Decision 26-05-032 May 14, 2026

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of Liberty Utilities (Park Water) Corp. (U 314-W) for Authority to Increase Rates Charged for Water Service by $9,260,000 or 22.08% in 2025, $2,182,928 or 4.24% in 2026, and $2,139,448 or 3.96% in 2027.	Application 24-01-002
And Related Matter.	Application 24-01-003

DECISION ADOPTING THE REVENUE REQUIREMENTS FOR TEST YEAR 2025 GENERAL RATE CASES OF LIBERTY UTILITIES (PARK WATER) CORP. AND LIBERTY UTILITIES (APPLE VALLEY WATER) CORP.

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DECISION ADOPTING THE REVENUE REQUIREMENTS FOR TEST YEAR 2025 GENERAL RATE CASES OF LIBERTY UTILITIES (PARK WATER) CORP. AND LIBERTY UTILITIES (APPLE VALLEY WATER) CORP.

Summary

This decision adopts rates for Liberty Utilities (Park Water) Corp. (Park Water) and Liberty Utilities (Apple Valley Ranchos) Corp. (AVR) in consolidated proceedings for Test Year 2025 and two subsequent attrition years, 2026 and 2027.

This decision adopts a total revenue requirement for Park Water with resulting percentage increases as set forth below:

Park Water		
Rate Year Period	**Revenue Requirement Increases**	**% Increase**
Test Year (TY) 2025	-$300,000	-0.70%
Escalation Year 2026	$807,211	1.89%
Attrition Year 2027	$847,786	1.93%

This decision adopts a total revenue requirement for AVR, with resulting percentage increases as set forth below:

Apple Valley Ranchos		
Rate Year Period	**Revenue Requirement Increases/ Decreases**	**% Increase**
Test Year (TY) 2025	-$2,387,279	-7.78%
Escalation Year 2026	$741,716	2.61%
Attrition Year 2027	$657,497	2.24%

The adopted revenue requirements incorporate: (1) approval of undisputed issues and (2) disposition of the disputed issues. The Summary of Earnings in Appendix C sets forth supporting elements of the adopted revenue requirements. We authorize Park Water and AVR [1] (collectively Liberty Utilities or Liberty) 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. We also find that both Park Water and AVR's water quality meets all applicable state and federal drinking water standards and the provisions of General Order 103. We also have carefully considered 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, as discussed below in Section 11.

We order each company to separately 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.

The consolidated proceedings are closed.

1. Background

On January 2, 2024, Liberty Utilities (Park Water) Corp. (Park Water) and Liberty Utilities (Apple Valley Ranchos) Corp. (AVR)filed its 2025 Test Year (TY) general rate case (GRC) Applications (A.) 24-01-002 and (A.) 24-01-003 (Applications) respectively

[1] Throughout this decision, Park Water and Apple Valley Ranchos may collectively be referred to as Liberty Utilities or Liberty unless we to refer specifically to either water utility as an individual company.

with the California Public Utilities Commission (Commission) for an order authorizing it to increase rates for water over a three-year period and adopting other related relief necessary to implement the Commission's ratemaking policies, beginning on July 1, 2025, 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. Both applications requested authority to increase rates for water service for the period of July 1, 2025 through June 30, 2028.

On February 5, 2024, the Public Advocates Office at the California Public Utilities Commission (Cal Advocates) filed Protests to the two Applications. No other party filed a protest or other response to the Applications. On February 7, 2024, Cal Advocates filed a motion to consolidate the two Applications. On February 9, 2024, the assigned ALJ issued a ruling consolidating the two proceedings, setting a prehearing conference (PHC) for February 22, 2024, and requiring parties to meet and confer and file a joint PHC statement which the parties filed on February 20, 2024.

A PHC was held before the assigned ALJ on February 22, 2024. A procedural schedule was developed during the PHC. At the PHC, Liberty Utilities and Cal Advocates confirmed that there were contested issues of fact that would require evidentiary hearings.

On March 18, 2024, Liberty Utilities filed and served its Rule 3.2(e) Compliance Filing.[2]

The Assigned Commissioner's Scoping Memo and Ruling (Scoping Memo) was issued on March 27, 2024.

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

The Scoping Memo directed Liberty Utilities to engage in the required alternative dispute resolution (ADR) meeting with an assigned ADR ALJ neutral. Liberty Utilities complied with this directive.

On June 24, 2024, the California Water Association filed a motion for party status which the assigned ALJ granted on June 26, 2024.

Following the assigned ALJ's ruling of April 23, 2024, and proper notice to Park Water's customers, two public participation hearings (PPHs) were held with an in-person hearing held on July 30, 2024, and a virtual hearing held on July 31, 2024. Both Park Water and Cal Advocates made presentations at the PPHs.

AVR held two PPHs with an in-person hearing held on July 29, 2024, and a virtual hearing held on July 31, 2024, following the assigned ALJ's ruling of April 24, 2024 and proper notice to AVR' customers. AVR and Cal Advocates, again, made presentations at the PPHs.

Cal Advocates served its Opening Testimony on July 24, 2024. On September 23, 2024, Liberty Utilities served Rebuttal Testimony. Following the service of Liberty Utilities' Rebuttal Testimony, Liberty Utilities and Cal Advocates engaged in settlement negotiations and were able to resolve some of 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. Similarly, certain testimony and exhibits offered by Cal Advocates were not contested by Park Water and AVR.

Evidentiary hearings were scheduled for October 21, 2024, through November 1, 2024, in the Commission's Los Angeles Office following the assigned ALJ's ruling of July 10, 2024, noticing the evidentiary hearing schedule.

On October 11, 2024, the parties filed a Joint Statement advising the Commission and Service List that the parties waived cross-examination of all witnesses and agreed to the admission of exhibits into the record of the proceedings. The parties also provided a list of their disputed and undisputed issues.

On October 14, 2024, Cal Advocates filed a motion to strike Liberty Utilities errata to rebuttal testimony. Liberty Utilities filed a timely response to the motion on October 18, 2024. On October 16, 2024, the assigned ALJ amended the evidentiary hearing schedule, to conduct evidentiary hearings over two days on October 22, 2024, and October 23, 2024, rather than two weeks as previously scheduled to obtain further information about the parties' disclosure.

On October 15, 2024, the assigned ALJ issued a ruling requiring a joint response from the parties by October 23, 2024. On October 23, 2024, the assigned ALJ issued a ruling granting an extension of time until November 1, 2024, for the parties to provide a joint response to the ALJ's ruling of October 15, 2024, requiring additional information.

On October 22, 2024, the first day scheduled for in-person evidentiary hearings, the assigned ALJ heard oral argument on Cal Advocates' motion to strike Liberty Utilities errata to rebuttal testimony, heard a summary of parties' positions on Liberty Utilities' GRC applications and confirmed the parties' waiver of cross-examination on record. In addition, Cal Advocates and Liberty Utilities moved to admit all exhibits into the record.[3] The second scheduled day of evidentiary hearings, October 23, 2024, was vacated.

On October 28, 2024, the assigned ALJ issued a ruling denying Cal Advocates' motion to strike Liberty Utilities errata to rebuttal testimony. The ruling also directed Liberty Utilities to provide Cal Advocates with a red-line version of its previously served rebuttal testimony and extended the deadline for parties to file and serve briefs and other pertinent documents by two weeks.

On November 1, 2024, the parties filed a joint response to the assigned ALJ's ruling containing the required additional information.

On December 20, 2024, parties filed Opening Briefs (OBs) addressing contested issues. With its Opening Brief, Cal Advocates filed a motion to file its brief under seal as confidential.

On December 31, 2024, parties filed a Joint Reply Brief on contested issues, and a Joint Comparison Exhibit. On the same date, Cal Advocates and Cal Water Association filed Reply Briefs.

On January 9, 2025, Cal Advocates and Liberty Utilities filed a motion seeking approval to submit confidential materials under seal.

Pursuant to the Scoping Memo schedule, on December 20, 2024, Liberty Utilities filed its "Motion for Authority to Implement Interim Rates by Tier 1 Advice Letter" (Interim Rates Motion), which the assigned ALJ granted on May 30, 2025.

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[3] Because some of the issues in Liberty Utilities Applications 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 Liberty Utilities to file said motion to identify and move these exhibits into the record.

On June 30, 2025, an Order extending the statutory deadline was issued extending the deadline in the proceeding to January 31, 2026.

1.1. Liberty Utilities Park Water (Park Water) and Liberty Utilities Apple Valley Ranchos Water (Apple Valley Ranchos)

Park Water is a California Public Utilities Commission (Commission) regulated Class A[4] public utility water company providing regulated water utility service in and near Los Angeles County. Historically, Park Water's water supply has been sourced primarily from Central Basin Municipal Water District (CBMWD) imported water. Park Water has 10 groundwater wells. It draws water from three currently active groundwater wells. The remaining seven wells are inactive due to poor water quality issues.

Apple Valley Ranchos Water (AVR) is a Class A public utility water company regulated by the Commission. It provides water utility service in and near the Towns of Apple Valley and Yermo in San Bernardino County. AVR is a wholly owned subsidiary of Liberty Utilities (Park Water) Corp., a California Corporation. AVR provides irrigation water through a gravity irrigation water system that is separate from its domestic water system. AVR's system is supplied entirely by groundwater. The AVR system includes 19 wells with four abandoned wells, and two wells placed on inactive status in the last 10 years. In the AVR' system, the largest well is Well 35 with a capacity of 3,112 GPM representing 12.4% of the total capacity of the system.

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[4] In California, water companies that serve more than 10,000 customers are considered Class A water utilities. Liberty operates two of the nine Class A water utilities regulated by the Commission.

Both Park Water and AVR are owned by Liberty Utilities. .[5]

2. Standard of Review and Burden of Proof

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

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

As the applicants, AVR and Park Water bear the burden of proving that their cost recovery requests are reasonable. AVR and Park Water have the burden of affirmatively establishing the reasonableness of all aspects of their applications.[6] The Commission has held that the standard of proof the applicant must meet in rate cases is that of a preponderance of the evidence.[7] Preponderance of the evidence usually is defined "in terms of probability of truth, *e.g.*, 'such evidence as, when weighed with that opposed to it, has more convincing force and the greater probability of truth.'"[8]

Although the utility bears the ultimate burden to prove the reasonableness of the relief they seek and the costs they seek to recover, the Commission has held that when

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[5] Algonquin Power & Utilities Corp. is a utility company. For more than 30 years, Algonquin has delivered energy and water solutions and services. Its growth has led it regulated utility services into different geographies and commodities Energy and Water. Through its operating business (Liberty), it provides regulated electricity, water, and natural gas utility services to over 1.2 million customer connections, in North America, Bermuda, and Chile. (Source: https://Algonquinpower.com/about-us.html- as of December 9, 2025.)

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

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

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

other parties propose a different result, they too have a "burden of going forward" to produce evidence to support their position and raise a reasonable doubt as to the utility's request.[9]

3. Uncontested Issues

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

In addition, Cal Advocates and Liberty engaged in extensive settlement discussions and stipulated to numerous items. These stipulations are reflected in the Joint Comparison Exhibit of Public Advocates Office, Liberty Utilities (Park Water) CORP. (U 314-W) and Liberty Utilities (Apple Valley Ranchos Water) Corp. (U 346-W) (Joint Comparison Exhibit), filed December 31, 2024. We find reasonable and adopt the stipulations for each of the issues listed in the Joint Comparison Exhibit.

We find it reasonable and adopt the stipulations for each of the issues listed in Appendix F.

4. Contested Issues

The following sections set forth the parties' positions on contested issues in the applications for Park Water and AVR, followed by a discussion of how each issue is resolved.

Park Water and AVR carry the burden of proof to show that their requests for rate changes and other regulatory relief are just and reasonable, and to affirmatively establish the reasonableness of all aspects of their Applications in accordance with the

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

Rate Case Plan (D.07-05-062) requirements. Cal Advocates does not have the burden of proving the unreasonableness of the applicant's showing.

5. Water Sales Forecasts

In their applications, Park Water and AVR developed water sales forecasts utilizing a multiple regression analysis including monthly consumption data for ten years; a thirty-year average for forecast values for temperature and rain; and accounting for periods where there were drought provisions.[10] According to Park Water and AVR, this methodology conforms to the Commission's guidance in the Rate Case Plan adopted in D.07-05-062.[11]

Cal Advocates contends that Park Water's and AVR's forecast using the modified New Committee Method (NCM) suffers from several flaws and is inappropriate for this GRC. First, Liberty's regression contains several errors, second Liberty does not bill monthly and therefore does not know monthly water use, and third, the Commission has made significant developments in improving sales forecast methodology since the NCM was adopted.[12] In response to Cal Advocates' criticism, Liberty made changes to its modified-NCM model.[13] Cal Advocates contends that Liberty's modifications are insufficient and that the Commission should instead adopt Cal Advocates' recommendation. Cal Advocates recommends a weighted Five-Year

[10] Liberty Utilities Opening Brief (OB) at 6.

[11] Liberty Utilities OB at 6 to 8.

[12] Cal Advocates OB at 13-16.

[13] Cal Advocates OB at 16.

average of sales per customer, with most weight being given to recent years and least weight being given to less recent years.[14]

5.1. Water Sales Forecast - Park Water

Park Water's forecast on water sales and water supply is tied to its proposal for and position on various Park Water utility plant items (Compton East Well 4B and 9B; and PFAS/PFOA Treatment Wells 46C, 41A and 41VFD). We will consider each project on its own merits, including cost and the need for water supply to enable the utilities to have an adequate supply for safe and reliable service.

Park Water argues that its water sales forecast conforms to Commission standards and remains lower than Cal Advocates' forecast by 0.76 percent.[15] Park Water argues that it revised its water sales forecast in rebuttal testimony by taking multiple steps to address Cal Advocates' concerns on the issue and its revised forecast is 0.76 percent higher than its original forecast.[16] As part of Park Water's update in its rebuttal testimony it incorporated the factors that D.20-08-047 requires utilities to include in water sales forecasts including "drought year data, rate design, impact, climate trends (e.g., rainfall and temperate) and past sales trends."[17]

Cal Advocates' forecast on water sales based on a weighted average of the most recent five years of sales per customer, weighted for recency. Cal Advocates argues that the Commission should adopt its proposal on water sales forecast that uses a five-year weighted average for sales per customer calculations because it produces a more

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[14] Cal Advocates OB at 12.

[15] Liberty Utilities OB at 8.

[16] Cal Advocates OB at 8.

[17] Liberty Reply Brief at 5

accurate forecast than Liberty's modified NCM methodology.[18] Cal Advocates argues that its proposed methodology emphasizes the most recent sales to best capture recent trends, while giving lower weight to less recent sales.[19]

In addition, Cal Advocates argues that its proposed weighted five-year average methodology: (a) ensures accuracy and consistency because it captures unforeseen events like the COVID-19 pandemic's effects on sales patterns in 2020 and 2021, while also considering any permanent effects on usage it may have caused;[20] (b) better captures real world events that are not accurately considered in Liberty's proposed modified NCM methodology;[21] and (c) better matches the trendline of recorded data.[22]Cal Advocates argues that there are multiple flaws with Park Water's NCM calculation. Specifically, Cal Advocates asserts that Liberty's model did not contain a binary variable that would allow it to account for the impacts of the COVID-19 pandemic on usage and that Liberty's model did not include the usage months of January, February, and December from its residential regression, and that Liberty's use of monthly weather data is of questionable use given its bimonthly billing practices.[23] Cal Advocates also argues that Liberty's use of estimated monthly data, calculated by prorating bimonthly data across one calendar month and two partial months, limits the

[18] Cal Advocates OB at 11-12.

[19] Cal Advocates OB at 12.

[20] Cal Advocates OB at 12.

[21] Cal Advocates OB at 13.

[22] Cal Advocates OB at 13.

[23] Cal Advocates OB at 14.

accuracy of the model.[24] Cal Advocates asserts that these errors combined with the manipulations of billing data limit Park Water's model from estimating future sales. Liberty responds that it pro-rated monthly temperature and rainfall variables to ensure alignment between usage and weather variables.[25]

Given the concerns expressed by Cal Advocates regarding Liberty's modeling, we adopt Cal Advocates' estimate for water sales. Cal Advocates' methodology weights more recent years more heavily, while giving less weight to past years, including presumably atypical years including the 2020 and 2021 years affected by COVID 19. Meanwhile, we find that Liberty's use of estimated monthly data limits the accuracy of its projected future sales.

In comments, Liberty asserts that the Commission errs by adopting Cal Advocates' water sales forecast that fail to incorporate factors adopted in D.20-08-047.[26] In its Reply Brief, Cal Advocates argued that all of those factors are accounted for in its analysis.[27] Regardless, ordering paragraph 1 of D.20-08-047's requires water utilities to "discuss how… specific factors impact the sales forecast presented in the application,"[28] but it does not bind the Commission to accept an applicant's estimates especially if a litigant identifies underlying flaws. Liberty's comments do not address the modeling concerns that we expressed above so we do not change this decision's determination regarding water sales.

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[24] Cal Advocates OB at 15.

[25] Exh. LIB-28 p. 9.

[26] Liberty Opening Comments at 14-15.

[27] Cal Advocates Reply Brief at 5.

[28] D.20-08-047, OP 1

5.2. Water Supply – Park Water

Park Water's water supply forecast is a function of its water supply mix which includes purchased water costs and pumped groundwater costs.[29] Park Water established an initiative to increase its groundwater supply production.[30] Park Water's water supply forecast takes into consideration its initiative to increase ground water supply, increase its groundwater production by over 50% from 2015 to 2020 and the necessary removal of multiple wells (wells 28B, 41A, & 46C) from service to address water quality concerns.[31] Park Water's supply forecast is based on pumped and purchased water costs limited by its well capacity and considers operations, maintenance, and regulatory requirements.[32]

Park Water estimates from pumped water 3,789 Acre Feet (AF) in year 2025-2026, 4,039 AF in year 2026-2027, and 4,639 AF in year 2027-2028. In purchased water, Park Water estimates 5,774 AF in 2025-2026, 5,581 AF in year 2026-2027, and 5,038 AF in 2027-2028.[33]

Cal Advocates argues that the total of water-supply-related differences for Park Water, as well as the differences in irrigation system water supply, should be resolved based on the resolution of the issues of sales forecast.[34] Cal Advocates' water supply forecast excludes the Compton East Well Project's cost estimates.[35] Cal Advocates

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[29] Liberty Utilities OB at 8.

[30] Liberty Utilities at 9.

[31] Liberty Utilities at 9.

[32] Liberty Utilities at 9.

[33] Liberty Utilities OB at Exhibit 1 (Attachment 1, Listing of Unresolved Issues at 5).

[34] Cal Advocates OB at 17.

[35] Cal Advocates OB at 17..

argues that Park Water can continue to operate the Compton East water system and meet water supply requirements without building a new well.[36] Cal Advocates' forecast is therefore based on its recommendations to rely solely on Well 9D to meet demand for customers of the Compton East system. Cal Advocates believes that Park Water should utilize Well 19C to its full capacity to meet demand for customers of the Compton West system.[37]

Regarding Park Water's Compton East Well Project, Cal Advocates argues that the testimony Park Water provides in support of the project does not adequately explain the reasonableness to build Compton East Well.[38] Cal Advocates argues that Park's Compton East Well (including land purchase) estimates should not be included in rates, when Park can continue operating the Compton East water system and meet water supply requirements without building a new well.[39]

Cal Advocates recommends a water supply of 3,912 AF in year 2025-2026, 4,162 AF in year 2026-2027, and 4,762 AF in year 2027-2028 from pumped water. In purchased water, Cal Advocates recommends a water supply of 6,008 AF in 2025-2026, 5,789 AF in year 2026-2027, and 5,219 AF in 2027-2028.[40]

From 2015 to 2020, Park Water increased its groundwater production by over 50%, but after 2020 Park Water took Wells 28B, 41A, 46C out of service to address water

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[36] Cal Advocates OB at 60

[37] Cal Advocates OB at 61.

[38] Cal Advocates OB at 87.

[39] Cal Advocates OB at 87-88.

[40] Liberty Utilities OB at Exhibit 1 (Attachment 1, Listing of Unresolved Issues at 5).

quality concerns.[41] After Park Water filed its GRC Application in January 2024, the Final PFAS National Primary Drinking Water Regulation was adopted in 2024, establishing federal PFAS maximum contaminant levels (MCLs) with initial monitoring commencing by 2027 and full compliance by 2029.[42] Park Water asserts that Well 9D has operational limitations (hydraulic and treatment plant) and increasing its capacity to the level proposed by Cal Advocates would harm the well and risk poor water quality.[43] As a result of: 1) Park Water taking Wells 28B, 41A, and 46C out of service to address water concerns; 2) Park Water's need to address the PFAS National Primary Drinking Water Regulation adopted in 2024, and 3) the operational limitations of Park Water's Well D9. However, Cal Advocates' recommended pumping for Well 9D, at 1646 AF per year (AFY) represents its 5-year production average and is thus not an increase relative to how the well has previously been utilized.[44] Moreover, Well 9D has an operating limit of 1,935 AFY, which is well above Cal Advocates recommended pumping forecast.[45] Finally, Park Water's connection to CBMWD has sufficient capacity (5,625 gallons per minute (GPM)) to sufficiently address the Compton East Water System's max day demand (1,736 GPM).[46]

Park water and Cal Advocates agree that resolution of Park Water's water supply forecast is tied to the Commission's decision on Park Water's water sales

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[41] Liberty Utilities OB at 9 and 10.

[42] Liberty Utilities OB at 9 and 10.

[43] Liberty Utilities OB at 9 and 10.

[44] Cal Advocates Opening Brief at 60.

[45] Cal Advocates Opening Brief at 60.

[46] Cal Advocates Opening Brief at 87-88.

forecast. Because the Commission adopted Cal Advocates' forecast of water sales, the Commission's adopts Cal Advocates' water supply forecast.

In addition to adopting Cal Advocates' water supply forecast, we note that Cal Advocates has expressed concern about Park Water using lower quality groundwater while simultaneously charging ratepayers for purchased water.[47] This is especially concerning given that the water in these wells was above the not-yet-adopted federal MCL but below the California MCL.[48] When submitting its next GRC, Liberty should submit testimony explaining any variances exceeding 10% from its forecast supply mix and its actual supply mix.

5.3. Water Sales Forecast and Water Supply – AVR

AVR's water sales forecast, like Park Water's, was produced using a modified NCM approach, revised to respond to several of the concerns expressed by Cal Advocates.[49] As with Park Water, Cal Advocates argues that the Commission should rely on a sales forecast for both utilities using a weighted five-year average for sales per customer calculations instead of Liberty Utilities' modified "New Committee Method."[50] According to Cal Advocates, its proposed methodology produces a more accurate forecast and emphasizes the most recent sales to best capture recent trends, while giving less weight to less recent sales.[51]

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[47] Cal Advocates Reply Brief at 8.

[48] Cal Advocates Reply Brief at 7.

[49] Liberty Opening Brief at 10.

[50] Cal Advocates OB at x.

[51] Cal Advocates OB at 11-12.

Cal Advocates argues that Liberty's methodology: (a) contains multiple regression errors associated with the removal of certain variables, including monthly binary variables, (b) does not include monthly sales since Liberty's customers are billed bi-monthly, and (c) does not incorporate certain sales forecast factors established in D.20-08-047.[52]

As with Park Water's water sales forecast, AVR's forecast fails to fully address Cal Advocates' criticisms of its model. Consistent with the outcome in Section 5.1, we adopt Cal Advocates' forecast methodology.

Both Cal Advocates and AVR argue that the total of water-supply-related differences for AVR, as well as the differences in irrigation system water supply, should be resolved based on the resolution of the issues of sales forecast.[53]

Like Park Water, the resolution of AVR's reasonable water supply forecast is tied to the Commission's decision on AVR's reasonable water sales forecast. Because the Commission adopted Cal Advocates' forecast methodology, the Commission adopts, as just and reasonable, Cal Advocates' water supply forecast.

Table 1below summarizes Liberty and Cal Advocates' proposed water supply forecasts for the 2025-2026 Test Year.

Table 1: Test Year 2025-2026 Water Supply Forecast

	Park Water		Apple Valley Ranchos	
	Park Water's Proposal	Cal Advocates' Proposal	Apple Valley Ranchos' Proposal	Cal Advocates' Proposal
Water Supply Forecast				

[52] *Id*. at 14.

[53] Cal Advocates OB at 18, Liberty Utilities OB at 11.

Pumped (AF)	3,789	3,912		
Purchased (AF)	5,774	6,008		
Total Annual Production (AF)			13,406	13,535
Total Supply for Test Year 2025	9,563	9,920	13,406	13,535

6. Revenue Requirement

6.1. General Office for Park Water and AVR

Park Water and AVR are owned by Algonquin Power & Utilities Corp., (Algonquin) as previously noted. In providing service to their customers, Park Water and AVR receive a suite of necessary and essential corporate services from Algonquin, Liberty Utilities (Canada) Corp. ("LUC") and Liberty Utilities Service Corp. ("LUSC"). As the ultimate corporate parent, Algonquin provides financial management, strategic management, corporate governance, administrative and support services to Liberty Utilities, Liberty Power, and its international utilities in Chile and Bermuda. Algonquin is a publicly traded holding company and provides substantial benefits to its regulated utilities and generation facilities through executive management, access to capital markets and the issuance of long-term debt and equity, and access to short-term credit facilities. Park Water and AVR also receive shared corporate services from LUC and LUSC, including services through the Liberty Algonquin Business Services ("LABS") business unit.

Park Water's General Office expenses are allocated to Park Water's Central Basin Division and AVR according to the Algonquin Cost Allocation Manual ("CAM") allocation factors. Park Water contends its General Office Reports submitted with the GRC Applications discuss the relevant allocation factors. Liberty's general office expenses include three key shared services groups - California Water Operations, California Water & Electric Operations and West Region shared services, each with its own cost allocation factor.[54]

Utilizing these allocation factors, Liberty contends that it developed its Test Year General Office forecast based on anticipated headcount and non-labor expenses that are expected for this rate cycle, escalated to 2025 dollars.[55] Liberty contends that its incremental expenses include IT system maintenance expenses related to the Customer First project deployed in May 2023, cybersecurity-related maintenance expenses, an expanded supplier diversity program, customer credit card fees, and additional general office headcount.[56] Liberty asserts that Cal Advocates' methodology omits escalation increases resulting in an understatement of $1.553 million and that Cal Advocates' allocation factor is flawed and inconsistent with its forecast methodology.[57]

Cal Advocates contends the Commission should deny Liberty's requested increase for General Office expenses.[58] Cal Advocates proposes that the Commission adopt a budget based on a five-year average of Liberty's recorded expenses for General Office expenses, escalated to TY 2025, and allocated by the commission's last adopted factor of 57.6%. Cal Advocates highlights that Liberty's total general office (unallocated) request is 41.75% higher than Liberty's recorded unallocated 2022 costs.[59]

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[54] Liberty Utilities OB at 11-12.

[55] Liberty Utilities OB at 11-12.

[56] Liberty Utilities OB at 11-12.

[57] Liberty Reply Brief at 7

[58] Cal Advocates OB at 18.

[59] Cal Advocates OB at 21.

Moreover, Cal Advocates asserts that Liberty's unallocated TY 2025 General Office expense was $8,134,079, significantly lower than Liberty's TY 2025 request in total allocated expenses of $12,064,002.[60] Cal Advocates provides evidence that in the past GRC test year, Liberty's customers had paid $7,989,946 in allocated costs for AVR and Park, but had only received $6,847,920 of benefits.[61] Cal Advocates recommends a 58% reduction of Liberty's Test Year General Office forecast based upon its utilization of a five-year average of historical recorded costs from 2019-2023.[62] Cal Advocates contends that the five-year average anchors forecasted rates to actual expense levels, making the five-year average a more reliable indicator of necessary rate changes. [63]

Cal Advocates also highlights that Liberty's request does not meet the standard of "ratepayer indifference" for AVR and Park customers. Cal Advocates cites to D.15-12-029 in which the Commission approved Liberty's application to acquire control of Park and AVR, which applied the "ratepayer indifference standard" as a condition of the acquisition.[64]

Liberty asserts that Cal Advocates' recommended allocation factor of 57.6% is unreasonable because Cal Advocates offers no justification beyond that allocation factor being the last adopted in a GRC. Liberty asserts that its actual allocation factor over the five-year period from 2018 to 2022 was 81.2%.[65] Cal Advocates asserts that the

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[60] Cal Advocates OB at 21.

[61] Cal Advocates OB at 21.

[62] Liberty Opening Brief at 18-21.

[63] Liberty Opening Brief at 18-21.

[64] Cal Advocates Opening Brief at

[65] Liberty Rebuttal Testimony at 25-26.

"stagnant average [customer growth] of 0.62% over the past five years" implies that the allocation of cost to Park and AVR customers should be the same, if not less, due to the economy of scale generated by the acquisition.[66]

The Commission adopts Cal Advocates' General Office forecast as reasonable over that of Liberty's because Liberty's forecast contains unreasonable increases. We also keep in place the same allocation as derived in the last GRC. We find Cal Advocates' arguments that increasing the allocation would violate the ratepayer indifference standard salient here and decline to authorize the large increases requested by Liberty in light of the limited customer growth.

In comments, Liberty asserts that the Commission should accept Liberty's forecast because "(1) Liberty's 2023 recorded expenses were higher than authorized for the Test Year period; (2) Liberty's undisputed testimony concerning incremental costs forecast during the upcoming Test Year period; (3) Cal Advocates' multiple escalation errors (resulting in an understatement of $1.553 million); and (4) Cal Advocates' allocation factor that is flawed and inconsistent with its own forecast methodology."

Regarding Liberty's first argument: Cal Advocates testimony shows that Liberty's "general office fluctuates year-to-year without a clear increasing or decreasing trend"[67]; pointing to one point does not invalidate this particular forecast especially when Liberty's 2022 Unallocated (Total) General Office recorded costs were $8,134,079 compared to an approved total $13,870,794, or much *lower* than authorized.[68] Liberty's opening brief states that the 2022 expenses are artificially low because of the delay in

[66] Cal Advocates Reply Brief at 11

[67] Cal Advocates Exh. 2 at 1-16

[68] Cal Advocates Opening Brief at 21

adopting the 2022 GRC Decision, and Liberty points to 2023's expenses being higher than authorized as an indication of costs trending upwards.[69] However, it is unclear whether this an indication of a trend, given that Liberty's recorded General Office expenses decreased relative to the previous year in 2019, 2021, and 2022, and while they appear to have increased in 2020 and 2023.[70]

Second, Cal Advocates' testimony shows that Liberty's General Office costs are driven by higher forecast A&G costs, driven by an unexplained $8 million payroll increase from 2022 to 2024.[71] Liberty's A&G costs decreased gradually from 2018 to 2022. When Cal Advocates tried to conduct discovery to understand the reversal in trends, it asserts that Liberty was not responsive to data requests and failed to provide Cal Advocates with complete and timely answers including failing to provide 2022 costs in the same format Liberty presented its 2024 and 2025 costs, which Cal Advocates indicates "obstructed review."[72] Liberty's rebuttal testimony, opening briefs, and reply briefs do not address this lack of response to discovery requests. Liberty's payroll increases have increased substantially over the years and fail to meet the ratepayer indifference standard.[73] Liberty's contention that its incremental costs are undisputed misrepresents the fact that many of the underlying General Office costs were contested.

Regarding Liberty's third argument: Liberty's rebuttal testimony Table IV-11

[69] Liberty Opening Brief at 13.

[70] Cal Advocates Exh-02 Table 6

[71] Cal Advocates OB at 26.

[72] Cal Advocates OB at 27.

[73] Cal Advocates OB at 24.

shows an alternative calculation with escalation factors for years 2019-2023. However, Liberty's description, and its cited discussion in Section F of Chapter IV, does not explain the source of the escalation factors in its table.[74] Liberty's testimony cites to its Attachment 12, but the escalation factors in Liberty's attachment do not match the escalation factors in Liberty's calculation. Given the lack of context around those escalation figures it is difficult to assess how much validity to give to them, or whether the escalation Liberty suggests is itself properly calculated. Cal Advocates' comments to the PD assert that it did escalate costs to reflect TY 2025 costs, and Table IV-11 shows that the average it calculated was escalated.[75] This appears to be a methodological difference of opinion, as Cal Advocates' suggestion was that "the Commission should use a five-year average of recorded, unallocated expense multiplied by the last adopted allocation factor, with escalation, to estimate Liberty's TY 2025 general office expense and allocation."[76] The record indicates that Cal Advocates' recommendation is just what it described: an average of recorded expenses from 2019 to 2023, then escalated to 2025 and 2026 dollars using the Labor Expense escalation factorsadopted in Section 7.1, and averaged to account for the test year being split across two calendar years. Cal Advocates asserts that it used an escalation method that is consistent with the RCP, which allows for escalation using the most recent labor inflation factors.[77] While Cal Advocates' General Office expense is not calculated in the way Liberty would prefer, its average does appear to be escalated to TY 2025 rates.

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[74] Exh LIB-28 at 28, Exh. LIB-28 at 18-19

[75] Cal Advocates Opening Comments at 3, D

[76] Cal Advocates Exh-2, at 1-6 ln 3-5.

[77] Cal Advocates Opening Comments at 3.

Fourth, Cal Advocates allocation factor is the allocation factor adopted by the last GRC. Liberty asserts using this allocation factor is inconsistent with its forecast methodology. However, Cal Advocates' suggested allocation factor was adopted by the Commission in D.23-02-003, which used SP U-6-W to determine the allocations.[78] Liberty's suggested allocation factors "are based on the guidelines established by the National Association of Regulatory Utility Commissioners (NARUC)."[79] Cal Advocates' Reply Brief points out that NARUC guidelines are not controlling here, but SP U-6-W is.[80] Since Liberty's allocation method does not stem from an approved methodology, and since Cal Advocates does, and since there are no other suggested methodologies in the record, we adopt Cal Advocates' allocation recommendation.

The Commission adopts Cal Advocates' proposal with respect to the following Revenue Requirement items: Head Office Expenses, Telemetry Account, and Credit Card Fees.

6.2. Operating Expenses

Park Water's and AVR's Operating Expenses are composed of Operations & Maintenance (O&M) expenses and Administrative & General (A&G) expenses. As discussed in Rebuttal Testimony, for the Test Year, Park Water forecasts O&M expenses of $17.300 million and A&G expenses of $9.277 million whereas Cal Advocates' recommended forecast is O&M expenses of $17.504 million and A&G expenses of $5.727 million.[81] For the Test Year, AVR forecasts O&M expenses of $6.160

[78] D.23-02-003 at 39-40

[79] Liberty Opening Brief at 13.

[80] Cal Advocates Reply Brief, 10

[81] Ex. LIB-28 at 1 (Table I-1), Liberty Utilities OB at 18.

million and A&G expenses of $8.125 million whereas Cal Advocates' recommended forecast for O&M expenses is $5.364 million and for A&G expenses $4.908 million.[82]

Liberty Utilities indicated that with respect to the Operating Expenses for Park Water and Apple Valley, both utilities applied a consistent methodology in developing the forecasts for the Test Year. Cal Advocates raised concerns and proposed alternative recommendations for those forecasts.[83] The parties' positions are presented below.

6.2.1. Park Water Only

6.2.1.1. Purchased Water, Purchased Power, Replenishment, and Leased Water Rights

Park Water argues the variances between Park Water's forecast of Purchased Power, Purchased Water and Leased Water Rights arise from the differences in each party's respective, proposed water supply mix and sales and customers forecasts. The resolution of those differing forecasts will determine the subsequent forecasts for Purchased Power, Purchased Water and Leased Water Rights.[84] Additionally, with respect to Leased Water Rights, each party forecasts the costs of those water rights.[85]

Park Water's forecast is based on the 2022 actual unit cost per acre foot (AF) of $168.43 which was the latest recorded data available at the time the GRC application was filed. In its Rebuttal Testimony, Park Water revised its forecast downward using the 2023 actual unit cost per AF of $127.41.[86]

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[82] Ex. LIB-27 at 1 (Table I-1), Liberty Utilities OB at 18.

[83] *Id*. at 19.

[84] Ex. LIB-28 at 14-15 and Liberty Utilities OB at 30.

[85] Liberty Utilities OB at 30.

[86] Ex. LIB-28 at 16 and Liberty Utilities OB at 30.

Cal Advocates identifies three areas for modification in Park Water's forecast. First, Cal Advocates asserts that Liberty has forecast a higher level of water purchases than necessary.[87] Cal Advocates contends that Compton East's Well 4B and Compton West's Well 19C can produce more water than Park Water forecasts, and properly utilizing these wells will reduce required water purchases.[88] Cal Advocates' forecast increase in well water production results in a lower need for purchased water, thereby reducing Park Water's revenue requirement for purchased water. Second, Cal Advocates' forecast increased reliance on well water production also requires an increase in power purchasing costs, from Liberty's estimated $742,617 to $871,806.[89] Third, Cal Advocates' forecast utilizes a lower cost for lease water, deriving the cost per AF derived from three leased water contracts between Liberty Park Water and Suburban Water in 2023 and 2024. Cal Advocates' costs range from a low of $70 per AF to a high of $110 per AF, significantly lower than Park Water's forecast $168.43 per AF.[90]

Since we adopted Cal Advocates water sales and supply forecast in Section 5.1 and 5.2, it is reasonable to adopt Cal Advocates' forecast for purchased water, purchased power, and leased water, which uses the same quantity estimates used to derive those expenses.

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[87] Cal Advocates OBat 60.

[88] Cal Advocates OB at 60-61.

[89] Cal Advocates OBat 61-62.

[90] Cal Advocates OB at 62.

6.2.1.2. Positions

Park Water requests funding to add a Facilities Manager and Senior Management (Engineering) position at Park Water.

6.2.1.2.1. Facilities Manager

Park Water seeks to add one Facilities Manager position.[91] Liberty Utilities already has one Facilities Manager position whose responsibilities are devoted to both Park Water and AVR. Cal Advocates disagrees that a Facilities Manager position should be added to Park Water's workforce.[92] Park Water indicates that it currently has one Facilities Manager position in its Park Water Downey Office.[93] Liberty indicated that although it originally planned to add one Facilities Manager position for Liberty Apple Valley's office, Liberty withdrew this proposal and consolidated the two Facilities Manager roles into one position based in Liberty Park Water's Downey office.[94]

Cal Advocates argues that a Facilities Manager position doing the same duties that Park Water seeks in an additional Facilities Manager position that already exists through other positions at Liberty.[95] Cal Advocates argues that adding an additional Facilities Manager position would be an unreasonable expense to ratepayers because they would have to pay twice for a position that is already being performed through other positions at Liberty.[96]

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[91] Liberty Utilities OB at 31.

[92] Liberty Utilities OB at 31.

[93] Liberty Utilities OB at 31.

[94] Liberty Utilities OB at 31.

[95] Cal Advocates OB at 63.

[96] Cal Advocates OB at 63.

According to Liberty, the new Facilities Manager position that it proposes does not overlap with other positions (Customer Care Supervisor, Field Service Supervisor and Facilities & Fleet Supervisor) that Cal Advocates points out and uses as a basis for denying Liberty's request.[97] Park Water asserts that it needs to add a Facilities Manager position to its workforce.[98] After careful consideration of the parties' argument, the Commission agrees with Park Water because the Facilities Manager responsibilities do not overlap with other existing roles. Park Water's request to add a Facilities Manager position to its workforce is granted because adding this position is necessary to serve customers.

6.2.1.2.2. Senior Manager, Engineering

Cal Advocates argues that the Commission should remove the [existing] senior manager position from the TY 2025 Park Water payroll forecast because the position does not serve Park Water customers.[99] The discovery process revealed that Park Water submitted an incorrect job description for the position.[100] Liberty acknowledged that it submitted an incorrect job description for the senior manager position in response to Cal Advocates' data request and indicated that the submission was inadvertent.[101] In response to Cal Advocates' discovery, Liberty had classified the position as a senior manager to "manage and mentor CalPeco Engineering

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[97] Liberty Utilities OB at 32.

[98] Liberty Utilities OB at 32.

[99] Liberty Utilities OB at 32.

[100] Liberty Utilities OB at 32.

[101] Liberty Utilities OB at 32.

Department."[102] Liberty later submitted an accurate description of the position in its Rebuttal testimony.[103] According to Liberty, the position, "serves as an essential role in planning and designing facilities, project management, construction administration, and supervising, training, and recruiting engineering personnel."[104] .[105]

. We grant the request to add this position with reservation. In this proceeding Liberty has established a pattern of providing insufficient responses to discovery and/or providing changes to its initial testimony through rebuttal testimony, leaving other parties limited or no opportunity to address this new testimony. Liberty bears the burden of proving the reasonableness of its request and must provide adequate information in testimony and through discovery to substantiate the request. Liberty's request shows that this position is needed for planning and designing facilities, project management, construction administration, and supervising, training, and recruiting engineering personnel, and so is adopted. Therefore we will grant the request as set out in this decision, but caution Liberty to ensure that complete and correct information should be provided in its initial testimony.

6.2.2. T & D Operating Meter Expenses

Park Water's Test Year forecast of T&D Operating Meter Expenses in the Other – T&D Meter Exp account (7717.663) includes meters-related operations and

[102] Cal Advocates OB at 63

[103] Liberty Utilities OB at 32

[104] Liberty Utilities OB at 32

[105] Liberty Utilities OB at 32

maintenance costs and is based on a five-year average of recorded costs from 2019 to 2023.[106]

Cal Advocates argues that two specific years, 2019 and 2023, should be removed from the average since Liberty experienced an atypical level of failures with Automatic Meter Reading (AMR) registers and required an outside contractor to assist with addressing meters during those two years.[107]

According to Liberty, Cal Advocates incorrectly assumes that the level of expenses seen during 2019 and 2023 will not recur and meter failures are unanticipated and cannot be readily projected.[108] Additionally, Liberty argues that Cal Advocates' position runs counter to longstanding Commission guidance that a historical average should be used for those accounts which have significant fluctuations in recorded expenses from year to year, or which are included by external forces beyond the control over the utility.[109] Liberty argues that given the multiple years where Liberty has incurred non-labor costs to address aging meters and AMR registers failures, Liberty use of a five-year average of recorded costs from 2018 to 2022 is reasonable and should be adopted.[110]

The Commission agrees with Park Water's rationale and adopts Park Water's request that a five-year average of recorded costs from 2019 to 2023 be used for forecasting meters-related operations and maintenance costs.

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[106] Liberty Utilities OB at 31.

[107] Liberty Utilities OB at 31.

[108] Liberty Utilities OB at 31.

[109] Liberty Utilities OB at 31.

[110] Liberty Utilities OB at 31.

6.3. Water Conservation for Park Water and AVR

Both Park Water's and AVR's Water Use Efficiency Plan (WUEP) was updated in 2023 to forecast program needs to continue to provide customers with effective and efficient programs that help save water, assist with affordability, and comply with recent conservation regulations.[111] Liberty's forecast for conservation program expenses is based on 20 conservation programs that are either currently in effect or planned for the Test Year.[112] The programs are detailed in Liberty's WUEP.[113] Liberty currently implements 13 conservation measures listed in the WUEP.[114] Liberty proposes seven additional conservation measures planned for customer assistance and regulatory compliance including, 1) residential turf removal, 2) commercial turf removal, 3) spray rinse nozzle distribution, 4) school landscape equipment retrofit, 5) commercial incentives, 6) surveys and equipment replacement, and 7) high efficiency urinal direct install for a total of 20 conservation programs for the test year.[115] Based on Liberty's 20-program water conservation proposal, $423,138 would be allocated to Park Water and $407,681 to AVR for water conservation expenses for TY 2025.[116]

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[111] Liberty Utilities OB at 22.

[112] Liberty Utilities OB at 22..

[113] Liberty Utilities OB at 22.

[114] Liberty Utilities OB at 22 – 23, "water loss, water waste enforcement, landscape and irrigation residential hot water recirculating pump rebate, residential and commercial outdoor survey, residential water budgets, residential and commercial drip irrigation kits, residential weather-based irrigation controllers, residential fixture distribution, commercial weather based irrigation controller, and, for Liberty Park Water only, an emergency leak repair program."

[115] Liberty Utilities OB at 22 – 23,

[116] Joint Response to ALJ Ruling Requiring Additional Information at 2 and 6.

Cal Advocates recommends that the Commission adopt water conservation expenses using a five-year average recorded costs escalated to TY 2025 using the Commission approved escalation rates published in a memorandum by Cal Advocates' energy cost of service branch .[117] Using this methodology, Cal Advocates argues that $245,807 would be allocated to Park and $188,949 to AVR for water conservation expenses.[118] Cal Advocates opposes basing water conversation expenses on 20 conservation programs because it argues that Liberty only pursued seven of the 20 proposed programs consistently between 2018 and 2022.[119]

The Commission rejects Cal Advocates' proposal and adopts Liberty's proposal to base water conservation expenses on its proposed 20-program water conservation plan. Liberty's explanation that during 2020 and 2021, the water utilities had to pause multiple conservation programs due to safety protocols dictated by the state to minimize the spread of COVID-19 amongst its customers and employees is a plausible explanation for why it pursued only seven of the 20 proposed conservation programs between 2018 and 2022. Moreover, Liberty's forecast provides for a more reasonable estimate of the costs associated with conservation programs during the TY and provides customers with effective and efficient programs that help save water, assist with affordability, and comply with recent conservation regulations.[120]

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[117] Cal Advocates OB at 46.

[118] Cal Advocates OB at 46.

[119] Cal Advocates OB at 46.

[120] Liberty Utilities OB at 22; and Ex. LIB-27 at 17 and Ex. LIB-28 at 21.

6.4. Mailing Service Expenses for Park Water and AVR

Liberty's Test Year forecast for mailing service expenses is based on a five-year average of recorded costs from 2019 to 2023. Cal Advocates concurs with the use of this methodology but adds an additional 18% reduction to account for paperless bill savings. Liberty rejects Cal Advocates' reduction based upon evidence it presented that its percentage of customers who signed up for paperless billing from 2019 through May 2024 has remained relatively flat. Cal Advocates did not present any evidence to refute this evidence and, as Liberty argues, provides no rationale for assuming there will be any increase in the number of customers who signed up for paperless billing. Additionally, given the flat level of customer participation through the present, any savings associated with paperless billing are already captured in the historic costs used to derive the forecast. Accordingly, the Commission rejects Cal Advocates' proposed reduction and accepts Liberty's proposal to base mailing expenses on Liberty's forecast of five-year average recorded costs from 2019 to 2023 with no reduction in amount to account for paperless billing.

6.5. Regulatory Commission Expenses f or Park Water and AVR

A ruling dated October 28, 2024, admitted Liberty's September 27, 2024, and October 8, 2024, Errata which included Liberty's missing attachments to its September 23, 2024, Rebuttal testimony and redlines of the testimony.[121] According to Liberty, attachment 6 of the missing attachments included data responses in support of its

[121] October 28, 2024, Administrative Law Judge's E-Mail Ruling on Cal Advocates' Motion to Strike Liberty Utilities' Errata.

Regulatory Commission Expenses budget for TY 2025.[122] As such, the Commission reviewed and considered Liberty's data responses on its Regulatory Commission expenses in support of its forecast for these expenses for TY 2025.

Liberty seeks approval for expenses related to regulatory compliance and interactions with the Commission. Liberty seeks expenses of $207,598 for 2025-2026 for Park Water and $166,116 for 2025-2026 for AVR.[123] Liberty argues that its forecast includes outside costs associated with Commission proceedings, including General Rate Case and Cost of Capital proceedings. Liberty also argues that its forecast is based on the last proceedings recorded costs escalated to the Test Year plus anticipated consulting costs associated with sales and customers forecasts, rate design, working capital, and updates to the Water Use Efficiency Plan (WUEP).

Cal Advocates proposes that the Commission approve a lower budget for regulatory Commission expenses of $103,668 for Park Water and $82,953 for AVR as escalated from Liberty's 2019 Annual Report. Cal Advocates argues that because Liberty's Data Responses related to its WUEP were unreasonable, the Commission should not authorize additional costs related to production of the WUEP.[124] Cal Advocates asserts that the only expense Liberty listed to substantiate its WUEP cost was a 2014 invoice. Cal Advocates asserts that Liberty failed to produce 2021 invoices related to the WUEP in response to discovery requests and only did so in its corrections

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[122] October 18, 2024, Liberty Utilities' Joint Response to Motion of the Public Advocates' Office to Strike Liberty Utilities' Correction to Rebuttal Testimony.

[123] *See*, Liberty's Opening Brief at 24-25; Reply Brief at 45-46; Exhibits 15 at 16-18; 26 at 146-184; and 37 at 47:20.

[124] Cal Advocates Opening Brief at 48

to its September 23, 2024 Rebuttal Testimony. Cal Advocates also points out that Liberty requested ratepayers pay the cost of producing a new WUEP, but only found minor adjustments made to the previous WUEP, and argues that ratepayers should not bear the burden for a full report when the work product does not justify the charge. Cal Advocates also states that Liberty adds an escalated $24,999 to 2028 dollars for each system, but that Liberty hasn't demonstrated that the invoices were $24,999 for each system or for both systems.[125] Liberty asserts that Cal Advocates fails to respond to GRC's testimony explaining that its reliance on one year of regulatory commission expense figures is inappropriate when those expenses are incurred over a three-year rate cycle.

Liberty has the right to recover reasonable expenses associated with regulatory commission expenses, which in this case, Liberty argues includes outside costs associated with Commission proceedings, including General Rate Case and Costs of Capital proceedings. Specifically, Liberty's forecast included the last proceedings' (2019) recorded costs escalated to the Test Year plus anticipated consulting costs associated with sales and customers forecasts, rate design, working capital and updates to WUEP. However, Cal Advocates raises serious concerns about the quality and the timing of the evidence Liberty produced, with new evidence introduced after the filing of rebuttal testimony and not in response to discovery. We agree with Cal Advocates that this data should have been provided in response to discovery and failure to do so should be weighed against the utility. Similarly, we find little merit in Liberty's

[125] Cal Advocates Opening Brief at 49

criticism of Cal Advocates' use of its 2019 expenses which were taken from Liberty's annual report. Accordingly, we adopt Cal Advocates' recommendation here.

6.6. Merit and STIP for Park Water and AVR

Park Water and AVR' compensation model consists of two main components – base wages and at-risk compensation.[126] According to Liberty, its pay philosophy is to set pay at P50 of market (50th percentile of market).[127] Liberty performed a market review of total renumeration utilizing standard roles, which were benchmarked against market median compensation or P50 of market. Liberty states the market review took into account total compensation, including base pay, and Short Term Incentive Pay (STIP), which are part of the overall compensation structure.[128]

Park Water's and AVR's merit-based compensation system for each individual employee is based on a budget allocated to the respective department, employee performance and related rating, and the employee's salary relative to the wage band applicable for their position.[129] Park Water's and AVR's STIP-based compensation system is based on prudent fiscal management, continuous improvement and efficient operations which inure to benefit all stakeholders, including customers.[130] Absent "at-risk" compensation in the form of STIP, Park Water and AVR would have to increase

[126] Liberty Utilities OB at 25.

[127] *Id*.

[128] *Id*.

[129] *Id*. at 26.

[130] *Id*.

base wages to account for the absence of STIP for Park Water and AVR to maintain 50th percentile of market of compensation.[131]

Cal Advocates recommends the Commission disallow both STIP and merit-based payments provided in Liberty's market review, arguing that the methodology for Merit is not consistently applied based on performance rating.[132] Cal Advocates also argues for disallowance of STIP and merit based pay on the premise that Liberty ties STIP compensation to meeting targets that either benefit shareholders rather than ratepayers or are targets that are already Commission standards.[133]

We find Liberty's philosophy of setting pay at P50 of market reasonable. Liberty asserts that compensating employees fairly is critical for attracting and retaining qualified personnel who are knowledgeable about industry standards and specific Liberty systems to serve customers effectively and efficiently.[134]

However, Cal Advocates' arguments call into question the reasonableness of authorizing Liberty's STIP and merit-based payments. Cal Advocates asserts that Liberty's STIP targets are tied to shareholder, not ratepayer, benefits including meeting earnings per share (EPS) targets.[135] Cal Advocates asserts that Liberty's request assumes that all employees who met performance-based standards in 2022 will continue to receive those benefits going forward. Furthermore,, the number of employees that Liberty characterized as receiving STIP and merit increased from 6 out

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[131] *Id*. at 27.

[132] Cal Advocates OB at 50.

[133] *Id*.

[134] Liberty Utilities OB at 43.

[135] Cal Advocates Opening Brief at 50-52

of 39 during discovery to 30 out of 39 in Liberty's rebuttal testimony, indicating a lack of clarity on Liberty's part on which employees receive these benefits.[136][137][138]

We therefore adopt Cal Advocates' recommendation to remove Merit and STIP for Liberty's forecast. Ratepayers should not be made to pay for incentive structures that benefit shareholders. To the extent that Liberty wishes ratepayers to provide Merit and STIP to its employees, it must adopt targets that provide meaningful ratepayer benefit.

6.7. Insurance for Park Water and AVR

For insurance premium costs, Liberty utilized recorded costs based on 2023 insurance premiums, and forecasted an annual increase of 9% in 2024, 12% in 2025, and 9% in 2026 and averaged the totals to derive the Test Year forecast. The forecasted increases are reasonable considering Liberty's premiums increased by an average of 16% from years 2022 to 2024 and, comparing 2022 to 2024 directly, Liberty's premiums have increased by approximately 34%.[139] Liberty argues that the high insurance premiums increases it has experienced recently warrant divergence from the RCP.[140]

Cal Advocates recommends denying Liberty's proposed increase for its business liability and workers compensation.[141] Instead, Cal Advocates recommends TY 2025 expenses of $695,083 for Park and $582,672 for AVR, and using the RCP's prescribed

[136] Cal Advocates Opening Brief at 53

[137] Cal Advocates Opening Brief at 137

[138] Cal Advocates Opening Brief at 53, FN 247

[139] Liberty Utilities OB at 27-28.

[140] Liberty Utilities OB at 28.

[141] Cal Advocates OB at 54.

process for escalation in 2026 and 2027.[142] In addition, Cal Advocates argues that the Commission should adopt Cal Advocates' forecast for insurance because the actual premiums that Liberty submitted for 2024 were closer to Cal Advocates' forecast than Liberty's.[143]

While Liberty's insurance premiums may have increased rapidly in the last three years, we do not accept recent trends as evidence that the trend will necessarily continue. We adopt Cal Advocates' TY 2025 expenses for Park Water and AVR. We also adopt Cal Advocates' recommendation to follow the RCP and forecast the escalation and attrition year costs using the factors prescribed by the RCP and adopted in section 7.2.

6.8. Medical, Dental, Vision Insurance Benefits for Park Water and AVR

Park Water's and AVR's Test Year forecasts for medical, dental, and vision insurance costs were calculated based on rates anticipated to be in effect as of January 1, 2025, along with 5% annual increases.[144] The cost of healthcare is escalating at a materially higher rate than the consumer price index for all urban consumers (CPI-U).[145] Park Water and AVR assert that a 5% increase is relatively modest in comparison to historic averages.[146]

Cal Advocates recommends using the escalation factors published by Cal Advocates' energy cost of service and branch to forecast the insurance premium

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[142] Cal Advocates OB at 54-55.

[143] Cal Advocates OB at 56.

[144] Liberty Utilities OB at 28.

[145] Liberty Utilities OB at 28.

[146] Liberty Utilities OB at 28.

expense, as directed by the RCP.[147]

As with Insurance costs above, we follow Cal Advocates' recommendation for TY 2025 costs and adhere to the RCP for escalation. We adopt Cal Advocates' recommendation of using the RCP's factors escalate Park Water and AVR' medical, dental, and vision insurance costs.

6.9. Travel, Business Meals, Office Supplies, Employee Membership for Park Water and AVR

Liberty seeks reimbursement for the expense categories of travel, lodging and miscellaneous, business meals, office supplies and employee membership for its 2025 TY budget. Liberty argues that it submitted sufficient documentation in support of these expenses.[148] Liberty also states that some of the expenses that Cal Advocates asserts are inappropriate were "booked below the line," that is, attributable to shareholders rather than ratepayers.[149]

Cal Advocates argues that the Commission should exclude travel, business meals, office supplies, employee memberships – including limousine services, donations to charity, golf club memberships and Poker and Casino Night that it argues do not benefit ratepayers.[150] Cal Advocates argues that these expenses should be disallowed because they are unreasonable and bear no relation to the provision of service and offer no customer benefit.[151] Moreover, Cal Advocates argues that these expenses are not supported by sufficient documentation. Cal Advocates also asserts

[147] Cal Advocates OB at 56.

[148] Liberty Opening Brief at 29

[149] Liberty Opening Brief at 29

[150] Cal Advocates OB at xi. and 58.

[151] Cal Advocates OB at 58.

that Liberty's claim that some expenses were paid for by shareholders rather than ratepayers should be discounted since Liberty never articulated which expenses were paid by shareholders nor provided any support for that claim.[152]

The Commission agrees with Cal Advocates. Liberty is not entitled to recover employee and miscellaneous expenses that are not necessary to provide water service.. In this case, much of Liberty's expenses for travel and business meals appear to be self-promoting in nature and unreasonable rather than those types of expenses that are necessary for providing water service to ratepayers. Cal Advocates argues that Liberty should receive $0 allocated to travel, lodging and miscellaneous, business meals, office supplies and employee membership for TY 2025 and the attrition years. While Cal Advocates suggests that the Commission should authorize $0 for travel, it is far from clear that none of Liberty's travel expense was for a legitimate purpose. We agree with Cal Advocates that Liberty's costs include items inappropriately attributed to ratepayers, and are troubled by Liberty's unsupported claim that some of these expenses were paid by shareholders. For the next GRC we direct Liberty to provide a full list of expenses for this category as part of its application. In the instant case, we authorize 50% of Liberty's ask.

6.10. Telemetry Account – General Office for Park Water and AVR

According to Liberty, the Telemetry Account includes costs associated with telemetry, network, internet, SCADA phone lines, and wireless plans for cell phones. Although formerly recorded in O&M Account No. 7011.9, Liberty argues that it accepted Cal Advocates' recommendation to forecast the Telemetry accounts for

[152] Cal Advocates Reply Brief at 28

Liberty Park Water and AVR under General Office expenses based on the change in recording practices beginning in 2021.[61] However, Liberty's forecast of the expenses is based on an average of the two most recent recorded years (2021-2022) consistent with the timing of the change in accounting practice for telemetry expenses.[62] Cal Advocates applied a five-year average of recorded costs to derive its forecast despite the change in accounting practice not occurring until 2021.

We find it reasonable to adopt a five-year average for this account with a $53,244 deduction to Park Water's initially reported 2024 recorded expense and a deduction of $9,130 to AVR' 2024 recorded expense for Liberty's forecasted 2025 Telemetry account budget. Liberty had inadvertently recorded these shared costs in Park Water Central Basin's books.[153] As Cal Advocates indicates, the five-year average methodology is consistent with the rest of the General Office expenses methodology and ensures that there is an accurate capture of reasonably recorded expenses and should be adopted. The Commission agrees that telemetry should not be segregated with its own forecasting method.

6.11. Customer First (Annual Maintenance Costs) for Park Water and AVR

The Customer First project was implemented for Park Water and Apple Valley Ranchos in May 2023. Customer First project was an enterprise-wide, multi-year implementation to replace and improve legacy computer systems for all the Algonquin utilities, including Apple Valley Ranchos and Park Water, and the project estimates used to forecast the costs are based on an allocation of those estimates. The utilities state that they require an allocated share of operating and maintenance expenses

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[153] Cal Advocates Reply Brief at 17

related to Customer First, which include annual support fees, software maintenance, hosting, and managed services on an annual basis. Park Water and Apple Valley Ranchos' forecast for these costs was developed based on an estimated allocation of the Customer First O&M expenses. Conversely, Cal Advocates believes that the entire Customer First IT project is unreasonable and the Commission should exclude the project's associated O&M Annual Maintenance Costs of $774,548 and proposed depreciation expense of $976,366.

Given the Commission's continued allowance of Customer First in rate base as detailed in Section 8.6.1, we grant Liberty's request for both the O&M and depreciation expenses requested here.

6.12. Head Office Expenses For Park Water and AVR

In Section 6.1 the Commission adopted Cal Advocates' methodology for calculating General Office, which was inclusive of Head Office expenses.[154] See that section for further discussion.

6.13. Credit Card Fees for Park Water and AVR

According to Park Water and AVR, in the 2022 GRC Decision (D.23-02-003), the Commission authorized credit card fees to be included in Liberty Park Water and Liberty AVR's cost of service. With the implementation of the Customer First project, credit card fees incurred for the enterprise are allocated to General Office. Liberty based its forecast of credit card fees on annualization of the recorded fees from July 2023 through July 2024 and adjusted that figure upward for 10% inflation and growth, resulting in a total credit card fee forecast of $248,075 for the Test Year.[63]

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[154] Cal Advocates Opening Brief at 36

Cal Advocates argues that the Commission should consider credit card fees as part of the overall General Office expense, rather than individually within the Head Office. Cal Advocates includes credit card fees in its overall recommendation for the Commission to take the five-year average of GO expenses, escalated to TY 2025, and then allocated using the Commission's last authorized allocation factor of 57.6%.

In Section 6.1 we adopt Cal Advocates' General Office expense which includes credit card fees. Consistent with that section, we adopt Cal Advocates' recommendation here.

6.14. Replenishment Make-Up Assessment Expenses for AVR Only

AVR incurs Replenishment Make-up Assessments in connection with its water production from the Mojave River Basin.[155] AVR's forecast of the Replenishment Make-up Assessment Expenses is based on a two-year recorded average with an estimated unit cost of $35 per AF for its makeup water obligation, resulting in a total make-up water expense of $33,024 annually for years 2025, 2026 and 2028.[156] AVR's forecast for makeup water obligation utilizing a two-year recorded average with an estimated unit cost of $35 per AF is based on more current data than Cal Advocates' estimated unit cost utilizing a five-year average.[157] AVR's forecast utilizing $35 per AF is reasonable and is adopted.

[155] Liberty Utilities OB at 32.

[156] Liberty Utilities OB at 32.

[157] *Id*. at 33.

7. Escalation Rates

Escalation rates are used to adjust a forecast made in a base year's dollars for the effects of inflation over time.[158] For example, if a project would cost $1,000 today, but the work will not occur for two more years, then applying an appropriate escalation rate would give a better idea of the cost in two years' time. If the expected rate is 3% per year, then in two years the cost would be $1,061. The Commission has long recognized the need for escalation to cost forecasts and has often resolved disagreements between the utilities and the intervenors on the most reasonable rate(s) to apply over time.

Park Water proposed a fixed escalation rate of 4% which corresponds with a merit rate increase granted in 2023.[159] Cal Advocates proposes the use of the RCP which it argues appropriately provides for the adjustment of forecasted expenses. The escalation factor utilized would, in this case, impact the forecasts adopted for the following expense categories: Operations-Other, Customer-Other, Maintenance-Other, Clearings-Other, Outside Services, A&G-Other, and Taxes-Other.[160]

7.1. Labor Expense Escalation Factors 2025-2026

For the years 2025 and 2026, Park Water argues its forecast of labor and non-labor expenses include an annual increase of 4%, which corresponds to the merit increase rate granted during 2023. Pursuant to the Rate Case Plan (RCP), Park Water

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[158] Any allowance for escalation is completely separate from any allowance for contingencies. Escalation provides a uniquely different estimate to account for inflation or other increases in costs whereas a contingency provide a uniquely different allowance for unforeseeable changes to the project.

[159] Liberty Utilities OB at 19; Ex. LIB-27 at 14 and Ex. LIB-28 at 18.

[160] Liberty Utilities at 20.

points out that Park Water, is permitted to forecast Test Year estimates using any reasonable and appropriate methodology.[161]

Park Water and AVR contend they used estimated escalation factors for those expenses where escalation provided the most reasonable estimate and applied that escalation to recorded expenses over a multi-year period as part of the averaging methodology.[162]

Cal Advocates argues that the Commission should reject Park Waters's proposal to use a fixed 4% factor for TY 2025 to escalate labor expenses because Park Water's proposal deviates from the RCP without providing substantiation for the deviation.[163] Cal Advocates argues that Park Water's forecast is unnecessarily inflated and unreasonable. Cal Advocates indicates that in the RCP, the Commission sought to streamline the GRC process by using preapproved rates for certain expenses.[164] Cal Advocates argues that instead of following the Commission's RCP, Park Water proposes to use its own 4% fixed rate, to the detriment of ratepayers. Cal Advocates argues that Liberty's use of a 4% fixed rate starting in 2024 is unsupported with sufficient documentation and, thus, unjustified.[165]

In accordance with the Commission's RCP plan, the Public Advocates Office published the following escalation rates:

[161] Liberty Utilities OB at 19.

[162] Liberty Utilities OB at 20.

[163] Cal Advocates OB at 39.

[164] Cal Advocates OB at 39.

[165] Cal Advocates OB at 40.

Table 5: Wage Escalation Rates from 2023-2027[166],[167]
Year Percentages as of June 2024

Year	Percentages
2023	8%
2024	4.1%
2025	3.2%
2026	2.4%
2027	2.5%

Here, Cal Advocates indicates that instead of using the Commission's approved escalation factors, Park Water proposes to use a flat 4% escalation factor for 2026 and 2027, nearly doubling the Commission's pre-approved factors. In defense of this approach, Park Water argues that the RCP "allows utilities to forecast Test Year estimates using whatever methodology is reasonable and appropriate."[168] However, Cal Advocates asserts that Liberty does not explain why the flat 4% escalation factor for labor is reasonable and appropriate.[169]

Park Water agreed to a labor increase of 4% which it characterized in its brief as a "merit increase rate granted during 2023."[170] It is reasonable for Park Water's requested labor escalation rate to correspond with its contractually obligated labor expenses.

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166 See D.07-05-062, at A-18 – A-20 (Escalation and Attrition Advice Letter Procedure).

167 Pertinent aspects of D.07-05-062 at A-19, on escalation state, "The most recent memorandum entitled, "Estimates of Non-labor and Wage Escalation Rates" as described in D.04-06-018, shall be used for Escalation Years 1 and 2 rate increase requests and shall be sought by Tier 1 advice letter no later than 45 days prior to first day of the escalation year. The advice letter filing shall include all calculations and documentation necessary to support the requested rate change."

168 Liberty Utilities OB at 19.

169 Cal Advocates OB at 40.

170 Liberty Utilities OB at 19.

However, Liberty's 4% labor increase occurred in 2023, and the escalation rates that Cal Advocates provides include an 8% increase for labor and non-labor expenses in 2023, which is more than sufficient to account for the 2023 labor increase. Liberty did not assert that the 4% contract increase would persist beyond 2023, so we see no reason to diverge from the RCP here. Therefore we adopt Cal Advocates' projected escalation rates. Liberty's comments to the APD state that it "erroneously contends that the merit increase in the most recorded year (2023) will not occur in future years and baselessly assumes that wages will remain stagnant with no increases for the duration of the GRC cycle."[171] Liberty has not provided evidence that merit increases will continue for future years beyond forecasts. Cal Advocates' escalation rates include 2.4% in 2026 and 2.5% in 2027, so Liberty 's assertion that the escalation rate assumes wages will remain stagnant with no increases is incorrect. We make no changes to the APD's determination here.

7.2. Non-Labor Expense Escalation Factors 2025-2026

Although Liberty makes a plea that a fixed rate of 4% be used for non-labor expense escalation, Liberty presents insufficient information in support of the request other than a brief mention that it agreed to a 4% merit increase rate granted during 2023. Liberty later agreed that Cal Advocates' non-Labor escalation factors should be applied, but disputed the methodology Cal Advocates used to escalate costs to the Test Year.[172] Liberty asserts that Cal Advocates failed to escalate 2019 to 2023 dollars because it failed to include the 2023 escalation factor in its calculations.[173] "

[171] Liberty Comments to PD and APD at 12

[172] Liberty Utilities OB at 19.

[173] Liberty OB at 19.

Cal Advocates asserts that the escalation miscalculation is resultant from Liberty furnishing Cal Advocates with a Results of Operation (RO) Model containing the miscalculation.[174] Cal Advocates asserts that use of the RO Model that Liberty gave them that influenced Cal Advocates' calculations. Absent clear and convincing evidence from Liberty in support of its proposed fixed 4% escalation rate, the Commission adopts Cal Advocates' proposed escalation factor calculation calculated by taking the 2023 recorded costs of Liberty's 5-year average forecast and escalated by the Commission-approved escalation factors. Similarly for Attrition Years 2026 and 2027, the Commission adopts Cal Advocates' Energy Cost of Service Branch (ECSB) published memo escalation rates, in compliance with D.07-05-062.[175]

The Commission adopts Cal Advocates' recommendation to use the Commission's pre-approved escalation factors, per the Commission's RCP for Liberty's non-labor expense escalation expenses: Operations-Other, Chemicals, Customer-Other, Maintenance-Other, Clearings, Employee Benefits, Insurance, Outside Services, A&G-Other, and Taxes.

7.3. Forecast of 2026 Expenses for Park Water and AVR

The companies' Test Year period in this GRC uses a fiscal year of July 1, 2025, through June 30, 2026, rather than the 2025 calendar year.[176] Given discussion above in Section 7.1 and 7.2, it is reasonable to use Cal Advocates' escalation factors to create a projection of expenses for the Test-Year period.

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[174] Cal Advocates Reply Brief at 19.

[175] Cal Advocates OB at 41.

[176] Liberty Utilities OB at 20.

7.4. Uncollectible Expense Rate for Park Water and AVR

Liberty proposes an uncollectible expenses rate of 0.84%for Park Water and a rate of 0.73% for AVR, both of which include a 50% adjustment for Senate Bill 998 the Water Shutoff Protection Act (SB 998).[177] The bill provides 79 days from the date of mailing of bill for services for residential customers to make payment prior to disconnection of water service. Accordingly, an upward adjustment of 50% reflects the reasonable expectation that residential customers will carry larger unpaid account balances than in previous years leading to higher uncollectible expenses.[178]

Cal Advocates proposes a 0.56% uncollectible expense rate for Park and 0.49% for AVR, for TY 2025. These rates are the average ratio of uncollectible expenses to revenue for 2018-2022, representing five-years of recorded data.[179]

According to Cal Advocates, Liberty proposes increasing the Uncollectible rate by 50% is unreasonable because the effects of SB 998 remain to be seen as Governor Newsom's Executive Order N-42-20 suspended implementation of SB 998 due to the COVID-19 pandemic and Cal Advocates argues that Liberty did not provide support or analysis for estimating a 50% increase in the uncollectible rate.[180]

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[177] Under SB 998, starting February 1, 2020, the requirements and procedures for discontinuation of residential water service for non-payment were significantly changed, including affording residential customers a total of 79 days from the date of mailing of bill for services to make payment prior to disconnection of its water service.(citing, Liberty Opening Brief at 21; and Ex. LIB-02 at 51 and Ex. LIB-15 at 48-49).

[178] *Id*. at 21.

[179] Cal Advocates OB at 43.

[180] *Id*. at 44.

Liberty's unsubstantiated proposal for the 50% uncollectible rate increase coupled with Cal Advocates' assertion that Liberty did not provide support or analysis is good cause for rejecting Liberty's proposal and adopting Cal Advocates' proposal which appears to be based upon reliable historical data. As such, the Commission authorizes a 0.56% uncollectible expense rate for Park and a 0.49% expense rate for AVR.

8. Utility Plant – Common Issues For Park Water and AVR

In this section we address Park Water's and AVR's previously authorized projects and specific proposals for eleven new utility plant items. We also address the appropriate escalation factors for plant additions and then we address disputed carryover and new projects. Before we discuss the specific utility plant items for each company, we address the common issues for both companies.

For Park Water, we resolve contested issues on the following utility plant items:

1. Area 41 and Target Phase 2 Project,
2. Compton East Well,
3. Generators,
4. PFAS/PFOA Treatment – Wells 46C, 41A and 41A VFD,
5. Site and Structure Improvements and BPS Electrical Improvements,
6. Recorded Plant – Wells 28D, 4B, 28B, 40D, 41A, and 12C, and
7. Miscellaneous Recorded Plant for Downey Office Building.

For AVR, we resolve issues on the following utility plant items:

1. Well 34 Building,
2. New Well and Land Purchase,
3. Well 18 and Building,

4. AVR Campus Solar Project, and
5. AVR Office Building.

8.1. Previously Authorized Projects

8.1.1. Background

The Commission requires in a general rate case that the applicant sponsors and justifies a detailed specific forecast of projects that the utility asserts are necessary for continued safe and reliable service. Park Water and AVR were expected to present their best expert opinion of the necessary projects to be pursued and the estimated cost of those projects. Cal Advocates was expected and allowed to fully investigate via discovery and have an opportunity to challenge that forecast and methodology with its own expert testimony if warranted.

Actual events can cause a utility to determine that of the many projects it planned to pursue during the test year and attrition years some other more urgent needs may arise. The company has an obligation to provide safe and reliable service, which means it must timely use its expert judgement to adapt its actions and not blindly adhere to an adopted forecast. The Commission authorizes rate recovery of the utility's budgeted amount and expects it to be used in the most responsible way. If any project included in the forecast for the test year is deferred the utility must justify that project again in the subsequent general rate case if it believes that the deferred project is still necessary. That subsequent justification can be disputed by intervenors in the next proceeding. Parties may also challenge the reasonableness of the substituted project and object to it remaining in rate base going forward.

8.1.2. Liberty's Position

Park Water and AVR argue that their customers' rates do not include capital costs for uncompleted projects.[181] According to these utilities, customers have not been charged for previously authorized projects, and the utilities have not recovered funds related to these projects.[182] Accordingly, "no customer pays for a project until it is completed, becomes used and useful, is added to rate base and starts depreciating."[183]

The applicants argue that now they have completed many higher priority projects, it seeks to move forward with previously deferred projects, and, therefore, included in their forecasts of expenditures for both utilities.[184] The two applications provided descriptions of capital budget reprioritizations for both utilities.[185] Both companies argue that the Commission should reaffirm its allowance of projects authorized in the prior GRC because no costs associated with deferred projects have been recovered from customers and the companies prudently and reasonably elected to proceed with other capital projects recording expenditures above amounts authorized for each utility.[186]

8.1.3. Cal Advocates' Position

Cal Advocates argues that 22 projects were not completed which were projected (and adopted) $9,849,515 in capital costs for AVR and $26,704,900 in capital costs for

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[181] Liberty Utilities OB at 34.

[182] *Id*.

[183] *Ibid*.

[184] Id. at 36.

[185] Id. at 36.

[186] *Id*. at 36.

Park Water.[187] Cal Advocates argues that Liberty failed to demonstrate the reasonableness of their decision to defer projects included in the previous GRC.[188] Cal Advocates argues that "there are limits to Liberty's discretion in spending the Commission's authorized capital amounts. Liberty must demonstrate reasonableness of their projects for this GRC, and that includes sufficient explanation for Liberty's deferral and re-prioritization of projects that were previously authorized, deferred, and re-requested in this GRC." [189] Cal Advocates argues that "nothing in Liberty's testimony or in CWA's testimony indicates sufficient project-specific *facts* about why Park's decision to defer the specific projects from the previous GRC are reasonable, only that Liberty can exercise unilateral discretion based on its own opinions."[190] (Emphasis original). We find merit in Cal Advocates' comment that Liberty has not met the burden of proof for Liberty's deferral of previous projects.

Cal Advocates also argues that Liberty's deferral of previously authorized projects is a continuation of a pattern seen in its recent GRC applications. Cal Advocates cites to the Decision resolving Liberty's GRC in which we said: "if the Commission finds subsequent deferrals to be unreasonable, the Commission may reduce or disallow future funding requests."[191] Cal Advocates requests that the Commission make a finding in this case that Liberty Utilities has a pattern of deferring projects authorized in a previous GRC, only to ask for additional funding for the same

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[187] Cal Advocates' OB at 66

[188] Id. at 69

[189] Cal Advocates' OB 69

[190] Cal Advocates' OB 71

[191] Cal Advocates OB at 71, citing to D.23-03-002 at 54.

project in the next GRC.[192] Cal Advocates recommends that the Commission should not permit Liberty to collect additional funding for deferred projects until such a time as those projects are used and useful.[193]

8.1.4. California Water Association' Position

CWA is closely aligned with the applicants and represents other water utilities' joint interests in many issues including Cal Advocates' ongoing objections to recovery for carry-over projects. It supports Park Water's and AVR's position.

8.1.5. Conclusion

We find, as discussed below, that Park Water and AVR have deferred a large number of projects but that they have also substituted other projects. Cal Advocates argues that Liberty did not provide justification for deferring projects by substituted projects and requesting the same projects again in this GRC.

As both utilities and CWA point out, Park Water and AVR completed plant that exceeded the amounts included in rates. The record shows that both companies spent *more* on capital projects than the adopted amounts in the past GRC: Park Water spent $8.3 million more in 2022 and 2023, and AVR spent about $5 million.[194]

We find that Park Water and AVR have not made a reasonable justification of the continued funding for the deferred projects in this proceeding. In recent Commission decisions we have expressed concerns about high levels of requests for previously authorized projects.[195] We share those concerns here, as Liberty has requested

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[192] Cal Advocates OB at 72.

[193] Cal Advocates OB at 70.

[194] See, Ex. LIB-28 at 41 (Park Water's Rebuttal) and Ex. Lib 27 at 36 (Apple Valley Rebuttal).

[195] *See* D.24-04-12-030 at 74-75, D.24-04-032 at 34, D.26-04-045 at 59-60

$36,554,514 in carry-over projects, and has not provided adequate justification for deferring these projects.[196] Consistent with treatment of carryover projects in recent decisions, we authorize the projects in the amount consistent with the previous GRC's authorization but decline to allow recovery in rates at this time. Consistent with those previous decisions, we will allow Liberty 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, as discussed below.

Pursuant to General Order 96-B, Water Industry Rule 7.3.3(8) Liberty may submit Tier 3 advice letter(s) 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.[197]

As Liberty 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

[196] Cal Advocates Reply Brief at 29.

[197] 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. Liberty 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.

projects into rate base, especially if these projects may be approved as Tier 2 advice letters.

We will also impose two new requirements on Park Water and AVR. First, for all construction or other capital acquisitions approved in this decision they must file a Semiannual Report on Project Status (SRPS) for both companies with the Commission's Water Division and serve a copy on this proceeding's service list. They must file within 14 days of the end of each reporting period. The SRPS must disclose the project(s) deferred and the approved costs from this proceeding for any project deferred or delayed from the scheduled in-service date as proposed by the utilities in their applications and workpapers for this proceeding. They must also disclose the project(s) and costs which are pursued in lieu of the projects proposed and authorized in this decision. Park Water and AVR must also include a rationale and justification in the SRPS for selecting any deferred or delayed project. Secondly, they must sponsor detailed expert testimony in the next GRCs disclosing and explaining the deferral of any project authorized in this decision and the reason for the substituted project. We believe this reporting will help defuse this issue in the next GRC by providing a factual tracking of whether and which authorized projects are deferred and which project substitutions are made, and, importantly, why.

Lastly, we will address Cal Advocates' request to not implement an advice letter process for allowing Liberty to recover the cost of these projects once they are used and useful. Cal Advocates asserts that the advice letter process limits parties from thoroughly investigating a utility's rate increase request.[198] We are not persuaded by

[198] Cal Advocates OB at 74.

Cal Advocates' request. First: projects that are subject to the Tier 2 advice letter process have necessarily been completed at costs previously approved, and thus those projects have already survived a robust review process. Second: projects subject to the Tier 3 advice letter process must be approved via Resolution. Parties thus will have time to conduct discovery and evaluate these projects before the Commission issues a Resolution, and also will have the ability to file comment to contest the reasonableness of the expenses. To preserve Cal Advocates' ability to conduct discovery, we also order Liberty to provide service to Cal Advocates of any Tier 3 advice letters filed in regard to recovery of any carryover projects at issue in this decision.

8.2. Capital Escalation Factors

Park Water and AVR propose the standard five-year average of the California Construction Cost Index (CCCI) from 2018 – 2022 be used to develop its forecast escalation factor of 6.08%, and which it indicates that the Commission has adopted as its methodology in past GRC Decisions.[199]

Cal Advocates proposes a 3.12% escalation rate for capital projects for 2024 to 2027.[200] The 3.12% figure is based on the average of the CCCI for the years 2016-2020. The CCCI accounts for geographical differences within the State of California, representing an average cost of building construction in San Francisco and Los Angeles. Finally, with respect to forecasting 2024-2027 construction costs, construction inflation is returning to pre-pandemic rates in 2024. For these reasons, Cal Advocates

[199] Liberty Utilities OB at 36.

[200] Cal Advocates OB at 74.

argues a 3.12% escalation rate is a more accurate forecast for 2024-2027, rather than Liberty's proposed 6.08% annual rate.[201]

In comments to the APD, Liberty writes that the adoption of an average of a time period other than the standard five-year average departs from methodologies the Commission has adopted in past GRCs.202 To maintain consistency with past Commission decisions, we adopt Liberty's proposed 6.08% annual capital escalation rate.

8.3. Meters

Park Water and AVR argue that older Automated Meter Reading (AMR) meters are in need of replacement due to aged meters and battery failure.[203] Battery failure greatly increases the labor involved with meter reading because it requires meter readers to visually read meters, many of which are situated in difficult to access back yards and easements.[204] Park Water is continuing to replace meters at an aggressive rate to keep up with meter aging and battery failure rates.[205]

Cal Advocates argues that the Commission should reject the proposal to replace all meters in this GRC.[206] Cal Advocates argues that Park Water and AVR should continue to repair existing meters under warranty[207] and that its recommendation is in line with the Commission's previous decisions examining

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[201] Cal Advocates OB at 74.

[202] Liberty Opening Comments at 17.

[203] Liberty Utilities OB at 37.

[204] Liberty Utilities OB at 37

[205] Liberty Utilities OB at 37

[206] Cal Advocates OB at 77.

[207] *Id*.

this issue for the utilities in the 2018 GRC and 2021 GRC.[208]

We find Park Water and AVR' proposal to replace aged meters as reasonable. It appears that these meters are a lingering problem and continued warranty repair is an inadequate solution. Replacing aged meters with new ones reduces the labor cost associated with repairing aged and poorly functioning meters which is a reasonable expense.

8.4. Pipeline Project Cost Estimate Adjustments

For pipeline replacement projects, Park Water and AVR developed project cost estimates that included multiple line items covering various aspects of the project. Cal Advocates has proposed removing certain line items arguing that such projects are "routine" and such items are duplicative of other line items. The utilities' project line included the following requests for the Commission's adoption: consultant/design, inspections, miscellaneous charges.

8.4.1. Consultant/Design

Park Water and AVR propose a Consultant/Design charge estimate of $75,000**.** Cal Advocates believes that the Commission should exclude from rates certain price adders that they used to estimate pipeline projects including consultant/design, inspection costs, and miscellaneous charges.[209] Cal Advocates does not support the utilities' consultant/design charge on the basis that it is not an actual estimate or invoice but, rather, a hypothetical amount that they believe may be charged for consultant or design fees.[210] Cal Advocates argues that the consultant/design addition is speculative,

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[208] *Ibid*.

[209] Cal Advocates OB at 79.

[210] Cal Advocates OB at 79.

and that Liberty's request is substantiated by only two vendor quotes showing a fee of $57,300 and an optional task of $24,445.[211] The Commission disallows Park Water and AVR' estimate for consultant/design charge of $75,000 because authorizing a flat amount for consultant/design work does not provide proper incentive to the utility to behave in a prudent manner. Applicants should provide estimates of costs tailored to the requested project.

8.4.2. Inspections

Park Water and AVR forecast inspections will cost $200/hour for projects completed during 2023 with a 20% increase in the average unit rate to account for labor costs for a forecasted rate of $240/hour as the unit rate for estimating inspecting costs. Cal Advocates argues that the $240/hour inspection rate is unreasonable and should be reduced to $130/hour, after removing a proposed 20% increase in the hourly rate, 10% for inflation and 10% for continency. Cal Advocates provides one of Liberty's vendor quotes showing that hourly inspection rates in that case were $136.50, including "a very project-specific $5,000 'as-build/redlining project fee' and a $2,770.95 mileage fee, neither of which can be automatically assumed to be necessary for every other pipeline project.[212] Cal Advocates argues that the 10% contingency should be denied because the Commission should not include estimates for unpredictable and uncertain costs in the calculation of customer rates.

We find that Park Water and AVR' forecast inspection rate of $240/hour rate is excessive as compared to what they have recently been quoted by vendors and therefore Cal Advocates' inspection line-item charge at a rate of $130/hour.

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[211] Cal Advocates OB at 79-80.

[212] Cal Advocates OB at 83.

8.4.3. Miscellaneous Charges

Park Water and AVR propose miscellaneous charges covering additional work not covered in design or construction such as traffic control planning and electrical and site work (specifically $100,00 or $200,000).[213] They argue that the miscellaneous estimated material charges are a part of a normal and prudent practice in its forecasting process.[214] Park Water and AVR requests that their consultant/design, inspection and miscellaneous costs be included in the forecast. They argue that these charges account for essential elements that, based on completed projects from recent years, are commonly incurred during the projects and ask that these costs be incorporated to provide a more accurate forecast of the actual cost of a project.[215]

Cal Advocates recommends the acceptance of Park's proposal for a $100,000 charge for the CBMR – 16 – Area 41 & Target – Phase 2 pipeline project because Park Water provided Cal Advocates substantiation and reasonable support. Cal Advocates asserts that with the exception of $200,000 for the AVR project – 24 Symeron to St. Timothy Hwy 18, AVR' proposed miscellaneous charges of either $100,000 or $200,000 should be removed from its pipe replacement projects, which total $1,400,000 in miscellaneous charges.

This Commission has found that "in a normal general rate case, the utility must demonstrate the reasonableness of every dollar in its revenue requirement."[216] Here, the utilities append additional costs to each project without showing that those costs

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[213] Liberty Utilities OB at 41.

[214] *Ibid*.

[215] *Ibid*.

[216] *See* D.21-08-036 at 331; D.19-02-020 at 150-152.

are reasonable or tailored to each project. Adopting unspecified miscellaneous costs for routine pipeline projects conflicts with long-held Commission principles of incentivizing utility management to "exercise its business acumen,"[217] and does not encourage regulated utilities to ensure that every dollar spent is reasonable. Therefore, the Commission adopts Cal Advocates' recommendation for miscellaneous costs as a line-item for its Pipeline Projects.

8.5. Emergency Main Replacements, Hydrants, and Services

Park Water and AVR argue that their forecasts reasonably include the replacement or installation of new emergency mains, hydrants, and services where failures, leaks, or breaks have occurred.[218] Park Water and AVR believe that such emergency replacements are small, non-engineered replacements that are unavoidable, necessary, and performed on an as-needed basis.[219] Their forecasts for what they deem critical infrastructure items are based on a five-year average of recorded costs from 2018 to 2022escalated to 2022 dollars.[220] The utilities argue that this methodology reflects realistic cost expectations and accounts for necessary adjustments, including an increasing trend in recent years which necessitated a higher allocation of resources than previously anticipated.[221]

Cal Advocates argues that the Commission should reduce Liberty's Emergency Main Replacements, Hydrants, and Services budget by 35%. Cal Advocates asserts that

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[217] D.85-03-042, 17 CPUC2d 246, at 254.

[218] Liberty Utilities OB at 42.

[219] *Ibid*.

[220] *Ibid*.

[221] *Ibid*.

Liberty's workpapers revealed "a trend of a budget being used under Construction Work In Progress (CWIP) line item, but included in subsequent GRC rates" which increases "total closing budgets for the forecasted years."[222] Cal Advocates recommends a 35% reduction in budget for both AVR and Park Water to allow Liberty to catch up on proposed construction and maintenance.[223]

We adopt Liberty's proposal for a five-year average of recorded costs from 2018 to 2022 escalated to 2022 dollars as a reasonable estimate of emergency main replacement, hydrants and services..

8.6. Disputed Utility Plant Items

Park Water and AVR each requested capital projects which were challenged by Cal Advocates in its testimony. As discussed below we individually approve, modify or reject those projects based on the evidence in the record and are consistent with our ratemaking policies and practices. Where the utility has made a convincing argument justifying the need for the project and the reasonableness of its cost forecast we approve the project. For some of the projects we reject or defer the projects where Cal Advocates has convincingly shown us that the utilities' arguments and justifications were not persuasive. With respect to the AVR new office project, it is already intended to be the subject of a separate proceeding and we do not interfere with that process. We defer consideration

of the related solar charging installation to be considered in the same proceeding.

[222] Cal Advocates OB, p. 85

[223] Cal Advocates OB, p. 86

8.6.1. Customer First (Capital) for Park Water and AVR

Liberty argues that its Customer First project was approved as part of Liberty's 2022 GRC as a multi-year, phased project to improve Liberty's legacy computer systems. The Customer First project, among other things, upgrades customer information systems to enhance customer service with options to receive communications from Liberty through online, text, mobile application, or in-person options and implements new digital tools allowing customers to control real-time usage. According to Liberty, the total project costs are collected at the corporate level and allocated to Liberty's subsidiaries based on an allocation methodology in accordance with the Algonquin CAM. The final phase of the Customer First project was not completed until April 2024. At the time the GRC Applications were filed in January 2024, Liberty argues that its forecast was based on an allocation of the estimated total project costs. In Rebuttal Testimony, Liberty provided 144 pages of invoices and said:

> "The total project costs incurred since the inception of the Customer First project through August 2024 are provided as confidential attachments. In addition, Liberty provides a sample of capital and maintenance invoices."[224]

The Commission notes that Liberty provides no further guidance on interpretation of the attachment.

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[224] Liberty Rebuttal Testimony at 32 ln 21 to 33 ln 1.

Cal Advocates recommends that the costs associated with the Customer First project be disallowed on the grounds that Liberty failed to sufficiently support the requests with documentation of the expense which Cal Advocates argues totals $16,193,308. Cal Advocates points out Liberty's March 25, 2024, data response to its request for information on the expense and Liberty responds, "[t]he authorized amount of $16,193,308 was an estimated total amount agreed upon between Cal Advocates and Liberty as a whole for the Customer First project. As such, there is no line-item breakdown of that estimated amount."[225] Cal Advocates argues that Liberty's April 11, 2024, supplemental response to the request was a "transaction analysis" that failed to explain the costs associate with the Customer First IT project.[226] Cal Advocates clarifies that the transaction analysis consists of Liberty's internally generated invoices to itself, and "contained no details on hours spent, hourly rates, scope of the project, or any other evidence that Liberty paid anyone other than itself for the work allegedly performed."[227] Cal Advocates asserts that it attempted to verify Liberty's claims through data requests but Liberty's responses were incomplete and non-responsive.[228] Cal Advocates further asserts that the 144 pages of invoices in Liberty's rebuttal testimony does not substantiate the reasonableness of Liberty's request, and that Cal Advocates could not match the invoice numbers within the attachment to the listed amounts in any of Liberty's summaries.[229]

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[225] Cal Advocates OB at 30, quoting Ex. Cal-Adv -2 at 1-29.

[226] Cal Advocates OB at 31.

[227] Cal Advocates OB at 32

[228] Cal Advocates OB at 30-34, Cal Advocates Reply Brief at 13

[229] Cal Advocates OB at 34.

In comments, Liberty writes that it is undisputed that Liberty recorded costs associated with the Customer First Project and that the software has been used and useful since May 2023.[230] While we express reservation about the manner in which Liberty responded to Cal Advocates' discovery requests and to its presentation of data in this Application we find we do not have the record to exclude this item from rate base. However, we require Liberty to provide testimony setting forth the actual expenditures on this project in its next GRC. Specifically, Liberty must provide:

1. Specific expert testimony detailing a full breakdown of recorded costs supporting the $16.193 million amount recorded in rate base.
2. All invoices showing costs incurred by AVR and Park Water related to Customer First.

a. All invoices should be accompanied by explanation of what costs those invoices correspond to.

3. Testimony containing an explanation of the calculation that led to Liberty's self-invoiced amount of $7,769,942, invoiced 4/28/2023.[231]
4. Testimony containing an explanation of any external labor costs associated with Customer First including any consultant invoices.

8.6.2. Area 41 & Target Phase 2 Project

Park Water's Bellflower Norwalk Water System will install the second phase of a main installation, named the Area 41 & Target Phase 2 Project, which connects a Norwalk neighborhood and a major commercial center to provide a looped water

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[230] Liberty Opening Comments at 9.

[231] Cal Adv Exh 02 1-33.

system that will improve the system's reliability and increase fire flow capacity. The only issues raised by Cal Advocates concerning this project related to the utility's capital escalation factor and the Miscellaneous Charges included in the cost estimate.[232]

We adopt Park Water's forecast as modified based on the escalation factor and the Miscellaneous Charges adopted in this decision. We otherwise find the construction cost forecast reasonable.

8.6.3. Compton East Well

Park Water's Compton East water system relies on both groundwater wells and purchased water connections to meet customer demand. These sources of water supply help meet peak water demands, maintain local pressures during high demands and provide fire flow capacities for fire protection. The Central Basin Metropolitan Water District (CBMWD) supplies Park Water with purchased water. These purchased water connections deliver treated surface water, which is critical for Park Water's systems. Park Water must also be able to withstand up to 7-days of interruptions of this supply. Park Water has two existing groundwater wells in the Compton East system, Well 4B and Well 9D. Well 4B was drilled in 1952 and is 73 years old now and it is declining in production, and cannot be rehabilitated because its casing would be at risk of failure. Park Water also asserts that a new well cannot be drilled at Well 4B's site because it does not have sufficient separation from existing wells. [233]

Park Water proposes to build a new well to replace Well B. Together with the existing Well D and the water from CBMWD Park Water will be able to safely and reliably service the Compton East customers.

[232] Liberty Utilities OB at 43.

[233]Liberty Utilities OB at 43-45.

Cal Advocates argues that just the second well, Well 9D, plus the available CBMWD water source is sufficient.[234]

Liberty asserts that it cannot rely on just Well 9D for several reasons. First, Liberty argues that it is inadvisable to operate groundwater wells continuously over extended periods and that hydrogeologists recommend periodic shutdowns for several hours a week to maintain efficiency. Second, Well 9D must be shutdown periodically to backwash filter vessels. Third, Well 9D will inevitably suffer mechanical failures which can take the well offline. Fourth, Liberty asserts that relying on purchased water from external sources is more expensive than using groundwater and does not align with state policy, specifically Water Code Section 85021. Fifth, Liberty argues that use of MWD water complicates its operations for the Compton East system because it must notify customers of changes when it switches supply.[235]

In response Cal Advocates argues that Liberty relies on an unproven interpretation of MWD's administrative code, and it is unclear whether the requirements that apply to CBMWD apply to Liberty. Second, Cal Advocates assert that the claims that Liberty must have a backup supply for the Compton East Well do not consider that the Compton East System has two permanent water sources, Well 9D and the MWD interconnection as well as two emergency interconnections with the City of Compton. Third, Cal Advocates asserts that Liberty misrepresents Cal Advocates' testimony; Cal Advocates suggests Liberty could increase the production, not the capacity of well 9D, which is only producing at 51% of capacity. Fourth, Cal Advocates

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[234] Cal Advocates OB at 87

[235] Liberty Exh. 28 at 48-49.

argues that the operational issues Liberty raises regarding Well 9D are not sufficient reason to authorize an additional well, because Liberty can meet the Compton East system's demand solely through the MWD interconnection. Fifth, Cal Advocates asserts that Liberty does not possess the water rights to fully meet demand via groundwater and must therefore supplement its groundwater with purchased water regardless. Cal Advocates asserts that the customer notification requirement is at best an inconvenience and does not justify spending ratepayer funds to fund a new source of supply.[236]

We find Liberty's arguments in comments on the APD compelling. The Compton East system would not have a backup source of groundwater without this additional well, we therefore authorize the costs for this item.

8.6.4. Generators

At issue is the question of how large a fleet of mobile and stationary generators is necessary to support the operations of Park Water's system. Park Water has eight generators entering this rate case: five mobile generators that can be relocated as needed for backup power during an emergency, and three stationary generators fixed at specific sites.

Park Water requests funding to invest in 2 new generators: an additional 400 kW mobile generator for newer facilities with greater power needs and a new 75 kW generator to replace one of the existing, but elderly, stationary generators. This older generator otherwise requires expensive air quality control upgrades to remain compliant with current emissions regulations. Park Water argues that power outages

[236] Cal Advocates Opening Brief at 89-91

are frequent in the mountainous foothills area (where this generator is installed) due to weather and public safety power shutoffs and reliable power is critical to keep the hydro pneumatic tank operational and supply water to customers located at elevations higher than the Forest Green tanks.[237]

Cal Advocates disagrees with both of Park Water's justifications and argues that the existing fleet of generators is sufficient as it is without an additional more powerful mobile 400kW generator and without replacing the older 75kW unit.[238] Cal Advocates asserts that Park can continue to operate by converting an existing mobile generator to a stationary generator for the Forest Green site, because it only requires a 75 kW generator, and Park acquired a 180 kW generator in 2021.[239]

We find Park Water has met its burden because its current mobile generator fleet cannot provide sufficient power for Liberty's newer facilities. Therefore, we grant Park Water's request.

8.6.5. PFAS/PFOA Treatment – Wells 46C, 41A, 41A VFD

Park Water's capital forecast includes the design and construction of treatment systems at Wells 46C and 41A to remove PFOS and PFOA.[240] Park Water describes the

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[237] Liberty Utilities OB at 46-47.

[238] Cal Advocates OB at 91.

[239] Cal Advocates OB at 92.

[240] PFOS and PFOA are part of a larger group of chemicals called per- and polyfluoroalkyl substances (PFASs). PFASs, which are highly fluorinated aliphatic molecules, have been released to the environment through industrial manufacturing and through use and disposal of PFAS-containing products… PFOS and PFOA are the most widely studied of the PFAS chemicals. PFOS and PFOA are persistent in the environment and resistant to typical environmental degradation processes. As a result, they are widely distributed across all trophic levels and are found in soil, air and groundwater at sites across the United States. The toxicity, mobility and bioaccumulation potential of PFOS and PFOA result

Footnote continued on next page.

design work at Well 46C as scheduled to commence in 2025 with construction completed by 2026 and the design work at Well 41A as scheduled to commence in 2027. Until the PFOS and PFOA Notifications levels were exceeded, both wells were utilized daily as a source of supply since they were in excellent condition with consistent and non-degrading flow rates.[241]

The dispute with Cal Advocates on these projects center on timing and cost recovery.

Cal Advocates objects to recovery of the costs for these projects first because they span rate case cycles and Cal Advocates argues this recovery is premature. Cal Advocates argues for a "one-step" review after this GRC cycle for Well 41A because the project will span two GRCs. Cal Advocates points out that in the prior GRC the Commission agreed with Cal Advocates and adopted a "one-step" after-the-fact review of the project only when completed. In other words, Park Water assumes all risks of any cost recovery only after completion of all of the work on the project and only if the project is approved by the after-the-fact reasonableness review.

Park Water is asking for pre-approval to pursue the project. Park sees the need now for the project and requests Commission approval before undertaking an expensive project. Any approval now would in no way give Park Water a "free pass" on a reasonableness review on the finished project. If Park Water fails to properly

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in potential adverse effects on the environment and human health. (United States Environmental Protection Agency, Office of Land and Emergency Management (5106P), EPA 505-F-17-001 November 2017.)

[241] Park Water OB at 47.

manage, control costs, or reasonably complete the project it will still be subject to disallowance later.

We find that Park Water has made a sufficiently robust proposal that we can approve the Well 41A Project now and Park Water's final costs may be challenged for reasonableness and prudent management in the next GRC.

We now turn to the argument about alternative financing of the project. Cal Advocates argues that there are other sources of cost recovery for this project.

Cal Advocates argues that Park Water has ignored three potential sources of funding for PFOS and PFOA mitigation include:

(1) The Federal Bipartisan Infrastructure Law which provides over $10 billion over five years to help communities address PFAS in drinking water;

(2) The settlement agreement between the chemical manufacturer 3M Company and US. Public water suppliers that will provide $10.3 billion over 13 years to address PFAS mitigation; and

(3) The Water Replenishment District of Southern California (WRD), which is the management agency for the Central and West Coast Ground Water Basins, which established $60 million for the PFAS Remediation Program in 2020.[242]

Cal Advocates asserts that Park Water has deliberately ignored these sources in favor of capital expenditures which would be included in rate base and earn a return for the benefit of its shareholders.[243]

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[242] Cal Advocates OB (Public) at 93 citing to Ex. CalAdv 04, at 2-10.

[243] Cal Advocates OB at 95 citing to Ex. CalAdv 15 at 18.

Cal Advocates argues in its Reply Brief that it has found one example where Golden State Water, another California Class A water utility was granted a $5 million forgiveness by the Water Resources Control Board for a well PFAS remediation. It also disputes Park Water's assertion that the terms of dealing with the WRD were onerous to Park Water requiring it to release WRD from any liability. Cal Advocates does not explain why Park Water could specifically benefit from the 3M settlement or quantify any potential recovery.

We find the positions of both parties to be primarily argumentative and conclusionary and that both parties failed to be sufficiently factually detailed in explaining and offering objective evidence or expert testimony to persuasively demonstrate whether or not these three options are legitimately applicable to this project.

We note that the current federal administration has demonstrated a concerted and deliberate animus towards the legislative acts and policies of the prior administration. While there may be questions about whether the infrastructure funding that Cal Advocates believes should be used is still actually available, Cal Advocates has raised a concern whether Park Water or its parents Liberty and Algonquin have made any effort to access these funds for any of their other utility operations, and if not, why not? Simply relying on ratepayer funding of every project is not the action of a prudent or reasonable manager when there may be other funding. Nor is Park Water persuasive or detailed about the "risks" it could be exposed to if it pursued funding from WRD.

Therefore, we will order the following:

(a) Park Water is required to pursue the project as proposed at the forecast cost proposed as necessary and reasonable to protect ratepayers from harmful PFOS and PFOA exposure;

(b) Park Water will record the costs in a new Wells 46C and 41A PFOS & PFOA Mitigation Recovery Memorandum Account (Wells 46C and 41A to remove PFOS and PFOA); and

(c) Park Water may only seek recovery of the PROS and PFOA removal costs for Wells 46C and 41A in its next GRC.

In the next GRC Park Water must provide specific expert testimony and all detailed documentary evidence on the efforts it undertakes to actively pursue financial recovery for the PFOS and PFOA mitigation costs recorded in the memorandum account. This includes providing a detailed legal exposure analysis for WRD funds, a detailed record of efforts to pursue federal infrastructure funding, or any recovery from the 3M settlement. Ratepayer recovery will be limited to the costs that could only be recovered from ratepayers after Park Water had recovered any reasonably available funds from the Bipartisan Infrastructure Act, the 3M Settlement, or WRD.

8.6.6. Site and Structure Improvements and BPS Electrical Improvement

Park Water requests $1,125,297 to install a planned Electric Vehicle (EV) Stations and Infrastructure Project. Park Water was inconsistent in substantiating this request. Park Water first failed to include any testimony to support the EV Station/Infrastructure capital project in its application. Next, Park Water confirmed to Cal Advocates in a data request that it only owned one electric vehicle (EV) and had no plans to purchase more. In rebuttal testimony, Park asserted that it in fact had six

EVs.[244] Cal Advocates asserts the company has not provided any adequate cost-benefit analysis for this project. We agree.

We deny the proposed project for current funding in this GRC. Park Water may pursue this project in its next GRC, and must include complete and accurate expert analysis and factual support for the project. In the alternative, and because electrifying vehicle fleets is consistent with California's policy goals[245], Park Water may file a Tier 3 advice letter with complete and accurate analysis and factual support to request recovery of this electric vehicle charger. If Park Water chooses to file a Tier 3 advice letter to pursue this project, it must also provide simultaneous service of the advice letter to Cal Advocates.

8.6.7. Removal of Recorded Plant – Wells 28D, 4B, 28B, 40D, 41A

Cal Advocates raises serious questions about six separate wells, Well 28D, 4B, 28B, 40D, 41A and 12C as well as the land associated with the Compton East Well's land.[246] As discussed below we find Cal Advocates' concerns to be reasonable. We will not include the costs of five of these six wells in rate base for this proceeding.

Park Water may revisit these well costs in its next GRC and either fully and completely justify their cost recovery in future rates or address retirement and/or abandonment of these wells. We should be clear that removing these wells from rate base for the purpose of determining the test year revenue requirement does not require Park Water to abandon or retire the plant for accounting or tax purposes at this time.

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[244] Cal Advocates Opening Brief at 98.

[245] *See, for example,* Executive Order N-79-20.

[246] Cal Advocates OB, at 99-106.

We are putting Park Water on notice that it must justify the future use and possible future ratemaking treatment in the next GRC. A final outcome in that proceeding will control any permanent accounting repercussions.

8.6.7.1. Well 28D

Well 28D has a long and troubled history. Cal Advocates argues that Well 28 D was delayed for over 10 years and was only completed in 2022 but is still not in-service. The well has been included in rates in the past and then excluded from rates more recently.[247] Further, the well is still not expected to be in service before 2028. Park Water has offered various reasons for the delays and must still install a treatment facility for this well.[248]

We will continue to exclude Well 28D from rates until Park Water can demonstrate in a subsequent GRC that it has successfully finished the well and is able to operate it safely and reliably. This includes treatment of the water from this well. Cal Advocates points out correctly that we include construction work in progress in rate base with the expectation of a timely completion of the project. This well no longer deserves that deference. In a subsequent GRC Park Water must either fully and completely justify the cost recovery in future rates of Well 28D or address retirement/abandonment of the project.

In comments to the PD and the APD, Liberty requests that this project be authorized as Liberty is in the process of bringing the well into service.[249] The record

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[247] Currently, the investment in this project is $6,418,681 which Park Water would include in rate base. *See* Cal Advocates Reply Brief at 99.

[248] Cal Advocates Reply Brief at 99-102.

[249] Liberty Opening Comments at 20

does not indicate that this well is used and useful at this time. If the well becomes used and useful, Park Water can avail itself of the process identified in Section 8.1.5. regarding previously authorized projects.

8.6.7.2. Wells 4B, 28B, 40D, 41A

Four wells, 4B, 28B, 40D, 41A currently have a recorded value of $2,874,549 which Park Water proposes to include in rate base for determining the test year revenue requirement. All four are out of service for various reasons including contamination issues. The initial testimony on these wells was limited and Cal Advocates has raised concerns about the usefulness of these wells. [250]

We agree with Cal Advocates that these wells are problematic for continued rate recovery at this time. We will therefore exclude them from the test year rate base. In a subsequent GRC Park Water must either justify the cost recovery in future rates of Wells 4B, 28B, 40D, and 41A, or address their retirement/abandonment.

In comments to the PD and APD, Liberty requests that wells 28B and 41A not be excluded from rate base on the basis that it "reactivations [of these wells] are anticipated to occur during this GRC cycle."[251] This extra-record "anticipation" does not overcome Liberty's own water production forecast that showed that these wells would have zero production for the entire GRC cycle.[252]

[250] Cal Advocates Reply Brief at 102-104.

[251] Liberty Opening Comments at 20.

[252] Cal Advocates Reply Comments at 3, citing Ex. LIB 15 at 90, Table VI-35: Water Treatment; see also Ex. LIB 15 at 93: lines 1-8.

In comments, Liberty also requests that 4B and 40D be included in rate base because it has been able to continue to operate these wells due to the delay of enactment of Federal PFAS MCLs.[253]

Troublingly, Liberty's application described these four wells as contaminated with PFAS. Liberty's application states that "long-term consuming of water containing PFAS over certain thresholds could lead to various potential adverse health effects."[254] Liberty now proposes to restart production due to the delay of federal MCLs on PFAS. Cal Advocates' reply comments highlight the inconsistency of restarting production of wells known to have PFAS levels above the MCLs that have been postponed, arguing that the Commission's "'safe and reliable service' standard cannot simultaneously serve as Liberty's basis for continued rate recovery while Liberty supplies customers with water it describes in its own application as hazardous to their health."[255] We concur, and do not change our approach to these wells.

8.6.7.3. Well 12C

Liberty asserts that Well 12C is fully operational and supplying water to Park Water's Compton West system, and that it serves as a critical backup for well 19C.[256] Moreover, while Liberty acknowledges that it did limit Well 12C's production due to an odor issue, it has taken steps to remediate the issue, expecting that the well will be in full production by the second quarter of 2025.[257]

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[253] Liberty Opening Comments at 19-20.

[254] Cal Advocates Reply Comments, citing Ex. LIB 15 at 115-119; see also Ex. LIB 15 at 125, lines 1-5.

[255] Cal Advocates Reply Comments, at 4.

[256] Liberty OB at 52.

[257] Liberty OB at 52-53

Cal Advocates requests that the Commission remove $3,457,186 from plant-in-service forecasts related to Well 12C. Cal Advocates states that Well 12C is producing only about one quarter of its intended capacity, at 675 GPM compared to its intended capacity of 2,500 GPM.[258] Cal Advocates asserts that Park Water can meet its water supply requirements with the use of Well 19C alone, which is supplemented by the option to obtain water from two distinct interconnections.[259] Cal Advocates further contends that Liberty's Water System Master Plan, February 2024 lists Well 12C's existing capacity at 675 GPM, providing further evidence that the well is not to be considered used and useful for ratepayers.[260]

The Commission does not find it reasonable to remove this well from Plant-in-Service at this time. Liberty is taking steps to remediate the well. However, we order Liberty to file testimony on the production of Well 12C when it files its next GRC. If the well is not producing above 80% of its intended capacity (i.e. 2,000 GPM), Liberty must explain why it is not producing as intended and what additional steps it is taking to ensure that the well meets its production target.

8.6.8. Compton East Well (Land)

In Section 8.6.2, above, we allowed the request for the new Compton East Well. Accordingly, we also adopt Liberty's request for inclusion of the Compton East Well land into rate base.

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[258] Cal Advocates OB at 104

[259] Cal Advocates OB at 104

[260] Cal Advocates OB at 105

8.6.9. Removal of Misc. Recorded Plant for Downey Office

Park Water proposed purchase of office facilities in its Downey building, which included ice machines, refrigerators, as well as items of décor and gym facilities. It argues they are reasonable to provide an attractive and efficient work environment for its employees. Cal Advocates identified these items as consisting of $85,000 in office art and $51,000 in gym equipment and recommends a disallowance of these expenditures.[261] Cal Advocates argues these amenities are not necessary for the provision of utility service.[262] We agree with Cal Advocates. To the extent Park wishes to provide its employees with perks such as office art, gym equipment, television, gym mirrors, and ice machines, it is free to do so with shareholder money, but it is inappropriate to require ratepayers to have these costs included in their rates.

8.7. Utility Plant Items for AVR

8.7.1. Well 34 Building

AVR asks for approval for the very specific amount of $1,081,546 for a new building at Well 34. AVR justifies this capital addition stating that Well 34 is not currently housed in a building; this project will construct a building to house the Well 34 equipment that will enhance security of the site; protect the well from the environment; and abate noise and other issues arising from its location in the middle of the housing tract. The project also includes replacement of the site's antiquated electrical system to extend the life of the well equipment and enhance reliability.[263]

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[261] See Park Water's OB at 53 and Cal Advocates' OB at 106.

[262] Cal Advocates OB at 106-107.

[263] Apple Valley Ranchos OB at 54.

Cal Advocates opposes the new building. It asserts that the noise measurements used by AVR were taken at the site of machinery and not at the site of nearby houses. It also argues an existing chain-link fence protects the existing equipment and the existing disinfection system is enclosed by its own container.[264]

Overall, we find the proposal by AVR to be reasonable and we approve its construction. A new building will avoid disputes regarding noise as the existing neighborhood sees continued development, and a solid structure will protect the new electrical system as well as the existing site equipment. A building will provide greater security than the existing fencing.

8.7.2. New Well and Land Purchase

AVR proposes to acquire land and build a new well to update its supply source inventory. The company is entirely dependent on groundwater it pumps itself and has no outside source for purchased water. It approaches the new well from the perspective of dealing with an aging infrastructure and consideration of its future needs:

> … the Apple Valley system includes four abandoned wells and two wells have been put on an inactive status over the last 10 years. As the inventory of wells continues to age, additional wells will fail or degrade. Of the remaining 18 wells, five were constructed in the 1950s or 60s and four were constructed in the 1980s. Of the four wells abandoned in recent years, one was constructed in 1953 and the other three were constructed in or after 1985. … A comparison of existing well capacity to the Maximum Day Demand ("MDD") indicates that Liberty currently has more well capacity than required by regulation. A firm capacity of 21,906 GPM less the required MDD amount of 12,517 GPM indicates a surplus of 9,389 GPM. That apparent surplus, or buffer, will quickly change as wells continue to

[264] Cal Advocates OB at 108.

> fail and demands gradually increase. As Liberty Apple Valley loses the older wells, source capacity of over 9,000 GPM will be lost while demands are gradually increasing and varying.[265]

Cal Advocates looks at the supply situation on a more instantaneous basis – the existing wells meet the current system requirements:

> [AVR] admits in Rebuttal Testimony that, "A comparison of existing well capacity to the [maximum daily demand] indicates that Liberty currently has more well capacity than required by regulation."

Cal Advocates argues that even if the older wells went offline that AVR could still meet its necessary demand.[266] Cal Advocates also contends that Liberty admitted it could drill new wells at two of its existing well sites.[267]

AVR admits that at the moment its supply infrastructure is adequate, but it argues for a dynamic, not a reactive plan to be prepared for the future.

> A comparison of existing well capacity to the Maximum Day Demand ("MDD") indicates that Liberty currently has more well capacity than required by regulation. A firm capacity of 21,906 GPM less the required MDD amount of 12,517 GPM indicates a surplus of 9,389 GPM. That apparent surplus, or buffer, will quickly change as wells continue to fail and demands gradually increase. As Liberty Apple Valley loses the older wells, source capacity of over 9,000 GPM will be lost while demands are gradually increasing and varying. The prudent course is to install new wells gradually over the years rather than waiting until the buffer in source capacity dwindles away providing the long-term assurance that Liberty Apple Valley can meet the water demands of the system.[268]

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[265] Apple Valley Ranchos OB at 55 & 56.

[266] Cal Advocates OB at 110.

[267] Cal Advocates OBat 110.

[268] Liberty OB at 56.

Liberty has not demonstrated that purchase of new land is justified, given that it could drill new wells on its existing well sites. As Cal Advocates asserts and Liberty confirms, AVR currently has sufficient capacity. The Commission agrees that it is important to be proactive in safeguarding supply, but Liberty has not demonstrated that less costly alternatives were explored as compared to acquiring new land to drill a new well. Thus, we here adopt Cal Advocates' recommendation. We will caution AVR (as well as Park Water) to ensure that their future GRCs fully explore all options and that final proposals for water supply projects and all other major capital expenditures are robustly developed and present complete industry standard analyses and industry standard cost forecasts. See § 8.8 below.

8.7.3. Well 18

Here AVR requests $1,805,189 in 2027 for Well 18.[269] However, Liberty did not mention Well 18 in rebuttal testimony, nor did it mention it in briefs.[270]

Cal Advocates requests the Commission remove from the capital budget the cost estimate for the Well 18 project. Well 18 was authorized in the previous GRC, but was not constructed.[271] Here, Liberty requested approval of a block building that had been specifically denied in the previous GRC.[272] Cal Advocates recommends, since there are no specific facts in evidence to support AVR's request, that the project be removed from rate base.[273]

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[269] Ex. LIB-02, at 89: lines 3-8.

[270] Cal Advocates OB at 109.

[271] Cal Advocates OB at 109

[272] Cal Advocates OB at 109

[273] Cal Advocates OB at 109

We agree with Cal Advocates. As the applicant Liberty has the burden to substantiate their request. They have failed to meet that burden here and so we disallow this project.

8.7.4. AVR Office Building and Proposed Campus Solar Project

AVR responded to testimony by Cal Advocates opposing both a new AVR office building and a Campus Solar Project. We find that AVR may either request these projects in its next GRC as proposed by Cal Advocates or, given the cost and policy implications regarding the state government's encouragement of greater adoption of electric vehicles, AVR may prefer to file a separate specific purpose application as it indicated.[274] AVR will be expected to fully justify the need and the costs forecast for these projects. See our further comments, below, regarding project forecast methodology.

8.8. Project Forecast Methodology

In this section we discuss both industry standards and our expectations for Park Water and AVR's specific practices on a prospective basis. We note here that we raised this same concern in the recent San Jose Water Company GRC, decision, D. 24-12-077.[275] As discussed below we impose on Park Water and AVR the obligation to provide specific expert testimony and supporting documentation in their next GRC. We do this because we are concerned that there is a continuing disconnect between the two applicants and Cal Advocates concerning the necessary level of documentation

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[274] Apple Valley Ranchos OB at 57-58.

[275] D. 24-12-077 mimeo at 15-17.

and the professional quality of the applicants' forecasts necessary to justify approving and including Park Water and AVR' capital projects in test year revenue requirements.

We believe that Park Water and AVR, like all other jurisdictional utilities, are obliged to have competent trained and experienced technical staff or contractors to design, construct, operate and manage their water service systems. When designing or constructing utility plant they must have either competent in-house or contract personnel suitable to perform the necessary tasks. One such task is having in place an adequate system for estimation; cost control; business planning and management science; profitability analysis; project management; and planning and scheduling of necessary utility plant.

8.8.1. AACE International: Association for the Advancement of Cost Engineering.

Cost Engineering is the application of scientific principles and techniques to problems of estimation; cost control; business planning and management science; profitability analysis; project management; and planning and scheduling.[276]

The Association for the Advancement of Cost Engineering (AACE) for example publishes AACE International Recommended Practices (RPs) which are aligned with what it describes as the "Total Cost Management Framework," and it established the technical foundation for its educational and certification products and services. The AACE's RPs provide technical reference information, vetted by a review process, regarding specific competency areas. RPs may be industry-generic providing a broad overview of a specific practice that applies to most industries; or may be industry-specific describing a particular application of a practice in a specific industry.

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[276] https://web.aacei.org/about/about-aace/what-is-cost-engineering (Current as of January 8, 2026.)

> Total cost management is that area of engineering practice where engineering judgment and experience are used in the application of scientific principles and techniques to problems of business and program planning; cost estimating; economic and financial analysis; cost engineering; program and project management; planning and scheduling; cost and schedule performance measurement and change control.
>
> Simply stated, it is a systematic approach to managing cost throughout the life cycle of any enterprise, program, facility, project, product, or service. This is accomplished through the application of cost engineering and cost management principles, proven methodologies, and the latest technology in support of the management process.[277]

Our expectations on how our jurisdictional utilities are expected to conduct their engineering tasks are well described by this language and is a good representation of utility performance that we expect before setting rates based on any utility's testimony and forecasts in a general rate case or any other rate setting proceeding.

We have not in the past definitively mandated that Park Water and AVR must specifically use AACE's RPs, nor do we make that specific order here. We will however require them to demonstrate in testimony in the next general rate case that they have adopted and embedded in their operations an overall formal system for designing and managing capital expenditures using either AACE's RPs or some other commonly accepted industry standard.

This additional testimony in the next general rate case will assist Cal Advocates, other intervenors, as well as the Commission to better understand and assess the capital forecasts proposed in the next proceeding and provide greater confidence in Park Water and AVR' project forecasts and cost estimates.

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[277] *Ibid*.

9. Special Requests

9.1. Revenue Decoupling Program and the Water Revenue Adjustment Mechanism (WRAM)/ Modified Cost Balancing Account (MCBA)

9.1.1. Summary

Park Water and AVR each request authorization to implement a new, full revenue decoupling mechanism, the Water Conservation Program (WCP). The proposed WCP consists of two new balancing accounts: the Consumption Revenue Balancing Account (CRBA) and the Consumption Cost Balancing Account (CCBA). The CRBA and CCBA would operate mechanically like the Water Rate Adjustment Mechanism (WRAM) and Modified Cost Balancing Account (MCBA) previously authorized for both utilities from 2008 through the first half of 2022.[278]

9.1.2. Discussion

In this proceeding Park Water and AVR have proposed a decoupling mechanism which they believe satisfies the statutory requirements in Pub. Util. Code § 727.5(d)(2)(A). Both companies argue that the proposed WCP is designed to accommodate fully decoupled revenues and sales and track differences between recorded volumetric revenues and Commission-authorized expenses.[279] Liberty argues that the WCP balances customer benefits, on the one hand, with financial stability for each utility to provide safe and reliable water service, on the other hand. The companies argue that its customers benefit from rate designs that provide incentives for greater conservation by high volume users, lower monthly service charges benefiting low usage customers, and reduce volatility of customer bills. They both

[278] Liberty Utilities OBat 71

[279] Liberty Utilities OB at 71

argue that its customers benefit from the mitigation of revenue uncertainty since the companies' financial stability allows for lower costs in accessing capital to fund critical investments needed for the provision of safe and reliable water service.[280] Both utilities also request to implement a sales reconciliation mechanism (SRM) if the WCP is not granted and a M-WRAM is granted, arguing that California-American Water Company was awarded the M-WRAM/SRM combination in their Test Year 2024 GRC.[281]

Cal Advocates recommends that the companies' request for the WCP be rejected, arguing that the CRBA would allow them to circumvent the GRC process of forecasting and being accountable to a set budget. In support of its contention, Cal Advocates submitted analyses showing that there is little difference in conservation between customers of utilities with full WRAM and those with M-WRAM, and that consumption varies year-by-year regardless of whether the utility has WRAM or M-WRAM.[282]

CWA describes decoupling as a mechanism that breaks the link between quantities that a utility delivers and its revenues. CWA asserts that breaking the link between utility sales and revenues gives the utility the ability to promote conservation.[283] CWA argues that revenue decoupling mechanisms provide benefits to customers and utilities by allowing utilities to postpone capital infrastructure minimizing future rate increases. CWA goes on to say that full revenue decoupling can result in both surcredits or surcharges, meaning that customers could see bill

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[280] Liberty OB at 71

[281] Liberty OB at 76

[282] Cal Advocates OB at 121.

[283] CWA OB at 10-11.

reductions in the event of usage above a forecast.[284] In the instant proceeding, CWA describes Liberty's decoupling proposal as part of a larger package to promote conservation, arguing that decoupling is necessary for Liberty to implement steeply tiered rates intended to encourage water conservation.[285]

Cal Advocates asserts that the full WRAM (CRBA) does not promote conservation. Cal Advocates contests Liberty's assertion that decoupling promotes conservation, arguing that Liberty has not shown that there is meaningful difference in conservation between companies with full WRAM and M-WRAM, and that even if there were a difference in conservation, neither Liberty nor CWA could prove causality.[286] Cal Advocates asserts that full WRAM provides the opposite of price signaling to promote conservation because individual ratepayers will receive surcharges as a result of using less water.[287]

Cal Advocates also asserts that full WRAM (CRBA) improperly transfers risk for utility operations from shareholders to ratepayers. Cal Advocates describes the usual GRC process of a utility developing sales forecasts and bearing the risk of forecast inaccuracies, but are compensated for the risk through Commission-authorized rates of return.[288] Cal Advocates highlights that under full WRAM, when sales are less than sales forecast the revenue shortfall, less offsetting marginal expenses, is surcharged to customers regardless of whether or not the utility is exceeding its authorized rate of

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[284] CWA OB at 14.

[285] CWA OB at 19.

[286] Cal Advocates OB at 120-121.

[287] Cal Advocates OB at 122.

[288] Cal Advocates OB at 123.

return.[289] Cal Advocates additionally asserts that Liberty's 2023 reduction in sales provides empirical evidence that a block rate structure design with M-WRAM is at least equally effective at promoting conservation as WRAM.[290]

Cal Advocates argues that the Commission should deny the companies' request to implement full WRAM (CRBA) and instead authorize them to transition to Monterey-WRAM (M-WRAM). Cal Advocates asserts that M-WRAM is not a full revenue decoupling mechanism. Instead, it is a revenue adjustment mechanism that allows the utility to true-up the revenue it recovers under its conservation rate design with the revenue it would have collected if it had an equivalent uniform Single Quantity Rate (SQR) at actual sales levels.

Cal Advocates also argues that as a result, M-WRAM is a more targeted approach to promoting conservation. By only allowing recovery of revenues lost due to the utility having an increasing block rate structure, the balances recovered will be smaller and limited to the results of price signaling to ratepayers. Because of the limited mechanism, M-WRAM will likely lead to lower under collections and fewer surcharges than full WRAM for ratepayers. Therefore, M-WRAM is less harmful to customers than full WRAM.[291]

Lastly, Cal Advocates argues that Liberty's request for a sales reconciliation mechanism should be denied because the request was never included in its original application request prior to Opening Briefs.[292] As a result, there are no facts in the

[289] Cal Advocates OB at 123-124.

[290] Cal Advocates OBat 122.

[291] Cal Advocates OB at 124

[292] Cal Advocates Reply Brief at 39

evidentiary record to establish the reasonableness of a sales reconciliation mechanism in this GRC.

Pub. Util. Code § 727.5(d)(2)(A), requires that the Commission "consider" requests to implement decoupling mechanisms such as the companies' request to implement full WRAM (CRBA). The Commission's consideration must include an analysis of whether the decoupling mechanism is just and reasonable. Thus, the Commission has the authority to deny a request that it determines to be incompatible with just and reasonable rate-setting.

9.1.3. Conclusion

The Commission has considered both the proposals by Park Water and AVR as well as the alternative proposals of Cal Advocates and is mindful of Pub. Util. Code § 727.5 which directs that the commission "shall consider, and may authorize, the implementation of a mechanism that separates the water corporation's revenues and its water sales, commonly referred to as a 'decoupling mechanism.'" We find Park Water and AVR have proposed a full revenue decoupling mechanism. The Water Conservation Program (WCP) should not be implemented and authorized for TY 2025 because we find that Liberty has not justified implementation of this program.

We find no persuasive evidence in this record that full decoupling is necessary to shield both companies from any financial downsides to conservation. This Commission has previously found that decoupling is at best a minor factor in conservation efforts, and we affirm those findings here.[293] Liberty does not demonstrate that previous conservation efforts, including tiered rate designs, have

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[293] *See for example* D. 24-12-025 at 42 and D.25-01-036 at 73

created a level of revenue instability that warrants full decoupling. Liberty's customers conserved more in 2023 relative to 2022 after its WRAM was terminated, showing that the level of revenue stability afforded by the WRAM is not necessary for conservation. Nor do we find that WRAM provides a ratepayer benefit here; the implementation of a full revenue decoupling improperly transfers risk from shareholders to ratepayers. As such we deny Park Water's and AVR's request for WRAM and instead direct Liberty to continue with Cal Advocates' proposed M-WRAM.

We find that Liberty did not request implementation of the sales reconciliation mechanism (SRM) in the original application, but only in the Opening Briefs. By doing so, there are no facts in the evidentiary record to establish reasonableness of the SRM in this GRC and it is therefore denied. Liberty may file a request to implement SRM in its next GRC application.

9.2. Conservation Memorandum Account (Park Water and AVR)

Park Water and AVR each request Commission approval to establish a Conservation Memorandum Account to track the incremental costs associated with the new conservation regulation proposed by the State Water Resources Control Board (SWRCB), Make Conservation a California Way of Life. The proposed regulation outlines conservation objectives for urban water suppliers, including new targets to achieve greater statewide water savings.[294]

[294] Liberty Utilities OB at 77-78.

Cal Advocates recommends that the companies' requests be denied, arguing that any conservation expenses were foreseeable prior to the filing of the GRC Applications, conservation expenses will not increase substantially, and ratepayers will not benefit.[295]

The Commission adopts a Conservation Memorandum Account for Park Water and AVR. Contrary to Cal Advocates' contentions, the companies made their requests to protect customers by limiting recovery to the actual recorded costs rather than estimates subject to a reasonableness review by the Commission to help ensure that only recorded costs are included in customer rates. We further note that the costs associated with the amendments contained in the second and third SWRCB drafts could not have been included in the GRC forecast.

9.3. Polyfluoroalkyl Substances Memorandum Account (PFASMA) Modification (Park Water Only)

Park Water requests Commission approval to modify its existing Polyfluoroalkyl Substances Memorandum Account (PFASMA) to include capital-related costs necessary to comply with national drinking water regulations for the six per- and polyfluoroalkyl substances (PFAS). On September 9, 2020, Park Water submitted Advice Letter 302-W requesting establishment of the PFASMA to track the incremental operating costs related to PFAS pursuant to Resolution (Resolution) W-5226.[296]

Park Water indicates that the Resolution only allowed companies to establish memorandum accounts to track expenses related to PFAS, not capital carrying costs. On October 21, 2020, the Commission's Water Division approved Advice Letter 302-W. In this GRC, Park Water requests a revision to its existing PFASMA to include carrying

[295] Cal Advocates OB at 125-126

[296] Liberty Utilities OB at 78.

costs at Park Water's rate of return on all incremental capital investments to address treatment for PFAS based on the established MCLs.[297]

Cal Advocates recommends denying Park Water's request arguing that Park Water has no existing plans to construct treatment facilities for PFAS-affected wells. In addition, Cal Advocates argues that Park Water should not be allowed to track capital costs in a memo account because this includes a return on equity for projects while under construction and that the most prudent approach to utility management is through forecasted budgets that identify anticipated capital costs submitted in a GRC.[298] We do not find merit in expanding capital cost records into the PFASMA due to the lack of certainty of said costs to the projects and no formal review of the budgets prior to completion. We consider the lesser levels of review that would accompany such an expansion of authorized costs and the potential for a larger bill impact as a result. A large bill impact would negate any positive effect to be gained Furthermore, it would be unclear to the customer that such rate increases are related to PFAS remediation. Capital investments for purposes of meeting newly established MCLs for PFAS should be presented in a general rate case application or in a separate application, for Commission review. Therefore, we deny Park Water's request to include capital costs into the PFASMA.

In Comments to the PD, CWA argues that the APD erroneously denies Liberty's request to include capital costs in its existing PFASMA but does not cite to examples of existing PFAS memorandum accounts used to track capital costs. Liberty also asserts in

[297] Liberty Utilities OB at 79.

[298] Cal Advocates OB at 126

its comments to the PD that the recording of capital costs in the memorandum account does not guarantee cost recovery and all costs recorded remain subject to review by the Commission. However, given that Park Water has not submitted timely plans for treatment facilities related to PFAS in this current proceeding, the utility should submit a separate application for PFAS-related capital costs or request recovery of costs in its next GRC where timely review of project costs may occur by the Commission. Park Water should continue to track the incremental operating costs related to PFAS in its PFASMA.

9.4. Suburban Memorandum Account (Park Water Only)

Park Water states that the purpose of a Suburban Revenue Memorandum Account (SRMA) is to track customers' share (30%) of the net revenue associated with the Non-Tariff Products and Services (NTPS) contract between Park Water and Suburban Water Systems, ensuring that customers receive their proper allocation. The net revenue is the difference between the gross revenue and associated production expenses (purchased power, replenishment, leased water rights, and chemicals.[299]

Park Water indicated in the Opening Brief that due to problems with water quality, the Water District for the City of Sativa ("Sativa") installed an emergency interconnection to Park Water's Compton system in 2019 to allow Sativa to draw clean water on an emergency basis for its customers pending a planned sale of its water system. The sale of the Sativa water system was awarded to Suburban Water Systems ("Suburban") and that acquisition occurred in April 2022.[300]

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[299] Liberty Utilities OB at 59.

[300] Liberty Utilities OB at 86.

Park Water indicates that the initial written agreement between Park Water and Sativa Los Angeles County District was provided to the Commission via Advice Letter 321-W and approved by the Commission in May 2022. Under that approval, the contract between Park Water and Sativa Los Angeles County District is treated as an NTPS service and 30% of the revenues from that agreement is shared with customers as well as the establishment of the Sativa Revenue Memorandum Account. Effective as of December 24, 2022, the Commission approved Advice Letter 330-W, which authorized the establishment of the Suburban Revenue Memorandum Account (SRMA) and affirmed that the executed contract complies with NTPS rules.[301]

Cal Advocates claims that the NTPS contract between Suburban and Park Water violates the anticompetitive provisions of the NTPS rules and recommends that all revenues from this contract be classified as miscellaneous revenues in this rate case and reduce Park Water's test year revenue requirements in relation thereto. Cal Advocates also suggests the two parties should be compelled to enter into a new contract reflecting the per CCF rates the Commission adopts for other resale customers.[302]

Park Water argues that because Cal Advocates' recommendation is based on total gross revenue billed, it does not account for associated production expenses, such as purchased power, replenishment, leased water rights, and chemicals, which, Advice Letter 330-W (approved by the Commission effective December 2022), expressly provides.[303]

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301 *Ibid*.

302 *Id*. at 87.

303 Liberty Utilities OB at 87.

Park Water opines that if Cal Advocates' recommendation were adopted, Park Water's rates would be less than the amount required for the utility to recover its approved cost of service and violate longstanding Commission precedent. Finally, with respect to Cal Advocates' proposal that the Commission compel Park Water and Suburban to enter into a new contract with adopted tariff rates, Park Water argues that such a proposal initially fails to acknowledge the Commission has already approved the existing contract.[304]

The Commission adopts both Park Water's request to have the contract between Park Water and Sativa Los Angeles County treated as an NTPS service with 30% of the revenues from that agreement to be shared with customers and the establishment of the Sativa Revenue Memorandum Account (SRMA) because the Commission has already approved the allocation of 30% of revenue to customers and Advice Letter 330-W, approved by the Commission effective December 2022, provides that customers' share of revenue be based on net revenue. The Commission rejects Cal Advocates' request related to Park Water and Suburban's NTPS and to classify all revenue as "miscellaneous revenue." Similarly, the Commission also rejects Cal Advocates' contentions related to miscellaneous revenue from the Bell Gardens contract.

9.5. Catastrophic Event Memorandum Account (CEMA) (Park Water and AVR)

Park Water requests that the Commission review its Catastrophic Event Memorandum (CEMA) for approval to recover the under-collected balance and continuation of this account. As provided in Park Water's approved Preliminary Statement, its CEMA was authorized in D.19-07-015 to record costs associated with a

[304] *Id*. at 88.

catastrophic event when either the Governor of California or the President of the United States has declared a state of emergency. The interest accrued in the CEMA compensates for the time value of money during the period between when the costs are incurred and when Park Water is authorized to recover them through rates. The costs recorded in the CEMA were related to COVID-specific expenses, including masks, disinfectants, sanitizers, and additional cleaning services for extra precaution. Activation of the CEMA was authorized in Advice Letter No. 297-W, effective March 4, 2020. As of February 1, 2022, no new expenses are recorded in the CEMA due to the end of the COVID moratorium.[305]

Park Water argues that the costs recorded in the CEMA were related to COVID-specific expenses, including masks, disinfectants, sanitizers, and additional cleaning services for extra precaution. In contrast, the funding received from the State Water Resources Control Board (SWRCB) was allocated to specific residential and commercial accounts for water service periods, spanning between March 4, 2020, through December 31, 2022. In accordance with SWRCB requirements, these funds were applied directly to the appropriate customer accounts, reducing the accounts receivable balances, and any unused funds were returned to the SWRCB.[306]

Cal Advocates also recommends removing interest accrued starting on February 1, 2022, and adding the arrearage funding relief from the SWRCB. Additionally, Cal Advocates recommends closing this account.[307]

The Commission rejects Cal Advocates' recommendation because its proposal to

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305 Liberty Utilities OB at 60.

306 *Ibid*.

307 Cal Advocates OB at xiv.

include the SWRCB arrearage funding in the CEMA is incorrect because it was tied to specific customer accounts meeting specific requirements and Cal Advocates' approach of adding the arrearage funding to the CEMA without accounting for Park Water's revenue losses leads to double counting. The Commission finds that the balance recorded in the CEMA properly accrues interest until the full balance is amortized in accordance with the Preliminary Statement and Park Water is authorized to recover the balance through rates. Park Water is authorized to recover $112,083 as a reasonable cost and the CEMA is continued as Cal Advocates' request to close the account is premature and unwarranted.

9.6. Apple Valley Ranchos

AVR requests that the Commission review its CEMA for approval to recover the under-collected balance and continuation of this account. This account was authorized by D.19-07-015. The purpose of this account is discussed above. On March 4, 2020, Governor Gavin Newsom declared a state of emergency in California as part of its response to the COVID-19 pandemic and on March 13, 2020, the President of the United States proclaimed a National State of Emergency. Activation of the CEMA was authorized in Advice Letter No. 239-W, effective March 4, 2020.[308]

Cal Advocates recommends removing interest accrued starting on February 1, 2022, and adding the arrearage funding relief from the State Water Resources Control Board (SWRCB). Additionally, Cal Advocates recommends closing this account. In accordance with Standard Practice U-27-W, interest on amounts in a memorandum account generally accrues at the 90-day commercial paper rate. The interest

[308] Liberty Utilities OB at 66.

compensates for the time value of money during the period between when the costs are incurred and when Liberty is authorized to recover them through rates. By accruing interest, customers bear the true cost of services, as those expenses represent a real-time cost to AVR. Therefore, the balance recorded in the CEMA properly accrues interest until the full balance is amortized in accordance with the Preliminary Statement. As of February 1, 2022, no new expenses are recorded in the CEMA due to the end of the COVID moratorium. However, interest will continue to accrue on the existing balance until it is fully recovered.[309]

9.7. Sativa Revenue Memo Account (SRMA) (Park Water Only)

Park Water requests that the Commission review the over-collected balance in its Sativa Revenue Memorandum Account (SRMA), approve the refund of the over-collected balance, and approve termination of this account. This account was authorized in Advice Letter 321-W-A. The purpose of this account is to track the customers' share of the revenue (30%) of the net revenue associated with the non-tariffed products and services (NTPS) contract with the Water District of the City of Sativa (Sativa).[310]

Cal Advocates claims that Park Water failed to comply with NTPS rules related to allocating ratepayers the first $100,000 of revenue from the Sativa Contract and miscalculates the over- collected balance as a direct result thereof.[311]

Park Water argues that Cal Advocates' claim is based on a misreading of the

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[309] Liberty Utilities OB at 67.

[310] *Id*. at 86.

[311] Cal Advocates at 116.

applicable NTPS rules. The allocation of the first $100,000 is not based on each NTPS contract; rather, it is based on the first $100,000 of annual Other Operating Revenue (i.e. aggregate revenues from NTPS contracts).[312] During the period of 2021-2022 when the SRMA tracked the ratepayers' share of revenue from the NTPS contract with Sativa, Park Water also had NTPS contracts with other parties, including the City of Bell Gardens, Sativa Water District, HomeServe, and Suburban. For simplicity in tracking, Park Water allocated the first $100,000 associated with its NTPS contract with the City of Bell Gardens to ratepayers within the first four months of each applicable year. Thereafter, the allocation of revenues generated by NTPS contracts was shared between Park Water and the ratepayers.[313]

Based upon the information from Park Water presented directly above, and Park Water's interpretation of the NTPS rules on revenue sharing, Park Water correctly complied with the NTPS rules by allocating the first $100,000 associated with its NTPS contract with the City of Bell Gardens to ratepayers within the first four months of each applicable year.[314] Therefore, Cal Advocates' recommendation is rejected, and Park Water is authorized to amortize the over-collected balance of $283,994 as of December 31, 2023. Accordingly, the SRMA is terminated as requested.

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[312] Liberty Utilities OB at 62; See, D.10-10-019, Appendix, A, p. A13 ("For those utilities with annual Other Operating Revenue (OOR) of $100,000 or more, revenue sharing shall occur only for revenues in excess of that amount. All NTP&S revenue below that level shall accrue to the benefit of ratepayers.")

[313] Liberty Utilities OB at 62.

[314] If the first contract had not yielded $100,000 we would expect Park Water to allocate the difference from a second contract until the required $100,000 had been directly and correctly allocated to ratepayers.

9.8. Consolidated Expense Balancing Account (CEBA) (Park Water and AVR)

9.8.1. Park Water

Park Water requests that the Commission review its Consolidated Expense Balancing Account (CEBA) for approval to refund the over-collected balance recorded in this account. The purpose of this account is to consolidate the amortization of Commission approved balancing accounts and memorandum accounts where appropriate. This account was authorized by the Commission in Advice Letter No. 266-W-A effective May 25, 2016. Park Water argues that consolidating these accounts through the CEBA simplifies billing while maintaining transparency. Park Water's workpapers illustrated an authorized recovery amount of $494,252 and amortization with the surcharges billed. Park Water indicated that as of December 31, 2023, the ending balance was an over-collection of $10,844.[315]

Cal Advocates asserts that Park Water is misusing its CEBA and recommends limiting the CEBA to Interim Rates and regulatory lag related accounts. The Commission should require Park Water to amortize the overcollections in its Consolidated Expense Balancing Account (CEBA). In the future, the Commission should only permit Park Water to include accounts such as Interim Rates or those relating to regulatory lag. For Park Water, Cal Advocates asserts the CEBA balance of $10,844 should be amortized and returned to ratepayers.[316]

The Commission finds that the practice of consolidating the amortization of

[315] Liberty Utilities OB at 64.

[316] Cal Advocates OB at 116.

Commission approved balancing accounts and memorandum accounts is reasonable and, thus, approves the refund of the over-collected balance recorded in the account of $10,844. Accordingly, the CEBA account is continued without modifications to consolidate approved recovery of memorandum/balancing accounts which help to reduce multiple surcharges/sur-credits and allow for one surcharge/sur-credit.

9.8.2. AVR

AVR requests that the Commission review its Consolidated Expense Balancing Account (CEBA) for approval to refund the residual over-collected balance recorded in this account. The purpose of this account is to consolidate the amortization of Commission approved balancing accounts and memorandum accounts where appropriate. This account was authorized by the Commission in D.20-09-019, dated September 24, 2020. Advice Letter 248-W authorized a 12-month surcharge, effective March 4, 2021.[317]

Cal Advocates asserts that AVR is misusing its CEBA and recommends limiting the CEBA to Interim Rates and regulatory lag related accounts. However, Cal Advocates' position reflects a misunderstanding of the CEBA's purpose which is only used when the Commission has specifically authorized the transfer of a balancing and memorandum account balance for recovery or refund. Typically, these accounts are terminated, meaning no new activities are tracked and only interest accrues on the residual balance. The accounts transferred to the CEBA have been reviewed and approved by the Commission. These mainly represent residual balances from prior accounts that were not fully amortized due to discrepancies in sales or customers

[317] Liberty Utilities OB at 68.

forecast.[318]

9.9. Tax Cuts and Jobs Act Memorandum Account (TCJA) (Park Water and AVR)

9.9.1. Park Water

Park Water requests Commission approval to transfer the residual balance recorded in its Tax Cuts and Jobs Act Memorandum Account (TCJA) to the CEBA and refund to customers. Advice Letter 337-W-A authorized a one-time surcredit refunding the balance recorded in the TCJA effective September 1, 2023.[319]

Cal Advocates argues that the Commission should order Park Water to close the TCJA account and immediately amortize the overcollection of $39,042 for the Tax Cuts and Jobs Act (TCJA) because Park Water stipulated to do this in the last GRC. Cal Advocates argues that Park Water and Cal Advocates had agreed to the stipulation in the last GRC but Park Water has failed to properly credit the TCJA full balance to its customers, so the account remains open.[320]

In response to Cal Advocates, Park Water argues that Cal Advocates incorrectly asserts that Park Water and AVR consolidated the TCJA accounts into CEBA and that they failed to refund the balances to customers as authorized in D.23-02-003. The TCJA balances were refunded to customers through a one-time surcredit as a separate line item on customers' bills in accordance with the approval of AL 337-W-A for Park and AL 275-W-A for AVR, effective September 1, 2023. The TCJA accounts are closed, meaning no new activity is recorded, and only interest accrues on the residual

[318] Liberty Utilities OB at 65.

[319] Liberty Utilities OB at 70.

[320] Cal Advocates OB at 117.

balances.[321]

Sufficient evidence has been presented by Park Water that the TCJA balances have been refunded to customers. There is no longer a need for the TCJA account. Accordingly, the Commission orders that the TCJA be officially closed.

9.9.2. AVR

AVR requests Commission approval to transfer the residual balance recorded in its Tax Cuts and Jobs Act Memorandum Account (TCJA) to the CEBA. Advice Letter 275-W-A authorized a one-time surcredit refunding the balance recorded in the TCJA effective September 1, 2023. The residual balance recorded in the TCJA as of September 30, 2023, is an over-collected balance of $12,035.[322]

The Commission should order AVR to close the TCJA account and immediately amortize the overcollection of $12,197 for the Tax Cuts and Jobs Act (TCJA). AVR and Cal Advocates had agreed to this stipulation in the last GRC but AVR has failed to properly credit the TCJA full balance to AVR customers, so the account remains open.[323] There is no longer a need for the TCJA account. Accordingly, the Commission orders that the TCJA be officially closed.

9.10. Employee & Retiree Healthcare Balancing Account (AVR Only)

AVR requests that the Commission approve the transfer of the over-collected balance of $932 recorded in its Employee Retiree Healthcare Balancing Account (ERHBA) to the Consolidated Expense Balancing Account (CEBA).[324]

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[321] Liberty Utilities OB at 65.

[322] Liberty Utilities OB at 70.

[323] Cal Advocates OB at 117.

[324] Liberty Utilities OB at 70.

Cal Advocates argues that overcollections in AVR' CEBA should be amortized. Cal Advocates believe that AVR should only be permitted to include accounts relating to Interim Rates or regulatory lag in the CEBA.[325] Cal Advocates argues the CEBA balance should be amortized and returned to ratepayers.[326]

1. The Commission finds that the transfer of the over-collected balance in AVR' ERHBA to the CEBA would reasonably allow AVR to consolidate the amortization of Commission approved balancing accounts and memorandum accounts where appropriate and mitigate customer confusion. The Commission adopts AVR' proposal on the ERHBA.

10. Rates, Revenue and Rate Design for Park Water

There were litigated rate design issues in these consolidated proceedings related to revenue allocation and quantity rate ratios. With respect to revenue allocation, Park Water currently collects 40% of its revenue from fixed charges and 60% from quantity charges (40/60 split).[327] With respect to Quantity Rate Ratios, Park Water's current Tier Rate ratio is 75% of the Single Quantity Rate (SQR)[328] for Tier 1, 100% of the SQR for Tier 2, and 169% of the SQR for Tier 3.[329]

10.1. Revenue Allocation

Park Water has two proposals with respect to revenue allocation, dependent on whether the Commission authorizes it to implement full WRAM, which Park Water has

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[325] Cal Advocates OB at 116.

[326] *Ibid*.

[327] Liberty Utilities OB at 81 & 84.

[328] The SQR is derived by taking total usage revenues and dividing them by total sales. Cal Advocates OB at 130.

[329] Cal Advocates OB at 130.

re-named CRBA (also known as revenue decoupling). In its first proposal, if the Commission authorizes Park Water to change to a decoupling program, it requests to change implement a 30/70 fixed to variable revenue split.[330]

In support of its position for revenue decoupling with a 30/70 split, Park Water argues that the revenue decoupling program would minimize the under- or over-recovery of the authorized revenue requirement, adjust for differences between actual customer usage and estimated customer usage, and mitigate the need for the higher fixed charge allocation.[331] Park Water also argues that a decrease in the portion of the authorized revenue requirement recovered through fixed service charges balances important rate design objectives: stability in customer bills and Company revenues and price signals that encourage conservation of water.[332]

Alternatively, if the Commission does not authorize Park Water to implement revenue decoupling, Park Water's second rate design proposal for revenue allocation includes a shift to a rate design where it collects 50% of its revenue from fixed (meter) charges (50/50 split, between fixed charge and quantity charge, respectively).[333]

Park Water points to the language in D.16-12-026 where the Commission finds, "[maintaining] the current WRAM and MCBA ratemaking mechanism, and the current 10 percent cap on the recovery of revenues that applies to the WRAM mechanism though utilities may propose alternatives in their GRC proposals and negotiate those outcomes" for its proposal of an alternative consisting of a 50/50

[330] Liberty Utilities OB at 83.

[331] *Id*. at 83-85.

[332] *Id*. at 85.

[333] Liberty Utilities OB at 81.

fixed/standard revenue requirement split.[334] Park Water argues that the proposal conforms to the Commission's determination that the water utilities could shift more water rate collection so that rates represent up to 50% of fixed charges.[335]

Cal Advocates recommends that Park Water's request for a revenue decoupling program, and its alternative proposal be denied.[336] Instead, Cal Advocates recommends that the Commission maintain the current allocation split of 40% of revenue from fixed charges and 60% from quantity charges.[337] Cal Advocates points to D.16-12-026 where the Commission ordered: "Class A and B water utilities, that seek to adjust current rate design, to consider submitting proposals in their next GRC application to shift more water rate collection to fixed charges, with a floor of 40 percent of revenues collected from fixed charges, and up to 50 percent fixed charges" for its position that Park should be required to maintain the 40/60 split.[338] In addition, Cal Advocates recommends a transition to M-WRAM.[339]

We adopt a level of fixed recovery in between Cal Advocates' suggestion and Liberty's request. We find that Liberty's comments to the APD misrepresent D.16-12-026 which sets a floor of 40% and a ceiling of 50% for revenue collected from fixed

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[334] *Ibid*.

[335] *Ibid*.

[336] Cal Advocates OB at 127.

[337] *Ibid.*

[338] *Ibid*.

[339] Cal Adv-07 at 2-4.

charges.[340] Nonetheless, we find merit in shifting to 45% fixed recovery and 55% variable recovery, which will preserve conservation incentives compared to a 50/50 split while providing slightly more revenue stability as compared to a 40/60 split.

10.1.1. Quantity Rate Ratios

Cal Advocates argues that to ensure water conservation and equity to ratepayers, the Commission should adjust Park Water's tier differential changes in its Original Application.[341] Cal Advocates states that, "Tier 1 rate differentials should not increase because keeping Tier 1 rate differentials lower results in benefits for low water users and low-income ratepayers who use less water than non-low income ratepayers. . . Tier 3 rates should move rather than Tier 1 and Tier 3 moving uniformly as Liberty Proposes."[342] Cal Advocates proposes that for the foregoing reasons the Commission adopt its proposed quantity rate ratios to reach revenue neutrality.[343]

Cal Advocates argues that under Park Water's 30/70 split (with revenue decoupling authorization) proposal, Park Water's rate design decreases its Tier 1 rate and decreases the Tier 3 rate relative to Tier 2 rates.[344] Cal Advocates argues that under Park Water's alternative 50/50 split (if revenue decoupling is denied) proposal, Park Water's rate design decreases Tier 1 rates and increases Tier 3 rates.[345]

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[340] D.16-12-026 OP 13: "Class A and Class B water utilities shall consider proposing in their General Rate Case application adjustments to the percentage of revenue recovery collected from fixed charges with a floor of at least 40 percent of revenues collected from fixed charges and up to 50 percent fixed charges…"

[341] Liberty Utilities OB at 82.

[342] *Ibid*.

[343] *Ibid*.

[344] Cal Advocates OB at 130.

[345]Cal Advocates OB at 130.

In its Opening Brief, Cal Advocates provides a table that presents Park Water's Tier Differentials as follows:

Table 9: Park Water Residential Tier Rate Differential Changes[346]

	Current	Proposed	Alternative
Park Water			
Tier 1	75%	65%	30%
Tier 2	100%	100%	100%
Tier 3	169%	160%	180%

Cal Advocates argues that Park Water's current tier rates do not follow the best practice of setting the medium tier (such as a Tier 2 in a 3-tier rate structure) to the Standard Quantity Rate (SQR) and setting the lower tier below SQR to encourage conservation, while setting the higher tier differential higher than the SQR.[347] Cal Advocates argues Park Water's current rate design does not encourage conservation.[348]

According to Park Water, Cal Advocates proposes setting Park Water's Tier 2 rates as equal to the SQR.[349] Cal Advocates proposes adopting a Tier 2 quantity rate that is Park Water's SQR to promote conservation and benefit low-rate users, as Park Water's Tier 2 rate is currently higher than its SQR.[350]

Park Water characterizes Cal Advocates proposal as one that keeps Tier 1 rates the same and incorporating any difference in revenues into Tier 3 rates in order to

346 Cal Advocates OB at 130.

347 Cal Advocates OB at 131.

348 Cal Advocates OB

349 Liberty Utilities OB at 82.

350 Cal Advocates OB at 132.

provide low usage customers with rate benefits .[351] Park Water proposes two changes to Cal Advocates' proposal: (1) 50% movement of Tier 2 rates towards SQR to reflect the principle of gradualism and avoid any rate shock to customers and (2) both Tier 1 and Tier 3 rate increase at a uniform percentage."[352]

Park Water's argues that its alternative proposal results in moderate increases in Tier 1 and Tier 3 rates, while moving the Tier 2 rates towards SQR (*i.e.*, 100%). Accordingly, Park Water argues that its alternative proposal results in more moderate changes in all customers' bills and should be adopted. Additionally, with respect to Cal Advocates' recommendation that the same Tier 1 and Tier 3 rates should apply regardless of whether Park Water's request for a revenue decoupling program is adopted, Park Water continues to propose that Tier 1 and Tier 3 rates be set at 30% and 180% respectively to mitigate bill impacts for customers in Tier 1 and Tier 3.

Cal Advocates rejects Park Water's proposed modifications to its recommendations of: (1) gradually moving Tier 2 rates toward SQR by implementing 50% of the move towards 100% SQR for Tier 2; and (2) uniformly making increases to Tier 1 and 3 rates be made under the position that both modifications "would result in lower-water users paying more for the benefit of higher water users in Tier 3, inconsistent with rate design's water conservation objectives (such as aligning the middle tier to SQR)."[353] We note that such an outcome also conflicts with our goals as developed in the Environmental and Social Justice (ESJ) action plan, and as discussed further below in Section 11.___.

[351] Liberty Utilities OB at 82.

[352] *Ibid*.

[353] Cal Advocates OB at 132.

The record supports approval of Cal Advocates' proposed rate-design framework with respect to quantity rate ratios because its targeted modifications strengthen affordability and maintain fairness. Increasing lower tier rates while simultaneously reducing tier differentials in higher tiers requires those conserving water to pay more per unit for the benefit of those consuming more water. Similarly, the principle of gradualism is not a reason to keep lower tiered rates higher to reduce rate impacts on users in higher tiers; doing so distorts conservation incentives while subsidizing use of customers less inclined to conserve, and is inconsistent with ESJ action plan goals

Park Water shall enhance its CAP by increasing eligibility thresholds and discount levels to mitigate affordability impacts on low-income and essential-use customers. Park Water shall file a Tier 2 Advice Letter within 90 days of this decision proposing specific program improvements. Attached hereto as Appendix B and incorporated herein by reference is a list of all Tier 2 Advice Letter Compliance Filing Requirements.

Park Water shall conduct an updated cost-allocation and elasticity study in its next GRC to evaluate evolving consumption patterns, affordability metrics, and the effectiveness of conservation pricing.

In addition, Park Water shall include in that study: (1) a district-level affordability analysis applying Pub. Util. Code section 739.8 metrics; (2) evaluation of CAP participation rates and targeted outreach strategies; and (3) quantification of drought-period revenue variance to assess whether current balancing accounts adequately stabilize recovery.

We Order Park Water to collaborate with Cal Advocates in refining standardized affordability indicators to be used across all Class A water utilities for future GRC rate-design analyses, ensuring consistent evaluation of affordability outcomes.

This approach maintains cost-of-service integrity while addressing equity concerns, ensuring that Park Water's rates remain just and reasonable and consistent with the Commission's statutory and policy objectives.

10.2. Rates, Revenue and Rate Design for AVR

The parties litigated the issue of rate design for AVR. With respect to revenue allocation, like Park Water, AVR currently collects 40% of its revenue from fixed charges and 60% from quantity charges (40/60 split).[354] With respect to Quantity Rate Ratios, like Park Water, AVR' current Tier 2 rate is higher than the SQR.[355]

10.2.1. Revenue Allocation

In support of its 30/70 split, should the Commission authorize its request for revenue decoupling, AVR presents the same argument as it did for Park Water.[356] Alternatively, AVR, just like Liberty's proposal in Park Water, proposes a 50/50 split if there is no decoupling.[357] Because the rationale for AVR' revenue allocation is the same as its rationale in Park Water discussed directly above, we need not duplicate that discussion here.

For the reasons as noted directly above, in section 10.1, the Commission adopts a rate design and revenue allocation that adopts M-WRAM with a 45/55 modification to

[354] Liberty Utilities OB at 83.

[355] *Id*. at 85.

[356] *Id*. at 83-85.

[357] *Id*. at 83-84.

the fixed/variable splits just and reasonable.

10.2.2. Quantity Rate Ratios

Currently AVR's Tier 2 rate is higher than the SQR.[358] Cal Advocates proposes setting AVR's Tier 2 rates equal to the SQR.[359] AVR proposes changes in quantity rates and determined that Cal Advocates' proposed changes related to Tier 2 rates – setting AVR's Tier 2 rates equal to SQR – results in minimal impact on customer bills and accepts these proposed changes related to Tier 2 rates.[360] AVR proposes that Tier 1 and Tier 3 rates be set at 30% and 180% respectively to mitigate bill impacts for customers in the third tier should the Commission authorize revenue decoupling.[361]

For Tier 2 rates, the Commission adopts the parties' proposal to set Tier 2 rates equal to SQR. For Tier 1 and 3 rates, the Commission supports approval of Cal Advocates' proposed rate-design framework with respect to quantity rate ratios for Tier 1 and Tier 3 rates because its targeted modifications promote conservation and maintain fairness for the same reasons as noted directly above, in section 0.

11. Environmental and Social Justice (ESJ) Action Plan

The Commission is committed to addressing the inequities that create barriers for citizens seeking safe and affordable utility services. In February 2019, we adopted the Environmental and Social Justice (ESJ) Action Plan. The ESJ Action Plan 2.0 was adopted in 2022. The ESJ Action Plan sets nine goals that establish a roadmap to

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358 Liberty Utilities OB at 85.

359 *Ibid*.

360 *Ibid*.

361 *Ibid*.

improve services to targeted communities and expand public inclusion in the Commission's decision-making process.

ESJ communities include those that may be subject to a disproportionate impact from one or more environmental hazards, or that are likely to experience disparate implementation of environmental regulations and socioeconomic investments in their communities. With respect to these communities, the Commission considers: (1) whether the proposed action may have a disproportionate impact on service quality and availability of service in the community, or (2) whether the proposed action may have a disproportionate safety impact or burden on the community.

ESJ Action Plan Goal 3 provides that the Commission will "[s]trive to improve access to high-quality water . . . services for ESJ Communities." ESJ Action Plan Objective 3.2 addresses water customer resilience, "Support ESJ customers and communities with discounted rates for low-income customers and sustainable systems." (ESJ Action Plan 2.0, p. 24). The decision includes funding for Park Water and AVR programs. The tiered rate program adopted in this decision ensures customers have the lowest possible costs for basic needs. These programs directly support ESJ customers and communities, providing low-income ratepayers and payment assistance across each of these water utilities' districts. Therefore, we find that our ESJ goals are reasonably met.

12. Motion to Establish Interim Rates and Related Memorandum Account

Pursuant to the Scoping Memo schedule, by a ruling dated May 30, 2025, the assigned ALJ granted Park Water and AVR's Interim Rates Motion to establish interim rates and a memorandum account, noting that a final Commission decision may likely not be issued by July 1, 2025. We affirm the ALJ's ruling and make further provision herein for amortizing the accumulated balance in the memorandum account by December 31, 2026.

13. Admittance of Exhibits into the Record

This decision affirms the ALJ's ruling at the October 22, 2024, Evidentiary Hearing admitting all identified exhibits into the record. All motions not ruled on regarding exhibits are deemed denied.

14. Joint Motion to Seal

Pursuant to Rules 11.4 and 11.5 of the Commission's Rules, the parties filed a joint motion on January 9, 2025, for leave to file various exhibits as confidential.

Park Water and AVR' 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, Park Water and AVR: (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 Park Water and AVR.

Park Water requests confidential treatment of the following exhibits:

1. Exhibit LIB-28C – Park Rebuttal (CONFIDENTIAL)
2. Exhibit LIB-30C – Errata (October 8, 2024)
   Park Rebuttal (CONFIDENTIAL)
3. Exhibit LIB-53C – GO Section 2 Workpapers (CONFIDENTIAL)
4. Exhibit LIB-62C – Park Section 4 Workpapers (CONFIDENTIAL)
5. Exhibit LIB-63C – Park Section 5 Workpapers (CONFIDENTIAL)

AVR requests confidential treatment of the following exhibits:

6. Exhibit LIB-27C – Apple Valley Ranchos Rebuttal (CONFIDENTIAL)
7. Exhibit LIB-29C – Errata (October 8, 2024) Apple Valley Ranchos Rebuttal
(CONFIDENTIAL)
8. Exhibit LIB-35C – Apple Valley Ranchos Section 4 Workpapers (CONFIDENTIAL)
9. Exhibit LIB 36C – Apple Valley Ranchos Section 5 Workpapers (CONFIDENTIAL)

Cal Advocates requested confidential treatment of the following:

1. Exhibit CalAdv-02-C - Public Advocates Office Report on General Office Expenses and Rate Base (CONFIDENTIAL)
2. Exhibit CalAdv-03-C - Public Advocates Office Report on Operations and Maintenance Expenses, Admin and Gen Expenses, Payroll, and Conservation (CONFIDENTIAL)[362]

We agree that this information is sensitive and grant the request for confidential to maintain the evidence under seal.

15. Public Comments Received

The Commission held four PPHs in these consolidated proceedings. On July 30, 2024, one in-person PPH was held for Park Water and one remote PPH was held on July 31, 2024. On July 29, 2024, one in-person PPH was held for AVR and one remote PPH was held on July 31, 2024. The remote PPHs were held to

[362] Joint Motion to Seal Portions of the Evidentiary Record.

provide Liberty's customers with an opportunity to communicate directly with the Commission regarding the Applications and the proposed rate increases.

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

Speakers raised concerns regarding the affordability of Park Water and Apple Valley Rancho's requests and the impacts on their communities. Many speakers on fixed incomes stated that the requested rate increases were too high and exceeded the rate of inflation and cost of living adjustments. Several speakers also stated that there have been many rate increases over the past several years and that their rates are higher than those of other local water providers. Speakers also commented that their communities are currently facing challenges due to effects of inflation and economic uncertainty. Several speakers spoke on the poor quality of the water that both companies allegedly offer customers.

Many speakers also expressed opposition to the proposed increases to the fixed service charge. Speakers stated that the increased service charge will decrease incentives for conservation since customers will have to pay more for using less water. A few speakers in Park Water's service territory commented on issues with meter misreadings or billing errors.

In addition to the comments at the PPHs, 51 written public comments were submitted in these consolidated proceedings prior to the submission of the record in this proceeding. Twenty-five of the comments addressed AVR's application while twenty-six of them addressed Park Water's application.

With respect to the public comments on the Park Water application, 100% of the twenty-six comments expressed opposition to Park Water's proposed rate increase. Poor economic conditions, being on a fixed income, being low-income, the characterization of Park Water as a monopoly, and any increase being unjustified were some of the reasons offered for opposition to the rate increase. Eighty percent of the comments on the application believed that the rate increase was unjustified. Several public comments on the Park Water application noted inaccurate water readings resulting in exorbitant charges.

With respect to the twenty-five public comments on the AVR application, twenty-three of the comments expressed opposition to AVR' proposed rate increase while two comments expressed support for the increase. The reasons presented for opposition to the increase were allegations that AVR is a monopoly and the proposed rate increases are exorbitant and outrageous. One public commenter indicated that AVR should be decreasing its rates. Another person commented that AVR' attestation that a rate increase is needed to support improvements to infrastructure was not supported by the record. Half of the comments that expressed opposition to the increase pointed to many customers being on fixed incomes and not being able to afford a rate increase. The person who commented that they supported the rate increase indicated that the need for capital improvements supported it.

16. Comments on Alternate Proposed Decision

The alternate proposed decision of Commissioner Darcie L. Houck in this matter was mailed on April 10, 2026 to the parties in accordance with § 311 of the Pub. Util.

Code and comments were allowed under Rule 14.3. On April 30, 2026 Liberty, CWA, and Cal Advocates filed opening comments to the Proposed Decision (PD) and the APD. On May 5, 2026 Liberty, CWA, and Cal Advocates filed Reply Comments.

In Comments Liberty asserts that the APD unwarrantedly rejects or fails to properly consider evidence submitted by Liberty in support of its showing.[363]

Liberty argues that the commission should adopt the PD forecast for General Office, Head Office, Telemetry, Credit Card Fees, and that the Commission should reject APD findings due to improper consideration of evidence.[364] Liberty contends that the APD adopts Cal Advocates' forecast despite multiple errors and does not mention Cal Advocates' failure to escalate recorded costs to 2022 dollars before escalating them to 2025 dollars.[365]

Liberty recommends that the Commission adopt the PD's forecast for Customer First capital and O&M costs. Liberty asserts that the APD unreasonably excludes Customer First from Rate Base and disallows O&M expenses related to the same. Liberty asserts that the APD commits legal and factual error by failing to consider evidence that was properly admitted into the record. Liberty claims that it is undisputed that Customer First is used and useful and that the costs in rate base correspond to the amount authorized in D.23-02-003.[366]

Liberty requests that the Commission adopt the PD's forecast for Regulatory Commission expenses. Liberty states that the argues that the APD refuses to consider

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[363] Liberty Opening Comments, at 4

[364] Id, at 5-6

[365] Id, at 6-7

[366] Id, at 7-9

materials that the ALJ admitted to the record, and only considers one year of expenses despite regulatory expenses being incurred over a three-year cycle.[367]

Liberty requests that the Commission adopt Liberty's 4% labor escalation rate because it corresponds to its contractually obligated labor expense granted during 2023.[368] Liberty also requests that the Commission adopt Liberty's forecast of STIP and merit-based compensation because it asserts that the APD ignores customer benefits tied to performance targets.[369] Liberty requests that the Commission adopt its forecast of insurance premium escalation because it argues that the APD disregards evidence of escalating healthcare costs.[370]

Liberty requests that the Commission adopt its water sales forecast for both Park Water and AVR because the APD's consideration of the issue does not consider the factors established by D.20-08-047.[371]

Liberty requests that the Commission adopt the PD's treatment of previously authorized projects.[372] Liberty also requests that the Commission adopt its requested capital escalation factor as it uses the same methodology the Commission has adopted in past GRC decisions.[373] Liberty's opening comments also assert that the Commission should adopt its forecast for Consultant/Design, Inspections, and Miscellaneous

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[367] Id, at 10-11.

[368] Id, at 12.

[369] Id at 13.

[370] Id at 14.

[371] Id at 15.

[372] Id at 16-17

[373] Id at 17.

Charges for pipeline projects because those are regularly incurred costs on pipeline projects.[374]

Liberty requests that the Commission reject the PD and APD's removal of Wells 28D, 4B, 28B, 40D, 41A from recorded plant. Liberty asserts that while Wells 4B and 40D were slated to be shutdown to comply with PFAS MCLs, the delay in implementation of those MCLs allows "Park Water to delay the shutdown for this GRC cycle."[375] Liberty asserts that the PD and APD commit factual error by removing Wells 28B and 41A because those wells are anticipated to be reactivated during this GRC cycle, and that Park Water is "in the process of bringing [Well 28D] into service."[376]

Liberty requests that the Commission authorize Park Water's forecast for the Compton East Well project including the related land purchase.[377] Liberty also requests that the Commission authorize AVR's Well 34 building.

With regard to Special Requests, Liberty argues that the Commission should adopt its Water Conservation Program because it asserts that the program promotes conservation and denial of it is inconsistent with the directives of Public Utilities Code Section 727.5. Liberty also asserts that the rate design schema in the APD falls under the floor set by the Commission in D.16-12-026 and therefore commits legal error.[378]

[374] Id at 19

[375] Id at 19

[376] Id at 20.

[377] Id at 21-22

[378] Id at 22-23

Liberty also requests that the Commission adopt its proposed modification to the PFASMA to allow capital carrying costs.[379]

CWA objects to the APD's rationale for rejecting Liberty's proposal for full revenue decoupling. CWA asserts that the APD runs contrary to state climate adaption policy including Senate Bill (SB) 1469[380] and misunderstands the relationship between decoupling mechanisms and conservation – namely, that by stabilizing revenue recovery, decoupling removes financial disincentive for conservation and makes tiered conservation rate designs possible.[381] We reiterate that SB 1469 requires the Commission to consider decoupling mechanisms, but does not require that we authorize them, as noted in the APD.

CWA also asks that if the Commission does not authorize decoupling, then it should at least grant Liberty's proposal to increase its fixed charge, in order to mitigate the risk of not recovering the revenue required to deliver safe and reliable water.[382] CWA also criticizes the APD's reliance on Standard Practice U-7-W to justify adopting the rate design proposed by Public Advocates Office, on that basis that this Standard Practice is outdated. [383]

In response to comments, we allow Customer First to remain in rate base but order Liberty to provide more information regarding it in its next GRC, we authorize Liberty's Compton East Well and Land Purchase, and we adopt Liberty's capital

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[379] Id at 23-24

[380] CWA Opening Comments at 8; CWA Reply Comments at 3.

[381] CWA Opening Comments at 8-9; CWA Reply Comments at 3.

[382] CWA Opening Comments at 10-11; CWA Reply Comments at 4.

[383] CWA Opening Comments at 10-11.

escalation factor. We also revised the APD to clarify the relationship between conservation and decoupling.

We revised the APD to increase Liberty's fixed charge cost recovery and remove references to Standard Practice U-7-W.

In response to comments on the proposed decision, corrections and clarifications have been made throughout this decision as appropriate.

17. Assignment of Proceeding

Commissioner Darcie L. Houck is the assigned Commissioner and Margery L. Melvin is the assigned ALJ and the presiding officer in this proceeding.

Findings of Fact

General Background (§ 1)

1. Park Water and Apple Valley Ranchos are Class A water companies subject to this Commission's jurisdiction.
2. Liberty is the parent company and owns both Park Water and Apple Valley Ranchos.
3. The interested parties investigated all issues as set forth in the assigned Commissioner's scoping memorandum and ruling.
4. Cal Advocates actively investigated this application and performed extensive discovery.

Uncontested Issues (§ 3)

5. The parties reached stipulations for each of the issues listed in the Joint Statement of the Public Advocates Office, Liberty Utilities (Apple Valley Ranchos) Corp., Liberty Utilities (Park Water) Corp. and California Water Association, Attachment 2, filed on October 11, 2024. These items are no longer in dispute.

6. Water Sales Forecast & Water Supply Forecast (§ 5)

7. Park Water and Apple Valley Rancho's water sales forecasts to calculate customer consumption conform to the Commission's guidance in the Rate Case Plan (RCP) adopted in D.07-52-062.

8. Cal Advocates identified flaws with Park Water's forecast methodology.

9. Park Water revised its forecast in rebuttal testimony in response to Cal Advocates' criticism. Park Water's revised forecast remains lower than Cal Advocates' forecast but is higher than Park Water's original forecast by 0.76 percent.

10. Park Waters's revised forecast failed to address all of the modeling concerns expressed by Cal Advocates.

11. Cal Advocates' forecast is based on an average of the last five years of consumption weighted so that the most recent years affect the average more than the less recent years.

12. Park Water's supply forecast is a function of its water supply mix and includes purchased water and pumped water costs.

13. Park Water took Wells 28B, 41A, 46C out of service to address water quality concerns.

14. After Park Water filed its GRC Application in January 2024, the Final PFAS National Primary Drinking Water Regulation was adopted in 2024, establishing federal PFAS MCLS with initial monitoring commencing by 2027 and full compliance by 2029.

15. Park Water's Well 9D has operational limitations (hydraulic and treatment plant) but increasing its capacity to the level proposed by Cal Advocates represents a return to Park Water's 5-year average utilization of Well 9D.

16. AVR's water sales forecast was developed using the same methodology as Park Water's, and suffers from the same flaws Cal Advocates identified in Park Water's.

17. Park Water, AVR, and Cal Advocates all argue that their water supply should be set based on the resolution of sales forecasts.

General Office (§ 6.1)

18. Park Water and Apple Valley Ranchos' unallocated Test Year General Office forecast exceeds its 2022 unallocated forecast by 41.75%

19. Cal Advocates' forecast methodology is based on a 5-year average of Liberty's recorded General Office expenses.

20. Liberty's recommended forecast for General Office represents a significant rate increase compared to a relatively stagnant customer base.

21. Cal Advocates' forecast of General Office expense includes Head Office Expenses.

Customer First (§ 8.6.1)

22. Customer First project was an enterprise-wide, multi-year implementation to replace and improve legacy computer systems for all the Algonquin utilities, including Apple Valley Ranchos and Park Water, and the project estimates used to forecast the costs are based on an allocation of those estimates.

23. To substantiate the costs associated with Customer First, Liberty submitted 144 pages of invoices with only the following text: "The total project costs incurred since the inception of the Customer First project through August 2024 are provided as confidential attachments. In addition, Liberty provides a sample of capital and maintenance invoices."

Telemetry Account (§ 6.10)

24. Park Water and Apple Valley Ranchos' forecast of the costs associated with telemetry, network, internet, SCADA, phone lines, and wireless plans for cell phones is based on an average of the two most recent recorded years (2021-2022) consistent with the timing of the change in recording practice for telemetry expenses.

25. For the Telemetry Account, Park Water and Apple Valley Ranchos use a five-year average with a $53,244 deduction to Park Water's initially reported 2024 recorded expense and a deduction of $9,130 to Apple Valley Ranchos' 2024 recorded expense for their respective forecasted 2025 Telemetry Account budget.

Credit Card Fees (§ 6.13)

26. Cal Advocates' Test Year forecast of credit card fees correctly estimates credit card expenses.

Labor & Non-Labor Expense Escalation (§ 7.1)

27. For the years 2025 and 2026, Park Water and Apple Valley Ranchos' forecast of labor and non-labor expenses includes an annual increase of 4%, which corresponds to the merit increase rate granted during 2023.

28. The Commission's Rate Case Plan (RCP) requires Cal Advocates to publish escalation factors for use in GRCs.

29. For the years 2025 and 2026, Cal Advocates suggested use of labor and non-labor expense escalation factors that it published pursuant to the Rate Case Plan (RCP).

30. Pursuant to the Rate Case Plan (RCP), utilities are permitted to forecast Test Year estimates using any reasonable and appropriate methodology.

Escalation Factors (§ 7)

31. Park Water and Apple Valley Ranchos used estimated escalation factors for those expenses where escalation provided the most reasonable estimate and applied that escalation to recorded expenses over a multi-year period as part of the averaging methodology.

32. The companies' Test Year period in this GRC use a fiscal year of July 1, 2025, through June 30, 2026, rather than the 2025 calendar year.

Forecast of 2026 Expenses (§ 7.3)

33. Both Park Water and Apple Valley Ranchos included an average of the forecasts for those calendar years (2025 and 2026) in those categories of expenses as they are necessary to develop an accurate project of the applicable Test Year period.

Water Conservation (§ 6.3)

34. Both Park Water and Apple Valley Ranchos' Water Use Efficiency Plan (WUEP) was updated in 2023 to forecast program needs to continue to provide customers with effective and efficient programs that help save water, assist with affordability, and comply with recent conservation regulations.

35. Both companies currently implement 13 conservation measures listed in the WUEP, including water loss, water waste enforcement, landscape and irrigation codes, public information and outreach, residential high efficiency toilet distribution, residential hot water recirculating pump rebate, residential and commercial outdoor survey, residential water budgets, residential and commercial drip irrigation kits, residential weather-based irrigation controllers, residential fixture distribution, commercial weather based irrigation controller, and, only for Park Water, an emergency leak repair program.

36. There are six additional conservation measures planned for customer assistance and regulatory compliance includes residential turf removal, commercial turf removal, spray rinse nozzle distribution, school landscape equipment retrofit, commercial incentives, surveys and equipment replacement, and high efficiency urinal direct install.

37. Park Water and Appley Valley Ranchos base their respective water conservation expenses on their proposed 20-program water conservation plan.

Mailing Service Expenses (§ 6.4)

38. Park Water and Apple Valley Ranchos base their respective mailing expenses on their forecast of five-year average recorded costs from 2019 to 2023, with no reduction in amount to account for paperless billing.

Regulatory Commission Expenses (§ 6.5)

39. Park Water and Apple Valley Ranchos' Regulatory Commission Expenses are based on the last GRC proceedings recorded costs escalated to the Test Year plus anticipated consulting costs associated with sales and customers forecasts, rate design, working capital, and updates to Water Use Efficiency Plan (WUEP).

40. Liberty's most recent WUEP contained only minor changes to a prior WUEP.

Merit & STIP (§ 6.6)

41. Park Water and Apple Valley Ranchos' compensation model consists of two main components – base wages and at-risk compensation.

42. Park Water and Apple Valley Ranchos' compensation philosophy is at the 50th percentile of the market.

43. Park Water and Apple Valley Ranchos' compensation model includes both short-term incentive programs (STIP) and merit.

44. Liberty's STIP targets are tied to shareholder benefits and do not provide ratepayer benefit.

45. Liberty awarded its staff performance-based incentive pay while simultaneously failing to meet Commission ordered customer service standards and failing to comply with drinking water standards.

Insurance (§ 6.7)

46. For insurance premiums, Park Water and Apple Valley Ranchos utilized recorded costs based on 2023 insurance premiums, forecasted annual increase of 9% in 2024, 12% in 2025 and 9% in 2026 and averaged the totals to derive the Test Year forecast.

47. Park Water and Apple Valley Ranchos' insurance premiums increased by an average of 16% from years 2022 to 2024.

48. Comparing its insurance premiums from 2022 to 2024, Park Water and Apple Valley Ranchos' insurance premiums increased approximately 34%.

49. Cal Advocates proposed insurance costs that used the Rate Case Plan's prescribed processes for escalation.

Medical, Dental & Vision Insurance Benefits (§ 6.8)

50. Park Water and Apple Valley Ranchos' Test Year forecast for medical, dental, and vision insurance costs were calculated based on rates anticipated to be in effect as of January 1, 2025, along with 5% annual increases.

Cal Advocates recommends using the escalation rates published by its energy cost of service branch to forecast the insurance premium expense, as directed by the rate case plan.

Travel, Business Meals, Office Supplies, Employee Membership (§ 6.9)

51. Park Water and Apple Valley Ranchos provided insufficient general ledger transaction details to support the expense categories of Travel, Lodging and Miscellaneous, Business Meals, Office Supplies, and Employee Membership.

52. Park Water and Apple Valley Ranchos expenses for Travel, Lodging and Miscellaneous, Business Meals, Office Supplies were self-promoting, and an unreasonable expense imposed upon ratepayers.

Operating Expenses – Park Water Only (§ 6.2.1)

Purchased Water, Purchased Power & Leased Water Rights – Park Water Only (§ 6.2.1.1)

53. Park Water used the 2023 actual unit cost per AF of $127.41, for forecasting Purchased Water, Power Water, Replenishment, and Leased Water Rights.

T&D Operating Meter Expenses - Park Water Only (§6.2.2)

54. Park Water used a five-year average of recorded costs from 2109 to 2023 in forecasting T&D Operating Meter Expenses.

55. In forecasting its Test Year forecast of T&D Operating Meter Expenses in the Other – T&D Meter Exp account, Park Water included meters-related operations and maintenance costs and is based on a five-year average of recorded costs from 2019 to 2023.

Positions – Park Water Only (§ 6.2.1.2)

56. Park Water needs to add a Facilities Manager position to its workforce.

57. Park Water needs to add a senior manager engineering position to its workforce.

58. The new Facilities Manager position for Park Water does not overlap with the other existing roles cited by Cal Advocates (i.e. – positions cited by Cal Advocates such

as the Customer Care Supervisor, the Field Service Supervisor, and the Fleet Supervisor positions that Cal Advocates claims are being handled by other existing roles).

59. The new Senior Manager, Engineering position serves as an essential role in planning and designing facilities, project managements, construction administration, and supervising, training and recruiting of engineering personal for Park Water.

60. Liberty mischaracterized the nature of the Senior Manager, Engineering position in its initial application and testimony and changed its description in rebuttal testimony.

Replenishment Make-Up Assessment – Apple Valley Ranchos Only (§ 6.14)

61. Apple Valley Ranchos incurs Replenishment Make-up Assessments in connection with its water production from the Mojave River Basin.

62. Apple Valley Ranchos forecast of the Replenishment Make-up Assessment Expenses is based on two-year recorded average with an estimated unit cost of $35 per AF for its makeup water obligation, resulting in a total make-up water expense of $33,024 annually for years 2025, 2026 and 2028.

63. Apple Valley Ranchos' forecast for makeup water obligation utilizing a two-year recorded average with an estimated unit cost of $35 per AF is based on more current data than Cal Advocates' estimated unit cost utilizing a five-year average.

Positions – Apple Valley Ranchos Only (§ 6.14)

64. Liberty withdrew its prior request for one Facilities Manager position dedicated to Apple Valley Ranchos, and, instead, consolidated its request for two Facilities Managers positions to a single Facilities Manager position which will be split between Apple Valley Ranchos and Park Water.

Utility Plant (§ 8.1)

65. Park Water and Apple Valley Ranchos deferred many projects, and it substituted other projects.

66. Park Water and Apple Valley Ranchos did not provide project-by-project justification for deferring previously authorized projects.

67. Park Water and Apple Valley Ranchos methodology, California Construction Cost Index (CCCI), for forecasting the capital escalation rate of is based on a five-year average that includes two years of atypical increases stemming from cost increases related to the COVID-19 pandemic.

68. Cal Advocates submitted a capital escalation rate based on cost increases from 2016-2020.

69. Park Water and Apple Valley Ranchos' proposal to replace aged meters with new ones is necessary.

70. All of Park Water and Apple Valley Ranchos' project cost estimate adjustments (consultant/design, inspections, miscellaneous charges) on its Pipeline Replacement Projects for Park Water and Apple Valley Ranchos are contested.

71. Park Water and AVR's Consultant/Design charge of $75,000 per project are substantiated by only 2 vendor quotes showing a fee $57,300 and an optional task of $24,445.

72. Park Water and AVR's Inspections forecast $240/hour rate is excessive as compared to what they have recently been quoted by vendors.

73. Park Water and AVR propose additional miscellaneous charges of between $100,000 and $200,000 for each project without substantiation, except for the CBMR – 16 – Area 41 & Target – Phase 2 pipeline project.

74. Park Water and Apple Valley Ranchos' proposal for a five-year average of recorded costs from 2018 to 2022, then escalated to 2022 dollars forecast for emergency main replacement, hydrants, and services is necessary.

Disputed Utility Plant Items

Park Water (§ 8.6.6.1 through 8.6.6.4)

75. Park Water's Bellflower Norwalk Water System will install the second phase of a main installation, named the Area 41 & Target Phase 2 Project, which connects a Norwalk neighborhood and a major commercial center to provide a looped water system that will improve the system's reliability and increase fire flow capacity.

76. Park Water has two existing groundwater wells in the Compton East system, Well 4B and Well 9D. Well 4B was drilled in 1952 and is 73 years old now and it is declining in production.

77. Park Wark's system operational needs require 2 new generators: an additional 400 kW mobile generator for newer facilities with greater power needs and a new 75 kW generator to replace one of the existing, but elderly, stationary generators.

78. Park Wark's system operational needs require treatment systems at Wells 46C and 41A to remove PFOS and PFOA.

79. Park Water is timely in seeking Commission authority for PFOS and PFOA treatment facilities in this proceeding.

80. The land associated with Park Water's new Compton East Well is necessary for the new well.

81. Cal Advocates is able to investigate the prudence of Park Water's project management of PFOS and PFOA treatment projects in subsequent GRCs and can challenge imprudent expenditures for exclusion from rate base.

82. There is no certainty that Park Water can find alternative funding for PFOS and PFOA treatment projects.

83. Park Water can provide testimony in the next GRC detailing its efforts to find and secure full or partial alternative funding for PFOS and PFOA treatment projects.

84. Park Water made an inconsistent showing to justify an Electric Vehicle (EV) Stations and Infrastructure Project. This project can be reconsidered in a subsequent GRC upon a complete showing by Park Water or by Tier 3 advice letter.

85. Park Water's Well 28 D was delayed for over 10 years and was only completed in 2022 but is still not in-service. The well has been included in rates in the past and then excluded from rates more recently.

86. Excluding Well 28 D from rate base at this time protects ratepayers from paying for a plant still not in service.

87. Four of Park Water's wells, 4B, 28B, 40D, 41A four wells, 4B, 28B, 40D, 41A are out of service. Excluding them from rate base at this time will protect ratepayers from paying for a plant still not in service.

88. Well 12C is fully operational. Liberty is taking steps to remediate the odor issues related to this well.

89. The miscellaneous building fixtures for Park Water's Downey Office are unnecessary to provide utility service.

Apple Valley Ranchos (§ 8.7.1 – 8.7.4)

90. Apple Valley Ranchos' new building at Well 34 could enhance security and abate noise issues.

91. Apple Valley system includes four abandoned wells, and two wells have been put on an inactive status over the last 10 years.

92. Apple Valley Ranchos' has remaining 18 wells: five were constructed in the 1950s or 60s and four were constructed in the 1980s. Of the four wells abandoned in recent years, one was constructed in 1953 and the other three were constructed in or after 1985.

93. Apple Valley Ranchos is currently meeting maximum day demand.

94. Apple Valley Ranchos can drill new wells at two of its existing well sites.

95. Apple Valley Ranchos is filing a separate application for a new office building. The proposed solar vehicle charging facility can be examined in that separate application for either Commission approval or denial.

Special Requests (§ 9)

Water Revenue Adjustment Mechanism (WRAM)/Modified Cost Balancing Account (MCBA) (§ 9.1)

96. Park Water's 2022 Water Revenue Adjustment Mechanism (WRAM)/Modified Cost Balancing Account (MCBA) will not be final until the active surcharge concludes in accordance with Advice Letter 332-W-A.

97. Once the surcharge ends in the fourth quarter of 2024, Park Water will be able to determine the final 2022 and prior WRAM balance which will then be submitted for recovery.

98. Park Water must file an advice letter once the active surcharge concludes and must amortize the final balance in its 2022 Water Revenue Adjustment Mechanism Account (WRAM)/Modified Cost Balancing Account (MCBA).

Conservation Expense One-Way Balancing Account (CEWOBA) (§ 9.2)

99. The Conservation Expense One-Way Balancing Account (CEWOBA) allows Park Water and Apple Valley Ranchos to track the difference between the actual program expenses and authorized program expenses for rate cycle 2019-2021.

100. The CEWOBA was authorized to track conservation program costs specifically for rate cycle period from July 1, 2019, through June 30, 2022, for Park Water and Apple Valley Ranchos.

101. Discontinuing the Conservation Expense One-Way Balancing Account (CEWOBA), transferring the over-collected balance to the Consolidated Expense Balancing Account (CEBA), refunding the over-collected balance to customers, and closing the CEWOBA account would allow Park Water and Apple Valley Ranchos to track the conservation program for rate cycle period from July 1, 2019 to June 30, 2022 and refund the over-collected balances to customers as authorized in D.20-09-019, and through Advice Letter 337-W-A.

102. It is necessary for Park Water and Apple Valley Ranchos to close their respective CEOWBA and transfer the residual balance to their respective CEBA and refund the residual balance to their respective customers.

Catastrophic Event Memorandum Account (CEMA) (§ 9.5)

103. A Catastrophic Event Memorandum Account (CEMA), authorized in D.19-07-015, allows Park Water and Apple Valley Ranchos to record costs incurred associated with a catastrophic event where the Governor of California or the President of the United States has declared a state of emergency.

104. The Commission determined that the CEMA for Park Water and Apple Valley Ranchos should be continued to allow for the recovery of the under-collected balance from this account.

105. Sativa Revenue Memorandum Account (SRMA) (§ 9.7)

106. A Sativa Revenue Memorandum Account (SRMA), authorized in Advice Letter 321-W-A, would allow Park Water to track the customers' share of the revenue (30%) of the net revenue associated with the non-tariffed products and services (NTPS) contract with the Water District of the City of Sativa (Sativa).

107. It is necessary for the Commission to review the over-collected balance in the SRMA, approve any refunds of the over-collected balance from the account after review, and approve termination of the account after refunds have been dispersed.

Consolidated Expense Balancing Account (CEBA) (§ 9.8)

108. A Consolidated Expense Balancing Account (CEBA) would allow Park Water and Apple Valley Ranchos to consolidate the amortization of Commission approved balancing accounts and memorandum accounts where appropriate.

109. In D.20-09-019, the Commission authorized the recovery or refund of balances from eight balancing and memorandum accounts for Park Water.

110. Consolidating these accounts through the CEBA simplifies billing while maintaining transparency.

111. It is necessary for Park Water to refund the over-collected balance in the CEBA account to customers and continue the account without modifications.

Tax Cuts and Jobs Act Memorandum Account (TCJA) (§ 9.9)

112. It is necessary to transfer the residual balance recorded in its Tax Cuts and Jobs Act Memorandum Account (TCJA) to the Consolidated Expense Balancing Account

(CEBA) so that Park Water and Apple Valley Ranchos can refund the surcredit balance to customers as authorized in D.23-02-003.

Employee and Retiree Healthcare Balancing Account (ERHBA) (§ 9.10)

113. It is necessary to transfer the over-collected balance in its Employee and Retiree Healthcare Balancing Account (ERHBA) to the Consolidated Expense Balancing Account (CEBA) to enable Apple Valley Ranchos to consolidate the amortization of Commission approved balancing accounts and memorandum accounts where appropriate and mitigate customer confusion.

Revenue Decoupling Program (§ 9.1)

114. Park Water and Apple Valley Ranchos each request authorization to implement a new, full revenue decoupling mechanism, the Water Conservation Program (WCP).

115. The WCP consists of two new balancing accounts – the Consumption Revenue Balancing Account (CRBA) and the Consumption Cost Balancing Account (CCBA).

116. The WCP is designed to accommodate fully decoupled revenues and sales and track differences between recorded volumetric revenues and Commission-authorized expenses.

117. Liberty's customers conserved more in 2023 relative to 2022 after its WRAM was terminated.

118. Liberty requested implementation of a sales reconciliation mechanism in opening briefs, but there are no facts in the evidentiary record regarding that mechanism.

Polyfluoroalkyl Substances Memorandum Account (PFASMA) (§ 9.3)

119. Park Water requests Commission approval to modify its existing Polyfluoroalkyl Substances Memorandum Account (PFASMA) to include capital-related costs necessary to comply with national drinking water regulations for the six per- and polyfluoroalkyl and polyfluoroalkyl substances (PFAS).

120. Liberty's Special Request for modification of the Polyfluoroalkyl Substances Memorandum Account (PFASMA) for Park Water is necessary to provide safe water.

121. On September 9, 2020, Liberty Park Water submitted Advice Letter 302-W requesting establishment of the PFASMA to track the incremental operating costs related to PFAS pursuant to resolution (Resolution) W-5226.

122. The Resolution only allowed companies to establish memorandum accounts to track expenses related to PFAS, not capital carrying costs.

123. Park Water requests a revision to its existing PFASMA to include carrying costs at Park Water's rate of return on all incremental capital investments to address treatment for PFAS based on the established MCLs.

124. Park Water's requests $3.7 million in anticipated capital costs despite having no existing plans to construct treatment facilities for PFAS affected wells.

Rate Design (§ 10)

125. The Commission authorized Park Water and Apple Valley Ranchos to implement maintain its existing Monterey Style Water Rate Adjustment Mechanism (M-WRAM) structure.

126. Pursuant to their last GRC, Park Water and Apple Valley Ranchos authorized revenue allocation split authorized Park Water and Apple Valley Ranchos to recover

40% of their authorized revenue requirement through fixed service charges and 60% through quantity charges.

127. In this current GRC, Park Water and Apple Valley Ranchos seek to decrease the portion of their authorized revenue requirement recovery through fixed service charges to 30% and increase the portion recovered through quantity charges to 70% contingent upon the Commission adopting a decoupling mechanism.

128. To mitigate bill impact concerns on customers, Park Water and Apple Valley Ranchos' proposed quantity rate ratio for its rate design framework for Park Water and Apple Valley include: (1) moving Tier 2 rates 50% towards Single Quantity Rate (SQR) to reflect the principle of gradualism and avoid rate shock to customers; and (2) increasing rates of both Tier 1 and Tier 3 customers at a uniform percentage.

129. AVR and Park Water's current Tier 2 rate is above the SQR.

130. Increasing lower tier rates while simultaneously reducing tier differentials in higher tiers requires those conserving water to pay more per unit for the benefit of those consuming more water.

131. Cal Advocates' proposed quantity rate ratios for its rate design framework for Park Water and Apple Valley Ranchos promotes water conservation and benefits low water users.

Park Water Miscellaneous Revenues (§9.4, 9.7)

132. Effective December 24, 2022, the Commission approved Advice Letter 330-W, which authorized the establishment of the Suburban Revenue Memorandum Account (SRMA) and affirmed that the executed contract between Park Water and Suburban Water Systems complies with Non-Tariff Product and Services (NTPS) rules.

133. The purpose of the SRMA is to track customers' share (30%) of the net revenue associated with the NTPS contract between Park Water and Suburban Water Systems.

134. It is necessary for Park Water to continue the SRMA and reject Cal Advocates' request to classify all revenue from the NTPS contract as miscellaneous revenue to comply with the adopted NTPS rule.

135. For 2025, Park Water has two active Suburban Non-Tariff Product and Services (NTPS) contracts.

136. One of the two active NTPS contracts that Park Water has is with HomeServe, a provider of service line emergency repairs insurance, and allows for the use of Park Water's marks in HomeServe's marketing communications to Park Water's customers.

137. The second active NTPS contract that Park Water has is with the City of Bell Gardens and allows Park Water to operate the city's water system.

138. Pursuant to Rule X of the Commission's Affiliate Transaction Rules covering active NTPS contracts, non-incremental costs are charged to utility expense and incremental costs are charged to the contract and borne by shareholders, 100% of the first $100,000 of revenues, net of incremental costs, is allocated to ratepayers, and the remainder of the revenues, associated with active contracts are allocated 10% to ratepayers.

139. It is necessary for Park Water to treat the contract between Park Water and Sativa Los Angeles County as a Suburban Non-Tariff Products and Services (NTPS) Contract with 30% of the revenues from the agreement shared with customers and establishing the Sativa Revenue Memorandum (SRMA) to track customers' share of revenue from the contract.

140. The Commission adopts Liberty's interpretation of the NTPS contract where the first $100,000 in Other Operating Revenue is attributed to ratepayers with $73,496 for a total of $51,850 to ratepayers for Park Water's TY 2025 miscellaneous revenues as a result of Park Water's contract with Bell Gardens.

Environmental & Social Justice (§ 11)

141. In 2022, the Commission adopted the updated Environmental and Social Justice Action Plan.

142. A moderated tiered-pricing structure that maintains conservation incentives but reduces tier differentials improves affordability for essential-use consumption.

143. Liberty's low-income and other customer-assistance programs ensure customers have the lowest possible costs for basic needs.

Conclusions of Law

1. As the applicants, Park Water and Apple Valley Ranchos have the burden of affirmatively establishing the reasonableness of all aspects of their applications.
2. The standard of proof the applicant must meet in rate cases is that of a preponderance of the evidence.
3. All the forecasts and ratemaking mechanisms we find to be reasonable should be approved.
4. Park Water's and Apple Valley Ranchos' revenue requirements and rate increases as set forth in this decision are just and reasonable
5. We find reasonable and adopt the stipulations for each of the issues listed in the Joint Statement of the Public Advocates Office, Apple Valley, Park Water and California Water Association, Attachment 2, filed on October 11, 2024.

6. Cal Advocates submitted a more reasonable forecast of Water Sales than Park Water and Apple Valley Ranchos.
7. Because the Commission adopts Cal Advocates' forecast of water sales, it is reasonable to adopt Cal Advocates' proposal with respect to Park Water and Apple Valley Ranchos' water supply.
8. A five-year average with a $53,244 deduction to Park Water's initially reported 2024 recorded expense and a deduction of $9,130 to Apple Valley Ranchos 2024 recorded expense for Liberty's 2025 Telemetry Account – General Office budget is just and reasonable.
9. Liberty's test year forecast using Cost Allocation Manual (CAM) allocation factors and anticipated headcount and non-labor expenses that are expected for this rate cycle, escalated to 2025 dollars, is unreasonable as it is 41.75% higher than Liberty's recorded unallocated costs.
10. Cal Advocates' forecast for General Office expenses, based upon a five-year average of historical recorded costs, is reasonable.
11. Liberty's forecast for the Customer First IT project is reasonable.
12. Liberty's proposal to adopt O&M Annual Maintenance Costs are reasonable for the Customer First IT project.
13. Cal Advocates' forecast of General Office expenses is inclusive of Credit Card Fees.
14. Park Water's methodology, using the 2023 actual unit cost per AF of
15. $127.41, for forecasting Purchased Water, Power Water, Replenishment, and Leased Water Rights is just and reasonable.
16. Park Water's request to add a Facilities Manager position to its workforce

is just and reasonable.

17. Park Water's request to add a Senior Manager Engineering position is just and reasonable.
18. Park Waters requests to use a five-year average of recorded costs from 2019 to 2023 in forecasting T&D Operating Meter Expenses is just and reasonable.
19. Park Water use of a 4% escalation rate for the following expense categories: Operation-Other, Customer-Other, Maintenance-Other, Outside Services, A&G-Other, and Taxes-Other, is unreasonable.
20. Cal Advocates' suggested use of the Commissions' pre-approved escalation factors, per the Commission's RCP, for Liberty's labor and non-labor expense escalation expenses is reasonable.
21. Liberty's escalation rates for business, medical, dental, vision and insurance is contrary to the Rate Case Plan.
22. Cal Advocates' recommendation to use CPI-U escalation factors to calculate the test-year insurance premium expenses for business, medical, dental, vision and insurance expenses is, just and reasonable.
23. Liberty's request for Commission authorization of a 0.56% uncollectible expense rate for Park and 0.49% for Apple Valley Ranchos is just and reasonable.
24. Park Water's proposal base water conservation expense on its proposed 20-program water conservation plan is just and reasonable.
25. Apple Valley Ranchos Water's proposal base water conservation expense on its proposed 20-program water conservation plan is just and reasonable.
26. Park Water and Apple Valley Ranchos Water's conservation measures for

its Water Use Efficiency Plan include the following: water loss, water waste enforcement, landscape and irrigation codes, public information and outreach, residential high efficiency toilet distribution, residential hot water recirculating pump rebate, residential and commercial outdoor survey, residential water budgets, residential and commercial drip irrigation kits, residential weather-based irrigation controllers, residential fixture distribution, commercial weather based irrigation controller and for Park Water only, an emergency leak repair program.

27. Six additional conservation measures planned for customer assistance and regulatory compliance for Park Water and Apple Valley Ranchos includes residential turf removal, commercial turf removal, spray nozzle distribution, school landscape equipment retrofit, commercial incentives, survey sand equipment replacement, and high efficiency urinal direct install.
28. Park Water's proposal to use base mailing expenses on Park Water's forecast of five-year average recorded costs from 2019 to 2023 with no reduction in amount to account for paperless billing, is just and reasonable.
29. Apple Valley Ranchos' proposal to use base mailing expenses on Park Water's forecast of five-year average recorded costs from 2019 to 2023 with no reduction in amount to account for paperless billing, is just and reasonable.
30. Cal Advocates' proposal for Regulatory Commission Expenses forecast for TY 2025 is just and reasonable.
31. Park Water's proposal and Merit and STIP methodology for Merit and STIP as essential compensation elements in Liberty's compensation forecast for TY 2025 is unreasonable.

32. Apple Valley Ranchos' proposal and Merit and STIP methodology for Merit and STIP as essential compensation elements in Liberty's compensation forecast for TY 2025 is unreasonable.
33. Park Water's forecasted expenses for travel and other expenses for TY 2025 as requested, were not reasonable.
34. Apple Valley Ranchos' forecasted expenses for travel and other expenses for TY 2025 as requested, were not reasonable.
35. AVR's forecast of the Replenishment Make-up Assessment Expenses is based on two-year recorded average with an estimated unit cost of $35 per AF for its makeup water obligation.
36. AVR's forecast of the Replenishment Make-up Assessment Expenses is reasonable.
37. Park Water deferred a large number of projects, and it substituted other projects.
38. Apple Valley Ranchos deferred a large number of projects, and it substituted other projects.
39. Cal Advocates raised reasonable concerns regarding for the scope of Park Water and Apple Valley Ranchos' deferrals in this proceeding.
40. The authorization of collection for all of Park Water's deferred projects would be unreasonable at this time.
41. The authorization of all collection for all of Apple Valley Ranchos' deferred projects would be unreasonable at this time.
42. Park Water should seek approval of the projects, also labeled as "previously authorized projects," authorized but never completed from its 2022 GRC via Tier 3 advice letter once they are used and useful.

43. Apple Valley Ranchos should seek approval of the projects, also labeled as "previously authorized projects," authorized but never completed from its 2022 GRC via Tier 3 advice letter once they are used and useful.
44. If those previously authorized projects were completed consistent with the scope approved by the Commission and the request is at or below the previously authorized budget cap, those projects can be submitted via Tier 2 advice letter.
45. Park Water should seek to package rate base offsets into a single advice letter for both administrative efficiency and to minimize the number of rate requests outside of the GRC process.
46. Apple Valley Ranchos should seek to package rate base offsets into a single advice letter for both administrative efficiency and to minimize the number of rate requests outside of the GRC process.
47. Liberty's methodology, for forecasting the capital escalation rate of 6.08 for Park Water and Apple Valley Ranchos' construction cost is just and reasonable.
48. Park Water's proposal to replace aged meters with new ones is just and reasonable.
49. Apple Valley Ranchos' proposal to replace aged meters with new ones is just and reasonable.
50. All of Park Water's project cost estimate adjustments (consultant/design, inspections, miscellaneous charges) on its Pipeline Replacement Projects for Park Water are unreasonable except for the miscellaneous charges for the CBMR – 16 – Area 41 & Target – Phase 2 pipeline project.

51. All of Apple Valley Ranchos' project cost estimate adjustments (consultant/design, inspections, miscellaneous charges) on its Pipeline Replacement Projects for Apple Valley Ranchos unreasonable.

52. Park Water and Apple Valley Ranchos' proposal for a five-year average of recorded costs from 2018 to 2022, then escalated to 2022 dollars forecast for emergency main replacement, hydrants, and services is just and reasonable.

53. Park Water and AVR's forecast for Emergency Main Replacements, Hydrants, and Services are just and reasonable.

54. It is reasonable to require Liberty to provide the following information regarding Customer First expenses in its next GRC filing:
    a. Specific expert testimony detailing a full breakdown of recorded costs supporting the $16.193 million amount recorded in rate base.
    b. Invoices showing costs incurred by AVR and Park Water related to Customer First.
        i. All invoices should be accompanied by explanation of what costs those invoices correspond to.
    c. Testimony containing an explanation of the calculation that led to Liberty's self-invoiced amount of $7,769,942, invoiced 4/28/2023.
    d. Testimony containing anexplanation of any external labor costs associated with Customer First including any consultant invoices.

55. Park Water's main installation projects named Area 41 & Target Phase 2 Project are just and reasonable.

56. Park Water's requests to purchase land and to construct a new well in the Compton East water system are reasonable.

57. Park Water's request to purchase two new generators is just and reasonable.

58. It is reasonable to require Park Water to do the following:

a. Park Water is required to pursue the project as proposed at the forecast cost proposed as necessary and reasonable to protect ratepayers from harmful PFOS and PFOA exposure;

b. Park Water will record the costs in a new Wells 46C and 41A PFOS & PFOA Mitigation Recovery Memorandum Account (Wells 46C and 41A to remove PFOS and PFOA); and

c. Park Water may only seek recovery of the Wells 46C and 41A to remove PFOS and PFOA in its next GRC.

59. It is reasonable to require Park Water to provide specific expert testimony and all detailed documentary evidence on the efforts it undertook to actively pursue financial recovery for the PFOS and PFOA mitigation costs in the next GRC it files.

60. Park Water's request to install a planned Electric Vehicle Station and Infrastructure project was poorly substantiated.

61. It is the state policy of California to pursue vehicle electrification.

62. It would be reasonable to allow Park Water to file a Tier 3 Advice Letter to substantiate its Electric Vehicle Station request.

63. It is reasonable to remove from recorded plant assets that are not used and useful including Wells 28D, 4B, 28B, 40D, and 41A.

64. AVR's request to acquire land to build a new well is unreasonable in light of its ability to drill new wells on land it already owns.

65. It is reasonable to require Park Water and Apple Valley Ranchos to present testimony on their methodology for estimating and managing their capital expenditures in their next general rate case.

Special Requests (§ 8.9)

66. Park Water's Special Request to implement a full revenue decoupling mechanism, the Water Conservation Program (WCP) is unreasonable.
67. Park Water's request to implement a sales reconciliation mechanism is unreasonable without record support.
68. Cal Advocates' recommendation to maintain a Monterey-Style Water Rate Adjustment Mechanism (M-WRAM) in Park Water is reasonable.
69. AVR's Special Request to implement a full revenue decoupling mechanism, the Water Conservation Program (WCP) unreasonable.
70. Cal Advocates' recommendation to maintain a Monterey-Style Water Rate Adjustment Mechanism (M-WRAM) in AVR is reasonable.
71. Park Water's Special Request to establish the Conservation Memorandum Account for Park is reasonable.
72. AVR's Special Request to establish the Conservation Memorandum Account s is reasonable.
73. Park Water's Special Request for modification of the Polyfluoroalkyl Substances Memorandum Account (PFASMA) is unreasonable.
74. AVR's Special Request for modification of the Polyfluoroalkyl Substances Memorandum Account (PFASMA) is unreasonable.
75. Park Water's Request to transition from a Monterey-style Water Rate Adjustment Mechanism (WRAM) and Incremental Cost Balancing Account (ICBA) to the proposed Consumption Revenue Balancing Account (CRBA) and Consumption Cost Balancing Account (CCBA) is bit authorized.

76. Park Water is authorized to file an advance letter seeking recovery of the final balance of its 2022 WRAM/MCBA and request closure of this account.

77. Park Water is authorized to apply the under-collected balance in its Customer Assistance Program (CAP) Reallocation Balancing Accounts through December 31, 2023, to the surcharge rate funding discounts provided to qualified low-income customers.

78. Park Water is authorized to transfer balances in its Conservation Expense One-Way Balancing Accounts (CEOWBA) to its Consolidated Expense Balancing Accounts (CEBA) and then close those accounts.

79. Park Water is authorized to recover the recorded balances in its Catastrophic Event Memorandum Accounts through December 31, 2023.

80. Park Water is authorized to continue tracking of the customers' share of revenue in its Suburban Revenue Memorandum Account and file an Advice Letter to refund the balance to customers following termination of the contract.

81. Park Water is authorized to refund the recorded balance in its Sativa Revenue Memorandum Account (SRMA) through December 31, 2023.

82. Park Water is authorized to recover or refund recorded balances in their respective CEBAs through December 31, 2023.

83. Park Water is authorized to transfer recorded balances in its Tax Cuts and Jobs Act Memorandum Accounts to its CEBAs through December 31, 2023.

84. Park Water is authorized to recover the recorded balance in its Incremental Cost Balancing Accounts (ICBA) – Potable through December 31, 2023.

85. Park Water is authorized to recover the recorded balance in its ICBA – Recycled Water through December 31, 2023.

86. Apple Valley Ranchos' Request to transition from a Monterey-style Water Rate Adjustment Mechanism (WRAM) and Incremental Cost Balancing Account (ICBA) to the proposed Consumption Revenue Balancing Account (CRBA) and Consumption Cost Balancing Account is not authorized.
87. Apple Valley Ranchos' request to implement a sales reconciliation mechanism is unreasonable without record support.
88. Appley Valley Ranchos is authorized to refund the over-collected balance in its Water Rate Adjustment Mechanism (WRAM) and Modified Cost Balancing Account (MCBA) and close that account.
89. Apple Valley Ranchos is authorized to apply the under-collected balance in its Customer Assistance Program (CAP) Reallocation Balancing Accounts through December 31, 2023, to the surcharge rate funding discounts provided to qualified low-income customers.
90. Apple Valley Ranchos is authorized to transfer balances in its Conservation Expense One- Way Balancing Accounts (CEOWBA) to its Consolidated Expense Balancing Accounts (CEBA) and then close those accounts.
91. Apple Valley Ranchos is authorized to recover the recorded balances in its Catastrophic Event Memorandum Accounts through December 31, 2023.
92. Apple Valley Ranchos is authorized to recover or refund recorded balances in their respective CEBAs through December 31, 2023.
93. Apple Valley Ranchos is authorized to transfer recorded balances in its Tax Cuts and Jobs Act Memorandum Accounts to its CEBAs through December 31, 2023.

94. Apple Valley Ranchos is authorized to transfer the recorded balance in its Employee and Retiree Healthcare Balancing Account (ERHBA) to its CEBA through December 31, 2023.

95. Apple Valley Ranchos is authorized to recover or refund the recorded balance in its ICBA Irrigation through December 31, 2023.

96. It is reasonable to authorize a rate design recommendation for Park Water and Apple Valley Ranchos with a revenue allocation that adopts a limited revenue decoupling program with a 45/55 fixed to variable revenue split.

97. Cal Advocates' respective proposed rate-design framework for Park Water and Apple Valley Ranchos regarding quantity rate ratios is reasonable.

98. Park Water's request to have the contract between Park Water and Sativa Los Angeles Country treated as a Suburban Non-Tariff Products and Services (NTPS) Contract with 30% of the revenues from the agreement being shared with customers as well as the establishment of the Sativa Revenue Memorandum (SRMA) to track customers' share of revenue from the contract is reasonable.

99. The Commission adopts Liberty's interpretation of the NTPS contract where the first $100,000 in Other Operating Revenue is attributed to ratepayers for a total of $51,850 to ratepayers for Park Water's TY 2025 miscellaneous revenues as a result of Park Water's contract with Bell Gardens.

Environmental and Social Justice Action Plan (§ XX)

100. Park Water and Apple Valley Ranchos are in compliance with the Commission's current Environmental and Social Justice Action Plan

101. A.24-01-002 et. al should be closed.

O R D E R

IT IS ORDERED that:

1. Liberty Utilities Park Water (Park Water) Corp. is granted $42,528,764 in revenue requirement for Test Year 2025 in this general rate case, and also $43,588,764 and $44,674,359for attrition years 2026 & 2027, respectively. Appendix C, Tables A through G, shows the adopted revenue requirement and rate base as well as the various expenses and other calculations necessary to fully implement this decision. Park Water Company must file a Tier 1 Advice Letter to implement the rates and charges authorized in this decision for rates effective July 1, 2025.

2. Liberty Utilities Apple Valley Ranchos Water Company (Apple Valley Ranchos) Corp. is granted $28,305,000in revenue requirement for Test Year 2025 in this general rate case, and also $29,208,000 and $30,026,605 for attrition years 2026 & 2027, respectively. Appendix A and B, Tables A through G, shows the adopted revenue requirement and rate base as well as the various expenses and other calculations necessary to fully implement this decision. Apple Valley Ranchos must file a Tier 1 Advice Letter to implement the rates and charges authorized in this decision for rates effective July 1, 2025.

3. For Test Year 2025, within 60 days of the issuance of this decision, Liberty Utilities (Park Water) Corp. shall submit Tier 1 advice letters with revised tariff schedules in compliance with this decision and to concurrently cancel their present schedules for such service. These advice letters are subject to approval by the Commission's Water Division.

4. For Test Year 2025, within 60 days of the issuance of this decision, Liberty

Utilities (Apple Valley Ranchos) Corp. shall submit Tier 1 advice letters with revised tariff schedules in compliance with this decision and to concurrently cancel their present schedules for such service. These advice letters are subject to approval by the Commission's Water Division.

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

(a) Park Water's Request to transition from a Monterey-style Water Rate Adjustment Mechanism (M-WRAM) and Incremental Cost Balancing Account (ICBA) to the proposed Consumption Revenue Balancing Account (CRBA) and Consumption Cost Balancing Account (CCBA) is not authorized. Park Water shall keep using its current M-WRAM.

(b) Park Water is authorized to file an advance letter seeking recovery of the final balance of its 2022 WRAM/MCBA and request closure of this account.

(c) Park Water is authorized to apply the under-collected balance in its Customer Assistance Program (CAP) Reallocation Balancing Accounts through December 31, 2023, to the surcharge rate funding discounts provided to qualified low-income customers.

(d) Park Water is authorized to transfer balances in its Conservation Expense One-Way Balancing Accounts (CEOWBA) to its Consolidated Expense Balancing Accounts (CEBA) and then close those accounts.

(e) Park Water is authorized to recover the recorded balances in its Catastrophic Event Memorandum Accounts through December 31, 2023.

(f) Park Water is authorized to continue tracking of the customers' share of revenue in its Suburban Revenue Memorandum Account and file an Advice Letter to refund the balance to customers following termination of the contract.

(g) Park Water is authorized to refund the recorded balance in its Sativa Revenue Memorandum Account (SRMA) through December 31, 2023.

(h) Park Water is authorized to recover or refund recorded balances in their respective CEBAs through December 31, 2023.

(i) Park Water is authorized to transfer recorded balances in its Tax Cuts and Jobs Act Memorandum Accounts to its CEBAs through December 31, 2023.

(j) Park Water is authorized to recover the recorded balance in its Incremental Cost Balancing Accounts (ICBA) – Potable through December 31, 2023.

6. Park Water is authorized to recover the recorded balance in its ICBA – Recycled Water through December 31, 2023.

7. Treatment of Liberty Utilities (Apple Valley Ranchos Water) Corp.'s balancing and memorandum accounts is approved as set forth in this decision:

a. Apple Valley Ranchos' Request to transition from a Monterey-style Water Rate Adjustment Mechanism (WRAM) and Incremental Cost Balancing Account (ICBA) to the proposed Consumption Revenue Balancing Account (CRBA) and Consumption Cost Balancing Account is not authorized. Apple Valley Ranchos shall keep using its current M-WRAM.

b. Appley Valley Ranchos is authorized to refund the over-collected balance in its Water Rate Adjustment Mechanism (WRAM) and Modified Cost Balancing Account (MCBA) and close that account.

c. Apple Valley Ranchos is authorized to apply the under-collected balance in its Customer Assistance Program (CAP) Reallocation Balancing Accounts through December 31, 2023, to the surcharge rate funding discounts provided to qualified low-income customers.

d. Apple Valley Ranchos is authorized to transfer balances in its Conservation Expense One-Way Balancing Accounts (CEOWBA) to its Consolidated Expense Balancing Accounts (CEBA) and then close those accounts.

e. Apple Valley Ranchos is authorized to recover the recorded balances in its Catastrophic Event Memorandum Accounts through December 31, 2023.

f. Apple Valley Ranchos is authorized to recover or refund recorded balances in their respective CEBAs through December 31, 2023.

g. Apple Valley Ranchos is authorized to transfer recorded balances in its Tax Cuts and Jobs Act Memorandum Accounts to its CEBAs through December 31, 2023.

h. Apple Valley Ranchos is authorized to transfer the recorded balance in its Employee and Retiree Healthcare Balancing Account (ERHBA) to its CEBA through December 31, 2023.

8. Apple Valley Ranchos is authorized to recover or refund the recorded balance in its ICBA Irrigation through December 31, 2023.

9. Liberty Utilities (Park Water) Corp.'s request to continue its Conservation Program known as the Water Use Efficiency Plan (WUEP) is authorized. Park Water

must file a Tier 1 Advice Letter to include the WUEP in its Preliminary Statement and all 20 programs are included for Test Year 2025 and escalation years.

10. Liberty Utilities (Apple Valley Ranchos Water) Corp.'s request to continue its Conservation Program known as the Water Use Efficiency Plan (WUEP) is authorized. Apple Valley Ranchos must file a Tier 1 Advice Letter to include the WUEP in its Preliminary Statement and all 20 programs are included for Test Year 2025 and escalation years.

11. Liberty Utilities (Park Water) Corp.'s request to establish a Conservation Memorandum Account to track incremental costs associated with the new conservation regulation proposed by the State Water Resources Control Board (State Board), "Make Conservation a California Way of Life" is authorized. Park Water must file a Tier 1 Advice Letter to include "Make Conservation Way of Life" in their Preliminary Statements.

12. Liberty Utilities (Apple Valley Ranchos Water) Corp.'s request to establish a Conservation Memorandum Account to track incremental costs associated with the new conservation regulation proposed by the State Water Resources Control Board (State Board), "Make Conservation a California Way of Life" is authorized. Apple Valley Ranchos must file a Tier 1 Advice Letter to include "Make Conservation Way of Life" in their Preliminary Statements.

13. Liberty Utilities (Park Water) Corp. is authorized to continue its Customer Assistance Programs. Park Water must file a Tier 1 Advice Letter updating the program in its Preliminary Statements.

14. Liberty Utilities (Apple Valley Ranchos Water) Corp. is authorized to continue it Customer Assistance Programs. Apple Valley Ranchos must file a Tier 1 Advice Letter updating the program in its Preliminary Statements.

15. Liberty Utilities (Park Water) Corp.'s proposed plan on the Modification to the Polyfluoroalkyl Substances Memorandum Account (PFASMA) is not authorized.

16. Liberty Utilities (Apple Valley Ranchos Water) Corp.'s proposed plan on the Modification to the Polyfluoroalkyl Substances Memorandum Account (PFASMA) is not authorized.

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

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

19. For each escalation year 2026 and 2027, Liberty Utilities (Park Water) Corp shall submit Tier 1 advice letters in conformance with General Order 96-B proposing new revenue requirements and corresponding revised tariff schedules. The advice letters must follow the escalation procedures set forth in the Revised Rate Case Plan for Class A Water Utilities adopted in

Decision 07-05-062, or its successor, and must include supporting workpapers.

20. For each escalation year 2026 and 2027, Liberty Utilities (Apple Valley Ranchos Water) Corp. shall submit Tier 1 advice letters in conformance with General Order 96-B proposing new revenue requirements and corresponding revised tariff schedules. The advice letters must follow the escalation procedures set forth in the Revised Rate Case Plan for Class A Water Utilities adopted in Decision 07-05-062, or its successor, and must include supporting workpapers.

21. Liberty Utilities (Park Water) Corp. shall file their next General Rate Cases in accordance with the schedule set forth in the Revised Rate Case Plan for Class A Water Utilities adopted in Decision 07-05-062, or its successor.

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

Project Forecast Methodology (§ 8.8)

23. Park Water and Apple Valley Ranchos shall, in their next general rate cases, serve specific detailed exhibit(s) with supporting testimony that clearly demonstrate they have adopted and embedded in their operations a formal system for designing and managing their capital expenditures or an industry standard and professionally recognized and documented system of cost engineering management best practices.

Semiannual Report on Project Status

24. For all construction or other capital acquisitions approved in this decision Liberty Utilities (Park Water) Corp. must file a Semiannual Report on Project Status (SRPS) for its company with the Commission's Water Division and serve a copy on this proceeding's service list. Park Water must file within 14 days of the end of each reporting period. The SRPS must disclose the project(s) deferred and the approved costs from this proceeding for any project deferred or delayed from the scheduled in-service date as proposed by Park Water in its application and workpapers for this proceeding. It must also disclose the project(s) and costs which are pursued in lieu of the projects proposed and authorized in this decision. Park Water must also include a rationale and justification in the SRPS for selecting any deferred or delayed project. Secondly, Park Water must sponsor detailed expert testimony in the next GRC disclosing and explaining the deferral of any project authorized in this decision and the reason for the substituted project.

25. For all construction or other capital acquisitions approved in this decision Liberty Utilities (Apple Valley Ranchos Water) Corp. shall file a Semiannual Report on Project Status (SRPS) for its company with the Commission's Water Division and serve a copy on this proceeding's service list. Apple Valley Ranchos must file within 14 days of the end of each reporting period. The SRPS must disclose the project(s) deferred and the approved costs from this proceeding for any project deferred or delayed from the scheduled in-service date as proposed by Apple Valley Ranchos in its application and workpapers for this proceeding. It must also disclose the project(s) and costs which are pursued in lieu of the projects proposed and authorized in this decision. Apple Valley Ranchos must

also include a rationale and justification in the SRPS for selecting any deferred or delayed project. Secondly, Apple Valley Ranchos must sponsor detailed expert testimony in the next GRC disclosing and explaining the deferral of any project authorized in this decision and the reason for the substituted project.

26. Application 24-01-002 and 24-01-003 are closed.

This order is effective today.

Dated May 14, 2026, at San Francisco, California.

JOHN REYNOLDS
President
DARCIE L. HOUCK
KAREN DOUGLAS
MATTHEW BAKER
CHRISTINE HARADA
Commissioners

Appendix A – Liberty Apple Valley-Domestic Summary of Earnings, Ratebase, Taxes, Quantities, Bill Comparison

Appendix B – Liberty Apple Valley-Irrigation Summary of Earnings, Ratebase, Taxes, Quantities, Bill Comparison

Appendix C – Liberty Park Summary of Earnings, Ratebase, Taxes, Quantities, Bill Comparison

Appendix D – Liberty Utilities General Office Summary of Expense Allocation

Appendix E – Liberty Apple Valley Rate Schedules and Liberty Park Rate Schedules

Appendix F – Stipulated Issues