Results of Operations Model, even though it was inaccurate and contained inflated figures, which left unchanged could have been beneficial to Suburban and disadvantageous to ratepayers. This dispute resulted in the resolution of this proceeding being delayed by more than five months.

2.1.1. Special Request 1

Suburban requests a single refund consisting of the sum of nine offsets, which is proposed to be netted and refunded to customers as a one-time surcredit.⁵ There is no disagreement between the parties concerning this.⁶ Accordingly, we adopt the “under/ (over) collection after adjustment” as set forth in the table below.

No.	Description	Under/ (Over) Collection with Interest	Adjustment	Under/ (Over) Collection After Adjustment
A	ATR – Employee Transfer	(\$28,645)		(\$28,645)
B	Military Family Relief Program	\$3,230		\$3,230
C	Mandatory Conservation	\$50,657	(\$278)	\$50,379
D	Drinking Water Fees	\$23,360		\$23,360
E	PFAS-Per-and Polyfluoroalkyl Substance	\$70,833	(\$4,800)	\$60,033
F	Employee Healthcare	(\$377,033)		(\$377,033)
G	Water Contamination Litigation	\$12,966		\$12,966

⁵ See, Application at 7.

⁶ See, Suburban’s Exhibits 15 at 24-25; 26 and 26C at 789; and Cal Advocates’ Exhibit 4 at 3-27 to 3-32.

H	2020 Tax Cuts & Job Act (TCJA) Surcredit Amortization	\$297		\$297
I	Various Surcharge Amortization (Previously Approved)	\$55,235		\$55,235

2.1.2. Special Request 3 – Finding on Water Quality

Suburban is following all water quality regulations and requirements. Suburban's water quality meets all applicable state and federal drinking water standards and the provisions of General Order (GO) 103 based upon the evidence presented in this matter.⁷

2.1.3. Special Request 4 – Sativa Acquisition

This Special Request was eliminated prior to filing the final Application due to the closing of the Sativa acquisition.

2.1.4. Special Request 7 – Changes to Bad Check Charges

Suburban proposes to eliminate the Bad Check Charge for all customers by amending Rule Number (No.) 9, Rendering and Payment of Bills, Section B.1.⁸ Cal Advocates was not opposed to this request. Bad check charges tend to impact low-income customers the most and may represent an unnecessary impediment to low-income customers trying to maintain service. Therefore, Suburban's

⁷ See, Application at 7 and Cal Advocates' Exhibit 7 at 2-1.

⁸ See, Application at 9-10.

request to amend Rule No. 9, Section B.1 is granted and Suburban may eliminate the bad check charge for all customers.

2.1.5. Special Request 8 – Paperless Billing

Suburban is proposing to increase customer participation in paperless billing that would target all non-low-income customers that are not on paperless billing but who are participating in Suburban’s online portal and have provided an email address to Suburban.⁹ For new Suburban customers that sign-up for service via the online portal, Suburban is proposing that the default become paperless billing. The new customer would have to opt-out of paperless billing.

2.1.6. Special Request 9 – Update the Amortization of Water Revenue Adjustment Mechanism (WRAM) Balancing Account

Suburban requests to update the current WRAM balances as of August 2022.¹⁰ Cal Advocates notes that because Suburban’s account is a M-WRAM, which is addressed pursuant to Decision D.20-08-047, this request should be granted. Accordingly, we approve Suburban’s Special Request 9 and grant Suburban authority to update the WRAM balances as of August 2022.

2.1.7. Special Request 12 – Subsequent Rate Changes

Subsequent rate changes refer to any change to base rates that occurs after Suburban’s GRC Application is filed on January 3, 2023, and before the start of the new test year (TY) of January 1, 2024.¹¹ Subsequent rate changes are not part of the GRC forecasted revenue requirement for the TY, because all the facts are not known with certainty on the date of filing. Suburban notes that as a result,

⁹ See, Results of Operations, Chapter 12.

¹⁰ See, Application at 10-11.

¹¹ See, Application at 12-13.

any Commission-approved increase in revenue requirement would fail to reflect these changes once new rates go into effect unless Suburban is authorized to incorporate the additional revenue requirement into the final GRC rates.¹²

Suburban requests explicit Commission authorization to incorporate into new rates any subsequent rate changes 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.

Cal Advocates took no position on this request. Accordingly, we grant Suburban's Special Request 12.

2.1.8. Special Request 13 – Change Low-Income Rate Assistance (LIRA) to Customer Assistance Program (CAP)

Pursuant to D.20-08-047, Suburban requests to change the designation LIRA to CAP.¹³ Cal Advocates did not oppose this request. Therefore, Suburban's Special Request 13 is granted.

2.1.9. Special Request 14 – Closing Selected Memorandum Accounts

Suburban requests elimination of three Memorandum Accounts from its Preliminary Statement that have been fully amortized and are no longer necessary. They are as follows: School Lead Testing Memorandum Account; TCJA Memorandum Account; and A.18-05-004 Cost of Capital Memorandum Account.¹⁴ Cal Advocates supports this request.¹⁵ Accordingly, Special Request 14 is granted.

¹² See, Suburban's Exhibit 34 at 12-6.

¹³ See, Application at 13.

¹⁴ Id.

¹⁵ See, Cal Advocates' Exhibit 4-38.

2.1.10. Special Request 15 – Lead and Copper Rule

In a recent Federal Register Notice, the EPA announced that revisions to the Lead and Copper Rules (LCRR) will go into effect to support near-term development of actions to reduce lead in drinking water. In the Application, Suburban initially requested a memorandum account to ensure LCRR costs were recovered.¹⁶ Suburban subsequently requested approval to withdraw Special Request 15 from its Application. On September 7, 2023, the assigned ALJ issued an email ruling granting Suburban authority to remove Special Request 15 from its Application. Therefore, this issue is no longer before us.

2.1.11. Special Request 16 – Update Whittier/La Mirada Service Area Map

Suburban requests authorization to update its Whittier/La Mirada Tariff Area Map to include the Sativa System, and to cancel the tariff page representing the Sativa service area map.¹⁷ Cal Advocates does not contest this request. Accordingly, Special Request 16 to update Whittier/La Mirada Tarif Area map to include the Sativa System and to cancel the tariff page representing the Sativa service area map is granted.

2.2. Water Sales

Suburban sells water to several customer classes and charges both a fixed service charge and a quantity charge. The quantity charge is a Single Quantity Rate (SQR) for all customers except residential customers who are under an increasing two block rate design. To forecast Test Year sales, Suburban forecasts the number of customers and then the per customer sales. The number of customers times the sales per customer is the forecasted total sales.

¹⁶ See, Application at 13-14.

¹⁷ See, Application at 14.

There is no disagreement between Suburban and Cal Advocates on various aspects relating to estimated water sales.¹⁸ Specifically, there is no disagreement as it relates to the following: SJH Industrial Water Sales; WLM Industrial Water Sales; SJH Public Authority Water Sales; WLM Public Authority Water Sales; WLM Water Sales to Other Water Companies; SJH Construction Water Sales; WLM Construction Water Sales; and SJH Recycled Water Sales.

Since Suburban and Cal Advocates agree, we accept the estimates relating to water sales.

2.3. Customer Count

Suburban forecasts the TY customer count using the five-year average growth rate (2017-2021), which is in line with the Revised Rate Case Plan (RRCP).¹⁹ There is no disagreement between Suburban and Cal Advocates on various aspects relating to Customer Counts.²⁰ Specifically, there is no disagreement as it relates to the following: SJH and WLM Average Metered Residential; SJH and WLM Average Metered Business; SJH and WLM Average Metered Industrial; SJH and WLM Average Metered Public Authority; WLM Average Metered Other Water Utility Customers; SJH and WLM Average Metered Construction; SJH Average Metered Recycled; SJH and WLM Private Fire Protection; and SJH and WLM Fire Hydrant Service on Private Property. The customer counts are as follows:

Customer Count TY 2024

Customer Class	SJH	WLM
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¹⁸ See, Suburban's Exhibits 25 at 21, 22, 26-27, and 29-30; 34 at Chapter 4; and Cal Advocates' Exhibit 4 at 1-3.

¹⁹ D.07-05-062, Appendix A at A-23, footnote 4 and 5 (which outlines the process by which a utility should forecast sales.

²⁰ See, Suburban's Exhibits 25 at 2-13; 34 at Chapter 4; and Cal Advocates' Exhibit 4 at 1-3.

Residential	39,832	32,835
Business	2,369	2,036
Industrial	21	15
Public Authority	149	138
Other Water Utilities	0	14
Construction	17	19
Recycled	42	0
Private Fire	387	411

Since TY customer forecast aligns with the RRCP and there is no disagreement between Suburban and Cal Advocates regarding this, we accept the above referenced customer counts.

2.4. Other Water Revenues

The parties are also in agreement as it relates to various “Other Water Revenues.” Specifically, there is no dispute regarding the following: Miscellaneous Service Revenues in the amount of \$24,401;²¹ Rule No 9 removal of bad check/electronic transfer not honored fees in the amount of (\$942);²² Non-Tariffed Products & Services (NTP&S²³) Related to Sativa Operation & Maintenance (O&M) Contract, NTP&S Related to Cell Tower Leases, NTP&S Related to Recycled Water, and NTP&S Related to Lifeline Adjustment for a total

²¹ See, Suburban’s Exhibits 25 at 18; 34 at Chapter 4, Table 4-1; and Cal Advocates’ Exhibit 4 at 1-11.

²² See, Suburban’s Exhibits 25 at 18; 34 at Chapter 5 at 5-7; and Cal Advocates’ Exhibit 4 at 1-11.

²³ Suburban has four different NTP&S, each of which Suburban collects revenues from and allocates the revenues between ratepayers and shareholders.

NTP&S Revenue of \$240,224;²⁴ and Amortization of Deferred Revenues in the amount of \$35,564.²⁵ Total TY Other Revenues are approved in the amount of \$263,683.

2.5. Rate Design

There is no dispute concerning the 30%/70% split between recovering revenues from fixed and quantity charges and the fixed charge ratio by meter size. Accordingly, fixed charges to be collected from service charges will remain at 30% of the revenue requirement based on meter size. This approach helps to encourage conservation by the customers.²⁶

2.6. Rate Base

There is no disagreement between Suburban and Cal Advocates relating to various depreciation calculations in this Application.²⁷ Many water utility operations when taken out of service typically do not have a salvage value due to the cost of removal, which is known as negative salvage value. An example of this would be when a well is removed from service, there is a cost to fill and cap the well.²⁸

Suburban prepared depreciation estimates in accordance with Standard Practice U-4-W. Suburban calculated a composite depreciation rate of 3.711%.²⁹ Cal Advocates agrees that this calculation is consistent with Suburban's historical

²⁴ See, Suburban's Exhibits 15 at 22; 25 at 18; 26 and 26C at 1-25; 34 at 1-25 and Chapter 4 at 4-3; 36 and 36C; and Cal Advocates' Exhibit 4 at 1-12 and 1-13

²⁵ See, Suburban's Exhibit 34, Chapter 8 and 8-3 and 8-12 and Cal Advocates' Exhibit 4 at 1-10.

²⁶ See, Suburban's Exhibit 34 at 12-1 to 12-2 and Cal Advocates' Exhibit 4 at 1-3 and 1-11.

²⁷ See, Suburban's Exhibit 1 at 3-14, Attachment 1; and Cal Advocates' Exhibit 6 at 22-23.

²⁸ Some water utility assets do have a positive salvage value such as a meter that can be scrapped for metal or a vehicle that may have a trade-in value.

²⁹ See, Suburban's Exhibit 1 at 13-14.

composite depreciation rate and does not dispute this calculation.³⁰ Suburban and Cal Advocates are also in agreement on the calculation of composite depreciation rate for Contributions in Aid of Construction (CIAC)³¹.

Since there is no dispute concerning these items, we approve the average depreciation reserve of \$152.842 million for base year 2023, \$164.484 million for TY 2024, and \$177.702 million for TY 2025.³²

2.7. Rate Base Components

There is no disagreement relating to certain rate base components. Specifically, Suburban and Cal Advocates agree to the following rate base components³³:

	2024	2025
Advances for Construction	\$7.080 million	\$6.841 million
CIAC	\$19.891 million	\$18.632 million
Unamortized Investment Tax Credits	\$35,286	\$24,569
Accumulated Deferred Taxes, Taxable Advances for Construction	-\$51,662	-\$47,383
Accumulated Deferred Taxes, Taxable CIAC	-\$3.177 million	-\$3.062 million
Unamortized Deferred Revenue, Taxable CIAC	\$330,397	\$362,104
Accumulated Deferred Income Taxes -	\$13.150 million	\$13.361 million

³⁰ See, Cal Advocates' Exhibit 6 at 21.

³¹ See, Cal Advocates' Exhibit 6 at 26.

³² See, Cal Advocates' Exhibit 6 at 22-23.

³³ See, Suburban's Exhibits 25, Table 8-1 and Table 9-3; 34, Chapter 8; and Cal Advocates' Exhibit 6 at 25-26.

Depreciation Timing Difference		
Accumulated Deferred Income Taxes – Interest During Construction (IDC)	-\$2.974 million	-\$3.742 million
Amortization of Interest During Construction	\$827,979	\$962,309
Allocated SWWC (Parent Co.) Rate Base	\$4.986 million	\$5.975 million
Accumulated Deferred Tax Asset Related to CIAC	-\$889,776	-\$853,421
Tax Cuts and Jobs Act (TCJA) – Cumulative Unprotected Interest During Construction (IDC) and Other per Advice Letter (AL) 337-W	\$101,724	\$116,256
TCJA Protected Excess Deferred Items (per AL 337-W)	-\$1.477 million	-\$1.656 million

Suburban and Cal Advocates are also in agreement for working cash allowance average lag days for various items.³⁴ These items are: Labor; Pumped Water Assessment, M.B.; Pumped Water Assessments, C.B.; Franchise Requirements; Regulatory Commission Expenses; Commission Reimbursement Fee; Transportation Expenses; Property Insurance; Employees' 401K; Employee Benefits – Health Insurance; Employee Benefits – Training & Recruitment; Other Operating Expenses; Depreciation Expenses; Federal Insurance Contributions

³⁴ The estimates of working cash included in rate base were computed in accordance with Commission Standard Practice U-16.

Act; Other Payroll Taxes; Current Income Taxes; Deferred Income Taxes; Deferred Investment Tax Credits; and Revenue Lag Days.³⁵

Since there is no disagreement between the parties on these rate base issues, we approve them.

2.8. Escalation

Cal Advocates' Executive Summary Report on 2022 Recorded Data recommended that Suburban update the escalation factors in the Result of Operations (RO) Model to the most up to date factors available at the time of the decision.³⁶ Suburban in its rebuttal testimony agrees with this recommendation.³⁷

We agree that the most up to date escalation factors should be used. Suburban shall use the escalation factors available at the time of the issuance of the adopted decision in this proceeding.

2.9. Capitalization

There is no disagreement that employee benefits are computed at a level of 43% of capitalized payroll beginning in TY 2024.³⁸ There is no disagreement that transportation expenses capitalized are at a level of 14% of total capitalized payroll effective with TY 2024.³⁹ There is also no disagreement concerning the percent of Administrative Expense Capitalization at 9%.⁴⁰ We find this to be reasonable.

³⁵ See, Suburban's Exhibits 25 at Table 8-2 and 34 at Chapter 8.

³⁶ See, Cal Advocates' Exhibit at 3-1.

³⁷ See, Suburban's Exhibit 15 at 2.

³⁸ See, Suburban's Exhibit 34 at 5-5.

³⁹ See, Suburban's Exhibit 34 at 5-5.

⁴⁰ See, Suburban's Exhibit 37 at 52 and Cal Advocates' Exhibit 22 at 37:15.

2.10. Expenses

There is no disagreement regarding various categories of expenses between Cal Advocates and Suburban. Additionally, Suburban agrees to accept Cal Advocates' forecast using 2022 data and a five-year average. There is agreement on the following⁴¹:

Maintenance of Wells Expenses – Well Repairs

TY 2024
\$315

Maintenance of Pumping Equipment Expenses – Field Supplies

TY 2024
\$14,901

Maintenance of Pumping Equipment Expenses – Clay Valves

TY 2024
\$2,950

Maintenance of Pumping Equipment Expenses – Electric Motors

TY 2024
\$28,017

Maintenance of Pumping Equipment Expenses – Gas Engines

TY 2024
\$26,764

Maintenance of Pumping Equipment Expenses – Pump Repairs

TY 2024
\$1,680

Maintenance of Pumping Equipment Expenses – Lube Oils-Pump

TY 2024
\$6,450

Operation Labor & Expenses – Field Supplies

TY 2024
\$16,630

Operation Labor & Expenses – Lab Services

⁴¹ See, Suburban's Exhibit 25 at 65-71.

TY 2024
\$190,155

Operation Labor & Expenses – State Water Board Fees

TY 2024
\$209,722

Chemicals & Filtering Material Expenses – Water Treatment

TY 2024
\$274,117

Storage Facilities Expenses – Gardening Services

TY 2024
\$233,862

Maintenance of Reservoirs & Tank Expenses – Maintenance of Reservoirs

TY 2024
\$32,521

Maintenance of T&D Mains Expenses – T&D Line Repair

TY 2024
\$125,987

Maintenance of T&D Mains Expenses – Outside Services

TY 2024
\$17,456

Maintenance of T&D Mains Expenses – Gardening Maintenance

TY 2024
\$17,004

Maintenance of T&D Mains Expenses – Field Supplies

TY 2024
\$31,803

Maintenance of T&D Mains Expenses – Field Equipment Repair

TY 2024
\$762,166

Maintenance of T&D Mains Expenses – Permits

TY 2024
\$29,111

Maintenance of T&D Mains Expenses – Street Repairs

TY 2024
\$4,747

Maintenance of T&D Mains Expenses – Small Tools

TY 2024
\$86,641

Maintenance of Services Expenses – Gardening Maintenance

TY 2024
\$1,506

Maintenance of Services Expenses – Service Line Repair

TY 2024
\$150,581

Maintenance of Services Expenses – Street Repairs

TY 2024
\$3,295

Maintenance of Meters Expenses – Field Supplies

TY 2024
\$3,099

Maintenance of Meters Expenses – Maintenance of Meters

TY 2024
\$81,795

Maintenance of Hydrants – Fire Hydrant Repair

TY 2024
\$9,629

Meter Reading Expenses – Uniforms/Clothing

TY 2024
\$101,098

Customer Record & Collection Expenses – Customer Service Other

TY 2024
\$6,047

Office Supplies & Other Expenses – Safety Supplies

TY 2024
\$98,782

Office Supplies & Other Expenses – Building Supplies

TY 2024
\$99,004

Office Supplies & Other Expenses – Break Room & Supplies

TY 2024
\$26,851

Office Supplies & Other Expenses – Customer Service Other

TY 2024
\$86,004

Office Supplies & Other Expenses – Travel/Expense Report

TY 2024

\$70,517

Office Supplies & Other Expenses – Removal of Operation Gobble Expense

TY 2024

\$38,125

Office Supplies & Other Expenses – Office Supplies

TY 2024

\$77,020

Office Supplies & Other Expenses – Subscriptions

TY 2024

\$23,143

Office Supplies & Other Expenses – Recruiting

TY 2024

\$11,894

Office Supplies & Other Expenses – Temp Employment Services

TY 2024

\$125,269

Office Supplies & Other Expenses – Professional Dues - Personal

TY 2024

\$17,663

Office Supplies & Other Expenses – Telecommunications

TY 2024

\$549,093

Office Supplies & Other Expenses – Machine Rent/Repair

TY 2024

\$57,339

Office Supplies & Other Expenses – Community Relations

TY 2024

\$8,833

Office Supplies & Other Expenses – Other Expenses

TY 2024

\$59,055

Property Insurance Expenses – Property, Contractor’s Equipment & Excess
Earthquake Insurance

TY 2024

\$437,796

Injuries & Damages Expenses – Claims Paid

TY 2024

\$12,526

Injuries & Damages Expenses – Workers Compensation Claim & Insurance

TY 2024

\$146,714

Injuries & Damages Expenses – Premises Pollution Insurance

TY 2024

\$50,817

Injuries & Damages Expenses – Umbrella Liability Insurance

TY 2024

\$122,946

Injuries & Damages Expenses – General Liability Insurance

TY 2024

\$756,022

Employee Pension & Benefits – Safety/Compliance Training

TY 2024

\$28,166

Employee Pension & Benefits – Training/Seminars

TY 2024

\$117,492

Employee Pension & Benefits – Auto Allowance

TY 2024

\$107,746

Outside Services Expenses – Legal Fee

TY 2024

\$226,077

Outside Services Expenses – Audit Fee

TY 2024

\$209,267

Outside Services Expenses – Other Professional Services

TY 2024

\$174,092

Misc General Expenses – Affiliate Transaction Rules Expenses

TY 2024

(\$385,672)

Maintenance of General Plant Expenses - Telemetry

TY 2024
\$14,785

Maintenance of General Plant Expenses - Janitorial Service/Supplies

TY 2024
\$77,243

Maintenance of General Plant Expenses - Building Maintenance

TY 2024
\$29,401

Maintenance of General Plant Expenses - Machine Rent/Repair

TY 2024
\$75,312

Maintenance of General Plant Expenses - Rent/Lease

TY 2024
\$750,491

Since there is no disagreement concerning the above-referenced expenses, we find that they are reasonable and approve them.

2.11. Capital Projects

The Application included various requests for capital projects. The capital projects are separated into four categories: (1) pipeline replacement projects, (2) annual projects (3) planned projects and (4) Sativa Water System Projects and include capital projects for 2023, 2024, and 2025. There is no dispute concerning several recurring capital projects as set forth below.

2.11.1. Communication Equipment

Communication Equipment is an ongoing annual program that replaces the components of the System Control and Data Acquisition System (SCADA) that is the telemetry and instrumentation that measures and controls the water system. This program includes the purchase and installation of Remote Terminal

Units (RTU), backup batteries, radio and data phone line communication, and pressure, flowrate, and level sensors.

The forecasted budget for 2023 to 2025 was determined using the average annual expenditures of five years from 2017 through 2021. One-time non-recurring work related to the SCADA Master Plan was excluded from the five-year average. The total estimated budget includes General Administration that considers Suburban's general administrative expenses. The five-year average is \$72,000.

The Communication Equipment Annual Projects (A-Projects) for Suburban are known as A-2 for 2023, A-27 for 2024, and A-52 for 2025. The agreed upon amount for each year is \$72,000.⁴² Since there is no dispute between Cal Advocates and Suburban regarding Communication equipment, we find this to be reasonable.

2.11.2. Government Projects

Governmental Projects is an ongoing annual program that funds the adjustment of existing facilities by replacement or relocation to resolve conflicts with and accommodate improvements constructed by Government agencies such as Cities and Counties. Government projects include but are not limited to street widening and parkway improvements, disabled access ramps, utility and light pole installations, and tree planting. Suburban's franchise agreements with the Cities and the Counties require Suburban pay for improvements required to resolve these conflicts.

The government projects set forth in this proceeding and agreed upon by Suburban and Cal Advocates are as follows: A-3 for 2023 in the amount of

⁴² See, Suburban's Exhibit 11 at 52-53, 146, and 258.

\$100,000; A-28 Sativa Projects in 2023 in the amount of \$250,000; and A-53 in the amount of \$400,000 for 2025.⁴³ Because there is no dispute between the parties concerning government projects, we find these figures to be reasonable.

2.11.3. Vault Replacements

Vault Replacements and Refurbishments is an ongoing annual program. This program funds the replacement and refurbishment of the existing vaults with structural and safety deficiencies. Vaults are buried concrete structures that provide access to underground piping, pumps, pressure control valves, meters, and fire service backflow devices. Over time, vaults can settle, crack and warp, creating a pedestrian tripping or fall hazard at the surface. These vaults must be replaced and refurbished to eliminate this public safety hazard.

The forecasted budget for 2023 to 2025 was determined using the average annual expenditures of five years (2017-2021). The average of these expenditures is \$27,000. The vault projects set forth in this proceeding and agreed upon by Suburban and Cal Advocates are as follows:⁴⁴ Because there is no dispute between the parties concerning vault replacements, we find the yearly average of \$27,000 to be reasonable and approve this yearly amount.

2.11.4. Tools, Shop and Garage Equipment

Field Equipment is an ongoing annual program. This program funds the purchase replacements for long-life field equipment such as jackhammers, air compressors, saws, and trash pumps. Replacement is required because existing equipment reaches the end of its useful life and fails.

The forecasted budget for 2023 to 2025 was determined using the average annual expenditures of five years (2017-2021). The average of these expenditures

⁴³ See, Suburban's Exhibit 11 at 54, 147, and 259.

⁴⁴ See, Suburban's Exhibit 11 at 68, 162, and 275.

is \$111,000. The tools, shop & garage equipment set forth in this proceeding and agreed upon by Suburban and Cal Advocates are as follows: A-11 for 2023; A-36 for 2024; and A-61 for 2025.⁴⁵ Because there is no dispute between the parties concerning tools, shop & garage equipment, we find the yearly average of \$111,000 to be reasonable and we approve this amount.

2.11.5. Office Equipment

Office Equipment is an ongoing annual program to purchase long-life equipment used in the office buildings, including electronic equipment, desk phones and plotters.

The forecasted budget for 2023 to 2025 was determined using the average annual expenditure of five years (2017-2021). The average of these expenditures is \$32,000. The office equipment capital projects set forth in this proceeding and agreed upon by Suburban and Cal Advocates are as follows: A-12 for 2023; A-37 for 2024; and A-62 for 2025.⁴⁶ Because there is no dispute between the parties concerning office equipment, we find the yearly average of \$32,000 to be reasonable and approve this yearly amount.

2.11.6. Water Quality Treatment Improvements

Water Quality Treatment Equipment is an ongoing annual program that purchases replacement water treatment equipment, such as valves, chemical dosing pumps, chemical tank piping, and lab testing equipment such as portable colorimeters and turbimeters. This ongoing replacement is required because the existing equipment reaches the end of its useful life.

The forecasted budget for 2023 to 2025 was determined using the average annual expenditures of five (5) years (2017-2021). This calculation does not

⁴⁵ See, Suburban's Exhibit 11 at 69, 163, and 276.

⁴⁶ See, Suburban's Exhibit 11 at 70, 164, and 277.

include costs for installing sampling station projects in 2018. The average of these expenditures is \$37,000. The water quality treatment improvements set forth in this proceeding and agreed upon by Suburban and Cal Advocates are as follows: A-13 for 2023; A-38 for Sativa 2023; and A-63 for 2025.⁴⁷ Because there is no dispute between the parties concerning water quality treatment improvements, we find the yearly average of \$37,000 to be reasonable and approve this amount.

2.11.7. Blow Off Replacements (Reactive)

Blow-off Assembly Replacement is an ongoing annual program that replaces blow-off assemblies that have reached the end of their life and are no longer functioning. The forecasted budget for 2023 to 2025 was determined using the average annual expenditures of five years (2017-2021). The average of these expenditures is \$84,000.

The blow-off replacements set forth in this proceeding and agreed upon by Suburban and Cal Advocates are as follows: A-14 for 2023; A-39 for 2024; and A-64 for 2025.⁴⁸ Because there is no dispute between the parties concerning blow-off replacements, we find the average of \$84,000 per year to be reasonable and approve this amount.

2.11.8. Air Release Valve Replacement

Air Release Assembly Replacements is an ongoing annual program that replaces air release assemblies that fail and reach the end of their useful life. Suburban identifies, inspects, repairs, and replaces air release valves throughout the system.

Air release valves are essential components of the water distribution system. They automatically release air from the system when it collects at high

⁴⁷ See, Suburban's Exhibit 11 at 71, 165, and 278.

⁴⁸ See, Suburban's Exhibit 11 at 72-73, 166, and 279.

points. Without air release valves, air would accumulate at high points in pipelines, building in pressure and eventually restricting flow in pipelines. Also, trapped air magnifies the damaging effects of water hammer. Further, these valves allow air to enter the piping system when pipelines are dewatered. Without air release valve assemblies, air would not be able to enter the pipeline when it was being drained, creating negative pressure inside the pipeline that could lead to pipeline collapse.

The forecasted budget for 2023 to 2025 was determined using the average annual expenditures of five years (2017-2021). The average is \$61,000. The air release valve replacements set forth in this proceeding and agreed upon by Suburban and Cal Advocates are as follows: A-17 for 2023; A-42 for Sativa 2023; and A-67 for 2025.⁴⁹ Because there is no dispute between the parties concerning air release valve replacements, we find an average of \$61,000 per year to be reasonable and approve this amount.

2.11.9. Plant Paving Project

The Plant Paving Project is an ongoing annual program that slurry seals existing Asphalt Cement (AC) pavement surfaces at plant sites to extend the useful life of paved surfaces and make repairs as needed.

Suburban determined the forecasted budget for 2023-2025 based on resealing plant sites on a five-year cycle. The cost of each facility is determined by multiplying the square footage by the unit cost of applying the sealant. Suburban maintains a cost library of the average unit costs from contractor bids.

The paving projects set forth in this proceeding and agreed upon by Suburban and Cal Advocates are as follows: A-18 for 2023; A-43 for 2024; and A-

⁴⁹ See, Suburban's Exhibit 11 at 76, 170, and 283.

68 for 2025.⁵⁰ Because there is no dispute between the parties concerning plant paving projects, we find these figures to be reasonable and approve them. The amounts approved are as follows: \$71,000 for 2023; \$72,000 for 2024; and \$75,000 for 2025.

2.11.10. Control Valve Refurbishment Program

Control Valve (Cla-Val) Refurbishments is an ongoing annual program. This program funds rebuilding and refurbishing Suburban's pressure and flow control valves to ensure reliable service. Control valves are mechanical devices that constantly adjust and are subject to wear and tear. The control valve's internal components are exposed to corrosive environments that break down metallic and rubber parts.

Without refurbishment, their components will fail. Suburban has over 280 control valves that perform critical functions such as pressure reducing, sustaining, relief, flow control, reservoir level control, and pump control. These valves are essential to Suburban's ability to protect the distribution system and the customer's private water systems from over-pressurization. Also, these valves are often critical sources of water for fire protection.

The forecasted budget for 2023 to 2025 was determined using the average annual expenditures of five years (2017-2021). The average is \$173,000. The control valve refurbishment set forth in this proceeding and agreed upon by Suburban and Cal Advocates of \$173,000 per year for the control valve refurbishment program, we find a yearly average of \$173,000 to be reasonable and approve this amount.

⁵⁰ See, Suburban's Exhibit 11 at 77-78, 171-172, and 284-285.

2.11.11. District Office Furniture

Office Furniture is an ongoing annual program that funds the purchase of capitalized office furniture used at Suburban's offices, including ergonomic equipment and chairs. The forecasted budget for 2023 to 2025 was determined using the average annual expenditures of five (5) years (2017-2021). The average is \$17,000.

The control office furniture set forth in this proceeding and agreed upon by Suburban and Cal Advocates are as follows: A-20 for 2023; A-45 for Sativa 2023; and A-70 for 2025.⁵¹ Because there is no dispute between the parties concerning district office furniture, we find the use of an annual average of \$17,000 to be reasonable and approve that as the yearly budget.

2.11.12. Software

IT Software Upgrades is an ongoing annual program. This program purchases computer and printer software for the company's offices and billing center. The new or upgraded software is purchased as the need is determined due to continually improving technology and resulting support limitations for outdated software versions. The budget is based on cost estimates of software that will be purchased and upgraded provided by Suburban's IT Department. The cost is \$2,000.

The software costs set forth in this proceeding and agreed upon by Suburban and Cal Advocates are as follows: A-24 for 2023; A-49 for Sativa 2023; and A-74 for 2025.⁵² Because there is no dispute between the parties concerning the software upgrade request, we find \$2,000 to be reasonable and approve this amount.

⁵¹ See, Suburban's Exhibit 11 at 81, 175, and 288.

⁵² See, Suburban's Exhibit 11 at 85, 1759 and 292.

2.11.13. Sativa Projects: Well 3 Transfer Switch

There are several capital improvement projects which Suburban asserts are necessary to bring Sativa into compliance with its permit from the State Water Resources Control Board (SWRCB) Division of Drinking Water (DDW). One of these projects is the Well 3 Manual Transfer Switch Project which is estimated at \$307,000. In response to Cal Advocates' testimony Suburban withdrew this project.⁵³ Accordingly, this is no longer an issue for consideration in this proceeding.

2.12. Suburban's Compliance with Applicable Water Quality Standards

The Parties agree that Suburban is in compliance with all applicable water quality regulations and requirements and request a Commission finding that Suburban's water quality meets all applicable state and federal drinking water standards and the provisions of GO 103 and complies with all Commission Rules, Decisions and statutes.⁵⁴ We find Suburban's water quality meets all applicable state and federal drinking water standards and the provisions of GO 103, based on the evidence presented.

3. Contested Issues

In addition to the issues that were undisputed in this Application, there are numerous issues in the scope of this proceeding which remain contested.

The general framework for our review of those contested issues comes under provisions of the RCP for Class A water utilities prescribed in D.04-06-018 and D.07-05-062. Pursuant to the RCP, Suburban is authorized to request general

⁵³ See, Suburban's Exhibit 23 at 111.

⁵⁴ See, Suburban's Exhibits 18, 36, 36C, MDR Attachments 10-12, 15-17, 21; Cal Advocates' Exhibits 3 at page 2-34; and 7 at Chapter 2.

rate changes covering the three-year period, namely, 2024 (TY), 2025 (Escalation Year) and 2026 (Attrition Year).

Suburban carries the burden of proof to show that its requests for rate changes and other regulatory relief are just and reasonable, and to affirmatively establish the reasonableness of all aspects of its Application in accordance with RCP requirements. Cal Advocates does not have the burden of proving the unreasonableness of the applicant's showing

3.1. Escalation and Attrition Year Filings

Cal Advocates recommends the Commission require Suburban to submit Tier 2 Advice Letters in 2025 and 2026 for both increases and decreases in rates, citing past instances where the Commission found it in the ratepayers' best interest for utilities to file escalation year filings regardless of rate direction.⁵⁵ Cal Advocates highlights that this will help to ensure transparency and fairness in rate adjustments. Cal Advocates argues that by not doing this, it could potentially allow Suburban to file selective filings that could obscure overearnings.

Suburban claims this proposal is unjustified, contrary to established Commission RCP, and unnecessarily burdensome.⁵⁶ Suburban highlights several points to support its stance:

Suburban claims that the current RCP, established by the Commission, only provides for escalation year increases subject to an earnings test, without requiring filings for decreases in tariff rates. Suburban argues that Cal Advocates' recommendation deviates from this plan without adequate justification.

⁵⁵ See, Cal Advocates' Opening Brief at 3-4 and Exhibit 1 at 4-11:14-17 and 4-12:11-15.

⁵⁶ See, Suburban's Opening Brief at 4-7; and Exhibit 15 at 30-31 and 32-25.

Cal Advocates argues that Suburban should be required to file escalation year filings. Cal Advocates points out that we have determined that it is in the best interest of ratepayers for water utilities to file these filings annually, regardless of whether it leads to a rate increase or decrease.⁵⁷ This prevents utilities from selectively filing only when they are under-earning and hiding potential over-earnings that would justify a rate decrease.

As correctly noted by Cal Advocates, the current Rate Case Plan allows, but does not mandate, utilities to file escalation advice letters, creating a loophole that utilities could exploit. Several Commission decisions have addressed this issue by mandating that water utilities such as California-American Water, Liberty Utilities, and Golden State Water submit advice letters during escalation years. This ensures transparency and fairness for ratepayers, guaranteeing that they benefit from rate decreases when applicable.

The evidence submitted supports the requirement that Suburban Water should also be required to file Tier 2 advice letters in its 2025 and 2026 escalation years. These filings should propose new revenue requirements and revised tariff schedules, subject to review by the Water Division to ensure compliance with the Rate Case Plan and other Commission decisions. This proposal aims to enhance regulatory oversight and protect ratepayers from unfair practices.

Suburban's contention that Cal Advocates' proposals for Tier 2 filings and additional language are unsupported by the record, deviate from the RCP without adequate justification, and could introduce unnecessary complexity and burden on Suburban. We are unsure why Suburban claims that this suggestion is

⁵⁷⁵⁷ See, D.15-04-007 at 19 and D.23-02-003.

new. Cal Advocates correctly points out that we have adopted this outcome in at least two separate decisions in the past.

We agree with Cal Advocates and find it appropriate to implement Cal Advocates request concerning Escalation and Attrition year filings. Suburban shall file Tier 2 advice letters in its 2025 and 2026 escalation years.

3.2. Forecasted Sales

Suburban proposes increases in rates for the years 2024 through 2026, underpinning these requests with detailed projections of forecasted sales. The utility employs the New Committee Method (NCM) for forecasting annual use per customer, which considers a decade of historical data, including temperature and rainfall data, to predict future water usage. This method expects increased usage with rising temperatures, decreased usage with more rainfall, and overall declining usage trends due to more efficient appliances and customer responses to conservation efforts.

Cal Advocates argues against Suburban's use of the NCM for forecasting sales, suggesting it leads to less reliable forecasts and could result in unnecessary rate increases and should be rejected.⁵⁸ They advocate for using a five-year average to forecast sales, which they believe more accurately captures actual trends, including the upward trend in enrollment in Suburban's Lifeline program, which impacts Non-Tariff Product and Services revenue. Cal Advocates points out that the NCM has historically under-forecasted sales compared to actual sales, which could harm ratepayers by predicting lower sales and thus raising rates higher to cover the adopted revenue requirements.

⁵⁸ See, Cal Advocates' Opening Brief at 5-9; Reply Brief at 1-4; and Exhibits 1, 4, and 9.

Cal Advocates highlights that the Commission has developed new forecasting methodologies that address the weaknesses of the NCM, including considering the impact of revenue collection, rate design, conservation programs, changes in customer counts, and local and statewide trends in consumption, demographics, and climate. Suburban's reliance on the NCM, which uses time, temperature, and rainfall as variables, does not incorporate these required factors, making its sales forecasts potentially less accurate.

For the Lifeline program specifically, Cal Advocates notes that Suburban's forecast fails to account for consistent growth in program enrollment, thereby underestimating revenue from the program. They recommend adjusting the forecast to include a five-year average of customer enrollment and the current monthly enrollment fee, which would result in a higher forecasted revenue for the Lifeline Program and, consequently, a slight increase in other water revenues allocated to ratepayers.

Cal Advocates recommends modifications to Suburban's approach to forecasting sales, emphasizing the need for more accurate and reliable methodologies that consider a wider range of factors affecting sales trends. These changes are aimed at ensuring rate increases are justified and based on realistic sales forecasts, thereby protecting ratepayers from potentially higher costs.

Suburban argues that the Commission should approve Suburban's annual use per customer forecast because it is based on more data and a longer timeframe for Residential and Business customers in Suburban's SJH and WLM service areas.⁵⁹ Suburban defends the NCM against Cal Advocates' criticisms, highlighting several points:

⁵⁹ See, Suburban's Opening Brief at 7-14; Reply Brief at 4-9; and Exhibits 8, 10, 15, 20 and 37.

Suburban presents data showing the NCM's accuracy, including comparisons of forecasted to actual sales, demonstrating the model's capability to closely estimate future water demand. The NCM's use of a decade of data, including environmental factors, provides a nuanced and comprehensive basis for forecasting, superior to the simpler five-year average method proposed by Cal Advocates.

Suburban argues that its methodology is adaptable and reflective of actual consumption trends, accommodating for changes in water usage patterns due to efficiency improvements and conservation efforts.

Suburban counters Cal Advocates' criticisms of the NCM's reliability and its compliance with the Commission's required forecasting factors. Suburban emphasizes that the NCM captures the effects of past conservation programs, previous changes to building codes, local and historic trends in consumption, and past sales trends as reflected in the historic data. They argue that the model's use of ten years of data, as opposed to a five-year average, offers a more comprehensive and nuanced analysis, making it a superior method for forecasting sales.

Moreover, Suburban disputes Cal Advocates' use of a five-year average for forecasting, pointing out inaccuracies in Cal Advocates' data and emphasizing the overestimation of consumption that such a method would lead to, especially given the recent impacts of COVID-19 and the Water Shutoff Protection Act on water usage patterns.

Suburban also clarifies that the forecast for Non-Tariff Product and Services revenue for Suburban's Lifeline Maintenance Plan Program is undisputed, indicating an agreement between the parties on this aspect of the forecast.

Suburban defends its use of the NCM for forecasting residential and business sales against Cal Advocates' recommendation to use a five-year average. Suburban establishes that the NCM, is based on more data and therefore more accurate than a five-year average. The method incorporates a decade of historical data, including temperature and rainfall, to predict future water usage, expecting increased usage with rising temperatures, decreased usage with more rainfall, and overall declining usage trends due to more efficient appliances and customer responses to conservation efforts. We agree with Suburban and authorize the continuing use of the NCM for forecasting sales.

We approve Suburban's annual sales per customer (in CCF⁶⁰) for its residential and business customers as follows:

	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>
<u>WLM</u>				
<u>Residential</u>	162.8	163.6	156.8	153.7
<u>Business</u>	900.0	885.1	870.2	855.4
<u>SJH</u>				
<u>Residential</u>	163.1	166.1	154.9	150.8
<u>Business</u>	947.2	939.1	931.1	923.0

3.3. Rate Design

Suburban requests to continue its previous-Commission approved two-tier inclining rate structure with breakpoints and requests that the Commission

⁶⁰ One CCF is 100 cubic feet or 748 gallons of water.

approve the requests set forth in the Application.⁶¹ Cal Advocates argues that Suburban transition to a three-tier rate structure, achieve revenue neutrality, increase the CAP credit, and increase the non-CAP surcharge.⁶²

Suburban advocates for the continuation of its two-tiered rate structure, arguing it has been successful. This rate design is based on historical consumption patterns, with breakpoints set between average monthly (annual) consumption and higher summer consumption levels. The utility asserts that this design minimizes rate impacts on larger households, including multi-unit residential buildings, often housing low-income tenants, effectively balancing conservation incentives and fairness. Suburban contests Cal Advocates' proposal for a three-tier structure, arguing it fails to consider Suburban's unique three pricing zones based on elevation and its proven conservation program's effectiveness.

Cal Advocates argues for a modification of Suburban's current two-tier rate structure, suggesting the introduction of a third tier to better support low-income customers and improve conservation signaling. This proposed change aims to make water more affordable for low water users, who are often low-income, by adjusting the rate structure to incentivize conservation while providing relief to those who consume less water.

Cal Advocates highlights that Suburban's rate design should be adjusted to ensure revenue neutrality, pointing out that the proposed design might lead to under-collection of revenue by nearly a million dollars. They recommend specific adjustments to achieve revenue neutrality and suggest increasing the CAP

⁶¹ See, Suburban's Opening Brief at 14-14; Reply Brief at 10-15; Application at 4-5; Exhibits 14 at 12-17; 15 at 22-23; 34 at 12-1, 12-3; and 37 at 153:31.

⁶² See, Cal Advocates' Opening Brief at 9-11; Reply Brief at 5; Exhibit 4 at 1-13, 2-13, 2-17, 2-20 to 2-23; and Hearing Transcript Vol. 3 at page 197.

surcredit to \$10.05 per month, funded by a per-CCF surcharge on non-CAP customers. This recommendation is aimed at ensuring that the surcredit and the supporting surcharge are aligned with the overall revenue requirements while supporting low-income customers.

Suburban seeks to maintain its 30/70 fixed charge/quantity charge cost recovery ratio, challenging Cal Advocates' assertion that its quantity charges will undercollect revenue by nearly a million dollars. Suburban disputes Cal Advocates' calculations and recommendations for new tier breakpoints, emphasizing the lack of detailed analysis or evidence supporting Cal Advocates' claims. The utility highlights its approach as grounded in current data and methodologies, unlike Cal Advocates' proposals, which it views as speculative and unsupported.

Suburban proposes that any adjustments to the CAP surcredit be proportional to the rate increases approved by the Commission in this proceeding. It opposes Cal Advocates' suggestion to set the surcredit at a specific amount, arguing for a more flexible approach based on the final decision.

Suburban advocates for maintaining its current two-tiered rate structure, arguing that it effectively balances conservation incentives and fairness. This rate design minimizes impacts on larger households and multi-unit residential buildings, which often house low-income tenants. Suburban disputes Cal Advocates' proposal for a three-tier structure, emphasizing that its current structure is effective and considers the unique aspects of Suburban's service areas, including three pricing zones based on elevation.

Suburban challenges Cal Advocates' claims that its quantity charges will undercollect revenue by nearly \$1 million. It criticizes Cal Advocates for providing an unsupported analysis and failing to offer detailed calculations or

evidence to back up these claims. Suburban insists that its rate design is supported by comprehensive analysis and that its approach to revenue collection is sound.

Cal Advocates suggests changes to Suburban's rate design, including adopting a three-tiered rate structure to better support low-income customers and promote conservation. Based upon our analysis of the record, we believe Suburban successfully refutes these suggestions and defends its current rate structure and the effectiveness of its conservation programs. As it relates to Cal Advocates' concerns about the revenue neutrality of Suburban's proposed rate design, we agree with Suburban on this issue as Suburban has successfully highlighted flaws in Cal Advocates' argument. We also agree with Suburban as it relates to the CAP surcredit and decline to make any of the changes recommended by Cal Advocates.

**3.4. Suburban is placed on notice that in the next GRC it shall be prepared to address the issue of whether the Commission should move them to a three-tier structure in a subsequent GRC.
General Office**

Suburban proposes allocating 40.5% of its parent company's General Office (GO) expenses to its operations.⁶³ Cal Advocates argues, this allocation does not account for the recent merger of Suburban's parent company, Southwest, with Corix Infrastructure, LLC, forming a larger entity, Corix U.S.⁶⁴ The merger, which we approved in February 2024, will double the size of Suburban's parent company, making Suburban a smaller part of the overall entity.

⁶³ See, Suburban's Opening Brief at 17-19; Reply Brief at 16-19; Exhibits 7 at pages 30, 64-65; 19 at 7-9; and 37 at 75.

⁶⁴ See, Cal Advocates' Opening Brief at 11-13; Reply Brief at 7-9; and Exhibits 2 at 1-12 to 1-14; and 4 at 2-18:6-11.

Suburban argues its proposed allocation factor for general office expenses is based on a Commission approved three-factor allocation methodology, described in the Southwest Water Company Cost Allocation Manual. Suburban states this methodology considers gross plant, operating expenses, and payroll to estimate Suburban's share of general office expenses, resulting in a 40.5% allocation factor.

Cal Advocates argues that since Suburban will only represent 19% of the post-merger entity's revenues, its share of GO expenses should be reduced to approximately 20.2%, half of the originally proposed 40.5%. Suburban did not quantify the impact of the merger on its GO allocation but acknowledged that its revenues will make up 19% of the post-merger company's total revenues. Cal Advocates' proposed reduction aligns with the expectation that, as a smaller part of a larger company, Suburban should bear a smaller proportion of GO costs.

Suburban counters this recommendation, arguing it is based on speculative, one-sided, and incomplete assumptions. They contend that the types and magnitude of changes resulting from the merger cannot be reasonably or prudently predicted at this time. While acknowledging that some savings might be made, Suburban emphasizes that overall overhead costs and the cost pool will likely increase because of the merger, making the net direction of any changes uncertain.

We must resolve the dispute between Suburban and Cal Advocates over how to best account for the impending merger's impact on Suburban's cost allocation. While Suburban contends that the merger will lead to increased GO expenses, the merger applicants emphasized the efficiencies to be gained, such as spreading management costs across a larger customer base. Given Suburban's lack of an alternative estimate, Cal Advocates' proposal to halve the GO

allocation is considered the best available estimate to reflect the merger's impact. Accordingly, we adopt Cal Advocates' proposal and set the allocation factor at 20.2%.

3.5. Payroll and Benefits

As it relates to payroll and benefits, the parties are at odds with each other concerning at-risk pay/incentivized pay/performance-based compensation regarding executive compensation and employee performance-based compensation. They also disagree over the escalation of healthcare costs, the creation of two new positions and the amount requested for frictional unemployment adjustment.

3.5.1. At-Risk Pay/Incentivized Pay/Performance Based Compensation

Suburban requests short-term at-risk compensation (STI) and long-term compensation (LTI) for Southwest in the following amounts: \$3.962 million for 2023, \$4.128 million for 2024, and \$4.240 million for 2025. For employee performance-based compensation Suburban requests \$1.240 million for 2023, \$1.249 million for 2024, and \$1.299 million for 2025.⁶⁵

Cal Advocates argues that the Commission should reject Suburban's 2024 STI and LTI budget for Southwest because Cal Advocates believes these programs primarily benefit shareholders rather than ratepayers. Cal Advocates also argue that the Commission should reject employee performance-based compensation.⁶⁶

⁶⁵See, Suburban's Opening Brief at 19-32; Reply Brief at 19-27; Exhibits 12 at 1-11 and 15-36; 14 at 7-11; 16 at 2-3; 19 at 2-4; 24 at 2-5; 25 (Workpapers Volume I) at 15:37-38 and 32:27; 34 at 3-6 and 5-1; and 37 at 49:6, 49:22-24, and 76:7.

⁶⁶ See, Cal Advocates' Opening Brief at 13-16; Reply Brief at 12-21; Exhibits 2 at 1-5 and 1-13; and 3 at 1-10 to 1-12, Attachment 1-4, 1-19, 1-22, 1-23, 2-40, and 3-48.

Suburban argues for the necessity of maintaining these forms of compensation and claims they are crucial for attracting and retaining qualified employees. The company contends that these compensation mechanisms align employee interests with company goals, fostering a high-performance culture. They emphasize that such compensation is standard practice in the industry and vital for competitive positioning.

Suburban argues that at-risk compensation recognizes the additional effort, dedication, and innovation required to adapt to changing conditions and continuously improve services. Suburban appears to argue that the only way to achieve excellent customer service is to reward employees financially at the cost of increased rates. Suburban alleges that these costs result in lower customer costs. This is perplexing as Suburban is requesting a significant amount of money in this request and fails to back this assertion with any substantial evidence.

We agree with Cal Advocates on this issue and reject the 2024 STI/LTI budget request and the employee performance-based compensation.

3.5.2. Escalation of Healthcare Costs

There is a dispute between Suburban and Cal Advocates regarding how Suburban calculates and proposes healthcare expenses for its ratepayers for TY 2024. Suburban is attempting to collect \$8,216,803 from ratepayers to cover Suburban's healthcare expense forecast for its parent company, Southwest. The requested budget includes specific line-item forecasts for attrition years (2025 and 2026). The issue arises because Suburban uses healthcare expense forecasts from its consultant, Mercer, and adds these expenses on top of an inflation calculation to estimate future expenses.

According to the RCP, attrition year expenses should only be escalated from the test year using a formula based on the Consumer Price Index for Urban

Consumers (CPI-U) and should not include specific line items. Cal Advocates argues that this practice violates the RCP, as adding specific items essentially creates a "second test year," which is not allowed. The Commission has affirmed that expenses must be forecasted for the test year and then escalated for attrition years without adding individual line-item expenses.⁶⁷

Suburban contends that the existing ratemaking process does not adequately account for expected healthcare cost increases, but Cal Advocates insists that Suburban adhere to the established methodology set forth in the RCP. Consequently, Cal Advocates recommends the Commission to reject Suburban's method and enforce the standard practice for calculating expenses during attrition years.

We agree with Cal Advocates and deny Suburban's use of specific line items. Accordingly, the use of line-item forecasts for attrition year 2025 and 2026 is rejected.

3.5.3. Two New Positions

Suburban requests the creation of two new positions in the Application. They assert the two new positions are necessary to accommodate Suburban's capital expenditures due to ageing infrastructure. They request the creation of an accountant that would have a salary of \$77,000 in 2025 and an associate engineer to be paid \$89,000 in 2025. Suburban requests to capitalize the entire amount in 2025.

Cal Advocates disputes the need for these two new positions. Cal Advocates notes that Suburban does not intend to advertise the two new positions until 2025 and that Suburban failed to provide an estimate as to when

⁶⁷ See, D.18-12-021at 68.

the positions would be advertised or how long it would take before they were filled. As a result, it is unclear when ratepayers would gain any alleged benefit from these two positions. Because these positions would not be filled until sometime in 2025, this suggests that Suburban currently has sufficient staff that can perform the necessary work until at least sometime in 2025. Accordingly, we agree with Cal Advocates that this request should be denied. Suburban may make this request in a subsequent GRC cycle and should provide sufficient details about when the positions would be advertised and an estimate as to how long it would take to fill them.

3.5.4. Frictional Unemployment Adjustment

Suburban requests a frictional unemployment adjustment of \$438,000 versus Cal Advocates recommendation of \$586,240. Frictional unemployment refers to the cost associated with the time a new opening is vacant due to an employee transitioning into a new position. Suburban explains that this adjustment accounts for the natural turnover and transitional periods between employees leaving and new hires being fully trained and integrated.

Suburban argues that this adjustment is a standard practice and necessary for maintaining operational continuity and efficiency. Suburban believes that recognizing these transitional costs is crucial for accurate budgeting and ensuring that temporary gaps in staffing do not adversely affect service delivery.

Cal Advocates does not dispute that these costs are necessary. However, Cal Advocates asserts that Suburban's request was based on 2022 position vacancy data that was escalated to 2024. Based upon discovery requests, Cal Advocates believes that the amount should be adjusted to \$586,240.

Since it appears that Suburban's data was outdated, we adopt \$586,240 as recommended by Cal Advocates.

3.6. Expenses

3.6.1. Uncollectible Expenses

Suburban requests uncollectible expense rates of 0.42% for 2023 and 0.45% for 2024 and 2025.⁶⁸ Suburban claims these rates account for the impacts of Senate Bill (SB) 998, also known as "The Water Shutoff Protection Act," which requires water systems to extend the time before disconnections due to nonpayment. Suburban argues that this extension will increase the uncollectible expense rate.

Cal Advocates recommends lowering the 2024 rate to 0.14%, based on a five-year average. Suburban contends that this recommendation lacks context and fails to consider the operational realities imposed by SB 998.⁶⁹ Suburban's argument that the proposed 0.14% uncollectible rate does not account for the impacts of COVID-19 and the Water Shutoff Protection Act is acknowledged, but not compelling enough to justify the inflated figure. There are already existing mechanisms in place, such as the COVID Emergency Memorandum Account (CEMA) and recent legislation aimed at alleviating COVID-related arrearages. These measures are designed to mitigate the effects of pandemic-related financial hardship on utility customers. Additionally, Suburban anticipates receiving funds from arrearage forgiveness programs, further reducing the potential for a significant increase in uncollectible expenses.

Given that these programs are specifically tailored to address pandemic-related uncollectibles, the argument for a significantly higher uncollectible rate in TY 2024 lacks strong support. Instead, using a five-year average, which reflects

⁶⁸ See, Suburban's Opening Brief at 32-34; Reply Brief at 27-29; Exhibits 14 at 4-7; and 34 at 5-2.

⁶⁹ See, Cal Advocates' Opening Brief at 17-18; and Exhibit 3 at 1-21:2-4, 1-21:4-6, 1-21:10-12; and 1-21:16.

more stable and consistent financial data, is a reliable and transparent method for estimating uncollectible expenses. This approach avoids inflating the rate unnecessarily while ensuring that any additional COVID-related uncollectibles are managed through the appropriate channels. Accordingly, we adopt the recommendation by Cal Advocates.

3.6.2. Purchased Water for Sativa Customers

Suburban Seeks approval for its 2023-2025 purchased water budget for Sativa customers in the amount of \$1.850 million to purchase water from Liberty Utilities.⁷⁰ Sativa was a struggling water system that Suburban acquired in 2022. Los Angeles County Department of Public Works (LACDPW) is working to rehabilitate one of Sativa's wells, but this has not been completed. As a result, Suburban must purchase water to supply the Sativa system.

At the time of the acquisition, there was a contract with Liberty Utilities to purchase the water. The original contract price was \$1,800 per acre-feet (AF). Liberty subsequently increased this to \$3,600 per AF. Suburban used the \$3,600 AF as the basis for the budget it requested. Cal Advocates asserts that the water should be purchased from the City of Compton and that the amount of the budget should be \$691,844.⁷¹

Suburban asserts that there are factors present that limit them from relying solely on purchasing water from the City of Compton. Suburban claims that it cannot rely on purchasing water from the City of Compton because it wishes to avoid reliance on an untested water source. Suburban is correct that at the time

⁷⁰ See, Suburban's Opening Brief at 35-37; Reply Brief at 29-31; Exhibits 18 at 4-5, 7; and 37 at p. 72:26 (page 57:26 in Appendix A: Workpapers Vol. 1 Confidential).

⁷¹ See, Cal Advocates' Opening Brief at 18-20; Reply Brief at 12-13; and Exhibit 3 at page 1-10 to 1-13, and 1-19, and Attachment 1-4.

of the Application, the connection with the City of Compton was designated as an emergency connection and there were limits on the amount of water that could be used.

However, the connection with the City of Compton is now classified as a regular connection as DDW has subsequently classified the City of Compton connection as a regular source of water. The City of Compton connection appears to be fully functioning and available to purchase in the amount of \$1,346 per AF. Suburban has failed to provide evidence that the connection with the City of Compton is not a reliable or proven source to purchase water.

We agree with Cal Advocates that the budget that ratepayers will be required to fund should be based on \$1,346 per AF to purchase water from the City of Compton rather than \$3,600 per AF that would be charged by Liberty Utilities. Accordingly, we agree with Cal Advocates and approve a budget of \$691,844 to purchase water for the Sativa system.

3.6.3. Main San Gabriel Basin Safe Yield

Suburban requests operating safe yield (OSY) for the Main San Gabriel Basin of 130,000 AF.⁷² Cal Advocates recommends that the Commission adopt 150,000 AF.⁷³

OSY is a figure set by the Main San Gabriel Basin Watermaster. This represents the amount of water that can be safely pumped in a fiscal year without replacement water assessment costs. Suburban is entitled to 12.6% of the OSY. Therefore, the actual amount pumped will fluctuate on a yearly basis depending on the OSY.

⁷² See, Suburban's Opening Brief at 37-38; Reply Brief at 31-32; Exhibits 18 at 12-13; and 37 at 64:1 page 49;1 in Appendix A: Workpapers Vol. 1 Confidential).

⁷³ See, Cal Advocates' Opening Brief at 20-22; and Exhibit 3 at 1-8 and 1-19.

The higher the OSY, the more Suburban can pump. This is relevant because the more water that Suburban can pump from the main San Gabriel Basin, the less it needs to forecast in rates for more expensive purchased water or other fees associated with pumping above its allotted capacity.

The Main San Gabriel Basin Watermaster issues a resolution setting the OSY. This is typically set for a five-year period, but an update can be issued changing the OSY at any time. At the time of the Application, the Watermaster's resolution for 2023/2024 includes OSY of 150,000 AF and 130,000 AF in 2024/2025. However, Resolution No. 05-24-321 issued on May 1, 2024, set an OSY of 160,000 AF for 2024/2025.

Since the OSY has been updated, Suburban's argument that we must use 130,000 AF is moot. Accordingly, we adopt Cal Advocates' recommendation of 150,000 AF. Using Cal Advocates' recommendation saves ratepayers over \$2.666 million in rates.

3.6.4. Lease Rates for Unused Central Basin Water Rights

Suburban proposes \$97.11/AF lease rate for leasing unused water rights in the Central Basin.⁷⁴ Cal Advocates proposes it be \$146.31/AF.⁷⁵ Suburban typically does not use all its Central Basin water rights each year and leases out the excess water rights to other entities.

Cal Advocates asserts that when Suburban does not use all its Central Basin water rights this results in a need to expend ratepayer funds on more expensive purchased water. Cal Advocates evidence shows that Suburban

⁷⁴ See, Suburban's Opening Brief at 38-40; Reply Brief at 33-35; Exhibits 26 at 333-334, 337, 340, 343, 345-346, and 348; and 37 at 67:35.

⁷⁵ See, Cal Advocates' Opening Brief at 22-23; Reply Brief at 14-16; and Exhibit 3 at 1-16 to 1-18, and Attachment 1-8.

purchases water from the Metropolitan Water District at a rate of approximately \$1,380/AF compared to the approximate cost of pumping Central Basin water from one of its own wells, which is \$400/AF. To mitigate this ratepayer expense, Cal Advocates argues it is important to establish an accurate forecast of the amount Suburban can earn through leasing its excess rights. This helps rates by offsetting some of the purchased water costs.

At issue here is the amount that Suburban can forecast in its RO model for future Central Basin water rights lease-outs. Suburban's annual ratepayer credit from unused water rights is equal to the unused water leases revenues. The higher the rates, the higher the revenues and ratepayer credit.

Cal Advocates argues that Suburban's estimated cost of \$97.11/AF undervalues Suburban's excess water rights. Suburban calculated its estimate based on the average of five leases, including one with a very low rate. This low rate brings the average cost down.

Cal Advocates used the available data on Central Basin leases water rights prices between 2018 and 2021. This produced an average market value of \$146/AF. Cal Advocates argues that its average is based on more information than that which was used by Suburban.

We agree with Cal Advocates that we must act in the best interest of the ratepayers. Accordingly, we adopt Cal Advocates' recommendation of \$146.31/AF.

3.6.5. Indirect Costs/General Office Expenses

Suburban seeks approval for its indirect costs/general office expenses for the years 2023-2025.⁷⁶ These costs encompass several corporate functions,

⁷⁶ See, Suburban's Opening Brief at 40-42; Reply Brief at 35-37; Exhibits 7 at 8, 10-30, and 55-57; and 19 at 5-7.

including executive development, legal, HR, facilities, and finance for example. Suburban requests \$18.064 million for 2023, \$18.615 million for 2024, and \$19.127 million for 2025. Cal Advocates recommends a four percent reduction.

Cal Advocates asserts that four percent of Suburban's general ledger either did not contain any explanation for the expense, provides an inadequate explanation for the expense, or were for an expense that should not be covered by ratepayers. Cal Advocates pointed out that one expense for \$20,000 is simply listed as contributions; another for over \$50,000 is listed as employee education; \$9,700 for meals and entertainment; and \$3,977 for settlements, penalties and fines. Additionally, there was a \$17,000 trip to Kaiwah Island Gold Resort for a board meeting and \$4,200 for an expense at TopGolf Houston.

We agree with Cal Advocates that Suburban bears the burden to provide sufficient information on every expense that it wishes ratepayers to cover. They failed to do so here. Additionally, it is unreasonable to expect ratepayers to fund a meeting at a resort or golf trip. Accordingly, we reduce the requested amounts by four percent. This results in a savings to ratepayers of over \$2.232 million during this GRC cycle.

3.6.6. Information Technology

Suburban requests IT budgets of \$3.874 million for 2023, \$4.974 million for 2024, and \$4.509 million for 2025.⁷⁷ Suburban's request is to fund its parent company's IT rate base in this GRC. This request is based on the IT needs of Southwest, Suburban's pre-merger parent company. Our recent approval of the merger between Southwest and Corix U.S. means that Suburban's parent company is now Corix U.S., a newly formed entity created through the merger of

⁷⁷ See, Suburban's Opening Brief at 42-44; Reply Brief at 37-39; Exhibits 5 at 3-9, 12-23, A-C, and Attachments 1-7; 9 at 1-5, 7; 17 at 2-8 and 10-11; and 26 at 658.

Southwest and Corix. As a result, the IT needs and expenses of the merged entity may differ significantly from those of Southwest alone.

Since Southwest and Corix use different operating software systems and have distinct IT infrastructures, it is not appropriate to base the IT budget solely on Southwest's needs. Suburban acknowledges that it was not aware of Corix's IT requirements at the time of the GRC request, which further undermines the accuracy and relevance of its substantial IT forecast. Planning and setting rates based on the IT needs of Southwest fails to account for the post-merger environment, which may involve entirely different IT systems, integration challenges, or cost structures.

Cal Advocates has raised concerns about the lack of a clear and finalized IT plan for the merged Southwest/Corix entity. The entities involved in the merger have provided inconsistent information regarding their IT needs, and there appears to be no comprehensive cost-benefit analysis or strategic IT plan for the post-merger organization. Without a well-defined IT strategy, it is unreasonable for us to approve additional funding for IT upgrades in rates, as the forecasted costs may not reflect the actual needs of the new parent company.

Given the uncertainty surrounding the post-merger IT requirements, it is prudent to withhold approval of these IT expenses until the next GRC, when the newly established entity's IT needs and cost structures are better understood. This approach protects ratepayers from funding potentially unnecessary or miscalculated IT expenses while ensuring that any future IT expenditures are aligned with the actual requirements of the merged entity. Accordingly, we deny this request.

3.6.7. Conservation Budgets

Suburban requests \$450,000 annually to fund its eight conservation programs.⁷⁸ The conservation budget includes various programs aimed at customer education and resource management. Of the eight programs, Cal Advocates contests the amount of funding requested for four of them.⁷⁹ The four programs that are in controversy are WaterSmart Neighbor Comparison Letters, conservation kits, customer awareness communications, and a plumbing leak reimbursement program.

There is also disagreement concerning the balancing account treatment for the conservation programs and the requirement to maintain separate accounting for each program.

Suburban requests \$150,000 annually for the WaterSmart Neighbor Comparison Letters Program, which will mail two letters per year during the high demand period to all customers to motivate conservation. Cal Advocates argues that this request should be cut approximately in half and asserts it is not necessary to mail letters to all customers as some of them receive online bills.

Suburban argues that they are billed the same for these comparison letters whether they are sent electronically or via mail. Suburban asserts that the letters are necessary to conserve water and contends that the letters do work and result in an approximate reduction of 5%. We agree with Suburban and grant this request.

Suburban requests \$40,000 per year to fund materials for its conservation kits. These kits include printed materials and flyers that help customers improve

⁷⁸ See, Suburban's Opening Brief at 44-51; Reply Brief at 39-43; Exhibits 9 at 1-5, 7-8, 10-14, and 16-17; and 22 at 2-8 and 15-16.

⁷⁹ See, Cal Advocates' Opening Brief at 26-28 and Exhibit 3 at 1-9, 4-52 to 4-56, and 4-196.

the amount of water they are using. They also provide information on assisting customers with finding water leaks.

Cal Advocates argues that this amount should be reduced by approximately 20% due to customers being enrolled in paperless billing. Suburban counters this by noting that this material is provided to customers who come into a Suburban office for assistance, who are likely not receiving online billing and provided at community events.

We agree with Suburban that the materials in the conservation kits are a worthwhile investment that helps to promote conservation and should be continued to be funded as requested.

Suburban requests \$50,000 per year to fund customer awareness communications, which will remind customers of the importance of water conservation. Cal Advocates makes the same argument that the amount should be reduced by 20% due to some customers receiving their bills online.

Suburban responds to this by noting that Suburban already does not include bill inserts for customers with online billing, meaning that these costs have already been excluded. Suburban asserts that this is a necessary expense to provide customers with an additional reminder to conserve water. We again agree with Suburban on this issue and grant this request.

Suburban requests \$40,000 annually to help reimburse low-income residents for fixing leaks for its plumbing leak reimbursement program. The program pays 50% or \$500 to qualified low-income customers who are faced with repairing leaks on their property. Cal Advocates disputes this program solely by referencing Special Request 5, which is an additional reimbursement program that Suburban is requesting.

Assisting low-income customers with repairing leaks is a worthwhile program. It assists customers who may not be able to afford to make a repair and it helps to conserve water. We grant this request.

Regarding the one-way balancing accounts associated with the conservation programs, Cal Advocates requests that conservation and one-way rebate sources be tracked in Suburban's existing one-way balancing accounts. Suburban asserts that it only previously agreed to do this in previous years in past settlements to provide Cal Advocates with assurance that Suburban would not overspend. Suburban asserts that they have proven in the past that they do not overspend their budget and that their spending has been prudent. Suburban essentially argues that if the Commission requires one-way balancing account treatment here, then the Commission is giving a preference to prior settlement terms and parties will be less likely to settle various disputed matters.

Suburban's argument that they only agreed to do so in the past because this issue was included in a settlement agreement and that if the Commission requires Suburban to continue to track the items in its existing one-way balancing accounts means the Commission is giving preferential treatment to prior settlements makes no sense. We are not giving preferential treatment to an issue; we are deciding a disputed issue.

Suburban should be required to continue to track conservation and one-way rebates in Suburban's existing one-way balancing accounts because it makes practical sense to do so. We agree with Cal Advocates and require Suburban to continue to maintain its existing one-way balancing accounts to track conservation and one-way rebates.

Pertaining to the issue of separate accounting, Cal Advocates recommends that Suburban be required to continue to separately record and account for each

of its conservation programs in one-way balancing accounts. Suburban claims that this is no longer necessary and that doing so requires more accounting and removes Suburban's flexibility.

Suburban's claims are rejected. The current one-way balancing accounts provide accountability on Suburban's part. Suburban is required to continue to separately record and account for each of its conservation programs in one-way balancing accounts.

**3.6.8. Employee Welfare – Account 795
(Subaccount 416)**

Suburban requests budgets for employee welfare in the amount of \$328,901 in 2023, \$328,704 in 2024, and \$333,700 in 2024.⁸⁰ Suburban asserts these expenses are necessary to maintain a motivated and well-supported workforce. Cal Advocates notes that in this GRC, Suburban recorded \$3,725 for a wristwatch; \$4,479 for luggage, and \$1,844 for diamond earrings.⁸¹ Cal Advocates notes that in the 2020 GRC that Suburban recorded \$55,857 for a company picnic at Knotts Berry Farm in 2018, \$44,031 for a year-end luncheon at the Pacific Palms Conference Resort and \$1,286 for Los Angeles Rams tickets.

We agree with Cal Advocates that it is unreasonable to request a 20% increase in a customer's bill while continuing to spend thousands of dollars on jewelry and other gifts. Suburban's argument that ratepayers should fund these expenses to maintain a motivated and well-supported workforce is rejected as it has nothing to do with providing safe and reliable service to Suburban's customers.

⁸⁰ See, Suburban's Opening Brief at 51-53; Reply Brief at 43-45; Exhibits 15 at 11-14; 34 at 5-3; and 37 at 60:24.

⁸¹ See, Cal Advocates' Opening Brief at 29-30; Reply Brief 18-19; and Exhibit 3 at 2-31 to 2-32.

We cannot approve of a rate increase that also includes excessive expenditures that do nothing for Suburban's customers. We agree with Cal Advocates that there has been a history of recording lavish outings into the employee welfare account and therefore deny the entire request for this GRC period.

3.6.9. Purchased Power

Suburban requests budgets for purchased power based on historical data showing decreasing consumption.⁸² Suburban requests \$3.252 million for 2023, \$3.538 million for 2024 and \$3.492 for 2025. Suburban contends that as consumption decreases, less power is needed to pump water.

Cal Advocates recommends an increased budget based on expected higher water purchases and recommends 2024 be increased to \$3.747 million.⁸³ Suburban argues this recommendation is unreasonable given recent consumption trends and other volume-related costs.

We decline to implement Cal Advocates' suggestion as the differences appear to be a result of differences in estimates used by the parties. Suburban asserts that their figures for purchased power for TY 2024 and 2025 were computed using the most current Southern California Edison Company (SCE) rates. Accordingly, we adopt Suburban's request.

⁸² See, Suburban's Opening Brief at 53; Reply Brief at 45; Exhibits 18 at 13-14; 34 at 5-4; and 37 at 47:6.

⁸³ See, Cal Advocates' Opening Brief at 31; Exhibits 3 at 1-20; and 4 at 1-1.

3.6.10. Regulatory Commission Expenses – Account 797

Suburban seeks approval for expenses related to regulatory compliance and interactions with the Commission. Suburban seeks expenses of \$382,327 for 2023, \$524,883 for 2024, and \$524,883 for 2025.⁸⁴

Cal Advocates suggests that the Commission approve the same amounts for regulatory Commission expenses as approved in the prior GRC with an adjustment for inflation. Cal Advocates recommends a lower budget, particularly for 2024, arguing that Suburban overestimated attorney hours.⁸⁵ Cal Advocates recommends \$393,796 for TY 2024. Suburban attempts to justify its requested increase of approximately 60% by alleging the complexity and variance in GRC costs. GRC proceedings are not something new and Suburban has sufficient knowledge and experience with these proceedings and has failed to justify the amount requested for TY 2024.

We approve the amount of \$382,327 as requested for 2023. We agree with Cal Advocates that Suburban overestimated the number of attorney hours and reduce the budget for TY 2024 to \$393,796. We Also agree with Cal Advocates that Suburban significantly overestimated the attorney hours for its 2026 GRC and cost of capital proceeding. The requested budget for 2025 will be the same as the approved budget for 2024.

3.6.11. Postage – Account 773 (Subaccount 336)

Suburban requests budgets for postage for the mailing of customer bills in the amount of \$486,957 for 2023, \$499,329 for 2024, and \$507,646 for 2025.⁸⁶

⁸⁴ See, Suburban's Opening Brief at 54-55; Reply Brief at 45-46; Exhibits 15 at 16-18; 26 at 146-184; and 37 at 47:20.

⁸⁵ See, Cal Advocates' Opening Brief at 31-32; Reply Brief at 19-20; and Exhibit 3 at 2-40 to 2-41.

⁸⁶ See, Suburban's Opening Brief at 55; Reply Brief at 47; Exhibits 15 at 6-7; and 37 at 58:21.

Suburban notes that these figures are based on 2017-2021 average recorded costs with an adjustment for inflation.

Cal Advocates asserts that these figures should be reduced because Suburban failed to account for paperless billing when determining its postage budget.⁸⁷ Cal Advocates recommends a budget of \$367,882 for postage in Test Year (TY) 2024, reflecting a 20% reduction from Suburban's average postage costs between 2018-2022, adjusted for inflation.

We consider this reduction reasonable due to the anticipated increase in customer enrollment in paperless billing, with an estimated 15,000 customers projected to be enrolled by TY 2024. Additionally, Special Request 8, which aims to increase paperless billing by targeting customers using the online portal, further supports this reduction. Suburban also plans to make paperless billing the default option for new customers.

Despite these initiatives and the cost savings associated with reduced postage, Suburban's 2024 estimate is still based on outdated five-year data (2017-2021) that does not account for the savings from increased paperless billing. Therefore, a 20% reduction is a fair adjustment to reflect anticipated savings.

Suburban counters this by noting that Cal Advocates argument does not take into consideration the resumption of mailing disconnection notices and the general increase of postage costs over the last few years. We disagree with Suburban that there is going to be that much of an increase in postage costs simply due to the resumption of mailing disconnection notices. Accordingly, we adopt the budget suggested by Cal Advocates for TY 2024.

⁸⁷ See, Cal Advocates' Opening Brief at 32-33; Reply Brief at 20-21; Exhibits 3 at 1-9, 1-22, and 1-23; and 8 at 22.

**3.6.12. Billstock/Envelopes – Account 773
(Subaccount 230)**

Suburban's requested budget for billstock and envelopes is \$93,705 for 2023, \$93,649 for 2024, and \$95,072 for 2025.⁸⁸ Cal Advocates makes a recommendation for a 20% reduction based on paperless billing for TY 2024.⁸⁹ Cal Advocates recommends a budget of \$69,477 for TY 2024.

Suburban argues that maintaining a sufficient supply of billing materials is essential for accurate and timely billing and that Cal Advocates' recommendation fails to account for the resumption of disconnection notices and a general increase in costs. We acknowledge that there may be a minimal increase in costs due to the resumption of disconnection notices. However, Suburban fails to account for any savings realized in paperless billing. It is only logical that if Suburban intends to increase paperless billing that it should also account for cost savings.

We find Cal Advocates' suggestion to be reasonable and we adopt the recommended 20% reduction in TY 2024.

**3.6.13. Postage-General – Account 792
(Subaccount 337)**

Suburban requests a general postage budget for mailing anything that is not a customer bill, that accounts for inflation and increases in postage costs as follows: \$45,049 for 2023, \$45,022 for 2024, and \$45,706 for 2025.⁹⁰ Cal Advocates recommends a reduction of 20% and suggests a budget of \$34,313 for TY 2024.⁹¹

⁸⁸ See, Suburban's Opening Brief at 56; Reply Brief at 47; Exhibits 15 at 4-6; and 37 at 58:16.

⁸⁹ See, Cal Advocates' Opening Brief at 34; Reply Brief at 20-21; and Exhibit 3 at 1-23 and 1-24.

⁹⁰ See, Suburban's Opening Brief at 56-57; Reply Brief at 47-48; Exhibits 15 at 9-10; and 37 at 59:30.

⁹¹ See, Cal Advocates' Exhibit 3 at 2-35.

Suburban defends its budget by noting that Cal Advocates relied on data impacted by COVID-19, when Suburban was not mailing disconnection notices and asserts the necessity of general postage for day-to-day operations.

We acknowledge that Cal Advocates did not discuss the impacts that COVID-19 may have had on Suburban's postage expenses in 2020 and 2021. However, Suburban fails to acknowledge or account for the cost savings of online billing in its estimates as well.

We agree with Cal Advocates and adopt a TY budget for 2024 in the amount of \$34,313.

**3.6.14. Printing/Communications – Account 792
(Subaccount 305)**

Suburban requests budgets for printing and communications, noting that costs have increased over time. Suburban requests \$73,523 for 2023, \$116,976 for 2024, and \$118,754 for 2025.⁹² Cal Advocates recommends a 20% reduction because they believe online billing will result in significant cost savings.⁹³

Suburban argues that effective communication with customers and stakeholders is crucial for maintaining transparency and trust and that Suburban's request is lower than trendline data suggests. We agree with Suburban that it is important to have effective communication with customers. However, at the same time, we believe that it is important for Suburban to account for the potential decrease in costs with increased paperless billing and electronic communications. As paperless billing increases, costs go down. We adopt Cal Advocates' recommendation for a 20% reduction in TY 2024.

⁹² See, Suburban's Opening Brief at 57; Reply Brief at 48; Exhibits 15 at 7-8; and 37 at 59:20.

⁹³ See, Cal Advocates' Exhibit 3 at 2-35 and 2-36.

3.6.15. Computer Costs Miscellaneous – Account 792 (Subaccount 332)

Suburban seeks approval for its computer cost miscellaneous budgets, arguing that costs in this category have been increasing steadily.⁹⁴ Suburban requests \$574,718 for 2023, \$574,373 for 2024, and \$583,103 for 2025. Cal Advocates argues that the amount should be based on 2018-2022 average costs. Cal Advocates also notes that IT related costs are unknown due to the merger with Corix. Cal Advocates recommends a TY 2024 budget of \$492,310.

We agree with Cal Advocates that the IT costs are variable and that it is speculative to include costs that are not fully known due to the merger. Therefore, we adopt the TY 2024 budget of \$492,310 as recommended by Cal Advocates.

3.6.16. Professional Dues – Account 799 (Subaccount 330)

Suburban proposes a budget for professional dues, arguing that membership in industry associations is beneficial for staying informed about industry developments and best practices.⁹⁵ Cal Advocates suggests reductions, questioning the necessity of some memberships.⁹⁶

Suburban requests budgets for professional dues as follows: \$163,833 for 2023, \$163,735 for 2024, and \$166,224 for 2025. Cal Advocates suggests that the 2024 budget be reduced to \$122,867 on the basis that membership in organizations like business associations and chambers do not benefit ratepayers.

⁹⁴ See, Suburban's Opening Brief at 57-58; Reply Brief at 49-50; Exhibits 15 at 8-9; 18 at 3 and 7; 34 at 5-11 to 5-12; 37 at 55:20 and 59:28; Cal Advocates' Opening Brief at 34-35; and Exhibit 3 at 2-36, 2-37; and 3-27.

⁹⁵ See, Suburban's Opening Brief at 58; Reply Brief at 50-51; Exhibits 15 at 9-10; and 37 at 61:67.

⁹⁶ See, Cal Advocates' Opening Brief at 35 and Exhibit 3 at 2-37 to 2-39.

We reject Suburban's argument that these memberships allow them to interact with other businesses and this results in strengthened ties to the community it serves. We agree with Cal Advocates that Suburban has failed to show a tangible ratepayer benefit from the business associations, economic partnerships, and service clubs. Accordingly, we reduce the 2024 budget to \$122,867.

3.6.17. Claims Reserve – Account 794 (Subaccount 233)

Suburban requests budgets for claims reserve to cover losses not covered by insurance and expenses incurred in the settlement of injuries and damages claims.⁹⁷ Suburban requests \$55,750 in 2023, \$55,717 in 2024, and \$56,564 in 2025. Cal Advocates' recommendation is to deny these budgets based upon the argument that these expenses were caused by negligent acts of employees and Suburban should not expect ratepayers to fund this.⁹⁸

We agree with Cal Advocates that Suburban failed to make an adequate showing the settlements in question were reasonable. Additionally, we believe that Suburban should take more productive action to reduce its potential liability. Therefore, we deny this request.

3.6.18. Employee Education – Account 795 (Subaccount 420)

Suburban requests budgets for employee education, including a Master of Business Administration (MBA) degree, arguing that such education benefits

⁹⁷ See, Suburban's Opening Brief at 59; Reply Brief at 51-52; Exhibits 10 at 10; 15 at 10; and 37 at 60:1.

⁹⁸ See, Cal Advocates' Opening Brief at 35-36 and Exhibit 3 at 2-33.

customers through improved service and management.⁹⁹ Suburban requests the following budget: \$53,644 for 2023, \$77,652 for 2024, and \$78,832.

Cal Advocates suggests reductions, questioning the necessity of some training programs and recommends that the 2024 budget be reduced to remove paying for tuition for an employee to receive tuition assistance for receiving an MBA.¹⁰⁰ Suburban argues that ongoing education is crucial for maintaining a skilled and knowledgeable workforce and that employees with advanced degrees are better leaders and this will result in better service to Suburban's customers.

Suburban's argument is rejected. Ratepayers should not be subjected to an overall proposed rate increase of 20% to help fund employee pursuit of an MBA. Accordingly, the 2024 budget is reduced as requested by Cal Advocates.

**3.6.19. Chlorinator Repairs – Account 748
(Subaccount 179)**

Suburban requests budgets for chlorinator repairs based on trendline projections showing increasing costs. Suburban requests the following: \$43,010 for 2023, \$42,984 for 2024, and \$43,637 for 2025.¹⁰¹ Cal Advocates uses a five-year historical average (2018-2022) and suggests that the requested budget be reduced.

Suburban used conservative estimates based on trendline projections. Additionally, Suburban has shown that repair costs have been increasing since 2019. The requested budgets are deemed necessary to ensure proper maintenance and operation of water treatment facilities. Accordingly, we grant

⁹⁹ See, Suburban's Opening Brief at 59-60; Reply Brief at 52; Exhibits 15 at 14-15; 37 at 60:26.

¹⁰⁰ See, Cal Advocates' Opening Brief at 36-37; and Exhibit 3 at 2-29 and 2-39 to 2-40.

¹⁰¹ See, Suburban's Opening Brief at 60 and Exhibit 15 at 3.

the requested budget, if they do not include any adders such as, but not limited to, contingencies

3.7. Rate Base

There are various disputes between the parties as it relates to Construction Work in Progress (CWIP), working cash, and early retirements and depreciation.

3.7.1. CWIP

Suburban has requested the inclusion of CWIP amounts of \$16.718 million for 2023, \$4.354 million for 2024, and \$15.131 million for 2025.¹⁰² Cal Advocates suggests lowering these amounts by removing projects older than one year and disputes certain individual projects.¹⁰³

Suburban argues that Cal Advocates' approach is flawed and the only support for removing CWIP for projects taking over a year to complete is an outdated 1982 memo that does not recommend disallowing such projects.¹⁰⁴ Suburban asserts that longstanding Commission policy allows CWIP in the rate base, a stance confirmed multiple times since 1982. Suburban highlights that the 1982 memo is not a Commission decision or resolution but merely the opinion of the Revenue Requirements Division. Furthermore, the memo suggests capitalizing interest on long-term projects rather than denying them.

We decline to take a position on the suggestion of removing projects from CWIP that are more than a year old. However, we do agree with Cal Advocates

¹⁰² See, Suburban's Opening Brief at 61-67; Reply Brief at 52-54; Exhibits 37 at 5-11, and 13; and 38 at 4, 6-9, and 12-13.

¹⁰³ See, Cal Advocates' Opening Brief at 37-38; Reply Brief at 21-22; Exhibits 1 at 2-2 to 2-4; 6 at 33-34; 22 at 78.

¹⁰⁴ State of California Memorandum "Policy for Including CWIP in Rate Base for Water Utilities" (May 11, 1982).

concerning the recommendation to remove projects that were requested in previous GRCs, but never completed.

Cal Advocates identified 13 projects that were funded in prior GRCs, but never built.¹⁰⁵ We agree with Cal Advocates that Suburban should not continue to request budgets for the same projects that were requested in prior GRCs, but never completed. We discuss the issue of the removal of these items from Suburban's budget in substantial detail later in this decision under the heading of *Projects in Prior GRCs*. As discussed in detail in that section, the removal of these projects results in a reduction of nearly \$16 million from rate base.

3.7.2. Working Cash

Suburban requests working cash amounts of \$722,683 for 2023, \$443,905 for 2024, and \$786,157 for 2025, calculated per Commission Standard Practice U-16-W.¹⁰⁶ Cal Advocates proposes a decrease in working cash for 2024 and 2025, arguing Suburban should use the final payment due date for property tax lag calculations and the check cashing date instead of the issuing date.¹⁰⁷ Specifically, Cal Advocates points out that Suburban paid its taxes two days early on one occasion and 21 days early on another.

Suburban contends that using the check issuing date aligns with Commission Standard Practice U-16-W, which states the calculation should be based on the day the "payment is made." Suburban asserts that Cal Advocates' suggestions are impractical and contrary to Commission policy.

¹⁰⁵ The specific projects are Plant 128 Reservoir Replacement; Generators at Plants 118, 119, 121 W-1 and B-4; 165, 235, 504, and 506; Plant 118 Electrical Upgrades; Well Treatment at Plant 201 and 410; Plant 217 Slope Stability; and Well drilling at the City of La Marada yard.

¹⁰⁶ See, Suburban's Opening Brief at 67-68; Reply Brief at 54-55; Exhibits 6 at 27-29; 15 at 19-21; 34 at 8; and 37 at 104-105.

¹⁰⁷ See, Cal Advocates' Opening Brief at 38-40; Reply Brief at 22-23; and Exhibit 6 at 27-29.

We acknowledge Cal Advocates' argument but find that they are arguing about paying taxes two days early and 21 days early on another occasion. It is pointless to argue over two days. As it relates to the paying the taxes 21 days early, we caution Suburban to try to pay the taxes closer to the due date. Accordingly, we agree with Suburban on this issue for this GRC cycle.

3.7.3. Early Retirements and Depreciation

Suburban requests a composite depreciation rate of 3.711% with an average depreciation reserve rate of \$150.100 million for 2023, \$161.190 million for 2024, and \$174.070 million for 2025.¹⁰⁸ Cal Advocates claims Suburban benefits improperly from early retirements, suggesting an imbalance in accumulated depreciation and perpetual increase in net rate base.¹⁰⁹ They also suggest Suburban's early retirements fall under the Commission's practice on extraordinary obsolescence. Suburban argues these claims are inaccurate and that it properly followed Commission Standard Practice U-4-W.

Cal Advocates argues that we should remove early retired assets from Suburban's rates to ensure ratepayers are not unfairly paying for assets that are no longer in use. Cal Advocates identified 163 capital projects from 2017 to 2021 that Suburban retired with over 50% of their useful life remaining, amounting to a net book value of \$1,114,545. Despite being retired, these assets continue to earn a return due to an imbalance in the depreciation reserve caused by their early retirement. This results in ratepayers covering the costs of assets that no longer exist or provide service.

¹⁰⁸ See, Suburban's Opening Brief at 68-70; Reply Brief at 55-61; Exhibits 1 at 4-14; 6 at 27-29; 13 at 1-5; and 37 at 103.

¹⁰⁹ See, Cal Advocates' Opening Brief at 37-43; Reply Brief at 21-23; and Exhibit 6 at 22-23, 29-33, and 54-59.

To address this, Cal Advocates suggests that the Commission adjust the depreciation reserve by the net book value of these assets to prevent Suburban from passing the cost of early retirements to ratepayers. While Suburban argues that these retirements comply with Standard Practice U-4-W for straight-line depreciation, this practice does not account for extraordinary early retirements, where assets are retired much earlier than expected. Cal Advocates proposes using a 50% benchmark to define such retirements, ensuring that ratepayers only pay for assets that are truly used and useful.

Suburban's counterargument that \$1.1 million is not significant within its overall budget is arbitrary. The issue is one of fairness, as continuing to charge ratepayers for prematurely retired assets, regardless of their individual cost, is unjust. Accordingly, we agree with Cal Advocates and adopt the suggestion to adjust the depreciation reserve to reflect the early retirements. This will help prevent ratepayers from funding shareholder profits on these retired assets.

3.8. Common Plant Issues

The parties disagree over various common plant issues related to Suburban's infrastructure projects and their associated costs. Specifically, there is disagreement over Suburban's contingency request, engineering services and inspection (ES&I), mobilization/demobilization, projects proposed in previous GRCs, and providing rates based on future test years.¹¹⁰

3.8.1. Contingency

Suburban has requested contingencies in the amount of 10% for its projects to cover unexpected costs that may arise during project execution. Suburban

¹¹⁰ See, Suburban's Opening Brief at 70-86; Reply Brief at 61-70; Exhibits 11 at 27-28 and 106; 12 at 107, 113, 139, 221, 338, 340, 393, 487, 489, 497, and 499; 23 at 6-15, 36, and 150-159; and 37 at 5-6; Cal Advocates' Opening Brief at 43-47; Reply Brief at 24-27; Exhibits 5 at 1-2 to 1-6; and 7 at 1-2 to 1-4.

asserts that this practice is standard in the industry to account for known unknowns.

Suburban alleges that contingencies are a necessary part of project budgeting. Suburban believes that contingencies ensure that projects can be completed without financial shortfalls that could delay completion or require additional ratepayer funds. Suburban also believes that historical data and industry standards support the inclusion of such contingencies, ensuring that Suburban can manage unforeseen events effectively.

Cal Advocates argues against including these contingencies, suggesting that they inflate the project costs unnecessarily. In this proceeding, Cal Advocates argues that the Commission should not include estimates for unpredictable costs in the calculation of customer rates.

We have addressed the contingency issue several times in the past and are perplexed that this issue continues to arise in many GRC applications. As discussed below, we agree with Cal Advocates and decline to include contingency estimates.

Cal Advocates cites D.21-08-036 in support of its position to disallow proposed contingency factors. D.21-08-036 disapproves of budgeting for contingencies in general rate cases where the utility must demonstrate the reasonableness of its forecast revenue requirement. Since contingency allowances are intended to cover “unforeseen conditions,” these amounts are also unpredictable, and therefore, the utility has not established these costs to be reasonable.¹¹¹

¹¹¹ See D.21-08-036 at 331.

The Commission has consistently disallowed contingencies in order to motivate utilities to remain within their forecast budgets for their capital projects,¹¹² and whenever possible to "do it for less" as a way to benefit both ratepayers and shareholders. D.19-05-020 quoted from D.85-03-042 at length, which we will repeat here again:

Ratemaking is not, nor has it ever been, an exact science that guarantees perfect results from all perspectives. Ratemaking, whether in a general rate proceeding or by an attrition mechanism, is essentially the art of estimating future events based on judgment that is as fully informed as possible. We know in prospective test year ratemaking that our adopted estimates of revenues and expenses may be at variance with actual hindsight experience. But we do not view this as a problem, because we are extending to utility management an opportunity and incentive to find ways to conduct operations for less than projected. When it can do this it flows the benefit to the utility's bottom line, which means profit. In the short term, between general rate proceedings, the shareholders benefit when the company's management can 'do it for less,' and correspondingly, ratepayers ultimately benefit because the productivity improvement will be reflected periodically when there is a comprehensive review of the utility's revenue requirement. Keeping this incentive for utility management is a cornerstone of ratemaking, which leads us to look askance at proposals for immediate 'give backs' of all cost savings to ratepayers. If ratemaking ever becomes so conceptually upside down that utility management loses the economic incentive to exercise its business acumen, California will be in a sad posture and will suffer under utility management which is lethargic with a 'cost plus' mentality. Accordingly, we are not as concerned as some parties are about having ratemaking that is always perfect from the hindsight perspective. Rather, we will continue our practice of adopting sound, informed

¹¹² See D.19-05-020 at 152.

estimates with the hope that utility management accepts the challenge and can somehow ‘do-it-for-less’.¹¹³

Based on the foregoing, we maintain our historic approach in favor of evaluating contingencies for reasonableness and prudence on an individual basis in the context of the scope and complexity of the project for which they are proposed.

Here, Suburban has assigned a 10% contingency to nearly every project on the basis that this will cover known unknowns or that an additional 10% is a just a necessary part of project budgeting. Rather than try to adequately justify the request, Suburban simply uses a blanket approach to requesting a 10% contingency. We cannot conclude that the blanket contingency factors are reasonable and therefore reject Suburban’s requested contingency factors. Consistent with D.19-05-020, D.21-08-036, and D.24-03-042, disallowing the contingencies should motivate Suburban to remain within its forecast budgets for these projects. If additional funds become necessary Suburban may seek to establish that necessity in the next GRC. Accordingly, we deny Suburban’s request for a 10% contingency on every project that included a contingency factor.

3.8.2. Engineering Services and Inspection (ES&I)

Suburban includes costs for engineering services and inspections as part of its project budgets. Suburban believes that these costs are essential for ensuring projects are designed and constructed correctly. In this GRC, Suburban requests 12% ES&I. Cal Advocates suggests reducing the budget for these services, arguing that Suburban's estimates are too high and like contingency adds these figures are not based on estimates, but rather hypothetical situations.

¹¹³ D.19-05-020 at 151-152 quoting D.85-03-042, 17 CPUC2d 246, at 254.

Suburban claims that this adder is necessary to ensure thorough engineering and inspection services. Suburban believes these adders prevent costly errors and ensure compliance with regulatory requirements.

We have previously said in D.21-08-016 that ratepayers should not pay for speculative costs that may or may not be reasonable. We agree with Cal Advocates and deny Suburban's request for a 12% ES&I. All projects that are approved in the decision that include a 12% ES&I adder shall be reduced by 12%. If additional funds become necessary Suburban may seek to establish that necessity and reasonableness in the next GRC.

3.8.3. Mobilization/Demobilization

Suburban requests funds for mobilization and demobilization of equipment and personnel. Suburban claims these activities are essential for setting up and dismantling project sites. Suburban requests to recover mobilization and demobilization costs, which represent approximately 3% and 2% of a contract's value respectively.

Cal Advocates challenges the costs associated with these activities, suggesting they can be minimized. Cal Advocates correctly notes that contractors can and should include mobilization and demobilization costs in their bids. Furthermore, Cal Advocates states that many of Suburban's estimates only showed a lump sum quote and that makes it impossible to determine whether the contractor already included mobilization and demobilization costs in the quote.

Again, we find that this is a blanket adder that inflates the proposed contract price. If Suburban wishes to include these amounts in future GRCs then the quote they submit with their evidence should specifically include a cost for mobilization and demobilization. We conclude that Suburban has failed to

provide sufficient justification for this request and we reject it. This is again a speculative blanket adder and Suburban has failed to show that this adder is reasonable and necessary.

For every project that we approve of in this decision that contains a mobilization/demobilization adder, the final approved amount shall be reduced by 5%. If additional funds become necessary, Suburban may seek to establish that necessity and reasonableness of these funds in the next GRC.

3.8.4. Projects Proposed in Previous GRCs

Cal Advocates asks us to reject all requests in this GRC for approval of capital budgets and the requisite revenue requirement Suburban has requested to complete plant additions, repairs and improvements that were approved in previous GRC applications. Specifically, Cal Advocates asks us to deny Suburban's requests relating to projects at Plant 128, 140, and 150 along with eight generator sites.

Cal Advocates argues that the projects should have been completed in the previous rate case cycle. Suburban responds to this criticism by stating the Commission approves budgets, not specific projects and that Suburban must manage its capital expenditure budget flexibly to address changing priorities and unforeseen challenges.

Suburban's argument might be acceptable if only a small number of projects that were previously approved were not completed. However, in this GRC cycle, Suburban requests funding for 14 projects from 2023 through 2025 that amount to more than \$15 million.

We are concerned with the magnitude of projects that were previously authorized, but never completed for a variety of reasons. The failure to complete these projects is an example of why the "used and useful" doctrine is important

and its application ensures proper safeguards are in place to protect ratepayers from bearing the costs for projects that may not come to fruition.

Specifically, the projects and amounts in question are as follows:

Description	2023	2024	2025
Plant 128 Cost of Removal	\$398,908		
Plant 128 Electrical Upgrades		\$2,292,188	
Plant 128 Reservoir Replacement	\$937,813	\$5,055,289	
Plant 506 Generator		\$546,535	
Plant 235 Generator		\$496,704	
Plant 165 Generator		\$496,704	
Plant 118 Generator		\$379,068	
Plant 119 Generator			\$592,202
Plant 504 Generator			\$496,704
Plant 121 W-1 & B-4 Generator			\$852,702
Plant 201 W-7 & W-8 Generator			\$832,827
Plant 140 Electrical Upgrades			\$817,662
Plant 150 Electrical Upgrades			\$796,284
Plant 217 Slope Stability			\$857,000
Total	\$1,336,721	\$9,266,488	\$5,182,381

Here we authorize these projects in the amount consistent with the previous GRC's authorization but decline to allow them to be recovered in rates at this time. Instead, Suburban is authorized to follow the Commission's existing process for adding previously authorized projects that are completed and used and useful to rate base through our Water Division's approval process, namely a

Tier 3 advice letter. This process allows for carry-over projects completed later to be placed into rate base once these projects are considered “used and useful.”

Pursuant to General Order 96-B, Water Industry Rule 7.3.3(8), Suburban may submit Tier 3 advice letter requests for Commission approval as rate base offsets for these carry-over projects. Water Industry Rule 7.3.3(8) also provides that rate base offsets previously approved by the Commission, as is the case for these carry-over projects, will be processed as Tier 2 advice letters when staff verifies that the scope is consistent with what the Commission approved, and the Commission approval included a budget cap and where the rate base offset is at or below the budget cap.¹¹⁴

As Suburban completes these projects, it should seek to package rate base offset approval requests for multiple projects into a single advice letter request both for administrative efficiency and to minimize the number of rate requests outside of the GRC. These efforts should also assist in providing timely authorization of carry-over projects into rate base, especially if these projects may be approved as Tier 2 advice letters.

The budgets for previously approved projects represent a substantial portion of the total test-year revenue requirement requested by Suburban in this proceeding. This is worrisome and raises a red flag. Suburban is placed on notice that if this continues in the future they may be required to serve testimony describing in detail (i) the circumstances giving rise to each unanticipated project

¹¹⁴ Tier 2 advice letters are subject to Industry Division disposition where such disposition would be a ministerial act. Industry Division disposition is appropriate where the Commission has previously authorized projects with a specified scope and budget. Suburban should present workpaper/ documentation supporting its advice letter requests for rate base offsets consistent with the Commission’s approval of these projects. Whenever such determination requires more than ministerial action, the disposition of the advice letter on the merits will be by Commission resolution. See General Order 96-B, Rule 7.6.1.

that delayed an approved project; (ii) the management review process which selected and justified each decision for a project deferral; and (iii) the reasons why ratepayers are not, and will not, be disadvantaged by each deferral.

In opening comments on the proposed decision, Suburban appears to assume that the proposed decision denies funding for the numerous projects approved in prior GRCs, but never built. To the contrary, the proposed decision states that projects authorized in prior GRCs are still authorized in the amount consistent with the previous GRC authorization but declines to allow recovery in rates until they are used and useful. The proposed decision provides Suburban with direction to file a tier 3 advice letter when the projects are used and useful. This process ensures that cost recovery is allowed for those projects or activities determined to be reasonable by the commission. In the past, Suburban has justified GRC funding for projects and then failed to complete them. Cal Advocates showed that about 14 projects totaling more than \$15 million were previously requested and approved in prior GRCs, and then were again requested in this GRC. Suburban does not dispute this evidence and instead asserts that the Commission approves budgets not particular projects.

3.8.5. Providing Rates Based on Future Test Years

Suburban argues that Cal Advocates suggests in its testimony regarding capital projects that Suburban spend money and then seek reimbursement in a future GRC. Suburban asserts that D.04-06-018 uses “test year” to refer to the period over which the cost of service and proposed rates will be evaluated.¹¹⁵ Suburban goes on to argue that two types of test years are used: historical and forecasted (or future years). We agree with Suburban that the Commission is

¹¹⁵ D. 04-06-018 at 6.

required per Pub. Util. Code Section 455.2(a) to use future test years in a water GRC.

Suburban argues that Cal Advocates is requesting the Commission to change from future year to historical year ratemaking. We disagree with Suburban that Cal Advocates is making this suggestion. Rather Cal Advocates' recommendation that Suburban seek reimbursement in a future GRC pertains to Suburban's continued practice of requesting funding for projects that were approved in a prior GRC, but never built. We find Suburban's argument to be moot as this is not what Cal Advocates is suggesting and we have already covered in this decision how it is inappropriate for Suburban to continue to request projects be included in rates when the project previously approved in a prior GRC was never built.

3.9. Capital Projects

Suburban categorizes its capital projects into four categories: pipeline replacement projects, annual projects, planned projects, and Sativa Water System projects.

3.9.1. Pipeline Replacement Projects

Suburban requests a pipeline replacement budget of \$18.756 million for 2023, \$17.411 million for 2024, and \$28.511 million for 2025. Suburban asserts that its replacement program is designed to identify and replace those segments at highest risk for breaking, while also looking into long-term trends and patterns to avoid situations where there are significant levels of breaking.

Cal Advocates recommends a lower replacement rate, which results in a recommended budget of \$4.851 million in 2023, \$4.445 million for 2024, and

\$4.823 million for 2025.¹¹⁶ Cal Advocates presents numerous criticisms of Suburban's request. For example, Cal Advocates notes that Suburban has failed to consider the impacts of paving moratoriums that are currently in place in the city of Whittier and the County of Los Angeles.¹¹⁷ Cal Advocates also provided substantial evidence that Suburban has historically replaced fewer pipelines than forecasted or authorized and that Suburban has failed to consider pipeline rehabilitation.

Perhaps the most disturbing fact pointed out by Cal Advocates is that Suburban's pipeline replacement request includes adders of 27%, which if granted would increase customer rates by approximately \$2 million a year.¹¹⁸ These are routine projects that Suburban has extensive knowledge and experience dealing with. We have said this many times, it is not appropriate to approve speculative figures that will ultimately be included in rates unless the utility can show that the rates are reasonable and necessary.

The evidence submitted by Cal Advocates supports the notion that more than 40% of the system never experienced a break.¹¹⁹ The pipeline system is in overall good condition, as evidenced by its excellent Infrastructure Leakage Index (ILI) score.¹²⁰ Suburban's water loss for its entire system shows an ILI score

¹¹⁶ See, Cal Advocates' Opening Brief at 48-54; Reply Brief at 27-28; Exhibits 6 at 6-19 and 119-121; 15 at p. 10 of PDF; and 16 at 5 and 11-14.

¹¹⁷ The moratoriums currently prohibit such things as removing, cutting, or trenching pavement in the absence of an emergency.

¹¹⁸ The adders include 3% for mobilization, 2% for demobilization, 10% for contingency, and 12% ES&I.

¹¹⁹ See, Cal Advocates' Exhibit 6 at 7:5-7.

¹²⁰ See, Cal Advocates' Exhibit 6 at 6:13-17. The ILI is a performance indicator used by American Water Works Association (AWWA) that indicates how well a water distribution system performs and helps a utility determine if further investments are needed to improve system performance.

of 0.736 and per AWWA standards the system is operating in “a class with the top worldwide performers in leakage control.”¹²¹ The overall conclusion of this score is that there have been fewer leaks in recent years and the pipeline is in good condition.

Cal Advocates also points out in testimony that Suburban has historically replaced fewer pipelines than forecasted or authorized. Suburban has requested high pipeline replacement budgets under claims of urgency in the past and have used the authorized funds for other projects.¹²² In the 2020, GRC, Suburban forecasted budgets associated with rates of 0.45%, 1.25%, and 1.5%.¹²³ The Commission adopted a lump sum capital expenditure budget as part of a settlement agreement. However, at the time of this GRC filing Suburban had a replacement rate that was approximately one-quarter less than what was forecasted.¹²⁴ From 2012-2022 Suburban had a 0.33% replacement rate.¹²⁵ The Commission would be ill-advised not to consider the prior years of overestimating when determining the appropriate replacement rate in this GRC cycle.

Suburban should develop a more comprehensive approach to its pipeline replacement program. Suburban has failed to present evidence to support its request. Accordingly, we deny the amounts requested by Suburban and approve the figures put forth above by Cal Advocates. Suburban is free to present evidence in future rate cases that its pipeline system is deteriorating more

¹²¹ See, *Id.* at 7:1-5, citing AWWA software audit.

¹²² See, *Id.* at 11:4-6.

¹²³ See, *Id.* at 13:1-3.

¹²⁴ See, *Id.* at 13:7-9.

¹²⁵ See, *Id.* at 14:1-2.

rapidly than current performance indicates, or that there is evidence of other reasons for adopting a more aggressive replacement rate. It is well established in GRC applications, that the applicant must affirmatively show by a preponderance of the evidence, that its requests are necessary, just, and reasonable.¹²⁶ Suburban has failed to do so here.

3.9.2. Annual Projects (A-Projects)

Suburban requests \$10.162 million in 2023, \$12.350 million in 2024, and \$14.048 million in 2025 for capital projects.¹²⁷ The annual projects included in this request are: Service Line Replacements (A-1, A-26, and A-51); Meters (A-5, A-30, and A-55); Meter Install (A-16, A-41, and A-66); Meter Box Lids (A-21, A-46, and A-71); Security Upgrades (A-06, A-31, and A-56); Fire Hydrant Replacements (A-81, A-33, and A-58); Geographical Information System (GIS) Model Upgrades (A-22, A-47, and A-72); Personal Computer Hardware (A-23, A-48, and A-73); Vehicle Replacement Budget (A-25, A-50, and A-75); Plant Improvements (A-7, A-32, and A-57); and Miscellaneous Pipeline Replacements (A-15, A-40, and A-65). Cal Advocates disputes Suburban's request for Annual Projects.¹²⁸

- **Service Line Replacements (A-1, A-26, and A-51)**

Suburban requests \$2.971 million in 2023 (A-1), \$3.185 million for 2024 (A-26), and \$3.4 million for 2025 (A-51) for its service line replacement projects. This program is designed to replace service laterals that have reached the end of their useful life and have failed.

¹²⁶ See, D.06-05-016 at 7 and 09-03-025 at 8.

¹²⁷ See, Suburban's Opening Brief at 94-111; Reply Brief at 81-95; Exhibits 11 at 27-28, 49-52, 57-76, 82-87, 143-146, 151-157, 159-162, 176-192, 218-219, 255-258, 263-270, 272-275, and 289-307; 23 at 15-21, 75-76, 169-170, 180-219, 282-283, and 1586-1587; and 28 at 2-41.

¹²⁸ See, Cal Advocates' Opening Brief at 54-62; Reply Brief at 29-31; Exhibits 5 at 1-5 to 1-10, and 1-15; and 8 at 23-38.

Suburban owns and maintains roughly 76,000 service laterals made of a variety of materials, including Orangeburg SP Polyethylene and Grey Plastic pipes. Suburban asserts that it is impossible to estimate the exact value for these repairs. Suburban ran a linear regression analysis over the last five years, excluding 2022 data as it was not available at the time the Application was filed.

Cal Advocates asserts that a five-year average is better than a linear regression. Suburban argues that linear regression is more accurate and should be used. However, Suburban failed to show that any major increases are expected in the annual number of service valves that will need to be replaced. As pointed out by Cal Advocates, the number of service replacements have been consistent over a five-year period except for 2020.¹²⁹

Given that service replacements are now near constant, linear regression is not appropriate here. Therefore, we find that a five-year average estimate should be used for the budget. Accordingly, we agree with the figures put forth by Cal Advocates and approve the following budget: \$2.348 million for 2023, \$2.454 million for 2024, and \$2.520 million for 2025.

- **Meters (A-5, A-30, and A-55)**

Suburban requests the following for its annual meter replacement program: \$2.407 million in 2023 (A-5), \$2.861 million for 2024 (A-30), and \$4.385 for 2025 (A-55). Suburban's plan is to continue replacing manual read meters with automatic meters (ARM). Suburban's evidence elaborates on the many benefits that ARM meters provide.

¹²⁹ 2020's increased number of valves replaced is an anomaly that has since decreased.

Suburban argues it has successfully replaced 7,500 meters per year as and is proposing to continue its progress by replacing a total of 38,000 by the end of 2023 and another 45,000 by the end of 2024, and 9,500 in 2025.

Cal Advocates recommends a reduction in the meter replacement and installation budgets. Suburban argues that Cal Advocates fails to recognize the benefits of the new ARM meters and asserts that GO 103-A sets a maximum timeframe of 15 years and not a minimum timeframe.

Although we agree with the benefits of the new ARM meters, we do not agree with the assertion that meters should necessarily be replaced sooner than the GO 103-A 15-year timeframe. Suburban's approach would result in early replacement and unnecessary costs to ratepayers.

We previously addressed the issue of an accelerated meter replacement request in D.23-02-003. We found that Liberty Utilities/Park Water failed to demonstrate why it was "cost-effective or reasonable for ratepayers to fund the accelerated and premature replacement of meters."¹³⁰

We agree with Cal Advocates that it is not prudent or reasonable for Suburban to pursue an aggressive plan that would unnecessarily replace meters at an excessive cost to ratepayers. We approve Cal Advocates' suggested yearly figure of \$787,957 for each year starting in 2023 and ending in 2025.

- **Meter Install (A-16, A-41, A-66)**

Suburban requests \$550,000 for 2023 (A-16), \$526,000 for 2024 (A-41), and \$700,000 for 2025 (A-66) for the installation of the purchased meters. Suburban notes that the cost of installation is separate from the cost of purchasing the

¹³⁰ D.23-02-003 at 56.

meters as these costs are recorded separately. Cal Advocates disagrees with the amount requested by Suburban and recommends a yearly budget of \$180,048.

Since we already found that Suburban's request to replace meters sooner than 15-years was too aggressive and not prudent, we also find that the meter install request is not prudent and is excessive since we have reduced the meter replacement program.

We agree with Cal Advocates and reduce the meter install budget to \$180,048 per year for 2023 through 2025.

- **Meter Box Lids (A-21, A-46, A-71)**

Suburban requests \$30,000 per year for 2023 (A-21), 2024 (A-46), and 2025 (A-71). Suburban's asserts its request was based on rounding down the cost for the most recent year (\$36,541). This replacement program is based on replacing damaged or stolen meter lids.

Cal Advocates asserts that the figures requested by Suburban are not reasonable and should be reduced. As we noted above in the request for the purchase of meter, Suburban is aggressively trying to replace meters early, which is not consistent with GO 103-A. Since we reduced the requested budget to purchase meters, it is also appropriate to reduce the budget for meter box lids. We agree with Cal Advocates that Suburban's request appears inflated and is unreasonable. Accordingly, we adopt the yearly figure of \$9,821 as recommended by Cal Advocates.

- **Security Upgrades (A-6, A-31, and A-56)**

Suburban requests \$190,000 for 2023 (A-6), \$220,000 for 2024 (A-31), and \$210,000 for 2025 (A-56) for security upgrades. The request includes fences and cameras to protect property and equipment.

Cal Advocates asserts that the projects are not necessary or supported. Cal Advocates notes that Suburban relies on two break-ins as the justification for this project. Cal Advocates reviewed the incident reports for the break-ins and believes that there are more cost-effective measures that Suburban can or already has implemented to prevent break-ins.

One incident report showed that employee utility boxes had not been locked and another one showed that employees did not set the security alarm. There is already a barbed wire fence around the facility that appears to be perfectly functional.

Suburban also requests \$100,000 for upfront costs to set up internet service. Suburban submitted a quote from Frontier with an upfront cost supported by only a two-line email, with no cost breakdown. This is inadequate to show that the \$100,000 cost estimate is reliable. Also, there is no exact date that Frontier will be able to install the internet in the plant. If Suburban truly believes that this project is necessary, it can provide sufficient evidence in the next GRC.

We agree with Cal Advocates and decline to approve the budget as requested. We approve the budget suggested by Cal Advocates as follows: 2023: \$0, 2024: \$90,000, and 2025: \$110,000.

- **Fire Hydrant Replacements (A-8, A-33, and A-58)**

Suburban requests \$771,000 for 2023 (A-8), \$833,000 for 2024 (A-33), \$896,000 for 2025 (A-58). This program focuses on replacing hydrants that have reached the end of their useful life or were damaged and there was no ability to recover the damages from the party who caused the damage. Suburban used a linear regression approach for this estimate.

Cal Advocates recommends a lower budget based on a five-year average to calculate the replacement costs rather than linear regression. Cal Advocates

argues that using linear regression results in an increased budget. Cal Advocates also argues that there has been a downward trend in the number of hydrants replaced from 2020 and that Suburban's linear regression analysis only uses four years of data from 2017 to 2021.

We agree with Cal Advocates and deny Suburban's request. Suburban's budget shall be based on a five-year average rather than linear regression as calculated by Suburban.

- **Geographical Information System (GIS) Model Upgrades (A-22, A-47, and A-72)**

Suburban requests \$236,000 for 2023 (A-22), \$393,000 for 2024 (A47), and \$360,000 for 2025 (A-72). A GIS system stores and displays information about facilities owned and operated by Suburban. It helps with determining replacement priorities. The budget was based on estimates from vendors and consultants but included a 10% contingency.

We find the GIS upgrade request to be reasonable and we grant it. However, since we have already stated that we will not approve any contingency requests in this GRC, we deduct 10% from the amounts requested for 2023, 2024, and 2025 as a contingency is unreasonable. The amounts approved for GIS are \$215,000 for 2023, \$358,000 for 2024, and \$327,000 for 2025.

- **Personal Computer Hardware (A-23, A-48, and A-73)**

Suburban requests information technology hardware upgrades in the amount of \$107,585 for 2023 (A-23), \$134,990 for 2024 (A48), and \$147,405 for 2025 (A-73). Suburban's request is an annual program to purchase replacement computer hardware. Suburban claims that the budget is for computer hardware that has a four-year replacement cycle. Suburban wishes to purchase 34 desktop and laptop computers.

Cal Advocates argues it should be lower because in 2019 Suburban only purchased 22 computers and should only need to purchase that many in 2023. Cal Advocates also asserts that Suburban's request for 34 computers includes the purchase of new computer hardware and not just replacement hardware.

Suburban claims that due to COVID-19 remote working conditions it has many computers that they were unable to replace and therefore, there are more than 22 computers that need to be replaced. Basically, Suburban replaced 22 computers in 2019, but claims it now actually needs to replace more than 22 computers due to COVID-19. However, the COVID-19 lockdowns did not start until March 2020, so it is unclear how this assertion supports Suburban's claims.

We agree with Cal Advocates and find that Suburban's budget should only be approved to fund the replacement of 22 computers and we agree with Cal Advocates that the budget should be as follows: \$63,852 for 2023, \$77,299 for 2024, and \$53,427 for 2025.

- **Vehicle Replacement Budget (A-25, A-50, and A-75)**

Suburban requests \$286,000 for 2023 (A-25), \$729,817 for 2024 (A-50), and \$925,250 for 2025 (A-75). Suburban asserts that this budget is based on the cost of new vehicles and the cost to upfit the vehicles to make them appropriate for utility operations (e.g., install equipment bins). Suburban notes that this program has four parts: replace vehicles with high miles; replace internal combustion engine (ICE) vehicles with hybrid and electric vehicles (EVs); and provide for on-call vehicles; and installing charging infrastructure.

The high mileage project replaces utility vehicles based on thresholds set by the Department of General Services (DGS) and approved by D.07-12-055. Suburban notes that DGS set a new policy in 2017 with a lower mileage

threshold. They allege that many of their vehicles will now be above the new threshold and need to be replaced. Cal Advocates asserts that Suburban should use the old DGS standards.

We grant Suburban's request to replace high mileage vehicles consistent with the 2017 standards.

Starting in 2024, Suburban requests to purchase hybrids and EVs because they are better for the environment, have better fuel efficiency, reduce operating costs, and create numerous benefits for customers. Suburban also notes that this approach complies with the Commission's Environmental and Social Justice goals because the area where the EVs will be housed are a disadvantaged community.

Cal Advocates asserts that Suburban should only purchase hybrid vehicles because they have better availability, prices, and operational costs. We disagree with Cal Advocates and agree that it is appropriate for Suburban to purchase both EVs and hybrids and we approve this request.

Suburban requests to purchase what it calls on-call vehicles starting in 2024. It requests authority to purchase two in 2024 and nine in 2025. Suburban asserts that they are necessary to ensure that there is proper response to emergency situations.

Cal Advocates calls these duplicate vehicles that employees would use when they are on-call. These vehicles are in addition to the vehicles that the employees use during the day. Suburban claims the vehicles used during the day are not appropriate to be driven or parked at home and that this necessitates the need for additional smaller vehicles.

We agree with Cal Advocates that Suburban has failed to establish how these new smaller vehicles are now suddenly necessary. We also agree that they

are essentially duplicate vehicles and we decline to grant this request. As a result, we remove \$829,191.58 from Suburban's requested budget because we refuse to approve what are essentially duplicate vehicles.

Suburban notes that it needs charging stations to support the EVs that it will purchase. SCE has determined that Plant 132 can house eight charging stations and SCE has many incentives that can help to reduce the cost of installing these charging stations.

Cal Advocates argues that this request should be denied. Cal Advocates' argument is moot as we have granted Suburban's request to purchase EVs. Therefore, this request is approved.

- **Plant Improvements (A-7, A-32, and A-57)**

Suburban requests \$142,811 for 2023 (A-7), \$540,000 for 2024 (A-32), and \$937,189 for 2024 (A-57) for plant improvements to fund replacement, renewal, and upgrades of various needs in the plants in the system. Suburban asserts that this will help to extend the useful lives of the components in the plants.

Cal Advocates disputes \$23,600 for 2023 for plant improvements, on the basis that Suburban should purchase hybrids and not EVs, arguing that hybrids make the \$23,600 budget unnecessary as there will not be a need to install EV chargers. We granted the request to purchase the EVs and therefore it is appropriate to include the \$23,600 for infrastructure in this GRC.

Suburban's request for plant improvements is granted.

- **Miscellaneous Pipeline Replacements (A-15, A-40, and A-65)**

Suburban requests \$450,000 for 2023 (A-15), \$639,000 for 2023 (A-40) and \$828,000 for 2025 (A-65) for its miscellaneous pipeline replacement program. Suburban asserts that this is a proactive program that covers repeated breaks within a short period of time and pipeline replacement where a significant

portion of the pipeline must be replaced to add a main break. Cal Advocates only disputes this program in the context of its larger dispute over Suburban's pipeline replacements.

It is important for Suburban to proactively address pipelines with repeated breaks over a short period of time. We therefore grant this request.

3.10. Planned Projects

There are numerous planned projects that are disputed in this proceeding.¹³¹ We discuss each of them below.

3.10.1. Water Rights Purchase (P-1, P-31, and P-32)

Suburban is requesting \$1.098 million per year for 2023 (P-1), 2024 (P-31), and 2025 (P-32) for the purchase of local water rights of California Domestic Water Company's water shares in the Main San Gabriel Basin. Suburban details the factors that it believes support approval of the request, such as the rareness of the opportunity, and the cost effectiveness of the program.

Cal Advocates argues against the purchase, citing several reasons. They claim Suburban does not need to increase its water rights. They argue that the ability to acquire water rights is not limited and they assert that Suburban's cost-benefit analysis is flawed.

Specifically, Cal Advocates notes that the Main San Gabriel Basin Watermaster 2021-2022 Annual Report shows that Suburban extracted a yearly

¹³¹ For Planned Projects, *see*, Suburban's Opening Brief at 112-168; Reply Brief at 95-144; Exhibits 11 at 27-28, 42-43, 53-58, 87-142, 192-253, 305-336, 339-340, 342-352, 455-492, and 501-523; 23 at 21-109, 142-149, 154-189, 236-351 (Attachment 4), and 456-642; 30 at 2-571, 607-1251, 1253-1803, 1807-2664, 2666-2671, 2679-2710, and 2712-2722; 30C at 3-8, 11-29, 31-34, and 212-226; 31 at 2-20 and WP Vol. III-D Sativa Water System Projects; 33 at 53-88 and 211-212; 37 at 79:2 and 89:5; Reporters Transcript at 146:16-147:7 and 148:3-149:3; Cal Advocates' Opening Brief at 63-92; Reply Brief at 31-39; Exhibits 1 at 1-7:4-8; 5 at 1-9 to 1-17, 1-20 to 1-21, 2-2 to 2-22, 3-1 to 3-4, and Attachment 2 (page 175 of PDF); 6 at 36-38; 7 at 1-1, 1-4, 1-6 to 1-18, and 1-21; 7C at 1-8; 8 at 4-4; 12 at 10 and 12-13; 13 at 3 and 15; and 14 at 3-5.

total of 20,260 AF of water but has production rights of 22,393 AF. Cal Advocates also states that Suburban has carryover production rights of 2,133 AF per year. This shows that Suburban is pumping less than its production rights. Cal Advocates also states that Suburban pumped less than its production rights for at least five years.

As it relates to Suburban's argument that the option to purchase these rights are limited opportunities, Cal Advocates correctly notes that Suburban has purchased these water rights in almost every year during the last two GRC cycles. Therefore, one can easily conclude that this is not a limited opportunity. Finally, Cal Advocates points out that Suburban's own evidence establishes that if granted, Suburban would not breakeven until 11 years. We have previously denied a similar request in another GRC on the basis that cost estimates become less reliable when they are projected too far into the future.

In its opening comments, Suburban states that it has already moved forward with the water rights purchases scheduled for 2023 and 2024.¹³² The mere fact that Suburban spent funds on a project does not make it a prudent project. As noted above, Suburban's own evidence proves that ratepayers would not breakeven for at least 11 years after the purchase. Ratepayers should not be forced to fund projects that are not cost-effective.

We find that Suburban's request is not necessary nor cost effective. We declined to approve an unnecessary request that would add over three million dollars to customer rates. Accordingly, this request is unreasonable and is denied. Suburban may make this request in a subsequent GRC and should be

¹³² See, Suburban's Opening Comments on the Proposed Decision at 5.

prepared to establish why and how the water rights purchase is in the best interest of the ratepayers.

3.10.2. Stage Road Well Projects (P-3)

Suburban requests \$4.214 million in 2023 for drilling and \$2.707 million in 2024 for equipping and piping the Stage Road well project. Suburban claims that this project is essential for increasing Suburban's Central Basin groundwater production capacity, ensuring system reliability during outages due to well maintenance and equipment failures.

Suburban claims that system resiliency, cost effectiveness and Environmental and Social Justice goals support approval of the project.

However, Cal Advocates notes that Suburban has failed to finalize a contract with the City of La Mirada concerning the property. Rather Suburban only produced email communication with the City of La Mirada, showing the acquisition, via a lease agreement is a possibility, but has not been finalized. Suburban's witness also states that if a deal was to be reached, it would be a long-term lease contract.

Suburban's request to put the cost of the lease into rates is based on the present value of the land, which is speculative of what the purchase will cost. The uncertain nature of the request and project mandates that we cannot justify adding that much into customer rates. Accordingly, we find this request unreasonable, and we deny it.

3.10.3. Plant 224 Solar Panels (P-4)

Suburban requests \$1.240 million in 2024 to install solar panels at Plant 224. Suburban claims this project aligns with the Commission's ESJ goals, improves environmental sustainability, and provides financial benefits to customers.

There are various environmental benefits gained by installing solar panels. For example, solar panels are an environmentally friendly energy source that do not generate carbon emissions. The solar panels at Plant 224 would offset over 32 million pounds of greenhouse gas emissions, equivalent to removing 171 internal combustion engine cars from the road for the next 25 years.

Cal Advocates provided various criticisms of the project in its testimony. They assert that the cost of the project outweighs any benefits and the project will only provide benefits for 25 years and claims that Suburban only focuses on financial aspects and not actual benefits. Cal Advocates correctly notes that although installation of the solar panels reduces energy demand by 19%, ratepayers would not see any immediate benefit in their rates.

Suburban's own evidence shows that annual revenue requirements in 2025 would be \$216,978, whereas energy cost savings is only \$118,953. The projected amount ratepayers would need to pay for the panels in 2026 is \$186,959 and increases to \$266,700 in 2027 and continues to increase to \$563,407 in 2025. Based on Suburban's own analysis, energy savings from solar panels will only outweigh the revenue requirement beginning in 2045, for an estimated savings of only \$5,902.

We agree with Suburban that the proposed project supports California's goals of increased use of solar power. However, the economics of this proposal do not pencil out. Ratepayers will pay more to install the panels than the benefits they receive for over two decades before the ratepayers will benefit. We have previously rejected projects where the ratepayer benefits appear too far into the future and are therefore inherently speculative.¹³³ Accordingly, we decline to

¹³³ D.23-02-003 at 50-51.

implement this request in this GRC cycle as the increase in rates is not reasonable considering the benefits received.

3.10.4. AMI Infrastructure (P-6)

Suburban requests \$1.797 million in 2025 to complete the full build-out of advanced metering infrastructure (AMI) in its service area. In a prior GRC, Suburban was authorized to conduct an AMI pilot study for \$187,000.

There are various infrastructure components involved with this project. They include antennas that will enable meters to communicate over long distances; repeaters that are devices that receive and repeat radio signals to extend the range of the meters and help to avoid obstructions; and necessary software to make the AMI function properly.

Cal Advocates again disputes this project. They claim that Suburban did not present an AMI pilot study and compared to other utilities, the proposal is still theoretical. Cal Advocates asserts that when asked about the study, Suburban merely stated “the project provided positive outcomes,” but did not provide the actual study or any specific results from the study.¹³⁴ Cal Advocates contends that they asked for the specific study during discovery, but were only pointed back to testimony and workpapers, which only provided generic statements that the results were positive. Additionally, Cal Advocates states that Suburban only provided one example where a customer leak was detected by the AMI system, but other than this there was no specific data provided.

It appears that Suburban failed to produce any actual data to Cal Advocates that was collected pursuant to the study, or any analysis of this data

¹³⁴ Suburban Exhibit 11 at 316.

of any ratepayer benefits found. Additionally, Suburban submitted substantially less data about AMI results than other regulated water entities.

Suburban bears the burden to establish that the AMI pilot was successful and beneficial to ratepayers. Suburban has failed to do this in this GRC. Accordingly, we deny the request for \$1.797 in this GRC. Suburban may revisit this request in a subsequent rate case if it puts forth the necessary evidence to support the reasonableness of its request.

3.10.5. Tank 162 R-1 Structural Refurbishments (P-7)

Suburban requests \$200,200 in 2025 for structural refurbishment of Tank 162 R-1. This project aims to address corrosion and prevent potential structural failure of the steel reservoir.

Suburban's notes that there are various issues with the tank, such as corrosion issues, coating life span issues, and a risk of failure. As it relates to the corrosion issues, the coating on the roof rafters connecting to the center dollar plate is peeling and cracking and an inspection noted numerous areas of concern, indicating significant corrosion and damage. Pertaining to the life span issue, the existing coating has been in place for 23 years and is at the end of its 20–25-year service life. As a result of its age, there is a significantly increasing risk of structural failure.

If the tank fails, it will likely need to be replaced, resulting in the reservoir being out of service for a year or longer. Replacement would likely cost over \$3 million, and 1,500 customers could be without storage for regular or emergency use.

The costs for the project are based on an opinion of probable construction cost. Refurbishing the tank now would prevent the much higher costs associated with a complete replacement and service disruption.

Cal Advocates recommends a budget of \$158,509. Suburban asserts it was unable to recreate this number and assumes Cal Advocates is disputing mobilization and de-mobilization, ES&I, and/or contingency costs. Other than recommending a lower budget, Cal Advocates does not appear to dispute this project.

The structural refurbishment of Tank 162 R-1 is critical to ensure the safety and reliability of the water storage infrastructure. The project addresses severe corrosion issues and prevents the potential catastrophic failure of the tank. This proactive approach will safeguard against future service disruptions and financial burdens on both Suburban and its customers. Although we agree that this project is necessary, we do not accept the budget request from Suburban. Since we are removing contingency costs, ES&I, and mobilization and de-mobilization costs from the budget, we accept Cal Advocates budget of \$158,509. Accordingly, we approve a budget of \$158,509.

3.10.6. Plant 118 Electrical Upgrades (P-9)

Suburban requests \$1.145 million in 2024 for electrical upgrades at Plant 118. This plant in West Covina, built in 1985, is crucial for boosting water into the 660 zone from Covina Irrigation Company and ensuring water storage at the Plant 109 reservoirs. Suburban details the necessity for the upgrades and the possible ramifications for not doing them but failed to state that this project was previously funded and never built. We have addressed this issue numerous times in this GRC and we agree with Cal Advocates this project should not be included in rates again.

However, we authorize this project to move forward in the amount consistent with the previous GRC authorization but decline to allow it to be recovered in rates at this time. Instead, Suburban is authorized to follow the Commission's existing process for adding previously authorized projects that are completed and used and useful to rate base through our Industry Division's approval process. This process allows for carry-over projects completed later to be placed into rate base once these projects are considered "used and useful."

3.10.7. Valve Replacement Backlog (P-11)

Suburban requests \$1.323 million in 2025 to replace 126 inoperable isolation valves that Suburban asserts the current annual valve replacement program cannot address. Suburban proposes to replace 126 per year over the next four years for a total of 505 valves and estimates this cost using a linear extrapolation of historical costs that assumes increasing prices.

Cal Advocates believes that Suburban does not account for the actual fluctuation in cost per valve that has occurred over the most recent five years. Cal Advocates argues that using a five-year average of the actual costs per valve produces a budget that is approximately \$262,000 less than Suburban's requested amount.

Suburban argues there are various consequences of having inoperable valves. Inoperable valves lead to stagnant water, resulting in poor water quality. These valves can cause delays in service to customers and addressing the backlog will minimize the impact of shutdowns on customers, ensuring control over water distribution. There is no disagreement on this. The disagreement lies with the way the budget was calculated.

The use of linear regression for budget calculation is not justified. We find that Cal Advocates' suggestion to use a five-year average is the appropriate

calculation to use for the budget. We agree with Cal Advocates and approve a budget of \$1,061,327.

3.10.8. Well Developments (P-12)

Suburban requests budgets of \$166,157 in both 2024 and 2025 for well redevelopment and rehabilitation. This project aims to address the decrease in specific capacity and extend the operational life of Suburban's wells.

Over time, wells experience a decrease in specific capacity, impacting their maximum pumping level. Biofouling buildup on well casings and screens clogs them, while sediment acts as an abrasive and clogging agent, both leading to reduced capacity and potential water quality issues.

Cal Advocates argues that the contingency should be removed from the project budget. Suburban counters that contingency is necessary due to the unknown factors associated with underground wells, such as excess buildup and the need to replace pump components. Suburban is an experienced company and has the necessary knowledge and experience to implement this project without padding the costs to ratepayers with a 10% contingency. We have already said many times in the past and numerous times in this decision that we will not approve rates that are unreasonable.

We decline to approve the requested budgets of \$166,157 for 2024 and 2025 because these rates include a 10% contingency. We approve a budget of \$149,541 per year for 2024 and 2025.

3.10.9. Blow-off Replacement (P-13)

Suburban requests \$1.019 million in 2025 to replace blow-off assemblies. This project is part of a 10-year program initiated in the previous GRC to address dead-ends without blow-offs and to replace existing blow-offs.

Blow-off assemblies are used to flush end-of-line mains (dead-end mains) to ensure safe water delivery to customers residing on these streets. Regular flushing of dead-end mains helps maintain water quality by preventing stagnation and ensuring clean water. Suburban uses its GIS to identify locations where blow-off replacements are needed.

The blow-off replacement program began in the previous GRC, and after a ramp-up period, Suburban is now able to complete the necessary replacements to meet the 10-year schedule. The costs for replacements have been higher than initially projected, and the requested budget reflects Suburban's recent experience and updated cost estimates.

Cal Advocates disputes the project based on ES&I and contingency costs. Suburban argues that these costs are essential to ensure the quality and reliability of the project. Suburban argues that the blow-off replacement project is crucial for maintaining water quality and ensuring the reliable delivery of safe water to customers. Again, there is no disagreement as to the need for this project. The dispute revolves around whether it is just and reasonable to add a 12% ES&I and 10% contingency.

This is a well-known project and Suburban is experienced as it relates to this project. Suburban should be able to project costs without an adder of 22% to customer rates. Accordingly, we deduct the 22% adder from the requested budget. Suburban has the option to request additional funds with a particular blow-off replacement project in its next GRC.

3.10.10. Chemical Equipment (P-14)

Suburban requests budgets for replacing its old dosing pumps: \$116,000 in 2024 and \$111,000 in 2025. These replacements are essential for integrating the

dosing pumps with Suburban's top feed tanks and ensuring regulatory compliance.

The dosing pumps inject sodium hypochlorite to disinfect the water supply, ensuring it meets regulatory standards. Proper integration with top feed tanks is necessary for efficient operation.

The analyzers that assist the pumps also need to be replaced to ensure accurate and reliable operation. Replacing the dosing pumps and analyzers will reduce unnecessary well downtime and ensure a safe and reliable water supply.

Cal Advocates disputes the project based on the inclusion of contingency and ES&I costs. The addition of contingency and ES&I costs results in an additional 22% being included in the amount requested. This is unreasonable.

This is standardized yearly maintenance that Suburban has plenty of experience dealing with. Therefore, it is unreasonable and unnecessary for Suburban to have included this adder of 22% in its request. We have stated many times in this decision and in other proceedings our reasons for not approving contingency and ES&I adders and there is no need for us to continue to repeat over and over why these adders are unreasonable.

We approve the replacement of the chemical dosing pumps and analyzers. However, we find the original amount requested to be unreasonable. We agree with Cal Advocates and remove the 12% ES&I and 10% contingency that Suburban added to its request. We approve \$90,480 for 2024 and \$86,580 for 2025.

3.10.11. Plant 216 Well (P-15)

Suburban requests \$1,049,721 in 2025 for a test well and \$4,096,483 in 2025 for a production well and to install treatment options on site in the future. This request increases rates by several million dollars.

Suburban claims the well is necessary as Suburban has only two Central Basin wells due to historical reasons. Suburban also states it has been unable to fully utilize its Central Basin rights because of a lack of pumping capacity.

Suburban's testimony asserts a new Central Basin well may help to reduce risks of service disruptions for customers if existing wells need to be taken offline. Suburban claims the new well will allow Suburban to take full advantage of its Central Basin production rights, improve system resiliency, increase local supply, and provide cost savings.

Suburban believes there are various benefits associated with this well. Suburban asserts that locally produced water is 64% less expensive than imported water. Suburban claims the project reduces reliance on external water sources and enhances resilience during droughts. Suburban states that utilizing local water can also decrease the carbon footprint associated with water production.

Cal Advocates presented various arguments against the project. They argue it is unreasonable to drill a test well and production well in the same year. Cal Advocates states that a test well is necessary to check the water quality and production capacity. Without any water quality or production capacity data it is impossible to tell if the proposed production well is viable.

We agree with Cal Advocates. After the test well data becomes available and is analyzed, Suburban can plan for a production well by further reviewing if treatment is necessary and the final design of a new well is beneficial to ratepayers. Without data from the test well, we cannot approve a production well at this site. We do, however, approve the request for a test well in the amount of \$1,049,721 minus any contingencies, ES&I, or other adders that Suburban may have added to this estimate.

3.10.12. Plant 201 Treatment (P-16)

Suburban requests \$21.172 million in 2025 to begin constructing a treatment system for per- and polyfluoroalkyl substances (PFAS) at Plant 201. This project aims to protect customer health, comply with future regulatory requirements, and avoid taking an essential plant out of service for an extended period.

Plant 201 is an important plant. Plant 201 well field is the backbone of the Whittier/La Mirada service area, providing 67% of its supply. The supply from Plant 201 cannot be replaced through other sources.

The evidence shows that the wells are contaminated. Suburban found meaningful levels of perfluorooctane sulfonic acid (PFOS) and perfluorooctanoic acid (PFOA) in the wells at Plant 201, exceeding the State Water Resources Control Board's DDW's notification and response levels in all but one well. Long-term treatment is the only feasible option, as blending requires substantial water from other sources and interconnections are logistically infeasible.

The evidence submitted addresses the treatment system, the regulatory and health impacts, timing of the project, and the benefits associated with the project.

The treatment system will address PFAS, including PFOA and PFOS, which are man-made compounds used in various consumer products. PFAS regulations have been evolving, with the U.S. EPA and various states, including California, lowering acceptable levels.

PFAS ingestion is associated with severe health impacts, including cancer and developmental effects. Proactively constructing the treatment system before maximum contaminant levels (MCLs) are set is crucial to protect public health. Due to the health impacts of these chemicals, Suburban must comply with

requirements such as GO 103-A and Pub. Util. Code section 770 to provide safe, potable water.

The project is expected to take two years to construct. Delaying the project could extend this timeline to at least three years, risking service disruptions and increased costs.

There are numerous benefits to this project. One of the biggest benefits is that it helps to ensure continued access to high-quality water, as well as consumer protection and safety, particularly for ESJ communities.

Cal Advocates had various criticisms of this request. Specifically, they assert that the project should be denied because Suburban is already in compliance with existing regulations. Suburban argues that waiting for the EPA's MCL to be effective by the end of 2026 would force Plant 201 out of service, leading to service disruptions and increased costs. Proactively building the treatment system minimizes these risks.

Cal Advocates also claims that the budget request is unreasonable. Suburban responds by noting that comparisons made by Cal Advocates, such as to an EPA chart and another agency's system, are flawed. The EPA's cost estimates are significantly underestimated, and the other agency's project costs are outdated and not comparable. Suburban's cost estimate, prepared by Carollo Engineers, is based on specific project details and is more accurate.

The construction of a PFAS treatment system at Plant 201 is essential for ensuring safe and reliable water supply, complying with regulatory standards, and protecting public health. Suburban's thorough planning and cost estimates justify the requested budget of \$21.172 million in 2025. Given the significant health risks of PFAS, the necessity of regulatory compliance, and the long-term

financial and environmental benefits, the Commission approves the project to safeguard the health and well-being of Suburban's customers.

The \$21.172 million budget authorization for plant 201 PFAS upgrades is approved only for this purpose and cost recovery of any of this amount will not be approved if the project is not completed and used and useful for customers. Additionally, Suburban is expected to aggressively seek grant funding for PFAS projects and accept the grant it has tentatively obtained from the San Gabriel Basin Water Quality Authority. Suburban is also expected to use this grant funding to directly reduce the cost of the project so that the amount ultimately recovered from ratepayers is reduced accordingly.

3.10.13. SCADA Upgrades (P-17)

Suburban requests \$1.107 million in 2025 to upgrade its SCADA system. This upgrade is based on a master plan by expert Cannon and aims to enhance system reliability and security.

The SCADA project is an important project that allows remote monitoring and serves as a crucial security system. Upgrades are essential to address hardware and software reliability concerns identified in the master plan.

The upgrade plans are based on a successful pilot project demonstrating their feasibility. The upgrades will utilize proven technology and attract a large pool of integrators for installation and technical support. The only person who has serviced Suburban's SCADA system for the past 30 years is retiring, making the upgrade and transition to a more widely supported system crucial.

The evidence establishes that delaying or denying the upgrades could leave the entire service area vulnerable to extended service disruptions. If not

upgraded, the current system's reliability issues could lead to significant operational risks.

Suburban argues that a contingency is necessary to cover uncertainties related to the availability of specialized outside vendors, technological advancements, and software version upgrades.

Cal Advocates disputes the budget solely because of its contingency. Cal Advocates correctly reports that Suburban has substantial experience with the installation of SCADA. This is routine work and does not require an additional 10% to be added to customer rates.

We have stated over and over that we decline to approve rates that are not reasonable and we refuse to do so here. Although we approve the SCADA project, we agree with Cal Advocates that a 10% contingency is unreasonable. Therefore, we approve a budget of \$996,300 rather than the \$1.107 million requested by Suburban. Should unexpected events occur that result in the need for additional funds, Suburban is free to present evidence in its next GRC concerning the reasonableness of the need for additional funding.

3.10.14. Plant 410 W-1 Treatment Plant (P-22)

Suburban requests \$1.903 million in 2025 to construct a manganese treatment plant at Plant 410, Well W-1. Suburban claims this project is necessary to address elevated manganese concentrations, protect customer health, and comply with future regulatory requirements.

Suburban states that Well W-1 has shown manganese concentrations as high as 64 parts per billion (ppb), with a running annual average of 50.1 ppb. The secondary MCL for manganese is 50 ppb, and the well is close to exceeding this level. Elevated manganese levels pose potential risks, particularly neurological

effects on bottle-fed infants. High manganese levels can cause water discoloration (brown or purple), high turbidity, staining, and bacterial growth.

Suburban fails to note that Plant 410 already has manganese treatment. The findings presented by Suburban represent the manganese findings from the well head itself, rather than the level after the water is treated with the existing manganese treatment. Cal Advocates argues that the current process seems to be working as DDW has not cited Suburban for any manganese violations at this location and DDW's Sanitary Survey Report recognized the presence of manganese treatment at this plant and did not find any manganese violations or recommend any additional treatment.

We find that water entering the distribution system from this plant has manganese levels within the legal limits and Suburban has failed to present any evidence to show that post treatment manganese levels are an issue. Accordingly, we deny this request.

3.10.15. Plant 409 W-3 Redevelopment (P-23)

Suburban requests \$321,980 in 2025 to redevelop Plant 409 W-3. Suburban claims this project is essential to maximize the usage of well W-3, address organic growth clogging the well screens, and ensure reliable water supply from the Central Basin.

Cal Advocates claims the budget should be reduced by removing the included contingency. Cal Advocates also argues that the budget should be adjusted and approved in the amount of \$76,150.

Suburban claims that production at this well has been reduced due to organic growth at the well screen that resulted in frequent well redevelopments in the past. Suburban wants to redevelop the well every two to three years to maximize production.

Cal Advocates also notes that including the cost for redevelopment in every rate case cycle is inappropriate. Cal Advocates asserts that we should only approve a budget of \$76,150 for redeveloping Well 3. Cal Advocates believes that this amount is consistent with Cal Advocates' recommended budget for Suburban's Well Redevelopment Program, in which Suburban plans to redevelop two wells per year in 2024 and 2025.

Suburban's request to include over \$300,000 in rates for the same project in each rate cycle is unreasonable. Suburban's current request essentially makes the effective life of the project to be only three years. This is unreasonable. We agree with Cal Advocates and approve the amount suggested by Cal Advocates which is \$76,150.

3.10.16. Tank 409 R-1 Recoating (P-24)

Suburban requests \$754,000 in 2025 to recoat Tank 409 R-1. This project aims to address advanced corrosion and renew the structural integrity of the reservoir.

Tank 409 R-1 is critical infrastructure. Tank 409 R-1 is a 1.5-million-gallon steel tank built in 1960, serving the Whittier/La Mirada District. It takes water from a well at Plant 410 W-1 in the 285 zone and boosts it to the 335 zone. The coating was replaced in 1997, with routine diving inspections monitoring its condition since then.

Dive inspections have revealed several issues, including fair-to-poor exterior roof coating, scale formation on the internal ladder, coating peeling, paint chips, coating blisters, and corrosion at various parts of the tank. The existing coating has reached the end of its expected 20–25-year service life, making the likelihood of structural failure very high.

A structural failure could lead to an over \$3 million replacement cost, the tank being out of service for at least a year, and over 600 customers being impacted, including many business/commercial customers.

Recoating is necessary to address corrosion and ensure the tank's structural integrity. Proactive recoating can prevent costly failures and prolonged service outages. Recoating now avoids the much higher costs associated with replacing the tank and the extended downtime that would impact customers. Ensuring the tank remains in service supports reliable water delivery to over 600 customers, including critical commercial operations.

Cal Advocates believes that the budget request should be reduced by removing ES&I, contingency, and mobilization/demobilization costs. We agree with Cal Advocates that these adders are speculative and must be removed. Accordingly, we adopted the budget suggested by Cal Advocates in the amount of \$597,064.

3.10.17. Plant 408-R Recoating (P-25)

Suburban requests \$399,000 in 2025 for the recoating of Plant 408 R-3. This project aims to address corrosion and renew the structural integrity of the reservoir, reducing the chances of collapse and mitigating negative impacts on customers.

Reservoir 408-R3 is a 3.0-million-gallon steel tank located in the City of La Mirada within Suburban's Whittier/La Mirada District. The tank takes water boosted from zones 408-R4, 408-R5, and 408-R6, stores it, and then boosts it to the 450 zone.

The tank has had routine diving inspections every three years since 2012. Inspections have revealed several issues, including fair-to-poor exterior roof coating, cracking in 25% of the connections at the outer ring and 15% of the inner

ring connections, and poor coating and scale formation by the center vent connection.

The coating has not been retouched since the tank was built in 1997, reaching the end of the industry-recommended service life of 20-25 years. Without recoating, the likelihood of structural failure is high, which could lead to approximately \$3 million in replacement costs and additional damage to adjacent residential homes.

Recoating is necessary to address advanced corrosion and ensure the structural integrity of the tank. Proactive recoating can prevent costly failures and prolonged service outages, ensuring reliable water delivery. Recoating now avoids the much higher costs associated with replacing the tank and the extended downtime that would impact customers. Ensuring the tank remains in service supports reliable water delivery to the Whittier/La Mirada District.

Cal Advocates again argues for removal of ES&I, contingency, and mobilization/demobilization costs. We agree with Cal Advocates that it is necessary to remove these adders. We adopt the budget suggested by Cal Advocates in the amount of \$ 322,538 and we decline to approve the amount requested by Suburban.

3.10.18. Service Replacement (P-27, P-29, and P-30)

Suburban requests the following budgets to replace one-inch service assemblies: Larimore & Cadwell Replacements (P-27): \$83,062 (24 needed), Beckner & Tonopah Replacements (P-29): \$99,992 (29 needed), and Kimberly & Jacqueline Replacements (P-30): \$350,732 (101 needed)

P-27 has had 39 failures requiring repairs. P-29 has experienced 84 failures requiring repairs. P-30 has had 95 failures requiring repairs. The high number of

failures in these areas suggests material failures with the services and indicates that leaks will continue unless addressed.

Cal Advocates recommends removing the budget for these projects, suggesting they should be part of the annual service line replacement program. Suburban disagrees, noting these projects are distinct from the annual program. Suburban claims the annual program focuses on reactive replacements for unexpected failures, while these projects aim to prevent future issues and improve overall service reliability.

Cal Advocates states that it is unnecessary to have separate service replacement project budgets in addition to the annual budget for service line replacements. Cal Advocates suggests that Suburban should prioritize its annual budget to replace services that Suburban has identified as being most likely to leak. We agree with Cal Advocates and find that Suburban has failed to establish sufficient evidence for a separate budget for these replacements. Therefore, we deny this request.

3.10.19. Sativa Water System Projects

Suburban requests various projects for the recently acquired Sativa Water System. The specific projects are Pipeline Replacements (P-33); Well Manganese Treatment Plant; Steel Storage Tank; and Pump Station Construction and Generator. Suburban requests the following budgets for its Sativa Water Systems projects: 2023: \$431,004; 2024: \$6.685 million; and 2025 \$3.765 million.

- **Pipeline Replacements (P-33)**

For the 2023 budget, Suburban requests \$431,004 for the acquisition of an eight-inch main pipeline along Paulsen Avenue. The pipeline will be acquired from the Los Angeles County Department of Public Works (LACDPW).

Suburban is required to pay for the costs of the pipeline in 2023 under the Asset Purchase Agreement (APA). Because we have previously approved the acquisition of the Sativa System and Suburban is required to pay for the cost of the pipeline under the 2023 APA, we grant this request for \$431,004

For 2024-2025, Suburban requests \$6.685 million for 2024 and \$3.765 million for 2025. Suburban claims this request is to bring Sativa into compliance with the DDW permit and address significant infrastructure deficiencies and is necessary to meet fire flow requirements for maximum day demand (MDD) and peak hour demand (PHD).

Pertaining to fire flow compliance, Cal Advocates claims that compliance is already met. Cal Advocates notes that per the 2020 permit report from LACPW, the Sativa System can meet both the MDD and PHD requirements as mandated in the California Waterworks Standards. Also, the transition of the City of Compton from an emergency connection to an active connection provides an additional source of water for the Sativa System that Suburban can call on if needed to meet MDD or PHD.

We find that Suburban has failed to supply adequate evidence as to the necessity of these 2024-2025 projects. Accordingly, they are denied.

- **Well Manganese Treatment Plant**

Suburban requests \$2.152 million in 2024 to treat manganese at well 5, which historically exceeded the secondary MCL for manganese, leading to discolored water. Suburban argues this project is necessary to ensure compliance with regulatory standards and improving water quality.

Cal Advocates argues the cost is speculative and notes that LACDPW is carrying out work on this project. Cal Advocates states that LACDPW estimated the cost of this project to be \$3.4 million and completed in 2024. LACDPW is

funding \$2.25 million of the project with state grant funds and Suburban will pay the remainder on completion.

Cal Advocates goes on to note that Suburban does not know the amount it will need to pay so it is not appropriate to include the amount in rates at this time. Suburban's request also tacks on a 10% contingency and general administration costs.

We agree with Cal Advocates that Suburban should wait until LACPW completes the project and Suburban knows how much it needs to pay. Suburban can then submit appropriate evidence and seek recovery in the next GRC. Accordingly, we find this request to be unreasonable and we decline to implement it.

- **Steel Storage Tank**

Suburban asks for \$964,000 for the construction of a 300,000-gallon steel tank at site number 4 to improve storage capacity. They argue it is necessary to ensure adequate storage for spikes in demand, provide emergency and fire protection supply.

Cal Advocates argues that Suburban can rely on connections to the City of Compton and Liberty Utilities. Either connection can supply all the Sativa System's demands including fire flow. Cal Advocates also notes that when the Well-5 manganese treatment project is completed by LACDPW and Suburban takes ownership there will be a 48,000-gallon storage tank available on the Well-5 site, which can be used in times of emergencies. Cal Advocates also states that California Code of Regulations Title 22 requires public water systems with 1,000 or more service connections to be able to meet four hours of peak hourly demand with source capacity, storage capacity and/or emergency source connections.

Suburban has failed to present evidence that the 300,000-gallon tank is necessary to meet this requirement. Therefore, we deny this request.

- **Pump Station Construction and Generator**

Suburban requests \$1.307 million for the construction of a pump station and installation of a generator at site number 4. This project is not necessary as the purpose of this project is to move water to and from the requested new 300,000-gallon reservoir at the Well-4 site discussed above. Since we denied the request for the 300,000-gallon storage tank, we deny this request as well as this project is not necessary since the 300,000-gallon storage tank has been denied.

3.11 Special Requests

There are various special requests set forth in the Application that the parties disagree on.

3.11.1 Special Request 2

Suburban seeks to amortize the balances in its LIRA Memorandum Account and Low-Income Data Sharing Memorandum Account, which has a debit balance of \$178,033 as of August 2022.¹³⁵ Suburban wishes to amortize this as a one-time surcharge of \$0.135 per CCF of water used.

Cal Advocates suggests that the one-time surcharge be adjusted to \$0.13012 per CCF based on Cal Advocates suggested forecasted sales. We adopted Suburban's forecasted sales and therefore, Cal Advocates suggestion to reduce one time surcharge is moot as the surcharge should be based on the adopted forecasted sales.

¹³⁵ Suburban's position on this issue can be found at Opening Brief at 169-170, Reply Brief at 144-145, and Exhibit 15 at 25-27.

Cal Advocates suggests closing the Low-Income Data Sharing Memorandum Account, arguing that it is no longer necessary.¹³⁶ Suburban argues that the account is still needed to track costs associated with data sharing for low-income programs and requests its continuation.

We find that there is no need to keep this memorandum account open. Data sharing expenses are foreseeable and can be forecast into rates. Therefore, Suburban is directed to amortize the LIRA Memorandum account and close it.

Suburban also requests to increase the LIRA surcharge from \$0.054 (as of August 2022) to \$0.088 per CCF as of January 1, 2024. Cal Advocates did not take a position on this matter. Accordingly, we grant this request.

Therefore, Special Request 2 to amortize the Low-Income Data Sharing Memorandum Account is granted, but the request to keep it open is denied. The to increase the LIRA surcharge from \$0.054 (as of August 2022) to \$0.088 per CCF as of January 1, 2024, is also granted.

3.11.2 Special Request 5

Suburban proposes a program to assist customers with the cost of repairs to their service lines.¹³⁷ Suburban requests \$40,000 to reimburse customers for indoor plumbing repair costs. This would be a one-time payment on a first-come basis that would cover 100% for LIRA customers and 50% for all other customers. Suburban contends that the program will benefit customers, particularly low-income ones, by reducing the financial burden of unexpected repairs.

¹³⁶ Cal Advocates position on this issue can be found at Opening Brief at 92-93 and Exhibit 4 at 2-23 to 2-24 and 4-35 to 4-36.

¹³⁷ See, Suburban's Opening Brief at 171-172; Reply Brief at 145-147, Exhibits 15 at 27 and 29; and 22 at 9-11.

Cal Advocates recommends denying this request, claiming it is unnecessary.¹³⁸ Cal Advocates also notes that Suburban already has a leak reimbursement program for low-income customers and has failed to keep adequate records. Specifically, Cal Advocates notes that there were 13 instances where leaks were coded to the program when the leaks were caused by Suburban or its contractors; 50 instances where reimbursement was due to an incorrect meter read; or incorrect bill credits that were coded to the program.

We agree with Cal Advocates that due to the fact there is already a leak reimbursement program which we approved funding for in Suburban's conservation budget request in this decision, there is no need for an additional program. We agree with Cal Advocates that Suburban has failed to justify approval of this request. We deny Special Request 5.

3.11.3 Special Request 6

Suburban seeks approval for a program to help customers address leaks, reducing water loss and bills by requesting approval to update its tariff related to Residential Metered Services' Special Condition SJ-1 and WLM-1.¹³⁹ This would allow Suburban to provide a one-time credit to customer bills for water loss due to leaks. It would cover 100% for LIRA and 50% for non-LIRA customers. Suburban would require an invoice to prove that the customer made the repair. Suburban requests an annual budget of \$22,571 to fund this.

Cal Advocates advises against fully funding this program, citing concerns over cost and implementation.¹⁴⁰ Cal Advocates also notes that Suburban has had

¹³⁸ See, Cal Advocates' Opening Brief at 93-95 and Exhibit 8 at 19-21.

¹³⁹ See, Suburban's Opening Brief at 172-173; Reply Brief at 147-148; Exhibits 15 at 28; 22 at 11-12; and 37 at 33.

¹⁴⁰ See, Cal Advocates' Opening Brief at 95-96 and Exhibit 8 at 21-22.

record keeping issues with this program in the past. Cal Advocates asserts the funding should be \$12,455 for 2024 and \$12,492 for 2025. Cal Advocates also notes that Suburban should have used a five-year average for this program.

Suburban argues that the program is beneficial for both customers and water conservation, noting that any record-keeping issues were due to COVID-19 disruptions. Suburban also notes that if it had used a five-year average rather than three years the amount would have been \$19,108. Suburban's argument that the record-keeping issues were caused by COVID-19 is not persuasive. Cal Advocates notes that there were instances where Suburban could not provide support for the leak adjustments and there were instances where forgiveness was coded incorrectly or a perceived leak was attributed to a malfunctioning meter.

We agree with Suburban that there are many benefits with this program. However, due to the many discrepancies pointed out by Cal Advocates, we agree that the amounts requested should be reduced. Accordingly, we adopt the amounts suggested by Cal Advocates.

3.11.4 Special Request 10

Suburban asks to amortize costs tracked in its COVID-19 Catastrophic Event Memorandum Account.¹⁴¹ There is an under-recovery balance of \$1.632 million from March 2020 through August 2022. Suburban requests to recover this as a 12-month surcharge of \$0.093 per CCF of water consumption. Cal Advocates recommends \$0.08841 per CCF based on Cal Advocates' sales forecast.¹⁴²

¹⁴¹ See, Suburban's Opening Brief at 173-174 and Reply Brief at 148.

¹⁴² See, Cal Advocates' Opening Brief at 96 and Exhibit 4 at 4-36.

Suburban supports the amortization to recover costs incurred due to the pandemic. Cal Advocates' recommendation is moot because we have already granted Suburban's sales forecast. Accordingly, we grant Special Request 10.

3.11.5 Special Request 11

Suburban requests to keep the COVID-19 Catastrophic Event Memorandum Account open for tracking ongoing costs related to the pandemic.¹⁴³ Cal Advocates suggests closing the account, arguing that the major impacts of COVID-19 have passed.¹⁴⁴ Suburban argues that ongoing costs related to the pandemic justify keeping the account open.

We agree with Cal Advocates that the COVID-19 Catastrophic Event Memorandum Account should be closed. Special Request 11 is denied. Before the account is closed, it should be adjusted to account for the funding received from SWRCB for arrearages.

3.11.6 Special Request 17

Suburban requests authority to update its unmetered tariff, Schedule S-1 as a fixed charge for a six-month period once a meter is installed.¹⁴⁵ Suburban suggests that the trial rate should be \$86.89 based on Suburban's WLM customers' average usage. Cal Advocates suggests Suburban's figure is not reflective of the average use of former Sativa customers and the amount should be \$67.52.¹⁴⁶

¹⁴³ See, Suburban's Opening Brief at 174-175; Reply Brief at 148-150; and Exhibit 14 at 18-19.

¹⁴⁴ See, Cal Advocates' Opening Brief at 96-97.

¹⁴⁵ See, Suburban's Opening Brief at 175; Reply Brief at 151-152; Exhibits 14 at 7 and 17; and 34 at 12-7.

¹⁴⁶ See, Cal Advocates' Opening Brief at 98-100 and Exhibit 4 at 2-24 to 2-25.

We agree with Cal Advocates that it is unfair to use an average not reflective of the average use of a former Sativa customer. Therefore, we adopt Cal Advocates' figure of \$67.52.

3.11.7 Special Request 18

Suburban seeks to extend the expiration date of its Asbestos Litigation Memorandum Account until December 31, 2026.¹⁴⁷ Cal Advocates recommends closing the account, stating it is no longer necessary.¹⁴⁸

We agree with Cal Advocates that the account should be closed. Suburban has no ongoing asbestos lawsuits and the Water Division previously denied Suburban's request to extend the deadline. Therefore, Special Request 18 is denied.

3.12 Environmental and Social Justice (ESJ) Action Plan

The Commission's ESJ Action Plan serves as both a commitment to furthering principles of environmental and social justice, as well as an operating framework with which to integrate ESJ considerations throughout the agency's work. Version 1.0 of the Commission's ESJ Action Plan, adopted in February 2019 consisted of nine overarching goals, clear objectives, and 95 concrete action items to ensure agency-wide collaboration, accountability, and forward movement in meeting ESJ principles.

Since adopting Version 1.0 of the ESJ Action Plan, the Commission has made significant progress in incorporating ESJ considerations into its work, as well as creating a culture that takes into serious account the lived experiences of

¹⁴⁷ Suburban's position on this issue can be found at Opening Brief at 176-177, Reply Brief at 153, Exhibit 14 at 24-25, and Exhibit 34 at 5-9 to 5-10.

¹⁴⁸ Cal Advocates' position on this matter can be found at Opening Brief at 100-101 and Exhibit 4 at 4-39 to 4-40.

ESJ communities. Version 2.0 of the ESJ Action Plan is updated to reflect a continuation of efforts to systematize the consideration of ESJ principles across Commission activities and incorporates two years of learnings from engagement with ESJ communities, advocates, and other stakeholders.

This plan outlines nine goals aimed at integrating equity and access considerations throughout Commission's regulatory activities, increasing clean energy investment to benefit ESJ communities, improving access to high-quality water and other services, enhancing climate resiliency, and promoting economic opportunities within these communities.

The parties were directed to brief the issue of ESJ in their briefs. Suburban's Opening and Reply Briefs set forth its argument as to why it believes the Application promotes ESJ.¹⁴⁹ Cal Advocates' Opening and Reply Brief argued that Suburban's Application does not promote the Commission's ESJ goals.¹⁵⁰

Suburban seeks to demonstrate that its requested projects and activities are not only compliant with but also beneficial to the Commission's ESJ Plan. The company asserts that its initiatives, particularly those related to infrastructure improvements and conservation efforts, contribute to the Plan's goals by enhancing water quality, promoting conservation, and ensuring reliable service delivery. These efforts are positioned as contributing to broader objectives such as improving public health through better water quality, increasing clean energy investment, and enhancing the overall resiliency of ESJ communities to climate impacts.

¹⁴⁹ See, Suburban's Opening Brief at 182-189 and Reply Brief at 156-160.

¹⁵⁰ See, Cal Advocates' Opening Brief at 103-104 and Reply Brief at 40-41.

Furthermore, Suburban highlights its commitment to equitable service provision and environmental stewardship, arguing that its planned projects will directly benefit disadvantaged and underserved communities by improving access to safe and reliable water services. Suburban also engages in activities that support the Commission's goals of enhancing outreach, public participation, and consumer protection, especially within ESJ communities.

Cal Advocates emphasizes the importance of keeping rates affordable, particularly as it benefits disadvantaged communities, and scrutinizes Suburban's claims about the ESJ benefits of its projects. Cal Advocates argues that Suburban's proposals, especially around rate increases and project justifications, do not sufficiently consider or directly benefit environmental and social justice communities. The critique suggests that Suburban's broad and vague claims of ESJ benefits lack concrete evidence or detailed plans that align with the ESJ Action Plan objectives.

Cal Advocates recommends that the Commission should prioritize rate affordability in its decision-making process, indirectly supporting disadvantaged communities by ensuring that utility costs do not become a disproportionate burden. This recommendation implicitly criticizes Suburban's approach to claiming ESJ benefits without providing detailed evidence or analysis that such benefits will materialize. Essentially, Cal Advocates calls for a more grounded and scrutinized approach to evaluating utility projects' impacts on disadvantaged communities, ensuring that any claims of ESJ benefits are substantiated and that rate adjustments do not unduly impact these communities.

Suburban argues against Cal Advocates' recommendation to deny the ESJ benefits of Suburban's proposals. Specifically, Suburban takes issue with Cal

Advocates' perspective that focuses solely on rate adjustments as the primary mechanism to deliver ESJ benefits, suggesting that such a narrow focus overlooks the broader implications and benefits of Suburban's proposed projects and initiatives.

Suburban emphasizes the multifaceted contributions its proposed actions and investments make toward achieving ESJ goals. These contributions include infrastructure improvements, water quality enhancements, and service reliability enhancements, which Suburban argues are essential for promoting public health, environmental stewardship, and equitable service provision across its service areas. Suburban contends that its proposals are aligned with broader ESJ objectives, aiming to enhance the overall welfare and resilience of disadvantaged and underserved communities.

Suburban highlights the importance of considering a wide range of actions and investments in addressing ESJ concerns, beyond just rate adjustments. The utility underscores its commitment to ESJ principles through proposed projects and initiatives designed to ensure safe, reliable, and equitable water service. Suburban's arguments reflect a broader understanding of ESJ benefits, encompassing environmental, health, and economic considerations.

As set forth in the Scoping Memo in this proceeding, we have carefully examined the issue of whether there will be impacts on the Commission's ESJ Action Plan, including the extent to which increased rate charges may impact the achievement of the nine ESJ goals.

We disagree with Cal Advocates' assessment that the Application fails to support the ESJ goals. Although the approval of the Application will result in an increase of rates for all customers, Suburban has a CAP Program which it promotes to its customers. Customers who qualify for CAP may see a reduction

in their bills. Additionally, the Applicant promotes water conservation efforts, which may also likely result in savings to customers.

We also note that some of the increases associated with this Application will be used to make system improvements, which will help to ensure that Suburban continues to meet federal and state drinking water standards. This will help to ensure that customers will continue to have access to safe drinking water.

Upon careful review of the record of this proceeding, we find that there is evidence that the Application aligns with the goals of the Commission's ESJ Action Plan and will have no adverse impact on ESJ communities. We also find that the necessary improvement projects promote the goal of access to high-quality water services for ESJ communities. Accordingly, we reject Cal Advocates' argument and agree with Suburban that the Application promotes ESJ.

Suburban asserts incorrectly in its opening comments on the proposed decision that the denial of a few of Sativa System's plant projects is contrary to Goal #3 of the Commission's ESJ Action Plan.¹⁵¹ Advancement of our ESJ goals does not mean that the Commission should automatically approve every project proposed for a disadvantaged community. The Commission must consider the reasonableness of the request to recover costs from customers.

The Sativa projects were rejected because Suburban failed to present evidence that demonstrated that these multimillion projects are necessary. As for the other projects in the Sativa System, this decision defers recovery until the next GRC because LACDPW has yet to complete the project and Suburban's requests for these projects are speculative until the project is completed by

¹⁵¹ See, Suburban's Opening Comments on the Proposed Decision at 6-8.

LACDPW. Currently, Suburban's portion of the costs are unknown. Approving speculative costs would have an adverse impact on ratepayers in the Sativa System. The Commission would be ill-advised to approve speculative costs without first analyzing the impact on ratepayers, many of which are members of the disadvantaged community.

The decision does not hinder Suburban from delivering reliable and high-quality water to Sativa customers. Rather, it ensures that Suburban does not build unnecessary projects or is given authority to recover an unknown amount for a project that provides no current benefit to ratepayers. Authorizing Suburban to recover these costs in this GRC cycle would only increase rates in the WLM System, upon which the Sativa rates will be based. Unnecessary rate increases are contrary to our ESJ goals and the Commission must consider reasonableness of each request for recovery, which will affect not only customers in the Sativa System, but customers in the entire Suburban system.

4. Motion to Establish Interim Rates and Related Memorandum Account

Pursuant to the Scoping Memo schedule, on June 12, 2023, Suburban filed its Interim Rates Motion. The Interim Rates Motion was filed consistent with Pub. Util. Code § 455.2(b), and with the RCP for Class A Water Utilities (D.07-05-062). In this context, D.07-05-062 states: "This interim rate process only applies during a pending GRC when the applicant, another party, or the Presiding Officer anticipates that the Commission's decision will not be effective on the first day of the first test year in a general rate increase application."¹⁵²

Suburban accordingly sought authority through its Interim Rates Motion to: (1) establish interim rates with an effective date of January 1, 2024; and

¹⁵² D.07-05-062, Appendix, at A-15

(2) establish an appropriate memorandum account to track the difference between revenues collected under interim rates and the revenues that would have been collected under the final rates authorized in this GRC proceeding. The interim rates were to apply inflation rates, as determined by the most recent escalation factors published by Cal Advocates, as authorized under Pub. Util. Code § 455.2(b) and D.07-05-062. Cal Advocates did not file a response or opposition to Suburban's interim rates motion.

By ruling dated June 16, 2023, the assigned ALJ granted Suburban's Interim Rates Motion to establish interim rates and memorandum account, noting that a final Commission decision may likely not be issued by January 1, 2024. We affirm the ALJ's ruling and make further provision herein for amortizing the accumulated balance in the memorandum account by December 31, 2026.

5. Admittance of Testimony and Exhibits into the Record

Although evidentiary hearings were held in A.23-01-001, only a limited number of witnesses were called. Since many of the witnesses were not called during the evidentiary hearings, there was not a witness to sponsor their prepared testimony and associated exhibits into the record. To fairly assess the record, it is necessary to include all testimony and exhibits served by Cal Advocates and Suburban. On November 15, 2023, Suburban and Cal Advocates jointly filed a motion to receive the public and confidential version of Exhibits into the record in A.23-01-001.

Therefore, we identify the public and confidential versions of Suburban's and Cal Advocates' testimony as follows:¹⁵³

¹⁵³ Attachment A contains links to all public exhibits and testimony in this proceeding.

EXHIBIT	TITLE
Suburban #1	Direct Testimony of Christian Aldinger
Suburban #2	Direct Testimony of Carmelitha Bordelon
Suburban #3	Direct Testimony of Kiki Carlson
Suburban #4	Direct Testimony of Brian Deveraux
Suburban #5	Direct Testimony of Jeff Farney (Public)
Suburban #5C	Direct Testimony of Jeff Farney (Confidential)
Suburban #6	Direct Testimony of Greg Galindo
Suburban #7	Direct Testimony of Mujeeb Hafeez (Public)
Suburban #7C	Direct Testimony of Mujeeb Hafeez (Confidential)
Suburban #8	Direct Testimony of Constance E. Heppenstall
Suburban #9	Direct Testimony of Lauren James
Suburban #10	Direct Testimony of Stephen B. Johnson
Suburban #11	Direct Testimony of Jorge Lopez
Suburban #12	Direct Testimony of Robert V. Mustich (Public)
Suburban #12C	Direct Testimony of Robert V. Mustich (Confidential)
Suburban #13	Rebuttal Testimony of Christian Aldinger
Suburban #14	Rebuttal Testimony of Carmelitha Bordelon (Corrected)
Suburban #15	Rebuttal Testimony of Kiki Carlson
Suburban #16	Rebuttal Testimony of Brian Deveraux
Suburban #17	Rebuttal Testimony of Jeff Farney (Public)
Suburban #17C	Rebuttal Testimony of Jeff Farney (Confidential)
Suburban #18	Rebuttal Testimony of Greg Galindo
Suburban #19	Rebuttal Testimony of Mujeeb Hafeez
Suburban #20	Rebuttal Testimony of Constance E. Heppenstall (Corrected)
Suburban #21	Rebuttal Testimony of Robert L. Kelly
Suburban #22	Rebuttal Testimony of Lauren James
Suburban #23	Rebuttal Testimony of Jorge Lopez (Public)
Suburban #23C	Rebuttal Testimony of Jorge Lopez (Confidential)
Suburban #24	Rebuttal Testimony of Robert V. Mustich
Suburban #25	Workpapers Volume I
Suburban #26	Workpapers Volume II (Public)
Suburban #26C	Workpapers Volume II (Confidential)
Suburban #27	Workpapers Volume III Index
Suburban #28	Workpapers Volume III-B
Suburban #29	Workpapers Volume III-C (Public)
Suburban #29C	Workpapers Volume III-C (Confidential)

Suburban #30	Workpapers Volume III-D (Public)
Suburban #30C	Workpapers Volume III-D (Confidential)
Suburban #31	Workpapers Volume III-D (Sativa Projects)
Suburban #32	Workpapers Volume III-E (Public)
Suburban #32C	Workpapers Volume III-E (Confidential)
Suburban #33	Workpapers Volume III-F
Suburban #34	Results of Operations
Suburban #35	2020 Urban Water Management Plan
Suburban #36	Minimum Data Requirements (Public)
Suburban #36C	Minimum Data Requirements (Confidential)
Suburban #37	Surreply Testimony of Carmelitha Bordelon
Suburban #38	Surreply Testimony of Jorge Lopez
Cal Advocates #1	Executive Summary, Report on 2022 Recorded Date, RO Model Changes, and Escalation Year Increases (Updated)
Cal Advocates #2	Report on Suburban's General Office Expenses (Excluding Payroll)
Cal Advocates #2C	Report on Suburban's General Office Expenses (Excluding Payroll) (Confidential)
Cal Advocates #3	Report on Recommendations on Operations and Maintenance Expenses, Administrative and General Expenses, Payroll, and Conservation
Cal Advocates #3C	Report on Recommendations on Operations and Maintenance Expenses, Administrative and General Expenses, Payroll, and Conservation (Confidential)
Cal Advocates #4	Report on Sales & Operational Revenues, Rate Design, and BAMA
Cal Advocates #5	Report on Plant Projects for Whittier-La Mirada System
Cal Advocates #6	Report on Pipeline Replacement Depreciation Reserve & Expense, Rate Base & Early Retirements and Sativa Pipeline Projects
Cal Advocates #6C	Report on Pipeline Replacement Depreciation Reserve & Expense, Rate Base & Early Retirements and Sativa Pipeline Projects (Confidential)
Cal Advocates #7	San Jose Hills Planned Projects and Water Quality
Cal Advocates #7C	San Jose Hills Planned Projects and Water Quality (Confidential)

Cal Advocates #8	Report and Recommendations on Customer Service, Environmental and Justice Action Plan, Special Requests, and Annual Projects
Cal Advocates #9	NOAA Weather Data
Cal Advocates #10	Withdrawn
Cal Advocates #11	Compton Connection Emails & Resolution
Cal Advocates #12	Testimony of Jorge Lopez (Excerpt)
Cal Advocates #13	Data Request BYU-03
Cal Advocates #14	Data Request BYU-11
Cal Advocates #15	Rebuttal Testimony of Jorge Lopez (Excerpt)
Cal Advocates #16	AWWA M28 Rehabilitation of Water Mains
Cal Advocates #17	Data Request DG-02
Cal Advocates #18	San Gabriel Settlement (Excerpt)
Cal Advocates #19	2022 Annual Report
Cal Advocates #20	Data Request SIB-003
Cal Advocates #21	Cal Advocates RO Model (August 15, 2023)
Cal Advocates #22	Revised RO Model

Given the necessity of this testimony and exhibits to our assessment of the proposals put forth, we admit into evidence the public and confidential versions of all Exhibits mentioned above.

6. Motion to Seal

Pursuant to Rules 11.4 and 11.5 of the Commission's Rules, Suburban and Cal Advocates filed a motion on November 14, 2023, for leave to file various exhibits as confidential.

Suburban's exhibits include confidential information on critical infrastructure, as well as information protected as trade secrets and proprietary information. As such, it is necessary to place this information into the record under seal. In compliance with General Order 66-D, Suburban: (a) identified the specific portions of the documents that are confidential, (b) specified the basis for confidentiality and provided a detailed explanation, and (c) included with each

document a declaration in support of the confidential designation signed by an officer of Suburban.

Suburban requests confidential treatment of the following exhibits:

- Exhibit Suburban #5C: Direct Testimony of Jeff Farney
- Suburban #7C: Direct Testimony of Mujeeb Hafeez
- Exhibit Suburban #12C: Direct Testimony of Robert V. Mustich
- Exhibit Suburban 17C: Rebuttal Testimony of Jeff Farney
- Exhibit Suburban 23C: Rebuttal Testimony of Jorge Lopez
- Exhibit Suburban #26C: Workpapers Volume II
- Exhibit Suburban #29C: Workpapers Volume III-C Capital Project Description for Pipeline Replacement Projects (2023-2025)
- Exhibit Suburban #30C: Workpapers Volume III-D Capital Project Description for Planned Projects
- Exhibit Suburban #32C: Workpapers Volume III-E Asset Management Plans & Master Plans
- Exhibit #36C: Minimum Data Requirements

Cal Advocates also included multiple pieces of information in its testimony and requests confidential treatment of the following:

- Exhibit Cal Advocates 2-C-CPUC: Report on Suburban's General Office Expenses Excluding Payroll)
- Exhibit Cal Advocates 3-C: Report and Recommendations on Operations and Maintenance Expenses, Administrative and General Expenses, Payroll, and Conservation)
- Exhibit Cal Advocates 6-C: Report on Pipeline Replacement Depreciation Reserve & Expense, Rate Base & Early Retirements and Sativa Pipeline Projects
- Exhibit Cal Advocates 7-C: San Jose Hills Planned Projects and Water Quality)

We agree that this information is sensitive and should be kept under seal. We have granted similar requests in the past and do so here.

7. Public Comments Received

The Commission received 65 written comments from the public concerning this Application on the Docket Card for this proceeding. 64 of the written comments focused on the assertion that the requested increase was too much. Others expressed concerns that these increases would adversely impact low-income customers. Some comments also indicated that Suburban should cut its costs rather than increase rates and that Suburban should provide more

financial incentives for customers to replace their landscaping to reduce water use. Additionally, there was some concern raised that customers who conserve water usage are still paying more for their water. Numerous customers referred to Suburban's request for over a 30% increase as "outlandish, outrageous, absurd and unconscionable, ridiculous, and excessive" and they urged the Commission to reject such a large increase. Additionally, many of the commentors noted that they were retired, disabled or had limited income and assert that they would be adversely impacted by an increase of 30.48%.

Two PPHs were held on August 28, 2023. One customer called into the afternoon PPH twice and made comments. There were two callers at the evening PPH. The afternoon caller expressed dissatisfaction that Suburban sent her a photograph of her lawn sprinklers spraying water onto the sidewalk. The same individual called back into the evening PPH and again expressed the same concern. The second caller at the evening PPH expressed concerns that the requested increases were too much.

Suburban's contractors, including a number of contractors that participate in Suburban's supplier diversity program, submitted oral and written comments expressing concern with the proposed decision because it does not fully approve Suburban's requests for funding of new projects and cost recovery. Some commenters also state that the supplier diversity program will be adversely impacted if the proposed decision is adopted because Suburban will be doing less work.

Essentially, the comments reflect diametrically opposed views: many commenters would prefer that the Commissioner reduce the amount of funding approved and many commenters would prefer that the Commission increase the amount approved. The proposed decision describes the evidence in the record

and the reasons supporting its conclusions on the total amount approved, which represents an increased level of new projects compared to prior years.

8. Comments on Proposed Decision

The proposed decision of the ALJ in this matter was mailed to the parties in accordance with § 311 of the Pub. Util. Code and comments were allowed under Rule 14.3. Cal Advocates submitted opening comments on November 19, 2024. Suburban filed opening comments on November 20, 2024. Cal Advocates filed reply comments on November 25, 2024.

9. Assignment of Proceeding

President Alice Reynolds is the assigned Commissioner and Gerald F. Kelly is the assigned ALJ and the presiding officer in this proceeding.

Findings of Fact

1. Suburban, a Class A Water Company, filed A.23-01-001 for authority to increase its retail rates and for other relief as requested.
2. Suburban was informed at the PHC and in the Scoping Memo of the need to meet with an ALJ ADR neutral as required by D.07-05-062. Suburban failed to meet with an ALJ ADR neutral as instructed.
3. Suburban is compliant with all applicable governmental water quality regulations and Commission GO requirements and meets applicable state and federal drinking water standards and provisions of Commission's GO 103-A.
4. Suburban's service quality is in accord with the standard performance measure set by the Commission for complaints filed with the Commission's Consumer Affairs Branch (the standard being less than, or equal to, 0.1% of total utility customers). During that period, no formal complaints were filed with the Consumer Affairs Branch.

5. It is reasonable to adopt a total revenue requirement for Suburban in the amounts of \$99,873,237 for Test Year 2024, \$108,829,989 for Escalation Year 2025, and \$112,633,258 for Attrition Year 2026 which incorporates the undisputed issues and resolution of contested issues in accordance with the findings of this decision.

6. The Summary of Earnings in Appendix C to this decision reflects the elements of Suburban's revenue requirements adopted for Test Year 2024, Escalation Year 2025, and Attrition Year 2026, respectively.

7. Based upon the adopted revenue increases and rate design policies authorized for Suburban for Test Year 2024, the average residential customer bill will increase by \$6.27 (or 8.10%) per billing period. Annual increase for the same customer will be \$75.18 (or 8.10%).

8. To account for timing differences between the January 1, 2024, effective date for approved rate increases and the actual date of implementation of those rate increases pursuant to this decision, Suburban was authorized to establish interim rates, tracked by a memorandum account, by ruling dated June 16, 2023. It is reasonable to authorize Suburban to amortize the balance in that memorandum account as a rate adjustment sufficient to produce a zero balance by December 31, 2026.

9. Suburban's Special Request 1 to provide a single refund of the sum of nine offsets is reasonable.

10. Suburban's Special Request 2 to amortize the LIRA and Low-Income Data Sharing Memorandum Accounts are reasonable. Suburban's request to leave Low-Income Data Sharing Memorandum Account open is not reasonable and is denied.

11. Suburban's Special Request 3 pertaining to water quality is reasonable.

12. It is appropriate to eliminate Special Request 4.
13. Suburban's Special Request 5 concerning adjustments for customer repair costs is not reasonable and there is already a repair program approved in this proceeding.
14. Suburban's Special Request 6 seeking adjustments for customer leaks is not reasonable.
15. Suburban's Special Request 7 to eliminate bad check charges is reasonable.
16. Suburban's Special Request 8 to increase customer participation in paperless billing is reasonable.
17. Suburban's Special Request 9 to update current WRAM balances pursuant to D.20-08-047 is reasonable.
18. Suburban's Special Request 10 to amortize the COVID-19 Catastrophic Memorandum Account is reasonable.
19. Suburban's Special Request 11 to keep the COVID-19 Catastrophic Memorandum Account open is not reasonable.
20. Suburban's Special Request 12 pertaining to subsequent rate changes is reasonable.
21. Suburban's Special Request 13 to update LIRA to CAP pursuant to D.20-08-047 is reasonable.
22. Suburban's Special Request 14 to close its Lead Testing Memorandum Account, TCJA Memorandum Account, and the Cost of Capital Memorandum Account is reasonable.
23. We find that it is appropriate to withdraw Special Request 15.
24. Suburban's Special Request 16 to update the Whittier/La Mirada Tariff Area Map to include the Sativa System is reasonable.

25. Suburban's Special Request 17 pertaining to the requested Sativa Tariff fixed charge is not reasonable.

26. Suburban's Special Request 18 pertaining to the request to extend the expiration date of the Asbestos Litigation Memorandum Account is not reasonable.

27. We find Suburban's estimated water sales forecast is reasonable

28. We find Suburban's forecast Test Year customer count using the five-year average growth rate (2017-2021), is in line with the RRCP.

29. There is no dispute concerning Total Test Year Other Revenues in the amount of \$263,683.

30. There is no dispute concerning the 30%/70% split between recovering revenues from fixed and quantity charges and the fixed charge ration by meter size.

31. We find we the average depreciation reserve of \$152.842 million for base year 2023, \$164.484 million for TY 2024, and \$177.702 million for TY 2025 is reasonable and consistent with Suburban's historical composite depreciation rate.

32. We find the uncontested rate base components to be reasonable.

33. It is reasonable for Suburban to update the escalation factors in the RO Model to the most up to date factors available at the time the decision is issued.

34. Employee benefits capitalized at a level of 43% of capitalized payroll beginning in TY 2024 is reasonable.

35. Transportation expenses capitalized at a level of 14% of total capitalized payroll effective with TY 2024 is reasonable.

36. Capitalization of administrative expenses at 9% is reasonable.

37. The agreed upon expenses using Cal Advocates' 2022 data and five-year averages is reasonable.

38. We find the agreed upon capital projects are reasonable.

39. Cal Advocates' proposal concerning Escalation and Attrition year filings is reasonable. Suburban should file tier 2 advice letters in 2024 and 2025 as set forth in this decision.

40. Suburban's use of the NCM for forecasting annual use per customer is reasonable.

41. Suburban's request to continue its previous-Commission approved two-tier inclining rate structure is reasonable for this GRC cycle.

42. Cal Advocates' request to establish a three-tiered rate structure is not reasonable for this GRC cycle.

43. Cal Advocates' request to reduce Suburban's General Office allocation is reasonable.

44. The 2024 STI/LTI budget is not reasonable.

45. The employee performance-based compensation budget is not reasonable.

46. A 9% escalation for medical in 2024-2025 and 1.5% for dental is not reasonable. Cal Advocates' suggestion to deny specific line items is reasonable.

47. The request for two new positions and to capitalize the entire salary amount in 2025 is not reasonable.

48. Suburban's request for a frictional unemployment adjustment of \$438,000 is not reasonable. Cal Advocates' recommendation of \$586,240 is reasonable.

49. Suburban's uncollectible expense rates of 0.42 for 2023 and 0.45 for 2024-2025, are not reasonable. Cal Advocates' suggestion of .14% is reasonable.

50. Suburban's request for \$1.850 million to purchase water from Liberty Utilities for Sativa Customers is not reasonable. Cal Advocates suggestion of \$691,844 is reasonable.

51. A 130,000 acre-feet operating safe yield for the Main San Gabriel Basin is not reasonable. 150,000 acre-feet as suggested by Cal Advocates is reasonable

52. A \$97.11/acre-foot lease rate for unused Central Basin water rights is not reasonable. \$146.31/acre-foot as suggested by Cal Advocates is reasonable.

53. Cal Advocates' recommendation to disallow 4% of indirect costs/general office expenses is reasonable.

54. Suburban's Information technology budget is not reasonable.

55. Suburban's conservation budget is reasonable.

56. It is reasonable to require Suburban to continue to separately record and maintain the existing one-way balancing accounts to track conservation and one-way rebates.

57. Employee welfare (Account 795) is not reasonable.

58. The purchased power budget is reasonable.

59. Suburban's Regulatory Commission expenses (Account 797) for TY 2024 is not reasonable and should be reduced to \$393,796.

60. The requested budget for postage (Account 773, Subaccount 336) for TY 2024 is not reasonable and should be reduced to \$367,892.

61. The requested budget for billstock/envelopes (Account 773, Subaccount 230) for TY 2024 is not reasonable and should be reduced to \$69,477.

62. The requested budget for postage-general (Account 792, Subaccount 337) for TY 2024 is not reasonable and should be reduced to \$34,313.

63. The requested budget for printing/communications (Account 792, Subaccount 305) for TY 2024 is not reasonable and should be reduced by 20%.

64. The requested budget for computer costs miscellaneous (Account 792, Subaccount 332) for TY 2024 is not reasonable and should be reduced to \$492,310.

65. The requested budget for professional dues (Account 799, Subaccount 330) is not reasonable and should be reduced to \$122,867.

66. The requested budget for claims reserve (Account 794/Subaccount 233) is not reasonable.

67. It is reasonable to reduce the requested budget for employee education expenses (Account 795/Subaccount 420) as suggested by Cal Advocates.

68. The requested budget for chlorinator repairs (Account 748/Subaccount 179) is reasonable.

69. The CWIP budget is not reasonable. Cal Advocates' suggestion to remove projects requested in previous GRCs, but not constructed is reasonable.

70. Working cash amounts are consistent with Standard Practice U-16-W.

71. Early retirement of equipment and a depreciation rate of 3.711% is not reasonable. It is reasonable to remove \$1,114,545 from the depreciation reserve.

72. A 10% contingency for common plant issues is not reasonable and should be removed from all requested budgets.

73. 12% ES&I is not reasonable and should be removed from all requested budgets.

74. Mobilization/demobilization costs are not reasonable and should be removed from all requested budgets.

75. Cal Advocates' proposal regarding projects proposed in prior GRCs and not constructed is reasonable.

76. The following Annual Project: Service Line Replacements (A-1, A-26, and A-51) as requested by Suburban are not reasonable. Rather, the amounts set forth

by Cal Advocates are deemed to be more appropriate and therefore are reasonable.

77. The following Annual Project: Meters (A-5, A-30, and A-55) as requested by Suburban are not reasonable. The amounts suggested by Cal Advocates are reasonable.

78. The following Annual Project: Meter Install (A-16, A-41, and A-66) as requested by Suburban are not reasonable. The amount suggested by Cal Advocates are reasonable.

79. The following Annual Project: Meter Box Lids (A-21, A-46, and A-71) as requested by Suburban is not reasonable. The amount suggested by Cal Advocates is reasonable.

80. The following Annual Project: Security Upgrades (A-6, A-31, and A-56) as requested by Suburban is not reasonable. The amount suggested by Cal Advocates is reasonable

81. The following Annual Project: Fire Hydrant Replacements (A-8, A-33, and A-58) as requested by Suburban is not reasonable. The suggestion by Cal Advocates to use a five-year average rather than four-year linear regression is reasonable.

82. The following Annual Project Geographical Information System (GIS) Model Upgrades (A-22, A-47, and A-72) as requested by Suburban is not reasonable because it contains a contingency. The suggestion by Cal Advocates to remove the contingency is reasonable.

83. The following Annual Project: Personal Computer Hardware (A-23, A-48, and A-73) as requested by Suburban is not reasonable. The amount suggested by Cal Advocates is reasonable.

84. The following Annual Projects: Plant Improvements (A-7, A-32, and A-57); and Miscellaneous Pipeline Replacements (A-15, A-40, and A-65) as requested by Suburban are reasonable.

85. The following Annual Project: Vehicle Replacement Budget (A-25, A-50, and A-75) as requested by Suburban is reasonable, except for the request to purchase on-call vehicles is deemed not reasonable and the suggestion by Cal Advocates to remove \$829,191.58 from the requested budget is reasonable.

86. The requested budget for Planned Projects: Water Rights Purchase (P-1, P-31, and P-32 is not reasonable.

87. The requested budget for Planned Project: Plant 128 Reservoir and Electrical Replacement (P-2) is not reasonable as this was included in a prior GRC and never constructed.

88. The requested budget for Planned Project: Stage Well Road (P-3) is not reasonable.

89. The requested budget for Planned Project: Solar Panels (P-4) is not reasonable.

90. The requested budget for Planned Project: Slope Stability (P-5) is not reasonable as it was included in a prior GRC and never constructed.

91. The requested budget for Planned Project: AMI (P-6) is not reasonable.

92. The requested budget for Planned Project: 162 R-1 (P-7) is not reasonable because it contains contingencies, ES&I, mobilization and demobilization adders. The suggestion by Cal Advocates to remove these adders is reasonable.

93. The requested budget for Planned Project: Generators (P-8) is not reasonable because it was included in a prior GRC and never constructed.

94. The requested budget for Planned Project: Plant 118 Electrical Upgrades (P-9) is not reasonable because it was included in a prior GRC and never constructed.

95. The requested budget for Planned Project: Electrical Upgrades (P-10) is not reasonable as it was included in a prior GRC and never constructed.

96. The requested budget for Planned Project: Valve Replacement Backlog (P-11) is not reasonable. The reduction suggested by Cal Advocates is reasonable.

97. The requested budget for Planned Project: Well Redevelopment and Rehabilitation (P-12) is not reasonable. The reduction suggested by Cal Advocates is reasonable.

98. The requested budget for Planned Project: Blow-off Replacement (P-13) is not reasonable because it contains a 22% adder for ES&I and contingencies. The suggestion by Cal Advocates to remove the 22% adder is reasonable.

99. The requested budget for Planned Project: Chemical Equipment (P-14) is not reasonable because it contains a 22% adder for ES&I and contingencies. The suggestion by Cal Advocates to remove the 22% adder is reasonable.

100. The requested budget for Planned Project: Plant 216 Well (P-15) to create a test well is reasonable. The request to create a production well is not reasonable as Suburban seeks to create a test well and production well in the same year.

101. The requested budget for Planned Project: Plant 201 Treatment (P-16) is reasonable and approved in the amount of \$21.172 million.

102. The requested budget for Planned Project: SCADA Upgrades (P-17) is not reasonable because it contains a contingency. Cal Advocates suggestion to remove the contingency is reasonable.

103. The requested budget for Planned Project: Plant 158 Electrical Upgrades (P-21) is not reasonable because the budget was requested in a prior GRC and never constructed.

104. The requested budget for Planned Project: Plant 410 W-1 Treatment Plant (P-22) is not reasonable.

105. The requested budget for Planned Project: Plant 409 W-3 (P-23) is not reasonable. The suggested reduction by Cal Advocates is reasonable.

106. The requested budget for Planned Project: Tank 409 R-1 Treatment Plant (P-24) is not reasonable. The suggestion by Cal Advocates to remove the adders from the budget is reasonable.

107. The requested budget for Planned Project: Tank 408 Recoating (P-25) is not reasonable. The suggestion by Cal Advocates to remove the adders from the budget is reasonable.

108. The requested budget for Planned Projects: Service Replacements (P-27, 29, and 30) is not reasonable.

109. The requested budget of \$431,000 for the acquisition of an eight-inch main pipeline along Paulson Avenue from LACDPW as requested in A.21-08-011 is reasonable.

110. The requested budget of \$2.152 million for a well manganese treatment plant for the Sativa system is not reasonable.

111. The requested budget of \$964,000 for the construction of a steel storage tank for the Sativa system is not reasonable.

112. The requested budget of \$1.307 million for pump station construction and generator for the Sativa system is not reasonable.

113. A total of \$15,785,590 approved in prior GRC cycles and that would have been spent on P-2, P-5, P-8, P-9, P-10, and P-21 were instead spent on other capital projects and was duly incorporated into rate base.

114. It is reasonable for Suburban to file a tier 3 advice letter when P-2, P-5, P-8, P-9, P-10, and P-21 are used and useful.

115. The Scoping Memo in this proceeding identified the issue of whether there will be impacts on the Commission's Environmental and Social Justice (ESJ) Action Plan, including the extent to which increased rate charges adopted in this proceeding may impact the achievement of the nine ESJ goals.

116. Some of the revenue increases associated with this Application will be used to make system improvements, which will help to ensure that Suburban continues to meet federal and state drinking water standards. This will help to ensure that customers will continue to have access to safe drinking water.

117. On November 15, 2024, Suburban and Cal Advocates filed and served a motion seeking to move Exhibits Suburban #1, #2, #3, #4, #5, #5C, #6, #7, #7, #7C, #8, #9, #10, #11, #12, #12C, #13, #14, #15, #16, #17, #17C, #18, #19, #20, #21, #22, #23, #23C, #24, #25, #26, #26C, #27, #28, #29, #29C, #30, #30C, #31, #32, #32C, #33, #34, #35, #36, #36C, #37, #38 and Cal Advocates #1, #2, #2C, #3, #3C, #4, #5, #6, #6C, #7, #7C, #8, #9, #11, #12, #13, #14, #15, #16, #17, #18, #19, #20, #21, and #22 into the record.

118. Pursuant to Rule 11.5, Suburban and Cal Advocates requested the sealing of and confidential treatment of selected exhibits.

119. Rule 11.5 addresses sealing all or part of an evidentiary record.

120. Upon review of the record, (1) there is evidence that the Application aligns with the goals of the Commission's ESJ Action Plan and will have no adverse impact on ESJ communities; and (2) the Application will promote ESJ Action

Plan Goal 3 (Strive to improve access to high-quality water, communications, and transportation services for ESJ communities).

Conclusions of Law

1. The revenue requirements adopted for Suburban in this proceeding should be based upon: (a) the forecast amounts that were uncontested, as applicable and (b) adopted forecasts in resolution of contested issues in accordance with findings of fact of this decision.

2. The rates and charges adopted in this decision are just and reasonable and should be applied consistent with the rate design and sales forecast provisions consistent with this decision.

3. Suburban should be authorized to implement retail rate changes pursuant to the ordering paragraphs in this decision and consistent with the findings of fact relating to the adopted revenue requirements and rate design issues.

4. Suburban should be authorized to implement provisions relating to matters that were not contested in this proceeding.

5. Regarding contested issues relating to balancing accounts and memorandum accounts, Suburban should comply with the requirements of this decision as prescribed in the ordering paragraphs, either amortizing each balance alone, or in combination with balances in other appropriate memorandum or balancing accounts.

6. Suburban should seek approval of previously approved, but not constructed projects via a Tier 3 advice letter when said projects are completed and considered used and useful.

7. If the previously approved, but not constructed projects are completed within the scope approved by the Commission and the request is at or below the

previously authorized budget cap, those projects can be submitted via a tier 2 advice letter.

8. Suburban should seek to package rate base offsets into a single advice letter for both administrative efficiency and to minimize the number of requests outside the GRC process.

9. The June 12, 2023, Ruling granting Suburban's Interim Rates Motion to establish interim rates and memorandum account should be affirmed.

10. Suburban and Cal Advocates' request to receive testimony into the record, should be granted, as detailed in this decision.

11. Exhibits Suburban #5C, #7C, #12C, #17C, #23C, #26C, #29C, #30C, #32C, #36C, and Exhibits Cal Advocates #2C, #3C, #6C, and #7C, should be sealed and treated confidentially.

12. All rulings issued by the assigned Commissioner and ALJ should be affirmed herein; and all motions not specifically addressed herein or previously addressed by the assigned Commissioner or ALJ, should be denied.

13. The Commission's rules adopted in D.07-05-062 protect and serve customers and the public, serve the interests of utility applicants, and uphold the legal regulatory process. Suburban's and any utility's future failure to comply with the Commission's rules or with any Commission order, Assigned Commissioner's Scoping Memo, or Administrative Law Judge's ruling or instruction will cause delays in resolving applications due to the company's own disregard of the rules, orders, and instructions.

14. A.23-01-001 should be closed.

O R D E R

IT IS ORDERED that:

1. Suburban Water Systems is hereby authorized general rate case revenue requirements of \$99,873,237 for Test Year 2024, \$108,829,989 for Escalation Year 2025, and \$112,633,258 for Attrition Year 2026, consistent with findings of this decision as tabulated in the Summary of Earnings in Appendix C hereto.

2. Suburban Water Systems shall file a Tier 1 Advice Letter no later than 30 days from the effective date of this order to implement necessary retail rate changes to collect the adopted 2024 test year base revenue requirement in accordance with the directives of this decision and Commission General Order 96-B. Tariff sheets to implement these rate changes shall be attached to the Advice Letter with an effective date of January 1, 2024. Any undercollection due to this rate change shall be amortized from January 1, 2025, through December 31, 2026.

3. Suburban Water Systems shall implement subsequent retail rate changes approved in this decision for Escalation Year 2025 and Attrition Year 2026 through Tier 2 Advice Letters, filed on a timely basis to provide for an effective date of January 1, 2025, and January 1, 2026, respectively.

4. Pursuant to Suburban Water System's (Suburban) Special Request 1, Suburban shall provide a single refund of the sum of nine offsets.

5. Pursuant to Suburban Water System's (Suburban) Special Request 2, Suburban shall amortize the Low-Income Water Rate Assistance and Low-Income Data Sharing Memorandum Accounts via a Tier 1 Advice Letter. Suburban is directed to close the Low-Income Data Sharing Memorandum Account after it is amortized.

6. Suburban Water System's Special Request 4 is eliminated from the Application.

7. Suburban Water System's Special Request 5 concerning adjustments for customer repair costs is denied.

8. Suburban Water System's Special Request 6 seeking adjustments for customer leaks is denied.

9. Pursuant to Suburban Water System's (Suburban) Special Request 7, bad check charges are eliminated. Suburban shall update its tariff to note this change via a Tier 1 Advice Letter.

10. Suburban Water System's Special Request 8 to increase customer participation in paperless billing is granted.

11. Suburban Water System's (Suburban) Special Request 9 to update current Water Revenue Adjustment Mechanism (WRAM) balances pursuant to D.20-08-047 is approved. Suburban shall file a Tier 1 Advice Letter to update the WRAM balances.

12. Pursuant to Suburban Water System's (Suburban) Special Request 10 Suburban shall file a Tier 1 Advice Letter to amortize the COVID-19 Catastrophic Event Memorandum Account.

13. Suburban Water System's (Suburban) Special Request 11 to keep the COVID-19 Catastrophic Event Memorandum Account open is denied. Suburban shall close the COVID-19 Catastrophic Event Memorandum Account via a Tier 1 Advice Letter. Suburban shall apply funds received from the State Water resources Control Board to forgive arrearages as an offset against the revenue shortfalls in this account.

14. Suburban Water System's (Suburban) Special Request 12 pertaining to subsequent rate changes is granted. Suburban shall file a Tier 1 Advice Letter to implement any rate changes associated with Special Request 12.

15. Pursuant to Suburban Water System's (Suburban) Special Request 13, Suburban is authorized to file a Tier 1 Advice Letter to modify its Customer Assistance Program Surcharge Balancing Account to change the names of the program and the balancing account in compliance with Decision 20-08-047.

16. Suburban' Water System's (Suburban) Special Request 14 to close its Lead Testing Memorandum Account, Tax Cuts & Jobs Act Memorandum Account, and the Cost of Capital Memorandum Account are granted. Suburban shall file a Tier 1 Advice Letter to implement the closure of these accounts.

17. Suburban Water System's Special Request 15 is withdrawn.

18. Suburban Water System's (Suburban) Special Request 16 to update the Whittier/La Mirada Tariff Area Map to include the Sativa System is granted. Suburban shall file a Tier 1 Advice Letter to implement this change.

19. Suburban Water System's Special Request 17 pertaining to the requested Sativa Tariff fixed charge is denied.

20. Suburban Water System's Special Request 18 pertaining to the request to extend the expiration date of the Asbestos Litigation Memorandum Account is denied. This memorandum account shall be closed via a Tier 1 Advice Letter

21. Suburban Water System's estimated water sales forecast is approved.

22. Suburban Water System's forecast Test Year customer count using the five-year average growth rate (2017-2021), is approved.

23. Total Test Year Other Revenues in the amount of \$263,683 is approved.

24. The requested 30%/70% split between recovering revenues from fixed and quantity charges and the fixed charge ration by meter size is approved.

25. The average depreciation reserve for base year 2023 is \$152.841 million, \$164.484 million for 2024, and \$177.702 million for 2025.

26. The uncontested rate base components are reasonable and approved.

27. Suburban shall update the escalation factors in the RO Model to the most up to date factors available at the time this decision is approved.

28. Employee benefits shall be capitalized at a level of 43% of capitalized payroll beginning in 2024.

29. Transportation expenses shall be capitalized at a level of 14% of total capitalized payroll effective with 2024.

30. Capitalization of administrative expenses shall be at 9%.

31. The agreed upon expenses using the Public Advocates Office of the California Public Utilities Commission 2022 data and five-year averages is approved.

32. The agreed upon capital projects are approved.

33. The Public Advocates Office of the California Public Utilities Commission proposal concerning Escalation and Attrition year filings is approved.

34. Suburban Water System's use of the New Committee Method for forecasting annual use per customer is approved.

35. Suburban Water Systems (Suburban) shall continue to use the previous-Commission approved two-tier inclining rate structure.

36. In the next General Rate Case Cycle, Suburban Water Systems shall prepare evidence and testimony related to a three-tier rate structure.

37. The Public Advocates Office of the California Public Utilities Commission request to reduce Suburban Water System's General Office allocation is granted.

38. Suburban Water System's 2024 short-term at-risk compensation and long-term compensation is denied.

39. Suburban Water System's employee performance-based compensation budget is denied.

40. Suburban Water System's 9% escalation for medical and 1.5% for dental in 2024-2025, is denied because it includes line items which are inappropriate and must be removed.

41. Suburban Water System's request for two new positions and to capitalize the entire salary amount in 2025 is denied.

42. Suburban Water System's request for a frictional unemployment adjustment of \$438,000 is denied. The Public Advocates Office of the Public Utilities Commission recommended budget of \$586,240 is approved.

43. The uncollectible expense rates of 0.42% for 2023 and 0.45% for 2024-2025, is denied. The uncollectible expense rate of 0.14% as recommended by the Public Advocates Office of the Public Utilities Commission is approved.

44. Suburban Water System (Suburban) is not authorized to spend \$1.850 million to purchase water from Liberty Utilities for Sativa Customers. Suburban is authorized to spend \$691,844 to purchase water from the City of Compton.

45. The operating safe yield for the Main San Gabriel Basin is 150,000 Acre-Feet.

46. The lease rate for unused Central Basin water rights is set at \$146.31 per Acre-Foot.

47. The Public Advocates Office of the California Public Utilities Commission recommendation to reduce Suburban Water System's indirect costs/general office expenses by 4% is granted.

48. Suburban Water System's Information technology budget is not reasonable and is denied. The Public Advocates Office of the California Public Utilities Commission recommendation to reduce the budget is granted.

49. Suburban Water System's conservation budget is approved.
50. Suburban Water System shall continue to separately record and maintain the existing one-way balancing accounts to track conservation and one-way rebates.
51. Suburban Water System's Employee welfare (Account 795) is denied.
52. Suburban Water System's purchased power budget is approved.
53. Suburban Water System's Regulatory Commission expenses (Account 797) are reduced to \$393,796.
54. Suburban Water System's requested budget for postage (Account 773, Subaccount 336) is reduced to \$367,892.
55. Suburban Water System's requested budget for billstock/envelopes (Account 773, Subaccount 230) is reduced to \$69,477.
56. Suburban Water System's requested budget for postage-general (Account 792, Subaccount 337) is reduced to \$34,313.
57. Suburban Water System's requested budget for printing/communications (Account 792, Subaccount 305) is reduced by 20%.
58. Suburban Water System's requested budget for computer costs miscellaneous (Account 792, Subaccount 332) is reduced to \$492,370.
59. Suburban Water System's requested budget for professional dues (Account 799, Subaccount 330) is reduced by \$122,867.
60. Suburban Water System's requested budget for claims reserve (Account 794/Subaccount 233) is denied.
61. Suburban Water System's requested budget for employee education expenses (Account 795/Subaccount 420) is reduced to eliminate the Master of Business Administration degree.

62. Suburban Water System's requested budget for chlorinator repairs (Account 748/Subaccount 179) is approved.

63. Suburban Water System's Construction Work in Progress budget is not reasonable. The Public Advocates Office of the California Public Utilities Commission recommendation to remove projects requested in prior general rate cases, but never constructed from the Construction Work in Progress budget in the amount of \$15,785,590 is approved.

64. Suburban Water System's working cash amounts are consistent with Standard Practice U-16-W and are approved.

65. Suburban Water System's early retirement of equipment and a depreciation rate of 3.711% is not reasonable. It is appropriate to remove \$1,114,545 from the depreciation reserve.

66. Suburban Water System's 10% contingency for common plant issues is denied.

67. Suburban Water System's Engineering, Supervision, and Inspection rate of 12% is denied.

68. Suburban Water System's Mobilization/demobilization costs are denied.

69. Suburban Water System's request for the following Annual Project: Service Line Replacements (A-1, A-26, and A-51); Meters is reduced to \$2.348 million in 2023, \$2.453 million in 2024, and \$2.520 million in 2025, because it was inappropriate to use linear regression to determine the budget amount and a five-year annual estimated budget should have been used.

70. Suburban Water System's (Suburban) Annual Project: Meters (A-5, A-30, and A-55) budget as requested by Suburban is denied. The amount of \$787,957 per year as recommended by the Public Advocates Office of the Public Utilities Commission is adopted.

71. Suburban Water System's (Suburban) Annual Project: Meter Install (A-16, A-41, and A-66) as requested by Suburban is not reasonable. The budget of \$180,048 per year as suggested by the Public Advocates Office of the Public Utilities Commission is adopted.

72. Suburban Water System's (Suburban) Annual Project: Meter Box Lids (A-21, A-46, and A-71) budget as requested by Suburban is not reasonable. The budget of \$9,821 per year suggested by the Public Advocates Office of the Public Utilities Commission is adopted.

73. Suburban Water System's (Suburban) Annual Project: Security Upgrades (A-6, A-31, and A-56) budget as requested by Suburban is not reasonable. The budget of \$0 in 2023, \$90,000 in 2024, and \$110,000 in 2025 as suggested by the Public Advocates Office of the Public Utilities Commission is adopted.

74. Suburban Water System's (Suburban) Annual Project: Fire Hydrant Replacements (A-8, A-33, and A-58) budget as requested by Suburban is not reasonable because it uses a four-year linear regression. The suggestion by the Public Advocates Office of the Public Utilities Commission to use a five-year average is adopted.

75. Suburban Water System's (Suburban) Annual Project Geographical Information System (GIS) Model Upgrades (A-22, A-47, and A-72) budget as requested by Suburban is not reasonable because it contains a contingency. The suggestion by the Public Advocates Office of the Public Utilities Commission to remove the contingency is adopted. The adopted budget is: \$215,000 in 2023, \$358,000 in 2024, and \$327,000 in 2025.

76. Suburban Water System's (Suburban) Annual Project: Personal Computer Hardware (A-23, A-48, and A-73) budget as requested by Suburban is not reasonable. The amount suggested by the Public Advocates Office of the Public

Utilities Commission is adopted. The adopted budget is: \$63,852 in 2023, \$77,299 in 2024, and \$53,427 in 2025.

77. Suburban Water System's (Suburban) Annual Projects: Plant Improvements (A-7, A-32, and A-57); and Miscellaneous Pipeline Replacements (A-15, A-40, and A-65) budget as requested by Suburban are reasonable. The adopted budget is: \$142,811 for A-7 in 2023, \$540,000 for A-32 in 2024, \$937,189 for A-57 in 2024, \$450,000 for A-15 for 2023, \$639,000 for A-40 in 2023, and \$828,000 for A-65 in 2025.

78. Suburban Water System's (Suburban) Annual Project: Vehicle Replacement Budget (A-25, A-50, and A-75) budget as requested by Suburban is reasonable, except for the request to purchase on-call vehicles. The Public Advocates Office of the Public Utilities Commission suggestion to remove \$829,191.58 from the requested budget is granted.

79. Suburban Water System's requested budget for Planned Projects: Water Rights Purchase (P-1, P-31, and P-32) in the amount of \$1.098 million per year is denied.

80. Suburban Water System's requested budget of \$937,000 in 2023 and \$7.347 million for 2024 for Planned Project: Plant 128 Reservoir and Electrical Replacement (P-2) is denied as this was approved in a prior general rate case and never constructed.

81. Suburban Water System's requested budget of \$4.214 million for 2023 and \$2.707 for 2024 for Planned Project: Stage Well Road (P-3) is denied.

82. Suburban Water System's requested budget of \$1.240 million in 2024 for Planned Project: Solar Panels (P-4) is denied.

83. Suburban Water System's requested budget of \$857,000 for 2025 for Planned Project: Slope Stability (P-5) is denied as it was approved in a prior general rate case and never constructed.

84. Suburban Water System's requested budget for Planned Project: Advanced Metering Infrastructure (P-6) in the amount of \$1.797 million is denied.

85. Suburban Water System's requested budget for Planned Project: 162 R-1 (P-7) is not reasonable because it contains contingencies, Engineering Services & Inspection, mobilization and demobilization adders. The suggestion by the Public Advocates Office of the Public Utilities Commission to remove these adders is approved. The adopted budget is \$158,509.

86. Suburban Water System's requested budget of \$1.919 million for 2024 and \$2.711 million for 2025 for Planned Project: Generators (P-8) is denied because it was included in a prior general rate case and never constructed.

87. Suburban Water System's requested budget for Planned Project: Plant 118 Electrical Upgrades (P-9) is denied because it was included in a prior general rate case and never constructed.

88. Suburban Water System's requested budget for Planned Project: Electrical Upgrades (P-10) in the amount of \$1.145 million in 2024 is denied as it was included in a prior general rate case and never constructed.

89. Suburban Water System's requested budget for Planned Project: Valve Replacement Backlog (P-11) is denied. The reduction suggested by the Public Advocates Office of the Public Utilities Commission is approved. The adopted budget is \$817,662.

90. Suburban Water System's requested budget for Planned Project: Well Redevelopment and Rehabilitation (P-12) is not reasonable. The reduction

suggested by the Public Advocates Office of the Public Utilities Commission is approved. The adopted budget is \$1.061 million.

91. Suburban Water System's requested budget for Planned Project: Blow-off Replacement (P-13) is not reasonable because it contains a 22% adder for Engineering Services & Inspections and contingencies. The suggestion by the Public Advocates Office of the Public Utilities Commission to remove the 22% adder is adopted. The adopted budget is \$149,541 per year for 2024 and 2025.

92. Suburban Water System's requested budget for Planned Project: Chemical Equipment (P-14) is not reasonable because it contains a 22% adder for Engineering Services & Inspections and contingencies. The suggestion by the Public Advocates Office of the Public Utilities Commission to remove the 22% adder is adopted. The adopted budget is \$116,000 in 2024 and \$111,000 in 2025.

93. Suburban Water System's (Suburban) requested budget of \$1.05 million for Planned Project: Plant 216 Well (P-15) to create a test well is granted. Suburban's request for a budget of \$4.096 million to create a production well is denied as Suburban seeks to create a test well and production well in the same year.

94. Suburban Water System's requested budget of \$21.172 million for Planned Project: Plant 201 Treatment (P-16) is granted.

95. Suburban Water System's shall aggressively seek grant funding for Planned Project: 201 Treatment (P-16) and accept the grant it has tentatively obtained from the San Gabriel Basin Water Quality Authority.

96. Suburban Water System's requested budget for Planned Project: System Control and Data Acquisition System Upgrades (P-17) is not reasonable because it contains a contingency. The Public Advocates Office of the Public Utilities Commission suggestion to remove the contingency is adopted. The adopted budget is \$996,300.

97. Suburban Water System's requested budget of \$797,014 for Planned Project: Plant 158 Electrical Upgrades (P-21) is denied because the budget was requested and approved in a prior general rate case and never constructed.

98. Suburban Water System's requested budget of \$1.903 million for Planned Project: Plant 410 W-1 Treatment Plant (P-22) is denied.

99. Suburban Water System's requested budget for Planned Project: Plant 409 W-3 (P-23) is denied. The suggested reduction by the Public Advocates Office of the Public Utilities Commission is approved. The adopted budget is \$76,150.

100. Suburban Water System's requested budget for Planned Project: Tank 409 R-1 Treatment Plant (P-24) is denied. The suggestion by the Public Advocates Office of the Public Utilities Commission to remove the adders from the budget is approved. The adopted budget is \$597,064.

101. Suburban Water System's requested budget for Planned Project: Tank 408 Recoating (P-25) is denied. The suggestion by the Public Advocates Office of the Public Utilities Commission to remove the adders from the budget is granted. The adopted budget is \$322,538.

102. Suburban Water System's requested budget for Planned Projects: Service Replacements (P-27, 29, and 30) is denied.

103. Suburban Water System's requested budget of \$431,000 for the acquisition of an eight-inch main pipeline along Paulson Avenue from Los Angeles County Department of Public Works as requested in Application 21-08-011 is approved.

104. Suburban Water System's requested budget of \$2.152 million for a well manganese treatment plant for the Sativa system is denied.

105. Suburban Water System's requested budget of \$964,000 for the construction of a steel storage tank for the Sativa system is denied.

106. Suburban Water System's requested budget of \$1.307 million for pump station construction and generator for the Sativa system is denied.

107. Suburban Water System's requested budget in the amount of \$15,785,590 for projects P-2, P-5, P-8, P-10, and P-21 is denied as they were previously approved in prior general rate case applications but were never constructed. Suburban Water System may file a tier 3 advice letter when P-2, P-5, P-8, P-10, and P-21 are used and useful.

108. Suburban Water System shall implement the uncontested provisions of the Application consistent with the ordering paragraphs of this decision.

109. The revenue, expense, and rate base elements that were uncontested are hereby incorporated into the Suburban Water System adopted revenue requirements, respectively for the 2024 Test Year, 2025 Escalation Year, and 2026 Attrition Year, consistent with the Summary of Earnings in Attachment C hereto.

110. The forecast elements approved in this decision for contested issues are hereby incorporated into adopted Suburban Water System revenue requirements, respectively for the 2024 Test Year, the 2025 Escalation Year, and the 2026 Attrition Year consistent with the Summary of Earnings in Appendix C hereto.

111. Suburban Water System is authorized to collect the adopted revenue requirements in this proceeding in accordance with the rate design methodology and data elements set forth in this decision.

112. The rate design approved for Suburban Water System shall require collection of 70% of fixed costs through service charges and all remaining costs (30% of fixed costs and 100% of variable costs) to be recovered through the quantity charge.

113. All rulings issued by the assigned Commissioner and Administrative Law Judge (ALJ) are affirmed; and, all motions, not specifically addressed herein or previously addressed by the assigned Commissioner or ALJ, are denied.

114. The prepared testimony of Exhibits Suburban Water System #1, #2, #3, #4, #5, #5C, #6, #7, #7, #7C, #8, #9, #10, #11, #12, #12C, #13, #14, #15, #16, #17, #17C, #18, #19, #20, #21, #22, #23, #23C, #24, #25, #26, #26C, #27, #28, #29, #29C, #30, #30C, #31, #32, #32C, #33, #34, #35, #36, #36C, #37, #38 and Cal Advocates #1, #2, #2C, #3, #3C, #4, #5, #6, #6C, #7, #7C, #8, #9, #11, #12, #13, #14, #15, #16, #17, #18, #19, #20, #21, and #22 are received into evidence.

115. The prepared testimony of Exhibits Public Advocates Office of the California Public Utilities Commission #1, #2, #2C, #3, #3C, #4, #5, #6, #6C, #7, #7C, #8, #9, #11, #12, #13, #14, #15, #16, #17, #18, #19, #20, #21, and #22 are received into evidence.

116. The motion by Public Advocates Office of the California Public Utilities Commission (Cal Advocates) and Suburban Water Systems (Suburban) to file under seal the confidential version of testimony is granted for a period of three years from the date of this order. During this three-year period, the information in Suburban Exhibits #5C, #7C, #12C, #17C, #23C, #26C, #29C, #30C, #32C, #36C, and Cal Advocates Exhibits #2C, #3C, #6C, and #7C, shall not be publicly disclosed except on further Commission order or Administrative Law Judge ruling. If Suburban or Cal Advocates believes that it is necessary for this information to remain under seal for longer than three years, Suburban or Cal Advocates may file a new motion showing good cause for extending this order by no later than 30 days before expiration of this order.

117. Suburban Water Systems' (Suburban) June 12, 2023, Motion for Interim Rates is affirmed. Suburban shall file a Tier 1 Advice Letter to amortize and close this memorandum account.

118. Suburban Water Systems is directed to comply with Decision 07-05-062, Appendix A in all future general rate case applications.

119. The Commission should on its own motion consider an enforcement action to determine whether additional measures are appropriate due to Suburban Water Systems' failure to comply with Decision 07-05-062, Appendix A for its failure to meet with an Alternative Dispute Resolution Administrative Law Judge neutral in this general rate case cycle as directed at the prehearing conference and the Assigned Commissioner's Scoping Memo and Ruling.

120. Application 23-01-001 is closed.

This order is effective today.

Dated December 19, 2024, at San Francisco, California

ALICE REYNOLDS

President

DARCIE L. HOUCK

JOHN REYNOLDS

KAREN DOUGLAS

Commissioners

Commissioner Matthew Baker recused himself from this agenda item and was not part of the quorum in its consideration.