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

Application of Suburban Water
Systems (U339W) for Authority
to Increase Rates Charged for
Water Service by \$19,763,961
or 19.79% in 2024, by
\$6,392,906 or 5.49% in 2025,
and by \$6,387,993 or 5.20% in
2026.

Application 23-01-001

**REBUTTAL TESTIMONY OF CARMELITHA BORDELON
(CORRECTED)**

September 5, 2023 (original)

September 29, 2023 (corrected)

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1 **I. INTRODUCTION**

2 Q1. Please state your name and title.

3 A1. My name is Carmelitha Bordelon and I'm the Director of
4 Regulatory Affairs for Suburban Water Systems.

5
6 Q2. Have you previously provided testimony in this proceeding?

7 A2. Yes, I provided direct testimony in this proceeding.
8

9 **II. PURPOSE OF TESTIMONY**

10 Q3. What is the purpose of your rebuttal testimony?

11 A3. The purpose of my rebuttal testimony is to address the
12 claims and errors made by the Public Advocates ("Cal
13 Advocates") in:

- 14 • Executive Summary, Report on 2022 Recorded Data as it
15 relates to 2022 recorded data.
- 16 • Report and Recommendations on Operations and
17 Maintenance Expenses, Administrative and General
18 Expenses, Payroll, and Conservation, as it relates to
19 Uncollectible Expense, New Positions, Employee
20 Headcount, and Payroll.
- 21 • Report on Sales and Rate Design, as it relates to Rate
22 Design and Special Requests #11, 15, 17, and 18.
- 23 • Report and Recommendations on Customer Service, as it
24 relates to ESJ.

25
26 **III. CAL ADVOCATES'RELIANCE ON 2022 RECORDED DATA**

27 Q4. Cal Advocates states "Suburban's application estimated 2022
28 capital additions in its filing at \$36,897,574. In contrast

1 Suburban's recorded additions for 2022 were \$34,512,311. In
2 other words, Suburban recorded nearly 7% less in actual
3 capital additions than it estimated in its application.
4 This \$2.4 million discrepancy clearly illustrates the
5 importance of using the most up to date information in
6 forecasts. Ratepayers should not be expected to pay for the
7 cost, much less a shareholder profit on \$2.4 million of
8 projects that do not exist." Is this statement accurate?

9 A4. No. Suburban did estimate \$36.9M in 2022 for Company Funded
10 Capital Expenditures; however, Cal Advocates' claim that
11 only \$34.5M was spent in 2022 is false. Suburban's actual
12 Company Funded Expenditures, as reported in its 2022 Annual
13 Report to the Commission were \$38.8M¹ which is \$1.9M higher
14 than Suburban's 2022 estimate in the GRC filing.
15 Ironically, this demonstrates a recurring theme with Cal
16 Advocates' inconsistent reliance on 2022. Where it leads to
17 a lower rate increase, Cal Advocates chooses to rely on
18 2022 data. Where it leads to a higher rate increase, as is
19 the case here, Cal Advocates ignores, misconstrues, or
20 otherwise attempts to obscure the data.

21
22 The data provided to Cal Advocates in SIB-003 was clearly
23 labeled "Utility Plant Addition_Detail", meaning additions
24 to plant placed in service. The file contained details of
25 completed plant additions in 2022, i.e. Total Capital
26 Additions. However, Cal Advocates used the data as a proxy
27 for Company Funded Expenditures which is incorrect. Table 1

28

¹ Schedule A-1 of Suburban's 2022 Annual Report

explains the difference between Company Funded Expenditures and Total Capital Additions.

Company Funded Expenditures (SWS Model Table 6-1C – Capital Expenditures)	Total Capital Additions (SWS Model Table 6-2C – Utility Plant Capital Additions)
CWIP Expenditures (Current Year Only)	CWIP transfers to PP&E (Cumulative balance for all years)
Direct Additions	Direct Additions
New Business Additions	New Business Additions

Table 1

After misapplying the data in 2022, Cal Advocates then manually changed the beginning CWIP balances for 2023, 2024, and 2025 with no explanation or support for the changes. This resulted in a decrease in rate base of 1.2M in 2024 and 600K in 2025, in addition to the decrease of 2.4M resulting from the misconstrued data.

IV. CAL ADVOCATES' RECOMMENDATIONS RELATING TO UNCOLLECTIBLE EXPENSE, NEW POSITIONS, EMPLOYEE HEADCOUNT AND PAYROLL

A. Uncollectible Expense

Q5. Cal Advocates' recommends 0.14% as the rate for estimating uncollectible expense for Test Year 2024 Do you agree with this recommendation?

A5. No. While Suburban's average uncollectible expense for 2017-2021 is indeed 0.14%, this average fails to account for the effects of both Senate Bill 998, known as the Water Shutoff Protection Act (SB998), and the COVID19 emergency that began in February 2020 and March 2020 respectively.

Q6. What was the effect of SB998 and COVID on Suburban's uncollectible expenses?

A6. SB998 was signed into law by Governor Brown in September 2019 and it required urban and community water systems regulated by the Commission to comply with the bill's provision on or after February 1, 2020. Key to this legislation is the requirement that water utilities regulated by the Commission, "...shall not discontinue residential service for nonpayment until a payment by a customer has been delinquent for at least 60 days."

	Number of Days Prior to Feb 1, 2020	Number of Days After Feb 1, 2020
Bill Mailed to Customer	0	0
Payment Due from Customer	19	19
Customer eligible for disconnection for non-payment	20	79

Suburban implemented SB998 as required in February 2020 but the effects of the extended period for payment without risk of disconnection could not be analyzed because they were shortly after comingled with the effects of the COVID19 emergency.

On March 4, 2020, Governor Newsom declared a state of emergency and took drastic measures to slow the spread of the COVID-19 virus. Among the measures taken was Executive Order N-42-20 which suspended the authority of urban and community water systems to discontinue service. N-8-20 set the end to the shut-off moratorium on September 30, 2021. On July 15, 2021, the CPUC issued D.21-07-029 which

1 extended the shutoff moratorium to February 1, 2022 for
2 regulated water utilities.

3
4 Q7. When did Suburban resume disconnection activities and how
5 did this affect uncollectible expenses?

6 A7. Although Suburban was allowed to resume disconnections on
7 February 1, 2022, resumption was delayed until August 2022
8 to give customers the most generous terms allowable under
9 CPUC rules.

10
11 Suburban submitted a request for arrearage payments under
12 the California Water Arrearage Payment Program. No
13 customers were disconnected until after the funds were
14 received and applied to their accounts in April 2022.

15
16 Once arrearage grants were applied to eligible customers'
17 accounts, in May 2022 Suburban automatically enrolled all
18 customers who were more than 60 days past due with balances
19 of \$50 or greater into a 12-month arrearage management
20 plan. This automatic enrollment amounted to a clean slate
21 for customers. Their balances were no longer considered
22 past due and they were given an additional 60 days to make
23 payments in accordance with the plan's guidelines before
24 becoming at risk of disconnection due to non-payment. This
25 meant the first possible disconnection date for any
26 customer was August 2022. Suburban was the only Commission-
27 regulated water utility that adopted this customer-centric
28 plan.

Q8. Why is it important to consider uncollectible expenses booked to the Catastrophic Event Memorandum Account (CEMA) as well as those booked to account 775 - Uncollectible Expense?

A8. Suburban's account 775 - Uncollectible Expense does not tell the full story. Since March 2020, Suburban has limited recording uncollectable expenses to the amount adopted in its prior rate case decision. Without the protection afforded by the CEMA, Suburban's Uncollectible Expense would be far greater. At this time, it is impossible to know how much of the increase in Uncollectible expense is related to SB998 and how much is related to COVID19; however, the trend towards customers defaulting at far higher rates than seen before February 2020 has continued at extremely high levels in 2022.

	2018 2017	2019 2018	2020 2019	2021 2020	2022 2021
Uncollectibles Expense*	80,260	92,866	136,513	154,831	114,000
Uncollectibles Expense Recorded to CEMA	-	-	-	1,211,162	1,361,545
Uncollectibles Expense, Adjusted	80,260	92,866	136,513	1,365,993	1,475,545
Total Water Revenue**	76,276,815	81,593,249	80,828,099	87,294,483	94,560,997
Uncollectibles Rate, Adjusted	0.11%	0.11%	0.17%	1.56%	1.56%

Five Year Average 0.70%

* 2018 2017 - 2021 Uncollectible expense per A.23-01-001 Suburban's Workpapers Vol I Confidential (GRC application), tab MODEL, H25791:L25791

** 2018 2017 - 2021 Total Water Service Revenues per A.23-01-001 Suburban's Workpapers Vol I Confidential (GRC application), tab MODEL, H1054:L1054

Cal Advocate's request to use a five-year average is acceptable if the five years in question are adjusted for COVID related anomalies. The average should be based on the reality Suburban faces in the future, not on the minimal expenses that only exist as long as the CEMA is activated. Suburban's adjusted five-year average Uncollectible Expense

1 rate for 2017 - 2021 is 0.70%. Therefore, the Commission
2 should reject Cal Advocate's recommended 0.14%
3 Uncollectible Expense rate and adopt Suburban's proposed
4 uncollectible rate of .45%, which is far more reasonable
5 and is clearly conservative.

6
7 **B. New Positions**

8 Q9. Cal Advocates recommends the Commission neither authorize
9 Suburban's requested 2024 Test Year (TY) plant budget, nor
10 two new positions. Do you agree?

11 A9. No. Cal Advocates' evaluation of Suburban's required plant
12 additions and staffing needs is flawed and should be
13 rejected. For a detailed discussion of Suburban's capital
14 projected capital expenditures, see the rebuttal testimony
15 of Jorge Lopez.

16
17 Q10. According to Cal Advocates, the two new positions are not
18 needed because Suburban will wait until 2025 to advertise
19 them. Why is their logic incorrect?

20 A10. Suburban's plan to fill the new positions in 2025 is
21 logical and prudent. When considering staffing needs,
22 Suburban anticipates when existing resources will no longer
23 be adequate and additional employees will be needed. The
24 idea that new employees are not needed at all because they
25 are not needed in 2024 is illogical. Suburban is not
26 requesting recovery of the employees' expenses until 2025,
27 so hiring in 2025 is the best course. Suburban, prudently,
28 will not begin the hiring process without receiving

1 approval from the Commission and based on the current
2 procedural schedule Suburban does not anticipate a decision
3 until 2024. After the decision, it will take several months
4 to onboard the new employees. Suburban's proposed schedule
5 provides sufficient time after the decision to identify the
6 right candidates for the positions. Suburban can perform
7 all required work but at a higher cost because of reliance
8 on external consultants to support work.

9
10 Q11. Are the two new positions only needed if Suburban's capital
11 plan is approved?

12 A11. No. Suburban has been using external consultants to support
13 its capital budget for several rate cases and, by adding
14 the requested positions, can reduce our dependency on
15 consultants. Internal labor is much less costly than using
16 external consultants. External consultants charge higher
17 rates because they need to cover overhead and profits. They
18 are also less responsive than internal employees because
19 they have other clients. Internal staff provide better
20 customer service and a superior work product because they
21 are more familiar with the water systems, operations
22 personnel, permitting, and inspection requirements within
23 Suburban's service area.

24
25 Q12. Should the Commission only authorize Suburban's existing
26 137 employee positions?

27 A12. No. The Commission should reject Cal Advocate's
28 recommendation of 137 employees and adopt Suburban's

proposal of 139 positions, which includes the two new proposed positions.

C. Frictional Unemployment Adjustment

Q13. In the GRC filing, Suburban included an adjustment for frictional unemployment of \$438,000. Cal Advocates recommends adjustment of \$586,240. Is an increase in the adjustment for frictional unemployment supported by the facts of this case?

A13. No, Cal Advocate's recommendation is not supported. Cal Advocates claimed the \$586,240 was based on actual vacancies for 2022. However, we were unable to arrive at the same number using Cal Advocates' methodology. The 438K adjustment made by Suburban encompassed all vacancies beginning June 1, 2021 through October 17, 2022². Cal Advocate's additional adjustment is unwarranted. The Commission should reject Cal Advocate's recommended adjustment to frictional unemployment of 586K and adopt Suburban's proposed adjustment of 438K.

D. Performance-Based Compensation

Q14. Does performance-based compensation primarily benefit shareholders rather than ratepayers as stated by Cal Advocates?

A14. Two things can be true at the same time. It is true that shareholders benefit when employees are incentivized to focus on goals such as safety, customer service, lowering

² Data Request DG-12 #1.b

1 costs, compliance, training, and more. And it is also true
2 that customers benefit from the utility having dedicated
3 employees who are well trained and laser focused on adding
4 value in ways that directly improve the quality of water
5 customers drink. Suburban's incentive compensation is
6 mutually beneficial to shareholders and rate payers.

7
8 Q15. Cal Advocates recommends the Commission deny \$1,247,373 in
9 2024 performance-based compensation because it is tied to
10 meeting specific performance targets that primarily benefit
11 shareholders rather than ratepayers. Do you agree with
12 their recommendation?

13 A15. No. For detailed discussions of performance-based
14 compensation, see the rebuttal testimonies of Mujeeb Hafeez
15 and Robert Mustich. I will only discuss Cal Advocate's
16 assertion that performance targets, namely Financial
17 Burdened SWWC EBITDA, primarily benefits shareholders.
18 EBITDA is an acronym that stands for Earnings Before
19 Interest, Taxes, Depreciation, and Amortization. One way
20 EBITDA can become more favorable is by lowering operating
21 expenses. For example, avoiding expensive accidents and
22 injuries can lead to fewer claims, lower insurance
23 expenses, and ultimately improved EBITDA. A second example
24 is ensuring employees are highly trained so they can keep
25 the utility's assets in good repair. This can lead to
26 decreases in amounts paid to hire outside contractors and
27 thereby improve EBITDA.

1 In both examples, shareholders would see improvements in
2 EBITDA. Both examples would also lead to lower rates for
3 ratepayers. Suburban calculates Injuries and Damages and
4 Plant Maintenance expenses using historical five-year
5 averages which are then escalated to the test year. As
6 expenses decrease, the five-year averages for those
7 expenses will likewise decrease, ultimately leading to a
8 decrease in Suburban's revenue requirement and lower rates
9 in subsequent general rate cases.

10
11 The Commission should reject Cal Advocates' recommendation
12 to deny recovery of performance-based compensation since
13 the recommendation is based on the false premise that
14 performance-based targets primarily benefit shareholders
15 rather than ratepayers.

16
17 **V. CAL ADVOCATES RECOMMENDATIONS ON RATE DESIGN AND SPECIAL**
18 **REQUESTS**

19 **A. Suburban's 2-Tier Rate Structure**

20 Q16. Since 2008, Suburban has complied with D.08-02-036 which
21 approved a settlement requiring Suburban to adopt a 2-tier
22 increasing block rate structure. Cal Advocates recommends
23 changing to a 3-tier rate design because Suburban is the
24 only utility using a 2-tier rate structure and because they
25 claim the 2-tier rate structure no longer shows a
26 decreasing trend in sales. Is this conclusion accurate?

27 A16. No. First of all, Suburban is not the only Class A utility
28 with a 2-tier rate structure. San Gabriel Valley Water

Company also uses a 2-tierd rate structure³. Second, the short-term increase in Suburban’s sales per customer in 2021 and 2022 is explainable and is not indicative of an inadequate rate structure. And finally, although Suburban has a 2-tier rate structure, it is the only utility with three pricing zones based on pumping lifts required to serve customers at higher elevations. These zones add additional incentive to conserve by customers at higher elevations. This differentiation in rates do not appear to have been considered by Cal Advocates.

Q17. From January 2020 through July of 2021, Suburban saw increases in its sales per customer as shown in Table 2. Does this indicate Suburban’s 2-tier rate structure is not adequately encouraging conservation?

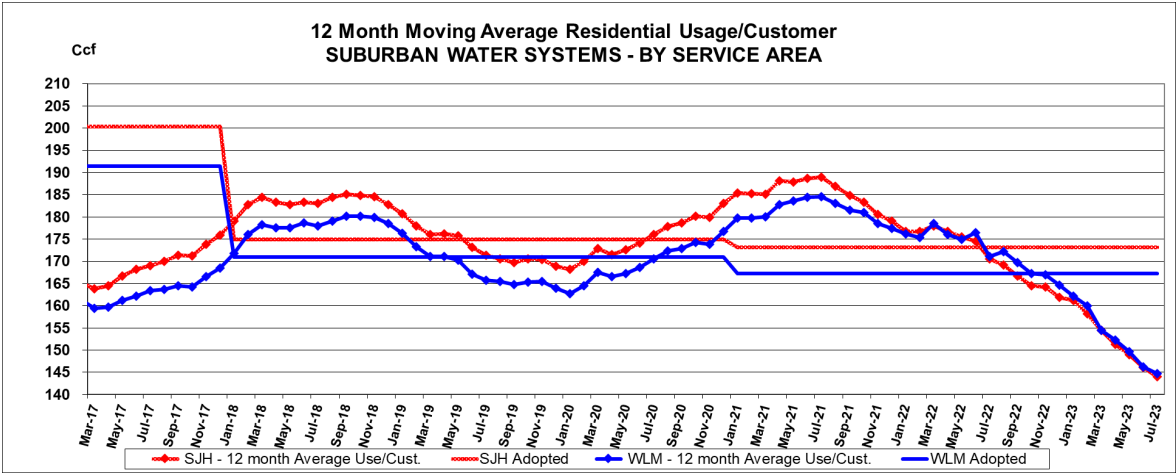


Table 2

A17. It does not, in fact, the reverse is true. As discussed in Section III.A, the provisions of the Water Shut-Off Act

³ <https://www.sgvwater.com/wp-content/uploads/2023/08/LA-1C-8.1.23.pdf>

1 were implemented by Suburban in February 2020 and the COVID
2 moratorium on disconnections began in March 2020. So,
3 beginning in February 2020, customers were no longer
4 affected by the pricing signals inherent in Suburban's 2-
5 tier rate structure. Because many were either delaying
6 payment or not paying their water bills at all, these
7 customers were immune to paying the higher bills related to
8 their increasing water usage. This resulted in significant
9 increases in Suburban's overall sales per customer. No rate
10 design could have incited lower usage when customers had
11 no incentive to pay.

12
13 In March 2022, Governor Newsom issued (EO) N-7-22 calling
14 on each urban water supplier to implement actions to reduce
15 water usage by 20-30 percent. Shortly thereafter in May
16 2022, the State Water Board adopted Resolution No. 2022-
17 0018 which required urban water suppliers to implement
18 Level 2 demand reduction actions.

19
20 In response, Suburban filed Advice Letter (AL) 369-W,
21 effective July 20, 2022, moving from Stage 1 to Stage 2 of
22 Sch. 14.1 and imposing drought surcharges on all
23 residential customers based on their water use. The timing
24 of the drought surcharge coincided with the resumption of
25 disconnection activities for Suburban customers. Customers
26 with high usage received high bills and if those bills were
27 not paid, the customer received a shut-off notice. This
28 meant customers were once again affected by the pricing

1 signals inherent Suburban's 2-tier rate structure and their
2 response was instant.

3
4 The expected trend for sales per customer is higher usage
5 during the warmer months and lower usage during cooler
6 months. Sales per customer data from July 2022 to July
7 2023, which is the latest available data, shows a declining
8 trend in water use regardless whether it is summer or
9 winter.

10
11 In March 2023, Governor Newsom's issued (EO) N-5-23 ending
12 the voluntary 15% water conservation reduction.

13 Subsequently, On April 14, 2023, Suburban filed AL 390-W
14 ending Stage 2 drought restrictions which included the
15 drought surcharge and returning to Stage 1 restrictions.
16 Since then, contrary to expectations that reduced price
17 would increase water use, water use has continued to drop
18 compared to average monthly use a year earlier. Suburban's
19 customers have steadily lowered their usage and they show
20 no signs of reversing this trend, as shown in Table 2
21 above.

22
23 It is also noteworthy that for 2022, only 4.5% of
24 Suburban's residential customers had average usage higher
25 than Cal Advocates' recommended sales per customer. Based
26 on 2022 recorded residential water use, Cal Advocates
27 projections are clearly excessive.

1 Q18. How did Cal Advocates factor Suburban's zones into their
2 recommended 3-tier rate structure?

3 A18. Suburban is the only Class A utility with rate zones. It is
4 unclear if customer zone was considered in the 3-tier rate
5 structure because Cal Advocates provided no workpapers
6 supporting their rate design. Cal Advocates recommends a
7 broad brush approach to rate design. Since everyone else
8 has a 3-tier rate structure (they don't), Suburban should
9 have one as well. They made no mention of any consideration
10 being given to zones, which is a significant factor that
11 differentiates Suburban from all other Class A water
12 utilities.

13
14 Q19. Is a 3-tier rate structure with a lower conservation budget
15 a more rate payer friendly way to reduce usage?

16 A19. This statement by Cal Advocates has not been supported by
17 any evidence or workpapers. Suburban has shown that our 2-
18 tier rate structure and conservation program is extremely
19 effective at driving down customer usage under normal
20 circumstances. Periods where price signals are suspended by
21 law, such as the COVID emergency period, have no bearing on
22 the effectiveness of any rate design, including Cal
23 Advocates' 3-tier recommendation.

24
25 Q20. What is your conclusion regarding Cal Advocates'
26 recommended 3-tier structure?

27 A20. Neither the Commission nor Suburban can rely on Cal
28 Advocates' recommendation because no supporting workpapers

1 were provided to show how their proposed rate structure was
2 developed. Cal Advocates has not produced any evidence that
3 their recommended sales are reasonable and feasible for
4 Suburban when combined with their proposed sales per
5 customer. All that Cal Advocates provides is a very rough
6 outline of their proposed rate design, with the
7 unreassuring you-figure-it-out commonly known in accounting
8 as a "plug": "Tier 1 rates are then set as the dependent
9 variable, changing for every tariff." p.2-22. Therefore,
10 the Commission should reject Cal Advocates' 3-tier rate
11 design and adopt Suburban's 2-tier rate design.

12
13 **B. Service and Quantity Rates**

14 Q21. In their analysis of the quantity charge revenue, Cal
15 claims Suburban's proposed rate design will likely under
16 collect quantity revenues by almost \$1,000,000 and lead to
17 high M-WRAM balances. Have you found this to be true?

18 A21. No. Cal Advocates provide a table⁴ comparing 2024 quantity
19 charge revenue proposed by Suburban to a bill analysis. The
20 table provided no source for the bill analysis and no
21 workpaper or supporting documents explaining how the
22 analysis was developed or why it should be used for a
23 comparison to Suburban's proposed quantity charge revenue.
24 Cal Advocates has not demonstrated Suburban's service and
25 quantity rates are not revenue neutral.

26 Q22. Should the tier breakpoints recommended by Cal Advocates be
27 adopted?

28

⁴ Table 2-5: Revenue Comparison for Revenue Neutrality

1 A22. No. The Commission should reject Cal Advocates' recommended
2 tier breakpoints because no evidence was provided showing
3 it would achieve revenue neutrality. Cal Advocates
4 "quantity rate factors" p.2-21 appear to be conjured out of
5 thin air and should be rejected.

6
7 **C. Sativa Rate Design**

8 Q23. Cal Advocates alleges that Sativa's flat rate for customers
9 who are not metered is designed using average usage of
10 14CCF which is higher than system average of 12.22CCF, and
11 therefore recommends the tariffed rate for this group of
12 customers should be based on 12.22CCF. Does Suburban agree?

13 A23. No. In the 2024 TY, Suburban's proposed residential use per
14 customer is 163.6 for the Whittier/La Mirada service area,
15 which Sativa is now subsumed into, resulting in 14CCF/month
16 average per customer. However, Cal Advocates'
17 recommendation for 12.22CCF does not account for the
18 shortfall in Suburban's revenue requirement which must be
19 covered by other customers in the Whittier/La Mirada area
20 who are not subject to the flat rate billing. Therefore,
21 Cal Advocates' recommended tariff based on 12.22CCF should
22 be rejected and Suburban's tariff based on 14CCF accepted.

23
24 **D. Special Request #11. COVID-19 CEMA Account Remain Open**

25 Q24. Why is it important for Suburban's COVID-19 CEMA to remain
26 open? Should it be closed as recommended by Cal Advocates?

27 A24. Cal Advocates proposes closing the COVID-19 CEMA because the
28 emergency period is now over. However, all amounts related to

1 the COVID period have not yet been recorded. Specifically,
2 Trailer Bill AB122, approved on June 26, 2023 states:

3
4 "Existing law, the Budget Act of 2021, provides for
5 an appropriation of \$985,000,000 in Item 3940-162-
6 8506, available to forgive residential and
7 commercial customer arrearages and water enterprise
8 revenue shortfalls where those arrearages and
9 revenue shortfalls occurred during the period
10 commencing March 4, 2020, to June 15, 2021,
11 inclusive, as a result of the COVID-19 pandemic.

12 This bill would expand the use of the above-
13 described funds for wastewater enterprise revenue
14 shortfalls. The bill would extend the time period
15 covered by the appropriation to December 31, 2022.
16 By extending the covered period, this bill would
17 make an appropriation."

18
19 The California legislature wisely recognized that although
20 the COVID-19 virus is not currently raging at levels seen
21 during the height of the pandemic, some customers are still
22 attempting to climb out of financial chasms that remain
23 today. Trailer Bill AB122 requires the State Water
24 Resources Control Board (SWRCB) to "establish guidelines
25 for an application process and accept applications from
26 community water systems for funds to assist customers who
27 have past-due bills from the COVID-19 pandemic bill relief
28

period, as specified" The specified period is through
December 31, 2022.

This program is an extension of the Water Arrearage Payment
Program of 2021 by which Suburban received \$1.84M in
funding that was applied directly to customers' accounts.
Cal Advocate's request to close the Covid-19 CEMA
immediately should be rejected. The CEMA should remain
active so any funds provided by the upcoming arrearage
payment program may be offset to the CEMA.

**E. Special Request #15. Request Lead and Copper Rule
Revision Memorandum Account (LCRRMA)**

Q25. Cal Advocates opposes establishment of the LCRRMA for
Suburban. Please explain why this memo account is
necessary.

A25. Cal Advocates' recommendation to deny Suburban's proposed
LCRRMA is egregious, especially considering that five Class
A⁵ water utilities were granted similar memo account for the
same purpose in early 2023. In their explanation of why the
LCRRMA should be denied, Cal Advocates' states the work is
unnecessary since "The state of California already has an
inventory of such lines." This statement is not accurate.

⁵ AL 2473 California Water service Company

AL 1894 Golden State Water Company

AL 272 Liberty Utilities (Apple Valley Ranchos Wtr) Corp

AL 334 Liberty Utilities (Park Water) Corp

AL 595 San Jose Water Company

1 Cal Advocates' is confusing the requirements of the LCRR,
2 which addresses house lines on the customer's side of the
3 meter, with previous audits that were done on lines that
4 are on the utility's side of the meter. Currently, there is
5 no existing inventory of Suburban's customers' house lines.

6
7 Q26. Cal Advocates also stated that Suburban request should be
8 denied since Suburban has not applied for grant funding
9 under the Bipartisan Infrastructure Law signed by President
10 Biden on November 15, 2021. Why did Suburban fail to apply
11 for this funding?

12 A26. While it is true that Suburban did not apply for grant
13 funds, it is also true that Cal Advocates' continues to
14 confuse the customers' house lines with the utility's
15 lines. Suburban did not seek grant funding for utility lead
16 service lines because no lead service lines were found. The
17 EPA's revised rules now require Suburban to audit house
18 lines. As yet, Suburban does not know if there are lead
19 house lines. Suburban must determine if there are lead
20 house lines before any requests for grant funding can be
21 made.

22
23 Q27. Are customers harmed if Suburban is not allowed the LCRRMA?

24 A27. If Suburban is not allowed the LCRRMA, customers' house
25 lines must be reported as "unknown".

26 Water systems with unknown service lines must:
27
28

- Water systems serving greater than 50,000 persons [which includes Suburban] must make the publicly accessible inventory available online.
- DDW will collect a separate spreadsheet of all unknown material service lines.
- Lead Status Unknown service lines are treated as lead service lines in the LCRR until identified.
- Annual public notification to each customer with an unknown service line is required.
- A water system with lead, galvanized requiring replacement, or lead status unknown service lines must deliver public education materials to persons with a lead, galvanized requiring replacement, or lead status unknown service line.
- The LCRR describes a disturbance where notification and flushing instructions are required for any act that causes the individual service line water to be shut off.
- The LCRR describes a disturbance as the replacement of a meter, gooseneck, pigtail, or connector where pitcher filters and public education are also required.

Under the guidelines, "unknown" customers will be asked to flush their lines any time the water is shut-off, even if it is for a meter change or a valve replacement on the utility's side. The water a customer uses for flushing will be billed to them so there is a direct cost to the customer. They will receive educational materials

1 explaining issues with lead pipes that may or may not be
2 warranted. This will lead to an unnecessary erosion of
3 trust between the utility and the customer.

4
5 According to an article from Consumer Reports⁶, 40% of
6 Americans believe bottled water is safer than tap. The
7 study also showed there is an inverse relationship between
8 household income and the amount spent on bottled water each
9 month. This means that customers who are the most
10 financially vulnerable are also the least likely to trust
11 their water provider and the bottled water industry is
12 invested in pushing this narrative. In particular, Cott
13 Corporation (now Primo Water Corporation), a bottled water
14 seller said to its investors "We intend to capture new
15 customers as we capitalize on favorable customer trends,"
16 including "concerns about deteriorating municipal water
17 quality."

18
19 Suburban knows 6,000 house lines are not lead. The
20 remaining 70,000 are unknown. When customers are concerned
21 about the safety of their water, they turn to other, more
22 expensive, potentially less safe, options. Customers are
23 indeed harmed when messages breeding distrust are
24 communicated.

25
26
27
28 ⁶ "Should We Break our Bottled Water Habit?" - Consumer Reports.
<https://www.consumerreports.org/epa/should-we-break-our-bottled-water-habit-a5667672175/>

1 Q28. Suburban applied for the LCRRMA in AL 394-W filed with the
2 Commission on July 13, 2023 and agreed conditionally to
3 withdraw the request from the GRC if the advice letter was
4 approved. Explain why Suburban is requesting the same
5 relief in two separate filings.

6 A28. The relief requested in AL 394-W is not the same as the
7 relief requested in this GRC. In this GRC Special Request
8 #15 asks for relief beginning on January 1, 2024 while AL
9 394 requests relief beginning on July 13, 2023. Originally,
10 Suburban included the LCRRMA in its GRC because we believed
11 the period following approval of the GRC on January 1,
12 2024, would leave ample time to meet the EPA requirements
13 by the due date of October 15, 2024. The need for urgency
14 arose after Suburban met with representatives from the
15 Division of Drinking Water (DDW) and discovered that DDW's
16 process for LCRR compliance adds additional time to the
17 schedule and increases the urgency to start work as soon as
18 possible to meet the October 16, 2024 deadline. Suburban
19 only agreed to withdraw SR #15 from the GRC on the
20 condition AL 394-W is approved with an effective date of
21 July 13, 2023. As of the date of this rebuttal testimony
22 the advice letter has not been approved and has been
23 suspended by Water Division.

24
25 The Commission should reject Cal Advocates' recommendation
26 to deny Suburban's request to implement this account. Their
27 recommendation is based on their misrepresentation of the
28 facts surrounding SR #15 inasmuch as AL-394-W has not yet

1 been approved, the Commission should adopt Suburban's
2 proposed LCRRMA.

3
4 **F. Special Request #18. Request to extend until December**
5 **31, 2026 the expiration date of the Asbestos**
6 **Litigation Memorandum Account ("ALMA")**

7 Q29. Why should Suburban's ALMA remain open when there has been
8 no ongoing asbestos lawsuits?

9 A29. Unlike for Cal Water, Cal Advocates recommends for
10 Suburban closing the ALMA since Suburban currently has no
11 ongoing asbestos lawsuits. This approach to approving or
12 rejecting a memo account amounts to determining a utility's
13 future needs based on past experience. The fact that Cal
14 Water has experienced an asbestos related lawsuit and
15 Suburban has not is not all relevant. The risk to Suburban
16 remains unchanged.

17
18 Recently, in D.21-10-024⁷, the Commission found, "Asbestos-
19 cement pipes comprise approximately 78 percent of installed
20 pipe throughout Suburban's service territory." In that
21 decision, the Commission also stated that although Suburban
22 had been fortunate not to incur expenses in the ALMA in
23 recent years, "given that the large majority of its pipes
24 are constructed from asbestos-cement, future litigation on
25 this issue is a very real possibility." (Id., p. 33.)
26 As before, the ALMA continues to meet the Commission's
27 requirements for memorandum accounts.

28

7 D.21-10-024, p. 42, Finding of Fact 22.

- Asbestos lawsuits continue to be exceptional in nature and are not under Suburban's control.
- Although asbestos lawsuits remain a "very real possibility," Suburban is unable to forecast whether they will occur or estimate costs as part of the GRC process.
- If such lawsuits occur, the expenses will be substantial. In approving a settlement allowing a similar memorandum account for California Water Service Company, the Commission found that a water utility with asbestos-cement pipe "could incur substantial costs to defend asbestos lawsuits, which are increasingly unlikely to be recoverable through insurance, even if the lawsuits have no basis." (D.15-05-045, p. 10.)
- Finally, the ALMA will continue to serve the public interest for the reasons discussed above, and customers will continue to benefit from the safeguards approved in D.18-01-014.

Q30. Is there any indication of future litigation or need for this account to remain open?

A30. The existence of hundreds of miles of installed asbestos pipe that has been in place for decades is indication that Suburban could at any time face asbestos-related litigation. Cal Advocates' recommendation to close the ALMA should be denied and Suburban's request to extend the ALMA until December 31, 2026 should be approved.

1 **VI. ENVIRONMENTAL AND SOCIAL JUSTICE (ESJ)**

2 Q31. Cal Advocates recommends the Commission reject Suburban's
3 proposed projects that will benefit ESJ communities because

4 1) Suburban's districts do not meet the criteria of ESJ
5 communities (75-100%) and

6 2) The EVs and solar panels proposed by Suburban will not
7 directly benefit any ESJ communities.

8 Why is Cal Advocates' recommendation is unfair to ESJ
9 communities?

10 A31. For more detailed analysis of Suburban's proposed vehicle
11 additions and solar panels, see the rebuttal testimony of
12 Jorge Lopez. I will only discuss ESJ as it affects Suburban
13 and its surrounding communities. Cal Advocates states
14 Suburban's San Jose district is mostly 50% and Whittier/La
15 Mirada is mostly below 60% meaning Suburban is less
16 affected by social and environmental burdens and therefore
17 should not implement ESJ improvements. While maps of the
18 area using Cal Enviro Screen 4.0 were provided, no
19 additional supporting materials showing how the maps relate
20 to the overall estimated percentages was provided. It is
21 unclear if Cal Advocates "eyeballed" the maps to determine
22 Suburban's percentage of ESJ customers or of a true
23 statistical analysis was completed.

24
25 Regardless of how Cal Advocates arrived at the percentage
26 of ESJ affected customers in Suburban's service areas,
27 their approach perpetuates the systemic bias that
28 constantly affects ESJ communities and makes it impossible

1 for them to see meaningful improvement. It forces ESJ
2 communities to be responsible for improvements but gives no
3 thought to whether or not it's possible for those
4 communities to affect change.

5
6 Recently, a team of researchers from Yale University and
7 the University of California, San Diego completed a study
8 of air pollution in California⁸. The findings of the study
9 suggest California's environmental regulations tend to
10 preferentially protect white, non-Hispanic people within
11 the state from air pollution. The study also found in
12 places where Hispanic, Latinx, and Asian people live, there
13 are higher levels of pollution which can be attributed to
14 more people driving through their communities. The
15 researchers' findings aligned with the fact that
16 California's freeways were historically built through
17 communities of color⁹. This means, it is impossible for
18 predominately ESJ communities to limit, control, or
19 otherwise affect the levels of pollution in their
20 communities because employees of companies like Suburban
21 must drive through them to reach customers. Suburban does
22 not operate in a vacuum. There are no walls around our
23 utility to prevent emissions from affecting surrounding

24 ⁸ "Disparate air pollution reductions during California's COVID-19 economic
25 shutdown", [https://www.nature.com/articles/s41893-022-00856-](https://www.nature.com/articles/s41893-022-00856-1.epdf?sharing_token=AdJkJOxMj5pBpNpwVUHHW9RgN0jAjWel9jnR3ZoTv00AunwNTQX-23noCU12L--K4YxF2uPok_cfyVdRWkP3FNU--HqYebMPl-FVrw_lOw8YhuYNdeuPEbD-Yz2gl4TZnv4NicwVO6wSir2LR7cZkHBfH8jh6uj99NvrWLYDBI%3D)
26 [1.epdf?sharing_token=AdJkJOxMj5pBpNpwVUHHW9RgN0jAjWel9jnR3ZoTv00AunwNTQX-](https://www.nature.com/articles/s41893-022-00856-1.epdf?sharing_token=AdJkJOxMj5pBpNpwVUHHW9RgN0jAjWel9jnR3ZoTv00AunwNTQX-23noCU12L--K4YxF2uPok_cfyVdRWkP3FNU--HqYebMPl-FVrw_lOw8YhuYNdeuPEbD-Yz2gl4TZnv4NicwVO6wSir2LR7cZkHBfH8jh6uj99NvrWLYDBI%3D)
27 [23noCU12L--K4YxF2uPok_cfyVdRWkP3FNU--HqYebMPl-FVrw_lOw8YhuYNdeuPEbD-](https://www.nature.com/articles/s41893-022-00856-1.epdf?sharing_token=AdJkJOxMj5pBpNpwVUHHW9RgN0jAjWel9jnR3ZoTv00AunwNTQX-23noCU12L--K4YxF2uPok_cfyVdRWkP3FNU--HqYebMPl-FVrw_lOw8YhuYNdeuPEbD-Yz2gl4TZnv4NicwVO6wSir2LR7cZkHBfH8jh6uj99NvrWLYDBI%3D)
28 [Yz2gl4TZnv4NicwVO6wSir2LR7cZkHBfH8jh6uj99NvrWLYDBI%3D](https://www.nature.com/articles/s41893-022-00856-1.epdf?sharing_token=AdJkJOxMj5pBpNpwVUHHW9RgN0jAjWel9jnR3ZoTv00AunwNTQX-23noCU12L--K4YxF2uPok_cfyVdRWkP3FNU--HqYebMPl-FVrw_lOw8YhuYNdeuPEbD-Yz2gl4TZnv4NicwVO6wSir2LR7cZkHBfH8jh6uj99NvrWLYDBI%3D)

⁹ "Yale study finds disproportionate environmental protections across
neighborhoods in California", [https://yaledailynews.com/blog/2022/04/18/yale-](https://yaledailynews.com/blog/2022/04/18/yale-study-finds-disproportionate-environmental-protection-across-neighborhoods-in-california%E2%BF%BC/)
study-finds-disproportionate-environmental-protection-across-neighborhoods-
in-california%E2%BF%BC/

1 communities. It is our responsibility to limit our reliance
2 upon fossil fuels which has the added benefit of savings
3 for our ratepayers.

4

5 **VII. CONCLUSION**

6 Q32. Does this conclude your testimony?

7 A32. Yes.

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