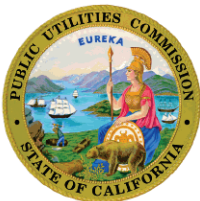


|                  |   |                        |
|------------------|---|------------------------|
| Docket           | : | <u>A.25-01-001</u>     |
| Exhibit Number   | : | <u>Cal Adv-01</u>      |
| Commissioner     | : | <u>Darcie L. Houck</u> |
| Admin. Law Judge | : | <u>Minh LeQuang</u>    |
| Public Advocates | : | <u>Mehboob Aslam</u>   |
| Witness          | : |                        |



PUBLIC ADVOCATES OFFICE



## **EXECUTIVE SUMMARY AND RESULTS OF OPERATIONS TABLES**

**Application 25-01-001  
(San Gabriel Valley Water Company)**

Los Angeles, California  
July 25, 2025

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1 **MEMORANDUM**

2 The Public Advocates Office at the California Public Utilities Commission (Cal  
3 Advocates) has examined requests and data presented by San Gabriel Valley Water  
4 Company (SGVWC) in Application (A.) 25-01-001 (Application). This testimony  
5 provides the California Public Utilities Commission (Commission) with  
6 recommendations that represent the interests of ratepayers for safe and reliable service at  
7 the lowest cost. This Executive Summary is prepared by Mehboob Aslam, and the  
8 Results of Operations Tables are prepared by Mehboob Aslam and Anthony Andrade.  
9 Mehboob Aslam is Cal Advocates' project lead for this proceeding. Victor Chan is the  
10 oversight supervisor, and Michael Damasco is legal counsel.

11 Cal Advocates has made every effort to comprehensively review, analyze, and  
12 provide the Commission with recommendations on each ratemaking and policy aspect of  
13 the requests presented in the Application. The absence from Cal Advocates' testimony of  
14 any particular issue does not constitute its endorsement or acceptance of the underlying  
15 request, or of the methodology or policy position supporting the request.  
16

1 **EXECUTIVE SUMMARY**

2 In the instant GRC application, SGVWC requests an increase in rates in its Los  
3 Angeles County Division (LA division) by \$13,758,493 or 13.23% in the Test Year (TY)  
4 2026-2027, by \$4,535,740, or 3.75% in the Escalation Year 2027-2028, and by  
5 \$4,867,882, or 3.98% in the Escalation Year 2028-2029. In its Fontana Water Company  
6 Division (FWC division), San Gabriel is requesting \$12,335,163 or 12.72% in TY 2026-  
7 2027, \$4,368,089 or 3.87% in the Escalation Year 2027-2028, and \$4,467,928 or 3.88%  
8 in the Escalation Year 2028-2029. SGVWC identifies various reasons for this rate  
9 increase, including increasing rate base, administrative expenses, pension and benefits,  
10 purchased power, purchased water, and depreciation, etc. By comparison, Cal Advocates  
11 recommends significantly lower rate increases in LA division by \$508,168 or 0.49% in  
12 the Test Year 2026-2027, by \$2,320,591 or 2.13% in the Escalation 2027-2028, and by  
13 \$2,335,562 or 2.21% in the Escalation Year 2028-2029, and in FWC division by  
14 \$2,399,213 or 2.45% in the Test Year 2026-2027, by \$3,174,995 or 3.10% in the  
15 Escalation 2027-2028, and by \$2,806,394 or 2.75% in the Escalation Year 2028-2029.  
16 This Executive Summary provides an overview of Cal Advocates' rationale and its  
17 recommendations in support of its proposed adjustments.

18 **A. Comparison of SGVWC's Proposed Revenue Increases and Cal**  
19 **Advocates' Recommendations**

20 The following Table ES-1 compares SGVWC's proposed increases in  
21 revenue with Cal Advocates' recommendation for each of the three fiscal years  
22 covered in this proceeding (2025-2029). The difference in increased revenue  
23 reflects the differences between SGVWC's and Cal Advocates' proposed capital  
24 spending and expense budgets. The percentages shown reflect the resulting changes  
25 in average system rates for each division and year.  
26

**Table ES-1: Proposed Increase in Revenue Comparison**

| Year             | SGVWC (LA Division)  |                   | Cal Advocates (LA Division)  |                   |
|------------------|----------------------|-------------------|------------------------------|-------------------|
|                  | Increased Revenue    | Percentage Change | Increased Revenue            | Percentage Change |
| <b>2026-2027</b> | \$13,758,493         | 13.23%            | \$508,168                    | 0.49%             |
| <b>2027-2028</b> | \$4,535,740          | 3.75%             | \$2,320,591                  | 2.13%             |
| <b>2028-2029</b> | \$4,867,882          | 3.98%             | \$2,335,562                  | 2.21%             |
| Year             | SGVWC (FWC Division) |                   | Cal Advocates (FWC Division) |                   |
|                  | Increased Revenue    | Percentage Change | Increased Revenue            | Percentage Change |
| <b>2026-2027</b> | \$12,335,163         | 12.72%            | \$2,399,213                  | 2.45%             |
| <b>2027-2028</b> | \$4,368,089          | 3.87%             | \$3,174,995                  | 3.10%             |
| <b>2028-2029</b> | \$4,467,928          | 3.88%             | \$2,806,394                  | 2.75%             |

## **B. Revenue and Rate Design**

### **1. Revenues**

An accurate forecast of customers and water consumption is required to determine revenues at present rates and design reasonable water rates for TY 2026-2027 with revenue neutrality. For the number of customer forecasts, Cal Advocates recommends that the Commission should accept SGVWC's forecast as it is in line with the Commission's Revised Rate Case Plan (D.07-05-062) methodology. However, for the water consumption forecast, Cal Advocates recommends that the Commission should adopt Cal Advocates' estimates, which more accurately reflect recent water consumption trends such as drought and impact of COVID-19 pandemic, which are ignored by SGVWC. Please see Chapter 1 of Cal Advocates' Report on Sales & Revenues and Rate Design for more details.

### **2. Rate Design**

A well-constructed rate design aligns the costs of operating a water system equitably across all its customers and maintains revenue neutrality. SGVWC's rate design involves determining the revenue requirement, allocating revenue recovery between fixed

1 and quantity charges (revenue allocation), finding tier breakpoints for metered services,  
2 and establishing a tiered quantity rate structure for each tier breakpoint. Cal Advocates  
3 recommends that the Commission should accept SGVWC's proposal by maintaining a  
4 revenue split of 64.6%/35.4% between fixed and quantity charges for the LA division,  
5 and the 70%/30% revenue split for the FWC division. However, Cal Advocates  
6 recommends 8 Ccf (Centum Cubic Feet), 18 Ccf, and greater than 18 Ccf for Tier 1, Tier  
7 2, and Tier 3 break points, respectively in LA division. Similarly, Cal Advocates  
8 recommend 9 Ccf, 22 Ccf, and greater than 22 Ccf for Tier 1, Tier 2, and Tier 3 break  
9 points, respectively in FWC division. Cal Advocates' recommendations are based on the  
10 current number of average household members, setting SGVWC's Standard Quantity  
11 Rates (SQR) as Tier 2 base, and setting Tier 1 rates at 89.99% of SQR, to promote  
12 affordability and conservation. Please see Chapter 2 of Cal Advocates' Report on Sales &  
13 Revenues and Rate Design for more details.

### 14 **3. Customer Assistance Program (CAP)**

15 SGVWC's CAP currently provides a fixed monthly discount of \$10.35 to eligible  
16 customers in the LA and FWC divisions, applied directly to their monthly fixed charges.  
17 SGVWC proposes increasing this discount to \$12.00 per month to maintain the same  
18 effective discount in percentage terms. The non-CAP SGVWC customers in the LA and  
19 FWC divisions pay monthly surcharges of \$0.3410/Ccf and \$0.3620/Ccf respectively.  
20 However, since Cal Advocates' recommendations result in a smaller overall increase in  
21 the customers' average bill, using the same effective discount as proposed by SGVWC,  
22 Cal Advocates recommends a CAP discount of \$10.53 for the LA Division and \$10.88  
23 for the FWC Division. Please see Chapter 2 of Cal Advocates' Report on Sales &  
24 Revenues and Rate Design for more details.

### 25 **C. Forecast for Plant in Service and Rate Base**

26 Certain aspects of cost-based regulation may incentivize utilities to invest capital  
27 to an unnecessary degree, saddling ratepayers with unnecessary costs. In fact, utilities  
28 calculate customer rates to produce utility net income that is directly proportional to

capital investment. A utility’s entire profit that is included in rates is determined by a calculation of its net capital investment, or rate base, multiplied by its authorized rate of return. As a result, utilities with greater capital investment have more profit included in rates. This dynamic and the potential for abuse is explored in Averch and Johnson’s 1962 article “Behavior of the Firm Under Regulatory Constraint.”<sup>1</sup> The potential for the Averch-Johnson effect in utility rate setting, often referred to as “gold-plating,” suggests that without adequate review and oversight of utility proposals, ratepayers would be harmed by excessive rates that reflect unnecessary utility spending and unreasonable shareholder profit.

The Commission should consider several fundamental policy aspects when assessing the estimates for the plant and the rate base, including SGVWC’s request for ratepayer funding of previously funded yet uncompleted capital projects, pre-construction projects that are not used and useful, unreasonable cost adders, plant assets no longer in use, early retirements of plant, Construction Work In Progress (CWIP) in ratebase that allows for profit on projects that are not used and useful, and unnecessary and unsupported plant requests. These are all examples that undermine the reasonableness of SGVWC’s plant and rate base estimates.

### **1. Previously Funded Incomplete Projects**

Ratepayers should never be required to pay twice for projects that have failed to provide benefits once. With “future-test-year” ratemaking, utilities fund projects with customer rates that may be delayed or cancelled altogether. Because customers have already paid once under the assumption that these projects would provide beneficial service, it is unreasonable to continue customer funding of these projects until the actual project benefits (i.e. in-service) can be demonstrated in a subsequent general rate case. Therefore, Cal Advocates recommends eight previously funded projects totaling \$23.95 million in the LA Division, and \$15.23 million in the FWC Division be removed. Please

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<sup>1</sup> Averch, Harvey and Johnson, Leland L. "Behavior of the Firm Under Regulatory Constraint." *The American Economic Review* 52, no. 5 (1962): 1052-069. Accessed November 20, 2020. <http://www.jstor.org/stable/1812181>.



1 see Chapter 1 of Cal Advocates' Report on Capital Projects, Historic Rate Base, Utility  
2 Plant, Depreciation, and Rate Base for more details.

## 3 **2. Pre-construction Projects**

4 SGVWC proposed to include in rate base pre-construction costs, such as planning,  
5 design, permitting, land acquisition, or an initial phase of construction work that will not  
6 result in a complete project during this rate case. Specifically, SGVWC requests \$1.0  
7 million in the LA division and \$8.55 million in the FWC division for these types of  
8 multi-phase projects. The Commission should not require ratepayers to fund shareholder  
9 profit on projects that SGVWC itself acknowledges will not be providing service during  
10 this rate case cycle. If any of these proposed projects are completed or assumed to be  
11 completed during a future GRC periods, SGVWC may then seek recovery and inclusion  
12 in rate base at that time. Please see Chapter 2 of Cal Advocates' Report on Capital  
13 Projects, Historic Rate Base, Utility Plant, Depreciation, and Rate Base for more details.

## 14 **3. Use of Unreasonable Cost Adders and Escalation Rates**

15 The Commission should not allow unreasonable adders and escalation rates. For  
16 example, SGVWC applies the following cost adders to its individual capital projects:  
17 10% for contingency, 3% for inspections, and 4% for project management. SGVWC also  
18 uses various annual escalation rates ranging from 5% to 15%. Consistent with prior  
19 decisions (D.96-12-066, and D.24-03-0420), and because SGVWC's proposed costs do  
20 not meet the Commission's requirement that a utility must demonstrate the  
21 reasonableness of every dollar included in its revenue requirement and customer rates,  
22 the Commission should deny these adders and instead only allow a 3% escalation rate  
23 based on current Consumer Price Index (CPI). Please see Chapter 3 of Cal Advocates'  
24 Report on Capital Projects, Historic Rate Base, Utility Plant, Depreciation, and Rate Base  
25 for more details.

## 26 **4. Plant Assets No Longer in Use**

27 Because utility's rate base is an accumulated investment built over time, Cal  
28 Advocates also reviewed the historic rate base to confirm whether previously authorized

capital projects are still used and useful. Upon review, Cal Advocates determined four previously constructed projects are no longer used and useful. Cal Advocates recommends removing \$1.42 million of remaining Net Book Value (NBV) for these capital projects in LA division, and \$43,130 in FWC. Please see Chapter 12 of Cal Advocates' Report on Capital Projects, Historic Rate Base, Utility Plant, Depreciation, and Rate Base for more details.

In addition, SGVWC's 2023 purchase of two water rights in the amount of \$6.42 million in LA division were not cost-effective for the ratepayers. SGVWC's cost-benefit analysis for this purchase is flawed and results in an unreasonably early break-even point. Please see Chapter 12 of Cal Advocates' Report on Capital Projects, Historic Rate Base, Utility Plant, Depreciation, and Rate Base for more details.

## **5. Early Retirement of Useful Plant Assets**

Early retirement of an asset can lead to an imbalance between the depreciation reserve and plant-in-service, which leads to ratepayers paying for assets that no longer exist. The Commission should make an adjustment to the recorded depreciation reserve to account for extraordinary early retirements. In the case of early retirement, only a portion of the asset's value has accumulated in the depreciation reserve, but standard ratemaking results in the full original cost being removed. Because the depreciation reserve is a deduction from rate base, removing the full amount from the depreciation reserve when only a portion has been added results in a negative subtraction or effectively an addition to rate base.

The Commission's standard practice for determination of straight-line remaining life depreciation accruals (SP U-4-W) recognizes this issue in what is termed "Extraordinary Obsolescence."<sup>2</sup> SP U-4-W states "unexpected early retirement of *a major unit of property* may require some form of an adjustment." An adjustment for the assets that have been retired extraordinarily early is warranted. While the Commission does not define "*a major unit of property*", a utility's bookkeeping practices should not

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<sup>2</sup> CPUC Standard Practice U-4-W p. 42.

1 allow it to earn an unfair return from a mathematical flaw. If a utility chooses to record its  
2 assets as multiple smaller amounts instead of recording them as larger projects, this does  
3 not change the necessity of fixing the imbalance created by early retirements.

4 For SGVWC's most recent retirement transactions over the period 2020-2024,  
5 adjustments should be made for assets that were retired with more than 50% of their  
6 estimated useful life remaining. There are 863 such capital assets totaling \$1.67 million  
7 in rate base. This amount should be added to SGWC's depreciation reserves so that the  
8 negative impact of these early retirements is removed from the rate base. Please see  
9 Chapter 14 of Cal Advocates' Report on Capital Projects, Historic Rate Base, Utility  
10 Plant, Depreciation, and Rate Base for more details.

#### 11 **6. Inclusion of Construction Work In Progress (CWIP) in Rate Base**

12 Since regulated utilities operate as natural monopolies, the Commission must act  
13 as a substitute for competition and remove SGVWC's proposed CWIP from the rate base.  
14 By definition, these projects have yet to provide service and therefore should not result in  
15 ratepayers funding a profit on their costs while under construction. Please see Chapter 1  
16 of Cal Advocates' Report on Construction Work In Progress and Balancing &  
17 Memorandum Accounts for more details.

18 Rather than allowing CWIP in rate base, SGVWC should be permitted to  
19 accumulate interest during construction (IDC). Based on Cal Advocates' discovery,  
20 SGVWC's actual short-term debt cost over 2021-2024 was \$777,494 while spending  
21 \$222,044,233 in capital expenditure. Thus, spreading this cost over the capital  
22 expenditure results in an IDC rate of 0.35%.<sup>3</sup> Therefore, Cal Advocates recommends  
23 inclusion of an IDC amount in rate base based on 0.35% of SGVWC's authorized plant  
24 additions in this GRC. Please see Chapter 11 of Cal Advocates' Report on Capital  
25 Projects, Historic Rate Base, Utility Plant, Depreciation, and Rate Base for more details.

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<sup>3</sup>  $(\$777,494 / \$222,044,233) \times 100 = 0.35\%$ .

1                   **7. Unnecessary and Inadequately Supported Projects**

2           The Commission should not allow the following plant addition in rates:

3                   **a.     New Administrative Building for General**  
4                   **Office**

5           SGVWC requests a budget of \$38.5 million for a new administrative building to  
6   replace the two existing buildings at its headquarters. SGVWC's proposed cost of \$1,203  
7   per square-foot exceeds the typical average cost of construction for commercial real  
8   estate throughout the USA and specifically in the Western USA, ranging from \$80-to-  
9   \$850 per square-foot. Additionally, SGVWC's proposed new building is significantly  
10   oversized for its current need. Furthermore, SGWVC failed to consider other more cost-  
11   effective alternatives such as purchasing an existing building. Please see Chapter 1 of Cal  
12   Advocates' Report on General Office Operations, Taxes, and Special Request #4 for  
13   more details.

14                   **b.     Unreasonable Vehicle Replacement Budget**

15           SGVWC requests \$9.795 million to replace several vehicles in its LA division,  
16   FWC division, and General Office. However, SGVWC's request is unreasonable as it is  
17   based on California Department of General Services (DGS) vehicle replacement criteria  
18   that are no longer applicable and are designed to cater to DGS' specific needs given its  
19   scale of fleet. In addition, SGVWC's request includes an excessive number of Zero  
20   Emission vehicles which contrasts with the minimum number of such vehicles under the  
21   California Air Resources Board (CARB) requirements. Therefore, SGVWC's vehicle  
22   replacement budget should be reduced by 32% to \$6.707 million. Please see Chapter 9 of  
23   Cal Advocates' Report on Capital Projects, Historic Rate Base, Utility Plant,  
24   Depreciation, and Rate Base for more details.

25                   **c.     Inadequately Supported Supervisory Control**  
26                   **And Data Acquisition (SCADA) Upgrades**  
27                   **Budget**

28           SGVWC requests a total budget of \$13.4 million over the 2025-2028 GRC cycle  
29   to upgrade its existing SCADA infrastructure in LA and FWC divisions. However,

1 SGVWC's costs estimates are based on Association for the Advanced Cost Engineering  
2 (AACE) Class 5 category estimates which are known as "concept screening" and  
3 associated with the lowest levels of project definition and least amount of preparation  
4 effort. Therefore, the Commission should not require ratepayers to fund SGVWC's  
5 request for \$13.4 million for SCADA upgrades. Please see Chapter 1 of Cal Advocates'  
6 Report on SCADA, New Position, Customer Service, Water Quality, Special Request #1,  
7 and ESJ Action Plan for more details.

8 **d. Unreasonable Meter Replacement Request**

9 SGVWC requests \$1.8 million annually for the LA division, and \$2.3 million  
10 annually for the FWC division for its meter replacement program. However, the  
11 requested budget reflects an accelerated meter replacement program that would violate  
12 the previously Commission-approved meter replacement program pursuant to D.17-06-  
13 008. In addition, SGVWC's proposed budget would result in early retirement of meters  
14 which have not yet reached their useful life. Therefore, the Commission should allow  
15 \$0.95 million annually for the LA division, and \$0.90 million annually for the FWC  
16 division. Please see Chapter 5 of Cal Advocates' Report on Capital Projects, Historic  
17 Rate Base, Utility Plant, Depreciation, and Rate Base for more details.

18 **e. Inadequately supported Well Projects**

19 SGVWC requests a total of \$8.22 million for several capital projects involving  
20 well drilling, equipping, and rehabilitation. However, an analysis of supply does not  
21 justify the need for at least three wells at Plants F10, F18, and F34. Therefore, the  
22 Commission should allow \$0.80 million for well projects. Please see Chapter 6 of Cal  
23 Advocates' Report on Capital Projects, Historic Rate Base, Utility Plant, Depreciation,  
24 and Rate Base for more details.

25 **f. Poorly supported Treatment Projects**

26 SGVWC requests a total of \$31.90 million for several capital projects involving  
27 water treatments, such as ion exchange, retrofitting existing plants, and new filtration and  
28 solid handling. However, analysis refutes the need for at least three treatment projects at

Plants 1, 11, and B7. Therefore, the Commission should allow \$11.08 million for treatment projects. Please see Chapter 7 of Cal Advocates' Report on Capital Projects, Historic Rate Base, Utility Plant, Depreciation, and Rate Base for more details.

**g. Unreasonable Reservoir Projects**

SGWVC requests a total of \$40.56 million for water reservoir projects. However, three projects at Plants 7, B15, and F20 were previously funded by ratepayers but remain incomplete. Similarly, two projects, F10 and F59 are multi-phased projects which will not be used and useful in the GRC cycle. Therefore, the Commission should allow \$11.14 million for reservoir projects. Please see Chapter 8 of Cal Advocates' Report on Capital Projects, Historic Rate Base, Utility Plant, Depreciation, and Rate Base for more details.

**h. Inadequately Supported Structure and Improvements Projects**

SGVWC requests a total of \$17.942 million for multiple structure and improvements projects, such as LA division's allocation of new administrative building at General Office, air conditioning system, pavement replacement, and solar systems. However, as discussed earlier, the Commission should not require ratepayers to fund a new office building. Therefore, the Commission should allow \$1.343 million for structure and improvements projects. Please see Chapter 10 of Cal Advocates' Report on Capital Projects, Historic Rate Base, Utility Plant, Depreciation, and Rate Base for more details.

**D. Forecast for Expenses**

Although utility expenses do not contain a built-in profit percentage like utility's authorized capital spending, overestimating expense budgets would produce revenues in excess of operating costs, which also results in unreasonable customer rates and undue utility profits. The following discussion addresses SGVWC's overstatement of expenses.

**1. General Office O&M Expenses**

SGVWC forecasts an Operation & Maintenance (O&M) expense budget of \$164,910 in TY 2026-2027. O&M expenses include payroll, materials and supplies,

outside services, utilities and rents, and miscellaneous expenses. Cal Advocates recommend an O&M expense budget of \$164,520 in TY 2026-2027. The difference in budget is due to the adjustment of salaries for the new positions in General Office. SGVWC requests eight new positions and three re-requested positions from its last GRC. However, SGVWC fails to adequately justify the need for three of these positions, Surveyor, Planning Manager, and Procurement Supervisor. Therefore, the Commission should allow \$164,520 in TY 2026-2027. Please see Chapter 1 of Cal Advocates' Report on General Office Operations, Taxes, and Special Request #4 for more details.

## **2. General Office A&G Expenses**

SGVWC requests an Administrative & General (A&G) expense budget of \$26.67 million in TY 2026-2027. A&G expenses include payroll, materials and supplies, transportation, insurance, pensions & benefits, outside services, regulatory commission expenses, utilities and rents, and miscellaneous expenses. Cal Advocates recommends a reduced A&G expense budget of \$24.96 million in TY 2026-2027. The difference in budget is due to Cal Advocate's recommendation to not fund all requested new positions and SGVWC's request for the Retiree Health Reimbursement Arrangement (HRA) program. Please see Chapter 1 of Cal Advocates' Report on General Office Operations, Taxes, and Special Request #4 for more details.

## **3. Los Angeles Division O&M Expenses**

SGVWC forecasts an Operation & Maintenance (O&M) expense budget of \$48.65 million in TY 2026-2027. O&M expenses include payroll, costs for purchased water, groundwater assessments, purchased power, postage, and conservation program support expenses. Cal Advocates recommends a lower O&M expense budget of \$45.39 million in TY 2026-2027. The difference is due to several adjustments: 1) increase SGVWC's Operating Safe Yield (OSY) from its Main San Gabriel Basin that would decrease the water supply expenses by \$1.74 million, 2) increase SGVWC's leased water forecast from the Main San Gabriel Basin that would reduce water supply expense by \$166,540, 3) decrease the cyclic storage water forecast from \$1,015 to \$902 per acre-foot that



1 would reduce water supply expenses by \$467,100, and 4) decrease conservation expense  
2 forecast from \$800,000 to \$548,920. Please see Chapter 1 of Cal Advocates' Report on  
3 Operations and Maintenance Expenses and Administrative and General Expenses for  
4 more details.

#### 5 **4. Los Angeles Division A&G Expenses**

6 SGVWC forecasts an Administrative & General (A&G) expense budget of \$4.82  
7 million in TY 2026-2027. A&G expenses include payroll, costs for office supplies,  
8 property insurance, regulatory expense, and Administrative Expense Transferred. The  
9 Commission should adopt an A&G expense budget of \$4.25 million in TY 2026-2027.  
10 The difference in budget is due to Cal Advocates' recommendation to decrease  
11 SGVWC's Regulatory Expense estimates by \$92,610. SGVWC's estimates are based on  
12 an unrealistic and unlikely scenario of future participation in nine Order Instituting  
13 Investigation (OII) and Order Instituting Rulemaking (OIR) proceedings. In addition, Cal  
14 Advocates recommends maintaining SGVWC's current estimates of \$3.745 million for  
15 the Administrative Expenses Transferred despite Cal Advocates' proposed reduction in  
16 SGVWC's capital budgets as the actual capitalized labor would not be reduced due to the  
17 lower capital budget estimates for ratemaking purposes. Please see Chapter 2 of Cal  
18 Advocates' Report on Operations and Maintenance Expenses and Administrative and  
19 General Expenses for more details.

#### 20 **5. Fontana Water Company Division O&M Expenses**

21 SGVWC forecasts an Operation & Maintenance (O&M) expense budget of \$46.03  
22 million TY 2026-2027. O&M expenses include payroll, costs for purchased water,  
23 groundwater assessments, purchased power, postage, and conservation program support  
24 expenses. The Commission should adopt an O&M expense budget of \$42.80 million in  
25 TY 2026-2027. The difference in budget is due to adjustments to SGVWC's water supply  
26 estimates from Lytle Creek, Rialto, and No-Man's Land sources. SGVWC's water supply  
27 estimates from these sources are much lower and invariably shifts the water supply to  
28 other relatively expensive sources. However, SGVWC's estimates from these three



sources do not reflect the five-year average, which provides a better basis for future estimates and is much higher than SGVWC's current estimates. Therefore, using a more reasonable five-year average water supply reduces a total of \$2.83 million in water production cost. In addition, the difference is also attributed to a decrease in conservation expense estimates by \$269,200. Please see Chapter 3 of Cal Advocates' Report on Operations and Maintenance Expenses and Administrative and General Expenses for more details.

## **6. Fontana Water Company Division A&G Expenses**

SGVWC forecasts an Administrative & General (A&G) expense budget of \$3.56 million in TY 2026-2027. A&G expenses include payroll, costs for office supplies, property insurance, regulatory expense, and Administrative Expense Transferred. The Commission should adopt an A&G expense budget of \$3.32 million in TY 2026-2027. The difference in budget is due to Cal Advocates' recommendation to decrease SGVWC's Regulatory Expense estimates by \$60.7 thousand. SGVWC's estimates are based on an unrealistic and unlikely scenario of future participation in nine Order Instituting Investigation (OII) and Order Instituting Rulemaking (OIR) proceedings. In addition, Cal Advocates recommends maintaining SGVWC's current estimates of \$4.89 million for the Administrative Expenses Transferred despite Cal Advocates' proposed reduction in SGVWC's capital budgets as the actual capitalized labor would not be reduced due to the lower capital budget estimates for the ratemaking purposes. Please see Chapter 4 of Cal Advocates' Report on Operations and Maintenance Expenses and Administrative and General Expenses for more details.

## **7. New Positions in LA and FWC Divisions**

SGVWC requests eight new positions: two SCADA Technicians, two SCADA electricians, one Facilities Maintenance Supervisor, one Water Resources Project Manager, one Water Quality Specialist, and one Water Resources Analyst. These new positions add a total of \$1.32 million in salaries in the TY 2026-2027. The Commission should deny SGVWC's funding request for these new positions. The four new positions

1 are related to SGVWC’s proposed SCADA upgrades, which the Commission should not  
2 require ratepayers to fund in this general rate case. The remaining four positions of  
3 Facilities Maintenance Supervisor, Water Resources Project Manager, Water Quality  
4 Specialist, Water Resources Analyst are inadequately supported as to their need for  
5 operations. Please see Chapter 2 of Cal Advocates’ Report on SCADA, New Position,  
6 Customer Service, Water Quality, Special Request #1, and ESJ Action Plan for more  
7 details.

#### 8 **E. Customer Service**

9 Commission’s General Order (GO)103A sets several performance standards for  
10 the public utilities. Cal Advocates discovery efforts reveal that SGWVC is currently  
11 deficient in meeting the GO 103A Telephone Performance standard that requires a  
12 regulated utility to maintain a 5% or lower call abandonment rate for customer service  
13 calls in its FWC division. Similarly, SGVWC’s Emergency Response Plan is currently  
14 deficient regarding its readiness to provide safe and accessible drinking water in the event  
15 of a natural disaster or malevolent acts. Therefore, the Commission should order  
16 SGVWC to remedy these deficiencies in a timely manner. Please see Chapter 3 of Cal  
17 Advocates’ Report on SCADA, New Position, Customer Service, Water Quality, Special  
18 Request #1, and ESJ Action Plan for more details.

#### 19 **F. Environmental and Social Justice (ESJ) Action Plan**

20 The Commission’s Environmental and Social Justice (ESJ) Action Plan serves as  
21 both a commitment for furthering principles of environmental and social justice, as well  
22 as an operating framework with which to integrate ESJ considerations throughout the  
23 agency’s work. The Environmental and Social Justice (ESJ) Action Plan, established in  
24 2019 and updated to Version 2.0 in 2022, sets out nine goals that address health, safety,  
25 consumer protection, programming benefits and enforcement in all CPUC regulatory  
26 jurisdictions and sectors. The ESJ Action Plan further identifies the ESJ communities as  
27 those disadvantage communities which are defined as census tracts that score in the top  
28 25% of CalEnviroScreen 3.0, along with the score within the highest 5% of

1 CalEnviroScreen 3.0's Pollution Burden but which do not receive an overall  
2 CalEnviroScreen score<sup>4</sup>.

3 Cal Advocates' review of SGVWC's application found deficiencies in SGVWC's  
4 adherence to the nine ESJ Action Plan Goals. First, SGVWC did not meet GO-156's  
5 supplier diversity rules in year 2022 through 2024, which require a utility to allocate at  
6 least 1.5% of its total annual procurement to Disabled Veteran Enterprises (DVEs).

7 Additionally, SGVWC fails to address three (goals 6, 8, and 9) out of nine ESJ  
8 goals claiming that these three goals are the sole responsibility of the Commission.<sup>5</sup>  
9 However, all ESJ goals are the responsibility of utilities and the Commission, and the  
10 utilities have a shared responsibility toward fulfilling ESJ goals. Therefore, the  
11 Commission should address SGVWC's incomplete testimony on its adherence to the ESJ  
12 Action Plan compliance by affirming that utilities share a responsibility with the  
13 Commission to advance all goals and principles as outlined in the ESJ Action Plan.  
14 Please see Chapter 3 of Cal Advocates' Report on SCADA, New Position, Customer  
15 Service, Water Quality, Special Request #1, and ESJ Action Plan for more details.

#### 16 **G. Balancing Accounts and Memorandum Accounts (BAMAs)**

17 A Balancing Account (BA) tracks authorized expenses against recorded expenses.  
18 The difference, whether positive or negative results in ratepayer surcharges (utility  
19 recovery) and surcredits (utility refund). A Memorandum Account (MA) allows a utility  
20 to track costs arising from unforeseeable events of exceptional nature. Therefore, in the  
21 rare and necessary instances, BAMAs can provide a reasonable alternative ratemaking  
22 mechanism that benefits utilities and ratepayers. However, these surcharges are becoming  
23 a significant and unanticipated burden for customers, allowing the utility to circumvent  
24 the traditional ratemaking process. BAMAs reduce ratepayer transparency and a utility's  
25 incentive to responsibly manage its expenses.

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<sup>4</sup> Environmental & Social Justice Action Plan, Version 2.0 at 2.

<sup>5</sup> SGVWC subsequently provides details for activities it has taken under Goals 8 and 9, but Goal 6 remains unaddressed.

1           The Commission has authorized SGVWC to track costs in 37 BAMAs across its  
2 LA and FWC division. As of June 2024, there is a total overcollected balance of  
3 \$19,723,215.<sup>6</sup> In its last General Rate Case (GRC), A.22-01-003, SGVWC amortized  
4 \$2.46 million from BAMAs in its LA division amounting to a \$0.2205 per Ccf surcharge  
5 on a customer's bill for 36 months. Similarly, in its FWC division, SGVWC amortized  
6 \$2.84 million amounting to a \$0.2104 per Ccf surcharge for 12 months. Although  
7 SGVWC does not request to amortize any of its surcharge accounts in this GRC, the  
8 delay in the last GRC's decision has caused these accounts to be amortized outside the  
9 traditional ratemaking cycle. As a result, BAMAs continue to impose significant bill  
10 impacts on customers without being reflected in base rate increases, reducing  
11 transparency for ratepayers.

12           After a careful evaluation of SGVWC's BAMAs, Cal Advocates recommends that  
13 in the LA division, the Commission should deactivate the Catastrophic Event  
14 Memorandum Account- Covid 19 (CEMA) and transfer the current balance of \$64,340  
15 to LA division's Previously Authorized Balances Balancing Account (PABBA), close the  
16 Water Conservation Memorandum Account (WCMA) and transfer the current balance of  
17 \$40,360 to PABBA, and finally, order to amortize the PABBA balance of \$99,430 . In  
18 SGVWC's FWC division, the Commission should deactivate the CEMA and transfer the  
19 current balance of \$52,650 to the FWC division's PABBA, close the WCMA account and  
20 transfer the current balance of \$29,520 to PABBA, amortize the FWC division's PABBA  
21 balance of \$123,860, close the Payment Option Memorandum Account (POMA) without  
22 amortizing its current balance of \$44,200 as SGVWC failed to request amortization  
23 within the three year mandatory timeframe, close the Land Parcel # 215 and # 221  
24 Memorandum Account, and limit the recovery to the actual costs of the land parcels and  
25 partial interest costs, \$162,620 and \$386,000 for the land parcels # 215, and # 221  
26 respectively, when these land parcels become used and useful in the future. Please see

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<sup>6</sup> Most of the overcollected amount is attributed to Facilities Fee Memorandum Account in FWC division and the Commission has earmarked the use of these funds for the Summit Water Treatment Plant in FWC division per D.22-12-006. Also see SGVWC Exhibit SG-12, Attachment A.

Chapter 2 of Cal Advocates' Report on Construction Work In Progress and Balancing & Memorandum Accounts for more details.

#### **H. Water Quality Assessment**

SGVWC, through its Special Request # 1, requests that the Commission issue a Finding of Fact that SGVWC's LA division and FWC division have operated in compliance with all applicable safe drinking water quality standards since its last GRC through the submission of the evidentiary record in this proceeding. However, the Commission should note that while Cal Advocates makes every effort to examine all aspects of a utility's General Rate Case application, including a utility's compliance with water quality standards, the Commission is not the primary regulatory entity responsible for regulating a water utilities' compliance with water quality regulations. Therefore, Cal Advocates relies on the latest findings of Department of Drinking Water's (DDW) Sanitary Surveys of SGVWC's water systems. Cal Advocates' review of DDW's the most recent Sanitary Survey of SGVWC's water systems reveals that while DDW did find several deficiencies for SGVWC systems in both the LA and Fontana divisions, SGVWC issued "reply letters" to DDW demonstrating evidence that the utility took remedial actions to rectify each of the noted deficiencies. DDW has noted that SGVWC generally operates well-operated and well-managed water systems. Please see Chapter 3 of Cal Advocates' Report on SCADA, New Position, Customer Service, Water Quality, Special Request #1, and ESJ Action Plan for more details.

#### **I. Special Requests**

SGVWC identifies six specific issues as Special Request (SR) in its instant GRC. These are generally reasonable, with the following exceptions:

**Special Request #3:** The Commission should grant SGVWC's Special Request #3, except as related to SGVWC's Payment Options Memorandum Account and amortization of PABBA accounts as discussed in Chapter 2 Cal Advocates' Report on Construction Work In Progress and Balancing & Memorandum Accounts.

1   **Special Request #4:** The Commission should not approve SGVWC's Post-retirement  
2   Benefits Other than Pension (PBOP) program. SGVWC's PBOP program is also known  
3   as Retiree Health Reimbursement Arrangement (HRA) program. Please see Chapter 1 of  
4   Cal Advocates' Report on General Office Operations, Taxes and Special Request #4 for  
5   more details.  
6

## **LIST OF CAL ADVOCATES REPORTS AND WITNESSES**

The following Table ES-2 identifies the various Cal Advocates reports and witnesses that provide analysis and recommendations relevant to the requests made by SGVWC in the current proceeding:

**Table ES-2: Cal Advocates Reports and Witnesses**

| <b>Cal Advocates Witness</b> | <b>Report Title</b>   |
|------------------------------|---|
| Andrew Sweeney               | Report on Sales & Revenues and Rate Design  |
| Meghan Tosney                | Report on Capital Projects, Historic Rate Base, Utility Plant, Depreciation, and Rate Base              |
| Andrew Rubang                | Report on Construction Work In Progress and Balancing & Memorandum Accounts                             |
| Zaved Sarkar                 | Report on General Office Operations, Taxes, and Special Request #4                                      |
| Anthony Andrade              | Report on Operations and Maintenance Expenses and Administrative and General Expenses                   |
| Timothy Gee                  | Report on SCADA, New Position, Customer Service, Water Quality, Special Request #1, and ESJ Action Plan |
| Mehboob Aslam                | Project Lead, Executive Summary & Results of Operations Tables  |

## **RESULTS OF OPERATIONS TABLES**

In developing the following Results of Operations (“RO”) Tables, Cal Advocates utilized the RO Model provided by SGVWC. Cal Advocates’ adjustments reflect the recommendations presented in its testimony.

# **LOS ANGELES COUNTY DIVISION**

## **RESULTS OF OPERATIONS TABLES**

| Los Angeles County Division                             |             |               |                       |         |
|---|-------------|---------------|-----------------------|---------|
| San Gabriel Valley Water Company A.25-01-001            |             |               |                       |         |
| Table 1-1   |             |               |                       |         |
| Summary of Earnings - Test Year 2026-2027 Present Rates |             |               |                       |         |
| Description   | SGVWC       | Cal Advocates | SGVWC > Cal Advocates |         |
| Operating Revenues                                      | 103,967,802 | 104,647,652   | (679,849)             | -0.7%   |
| Operating Expenses:                                     |             |               |                       |         |
| Purchased Water & Assessments                           | 19,936,219  | 17,374,283    | 2,561,937             | 12.9%   |
| Purchased Power   | 8,052,415   | 8,052,415     | 0                     | 0.0%    |
| Chemicals   | 4,239,830   | 4,254,449     | (14,619)              | -0.3%   |
| Payroll   | 6,746,315   | 6,249,257     | 497,058               | 7.4%    |
| Materials & Supplies                                    | 2,514,653   | 2,507,810     | 6,843                 | 0.3%    |
| Transportation  | 1,246,999   | 1,246,999     | 0                     | 0.0%    |
| Insurance   | 2,641,385   | 2,609,789     | 31,597                | 1.2%    |
| Pensions & Benefits                                     | 3,231,092   | 2,963,386     | 267,707               | 8.3%    |
| Uncollectibles  | 84,063      | 84,679        | (616)                 | -0.7%   |
| Franchise Fees  | 921,658     | 928,412       | (6,754)               | -0.7%   |
| Regulatory Commission Expense                           | 229,769     | 137,159       | 92,610                | 40.3%   |
| Outside Services  | 3,239,593   | 3,239,593     | 0                     | 0.0%    |
| Utilities & Rents                                       | 2,300,157   | 2,300,157     | 0                     | 0.0%    |
| Miscellaneous Expense                                   | 1,677,704   | 1,426,624     | 251,080               | 15.0%   |
| Administrative Expense Transferred                      | (3,745,304) | (3,745,305)   | 0                     | 0.0%    |
| Operating Expenses Subtotal                             | 53,316,550  | 49,629,708    | 3,686,842             | 6.9%    |
| Allocated Common Expenses                               | 13,436,039  | 12,994,830    | 441,209               | 3.3%    |
| Total Operating Expenses                                | 66,752,589  | 62,624,538    | 4,128,051             | 6.2%    |
| Depreciation  | 12,627,289  | 11,722,013    | 905,276               | 7.2%    |
| Ad Valorem Taxes  | 3,182,385   | 2,718,551     | 463,834               | 14.6%   |
| Payroll Taxes   | 1,253,630   | 1,193,232     | 60,398                | 4.8%    |
| Total Expenses before Income Taxes                      | 83,815,893  | 78,258,334    | 5,557,559             | 6.6%    |
| Net Revenue Before Income Taxes                         | 20,151,910  | 26,389,318    | (6,237,408)           | -31.0%  |
| State Income Tax  | 816,345     | 1,676,390     | (860,045)             | -105.4% |
| Federal Income Tax                                      | 2,487,632   | 4,050,373     | (1,562,741)           | -62.8%  |
| Total Expenses  | 87,119,870  | 83,985,097    | 3,134,773             | 3.6%    |
| Net Operating Revenues                                  | 16,847,933  | 20,662,555    | (3,814,622)           | -22.6%  |
| Rate Base   | 337,749,338 | 268,897,404   | 68,851,933            | 20.4%   |
| Rate of Return  | 4.99%       | 7.68%         | -2.70%                |         |



| Los Angeles County Division                              |             |               |                       |       |
|--|-------------|---------------|-----------------------|-------|
| San Gabriel Valley Water Company A.25-01-001             |             |               |                       |       |
|  |             |               |                       |       |
| Table 1-2  |             |               |                       |       |
| Summary of Earnings - Test Year 2026-2027 Proposed Rates |             |               |                       |       |
| Description  | SGVWC       | Cal Advocates | SGVWC > Cal Advocates |       |
| Operating Revenues                                       | 117,726,296 | 105,155,819   | 12,570,476            | 10.7% |
|  |             |               |                       |       |
| Operating Expenses:                                      |             |               |                       |       |
| Purchased Water & Assessments                            | 19,936,219  | 17,374,283    | 2,561,937             | 12.9% |
| Purchased Power  | 8,052,415   | 8,052,415     | 0                     | 0.0%  |
| Chemicals  | 4,239,830   | 4,254,449     | (14,619)              | -0.3% |
| Payroll  | 6,746,315   | 6,249,257     | 497,058               | 7.4%  |
| Materials & Supplies                                     | 2,514,653   | 2,507,810     | 6,843                 | 0.3%  |
| Transportation   | 1,246,999   | 1,246,999     | 0                     | 0.0%  |
| Insurance  | 2,641,385   | 2,609,789     | 31,597                | 1.2%  |
| Pensions & Benefits                                      | 3,231,092   | 2,963,386     | 267,707               | 8.3%  |
| Uncollectibles   | 96,529      | 85,139        | 11,390                | 11.8% |
| Franchise Fees   | 1,058,339   | 933,460       | 124,879               | 11.8% |
| Regulatory Commission Expense                            | 229,769     | 137,159       | 92,610                | 40.3% |
| Outside Services   | 3,239,593   | 3,239,593     | 0                     | 0.0%  |
| Utilities & Rents  | 2,300,157   | 2,300,157     | 0                     | 0.0%  |
| Miscellaneous Expense                                    | 1,677,704   | 1,426,624     | 251,080               | 15.0% |
| Administrative Expense Transferred                       | (3,745,304) | (3,745,305)   | 0                     | 0.0%  |
| Operating Expenses Subtotal                              | 53,465,697  | 49,635,216    | 3,830,481             | 7.2%  |
|  |             |               |                       |       |
| Allocated Common Expenses                                | 13,436,039  | 12,994,830    | 441,209               | 3.3%  |
| Total Operating Expenses                                 | 66,901,736  | 62,630,047    | 4,271,690             | 6.4%  |
|  |             |               |                       |       |
| Depreciation   | 12,627,289  | 11,722,013    | 905,276               | 7.2%  |
| Ad Valorem Taxes   | 3,182,385   | 2,718,551     | 463,834               | 14.6% |
| Payroll Taxes  | 1,253,630   | 1,193,232     | 60,398                | 4.8%  |
| Total Expenses before Income Taxes                       | 83,965,040  | 78,263,843    | 5,701,197             | 6.8%  |
|  |             |               |                       |       |
| Net Revenue Before Income Taxes                          | 33,761,256  | 26,891,977    | 6,869,279             | 20.3% |
|  |             |               |                       |       |
| State Income Tax   | 2,019,412   | 1,720,825     | 298,587               | 14.8% |
| Federal Income Tax                                       | 5,345,595   | 4,155,931     | 1,189,663             | 22.3% |
| Total Expenses   | 91,330,046  | 84,140,599    | 7,189,447             | 7.9%  |
|  |             |               |                       |       |
| Net Operating Revenues                                   | 26,396,250  | 21,015,220    | 5,381,030             | 20.4% |
|  |             |               |                       |       |
| Rate Base  | 337,749,338 | 268,897,404   | 68,851,933            | 20.4% |
|  |             |               |                       |       |
| Rate of Return   | 7.82%       | 7.82%         | 0.00%                 |       |

| Los Angeles County Division                                   |             |               |                       |       |
|---|-------------|---------------|-----------------------|-------|
| San Gabriel Valley Water Company A.25-01-001                  |             |               |                       |       |
|   |             |               |                       |       |
| Table 1-3   |             |               |                       |       |
| Summary of Earnings - Escalation Year 2027-2028 Present Rates |             |               |                       |       |
| Description   | SGVWC       | Cal Advocates | SGVWC > Cal Advocates |       |
| Operating Revenues  | 117,730,752 | 104,119,851   | 13,610,901            | 11.6% |
| Operating Expenses  |             |               |                       |       |
| Purchased Water & Assessments                                 | 19,922,165  | 17,069,020    | 2,853,145             | 14.3% |
| Purchased Power   | 8,046,738   | 7,910,936     | 135,803               | 1.7%  |
| Chemicals   | 4,320,307   | 4,262,040     | 58,268                | 1.3%  |
| Payroll   | 6,964,163   | 6,410,446     | 553,717               | 8.0%  |
| Materials & Supplies  | 2,585,041   | 2,561,711     | 23,330                | 0.9%  |
| Transportation  | 1,281,904   | 1,273,801     | 8,103                 | 0.6%  |
| Insurance   | 2,734,603   | 2,684,933     | 49,670                | 1.8%  |
| Pensions & Benefits   | 3,335,428   | 3,039,821     | 295,607               | 8.9%  |
| Uncollectibles  | 96,533      | 84,201        | 12,333                | 12.8% |
| Franchise Fees  | 1,058,383   | 923,169       | 135,214               | 12.8% |
| Regulatory Commission Expense                                 | 229,769     | 137,159       | 92,610                | 40.3% |
| Outside Services  | 3,379,840   | 3,358,789     | 21,051                | 0.6%  |
| Utilities & Rents   | 2,364,542   | 2,349,595     | 14,947                | 0.6%  |
| Miscellaneous Expense   | 1,724,665   | 1,457,287     | 267,378               | 15.5% |
| Administrative Expense Transferred                            | (3,850,140) | (3,825,803)   | (24,337)              | 0.6%  |
| Operating Expenses Subtotal                                   | 54,193,943  | 49,697,104    | 4,496,839             | 8.3%  |
| Allocated Common Expenses                                     | 13,812,132  | 13,274,132    | 538,000               | 3.9%  |
| Total Operating Expenses                                      | 68,006,075  | 62,971,236    | 5,034,839             | 7.4%  |
| Depreciation  | 13,603,948  | 12,221,026    | 1,382,922             | 10.2% |
| Ad Valorem Taxes  | 3,395,164   | 2,785,763     | 609,401               | 17.9% |
| Payroll Taxes   | 1,294,111   | 1,224,009     | 70,102                | 5.4%  |
| Total Expense before Income Taxes                             | 86,299,298  | 79,202,034    | 7,097,264             | 8.2%  |
| Net Revenue Before Income Taxes                               | 31,431,454  | 24,917,817    | 6,513,637             | 20.7% |
| State Income Tax  | 1,768,592   | 1,574,602     | 193,990               | 11.0% |
| Federal Income Tax  | 4,568,146   | 3,586,079     | 982,067               | 21.5% |
| Total Expenses  | 92,636,036  | 84,362,715    | 8,273,321             | 8.9%  |
| Net Operating Revenues  | 25,094,716  | 19,757,136    | 5,337,580             | 21.3% |
| Rate Base   | 361,373,094 | 273,405,838   | 87,967,256            | 24.3% |
| Rate of Return  | 6.94%       | 7.23%         | -0.28%                |       |

| Los Angeles County Division                                    |             |               |                       |       |
|--|-------------|---------------|-----------------------|-------|
| San Gabriel Valley Water Company A.25-01-001                   |             |               |                       |       |
|  |             |               |                       |       |
| Table 1-4  |             |               |                       |       |
| Summary of Earnings - Escalation Year 2027-2028 Proposed Rates |             |               |                       |       |
| Description  | SGVWC       | Cal Advocates | SGVWC > Cal Advocates |       |
| Operating Revenues   | 122,266,492 | 106,440,442   | 15,826,050            | 12.9% |
| Operating Expenses   |             |               |                       |       |
| Purchased Water & Assessments                                  | 19,922,165  | 17,069,020    | 2,853,145             | 14.3% |
| Purchased Power  | 8,046,738   | 7,910,936     | 135,803               | 1.7%  |
| Chemicals  | 4,320,307   | 4,262,040     | 58,268                | 1.3%  |
| Payroll  | 6,964,163   | 6,410,446     | 553,717               | 8.0%  |
| Materials & Supplies   | 2,585,041   | 2,561,711     | 23,330                | 0.9%  |
| Transportation   | 1,281,904   | 1,273,801     | 8,103                 | 0.6%  |
| Insurance  | 2,734,603   | 2,684,933     | 49,670                | 1.8%  |
| Pensions & Benefits  | 3,335,428   | 3,039,821     | 295,607               | 8.9%  |
| Uncollectibles   | 100,643     | 86,303        | 14,340                | 14.2% |
| Franchise Fees   | 1,103,442   | 946,222       | 157,220               | 14.2% |
| Regulatory Commission Expense                                  | 229,769     | 137,159       | 92,610                | 40.3% |
| Outside Services   | 3,379,840   | 3,358,789     | 21,051                | 0.6%  |
| Utilities & Rents  | 2,364,542   | 2,349,595     | 14,947                | 0.6%  |
| Miscellaneous Expense  | 1,724,665   | 1,457,287     | 267,378               | 15.5% |
| Administrative Expense Transferred                             | (3,850,140) | (3,825,803)   | (24,337)              | 0.6%  |
| Operating Expenses Subtotal                                    | 54,243,113  | 49,722,260    | 4,520,852             | 8.3%  |
| Allocated Common Expenses                                      | 13,812,132  | 13,274,132    | 538,000               | 3.9%  |
| Total Operating Expenses                                       | 68,055,244  | 62,996,392    | 5,058,852             | 7.4%  |
| Depreciation   | 13,603,948  | 12,221,026    | 1,382,922             | 10.2% |
| Ad Valorem Taxes   | 3,395,164   | 2,785,763     | 609,401               | 17.9% |
| Payroll Taxes  | 1,294,111   | 1,224,009     | 70,102                | 5.4%  |
| Total Expense before Income Taxes                              | 86,348,467  | 79,227,190    | 7,121,277             | 8.2%  |
| Net Revenue Before Income Taxes                                | 35,918,025  | 27,213,252    | 8,704,773             | 24.2% |
| State Income Tax   | 2,165,205   | 1,777,519     | 387,686               | 17.9% |
| Federal Income Tax   | 5,510,326   | 4,068,121     | 1,442,205             | 26.2% |
| Total Expenses   | 94,023,998  | 85,072,829    | 8,951,169             | 9.5%  |
| Net Operating Revenues   | 28,242,494  | 21,367,613    | 6,874,881             | 24.3% |
| Rate Base  | 361,373,094 | 273,405,838   | 87,967,256            | 24.3% |
| Rate of Return   | 7.82%       | 7.82%         | 0.00%                 |       |

**FONTANA WATER COMPANY DIVISION**  
**RESULTS OF OPERATIONS TABLES**

| Fontana Water Company Division                          |             |               |                       |         |
|---|-------------|---------------|-----------------------|---------|
| San Gabriel Valley Water Company A.25-01-001            |             |               |                       |         |
| Table 1-5   |             |               |                       |         |
| Summary of Earnings - Test Year 2026-2027 Present Rates |             |               |                       |         |
| Description   | SGVWC       | Cal Advocates | SGVWC > Cal Advocates |         |
| Operating Revenues                                      | 97,013,293  | 97,875,040    | (861,747)             | -0.9%   |
| Operating Expenses                                      |             |               |                       |         |
| Purchased Water & Assessments                           | 25,335,472  | 22,504,613    | 2,830,859             | 11.2%   |
| Purchased Power   | 7,509,694   | 7,509,694     | 0                     | 0.0%    |
| Chemicals   | 758,625     | 762,232       | (3,607)               | -0.5%   |
| Payroll   | 6,728,482   | 6,584,402     | 144,080               | 2.1%    |
| Materials & Supplies                                    | 1,793,927   | 1,793,927     | 0                     | 0.0%    |
| Transportation  | 1,383,513   | 1,383,513     | 0                     | 0.0%    |
| Insurance   | 2,686,990   | 2,674,274     | 12,716                | 0.5%    |
| Pensions & Benefits                                     | 3,239,856   | 3,155,562     | 84,294                | 2.6%    |
| Uncollectibles  | 140,012     | 141,267       | (1,255)               | -0.9%   |
| Franchise Fees  | 651,163     | 656,999       | (5,836)               | -0.9%   |
| Regulatory Commission Expense                           | 227,613     | 166,925       | 60,688                | 26.7%   |
| Outside Services  | 2,628,878   | 2,628,878     | 0                     | 0.0%    |
| Utilities & Rents                                       | 187,360     | 187,360       | 0                     | 0.0%    |
| Miscellaneous Expense                                   | 1,103,980   | 834,781       | 269,199               | 24.4%   |
| Administrative Expense Transferred                      | (4,885,109) | (4,885,109)   | (0)                   | 0.0%    |
| Operating Expenses Subtotal                             | 49,490,456  | 46,099,316    | 3,391,140             | 6.9%    |
| Allocated Common Expenses                               | 13,275,768  | 12,839,822    | 435,946               | 3.3%    |
| Total Operating Expenses                                | 62,766,224  | 58,939,138    | 3,827,086             | 6.1%    |
| Depreciation  | 11,996,453  | 11,379,455    | 616,998               | 5.1%    |
| Ad Valorem Taxes  | 3,068,841   | 2,724,681     | 344,160               | 11.2%   |
| Payroll Taxes   | 1,231,843   | 1,210,040     | 21,803                | 1.8%    |
| Total Expenses before Income Taxes                      | 79,063,362  | 74,253,314    | 4,810,047             | 6.1%    |
| Net Revenue Before Income Taxes                         | 17,949,931  | 23,621,725    | (5,671,794)           | -31.6%  |
| State Income Tax  | 451,760     | 1,208,384     | (756,624)             | -167.5% |
| Federal Income Tax                                      | 2,269,419   | 3,617,785     | (1,348,366)           | -59.4%  |
| Total Expenses  | 81,784,541  | 79,079,483    | 2,705,058             | 3.3%    |
| Net Operating Revenues                                  | 15,228,752  | 18,795,557    | (3,566,805)           | -23.4%  |
| Rate Base   | 304,681,575 | 261,857,308   | 42,824,266            | 14.1%   |
| Rate of Return  | 5.00%       | 7.18%         | -2.18%                |         |

| Fontana Water Company Division                           |             |               |                       |       |
|--|-------------|---------------|-----------------------|-------|
| San Gabriel Valley Water Company A.25-01-001             |             |               |                       |       |
|  |             |               |                       |       |
| Table 1-6  |             |               |                       |       |
| Summary of Earnings - Test Year 2026-2027 Proposed Rates |             |               |                       |       |
| Description  | SGVWC       | Cal Advocates | SGVWC > Cal Advocates |       |
| Operating Revenues                                       | 109,348,456 | 100,274,253   | 9,074,203             | 8.3%  |
| Operating Expenses                                       |             |               |                       |       |
| Purchased Water & Assessments                            | 25,335,472  | 22,504,613    | 2,830,859             | 11.2% |
| Purchased Power  | 7,509,694   | 7,509,694     | 0                     | 0.0%  |
| Chemicals  | 758,625     | 762,232       | (3,607)               | -0.5% |
| Payroll  | 6,728,482   | 6,584,402     | 144,080               | 2.1%  |
| Materials & Supplies                                     | 1,793,927   | 1,793,927     | 0                     | 0.0%  |
| Transportation   | 1,383,513   | 1,383,513     | 0                     | 0.0%  |
| Insurance  | 2,686,990   | 2,674,274     | 12,716                | 0.5%  |
| Pensions & Benefits                                      | 3,239,856   | 3,155,562     | 84,294                | 2.6%  |
| Uncollectibles   | 157,973     | 144,760       | 13,213                | 8.4%  |
| Franchise Fees   | 734,694     | 673,246       | 61,449                | 8.4%  |
| Regulatory Commission Expense                            | 227,613     | 166,925       | 60,688                | 26.7% |
| Outside Services   | 2,628,878   | 2,628,878     | 0                     | 0.0%  |
| Utilities & Rents  | 187,360     | 187,360       | 0                     | 0.0%  |
| Miscellaneous Expense                                    | 1,103,980   | 834,781       | 269,199               | 24.4% |
| Administrative Expense Transferred                       | (4,885,109) | (4,885,109)   | (0)                   | 0.0%  |
| Operating Expenses Subtotal                              | 49,591,948  | 46,119,057    | 3,472,892             | 7.0%  |
| Allocated Common Expenses                                | 13,275,768  | 12,839,822    | 435,946               | 3.3%  |
| Total Operating Expenses                                 | 62,867,716  | 58,958,879    | 3,908,838             | 6.2%  |
| Depreciation   | 11,996,453  | 11,379,455    | 616,998               | 5.1%  |
| Ad Valorem Taxes   | 3,068,841   | 2,724,681     | 344,160               | 11.2% |
| Payroll Taxes  | 1,231,843   | 1,210,040     | 21,803                | 1.8%  |
| Total Expenses before Income Taxes                       | 79,164,854  | 74,273,055    | 4,891,799             | 6.2%  |
| Net Revenue Before Income Taxes                          | 30,183,603  | 26,001,198    | 4,182,404             | 13.9% |
| State Income Tax   | 1,533,217   | 1,418,730     | 114,487               | 7.5%  |
| Federal Income Tax                                       | 4,838,490   | 4,117,474     | 721,016               | 14.9% |
| Total Expenses   | 85,536,561  | 79,809,258    | 5,727,302             | 6.7%  |
| Net Operating Revenues                                   | 23,811,896  | 20,464,995    | 3,346,901             | 14.1% |
| Rate Base  | 304,681,575 | 261,857,308   | 42,824,266            | 14.1% |
| Rate of Return   | 7.82%       | 7.82%         | 0.00%                 |       |

| Fontana Water Company Division                                |             |               |                       |       |
|---|-------------|---------------|-----------------------|-------|
| San Gabriel Valley Water Company A.25-01-001                  |             |               |                       |       |
|   |             |               |                       |       |
| Table 1-7   |             |               |                       |       |
| Summary of Earnings - Escalation Year 2027-2028 Present Rates |             |               |                       |       |
| Description   | SGVWC       | Cal Advocates | SGVWC > Cal Advocates |       |
| Operating Revenues  | 110,023,875 | 99,077,511    | 10,946,364            | 9.9%  |
| Operating Expenses  |             |               |                       |       |
| Purchased Water & Assessments                                 | 25,497,740  | 22,069,622    | 3,428,118             | 13.4% |
| Purchased Power   | 7,557,792   | 7,364,540     | 193,252               | 2.6%  |
| Chemicals   | 778,525     | 762,224       | 16,300                | 2.1%  |
| Payroll   | 6,917,357   | 6,769,233     | 148,124               | 2.1%  |
| Materials & Supplies  | 1,836,571   | 1,836,571     | 0                     | 0.0%  |
| Transportation  | 1,416,400   | 1,416,400     | 0                     | 0.0%  |
| Insurance   | 2,770,478   | 2,757,367     | 13,111                | 0.5%  |
| Pensions & Benefits   | 3,330,802   | 3,244,141     | 86,661                | 2.6%  |
| Uncollectibles  | 158,956     | 143,017       | 15,939                | 10.0% |
| Franchise Fees  | 739,268     | 665,142       | 74,127                | 10.0% |
| Regulatory Commission Expense                                 | 227,613     | 166,925       | 60,688                | 26.7% |
| Outside Services  | 2,731,591   | 2,731,591     | 0                     | 0.0%  |
| Utilities & Rents   | 191,813     | 191,813       | 0                     | 0.0%  |
| Miscellaneous Expense   | 1,130,223   | 854,624       | 275,599               | 24.4% |
| Administrative Expense Transferred                            | (5,001,233) | (5,001,232)   | (0)                   | 0.0%  |
| Operating Expenses Subtotal                                   | 50,283,896  | 45,971,977    | 4,311,919             | 8.6%  |
| Allocated Common Expenses                                     | 13,591,346  | 13,145,038    | 446,309               | 3.3%  |
| Total Operating Expenses                                      | 63,875,242  | 59,117,015    | 4,758,227             | 7.4%  |
| Depreciation  | 12,904,439  | 11,925,341    | 979,098               | 7.6%  |
| Ad Valorem Taxes  | 3,197,898   | 2,720,829     | 477,070               | 14.9% |
| Payroll Taxes   | 1,266,422   | 1,244,007     | 22,415                | 1.8%  |
| Total Expense before Income Taxes                             | 81,244,001  | 75,007,191    | 6,236,810             | 7.7%  |
| Net Revenue Before Income Taxes                               | 28,779,874  | 24,070,320    | 4,709,554             | 16.4% |
| State Income Tax  | 1,392,540   | 1,281,454     | 111,086               | 8.0%  |
| Federal Income Tax  | 4,298,933   | 3,554,090     | 744,843               | 17.3% |
| Total Expenses  | 86,935,474  | 79,842,735    | 7,092,739             | 8.2%  |
| Net Operating Revenues  | 23,088,401  | 19,234,776    | 3,853,625             | 16.7% |
| Rate Base   | 334,315,047 | 274,383,802   | 59,931,246            | 17.9% |
| Rate of Return  | 6.91%       | 7.01%         | -0.10%                |       |

| Fontana Water Company Division                                 |             |               |                       |       |
|--|-------------|---------------|-----------------------|-------|
| San Gabriel Valley Water Company A.25-01-001                   |             |               |                       |       |
|  |             |               |                       |       |
| Table 1-8  |             |               |                       |       |
| Summary of Earnings - Escalation Year 2027-2028 Proposed Rates |             |               |                       |       |
| Description  | SGVWC       | Cal Advocates | SGVWC > Cal Advocates |       |
| Operating Revenues   | 114,391,964 | 102,252,507   | 12,139,457            | 10.6% |
| Operating Expenses   |             |               |                       |       |
| Purchased Water & Assessments                                  | 25,497,740  | 22,069,622    | 3,428,118             | 13.4% |
| Purchased Power  | 7,557,792   | 7,364,540     | 193,252               | 2.6%  |
| Chemicals  | 778,525     | 762,224       | 16,300                | 2.1%  |
| Payroll  | 6,917,357   | 6,769,233     | 148,124               | 2.1%  |
| Materials & Supplies   | 1,836,571   | 1,836,571     | 0                     | 0.0%  |
| Transportation   | 1,416,400   | 1,416,400     | 0                     | 0.0%  |
| Insurance  | 2,770,478   | 2,757,367     | 13,111                | 0.5%  |
| Pensions & Benefits  | 3,330,802   | 3,244,141     | 86,661                | 2.6%  |
| Uncollectibles   | 165,316     | 147,640       | 17,676                | 10.7% |
| Franchise Fees   | 768,848     | 686,642       | 82,206                | 10.7% |
| Regulatory Commission Expense                                  | 227,613     | 166,925       | 60,688                | 26.7% |
| Outside Services   | 2,731,591   | 2,731,591     | 0                     | 0.0%  |
| Utilities & Rents  | 191,813     | 191,813       | 0                     | 0.0%  |
| Miscellaneous Expense  | 1,130,223   | 854,624       | 275,599               | 24.4% |
| Administrative Expense Transferred                             | (5,001,233) | (5,001,232)   | (0)                   | 0.0%  |
| Operating Expenses Subtotal                                    | 50,319,836  | 45,998,101    | 4,321,735             | 8.6%  |
| Allocated Common Expenses                                      | 13,591,346  | 13,145,038    | 446,309               | 3.3%  |
| Total Operating Expenses                                       | 63,911,182  | 59,143,138    | 4,768,044             | 7.5%  |
| Depreciation   | 12,904,439  | 11,925,341    | 979,098               | 7.6%  |
| Ad Valorem Taxes   | 3,197,898   | 2,720,829     | 477,070               | 14.9% |
| Payroll Taxes  | 1,266,422   | 1,244,007     | 22,415                | 1.8%  |
| Total Expense before Income Taxes                              | 81,279,941  | 75,033,315    | 6,246,626             | 7.7%  |
| Net Revenue Before Income Taxes                                | 33,112,023  | 27,219,192    | 5,892,831             | 17.8% |
| State Income Tax   | 1,775,502   | 1,559,814     | 215,688               | 12.1% |
| Federal Income Tax   | 5,208,684   | 4,215,353     | 993,331               | 19.1% |
| Total Expenses   | 88,264,128  | 80,808,482    | 7,455,645             | 8.4%  |
| Net Operating Revenues   | 26,127,837  | 21,444,025    | 4,683,812             | 17.9% |
| Rate Base  | 334,315,047 | 274,383,802   | 59,931,246            | 17.9% |
| Rate of Return   | 7.82%       | 7.82%         | 0.00%                 |       |

1 **STATEMENT OF QUALIFICATIONS**

2 **MEHBOOB ASLAM**

3 Q.1 Please state your name and business address.

4 A.1 My name is Mehboob Aslam. My business address is 320 West 4th Street, Suite  
5 500, Los Angeles, CA 90013.

6 Q. 2 By whom are you employed and in what capacity?

7 A. 2 I am employed by the California Public Utilities Commission as a Public Utilities  
8 Regulatory Analyst (PURA)-V.

9 Q. 3 Please briefly describe your educational background and work experience.

10 A. 3 I graduated from the University of Engineering & Technology, Lahore, Pakistan,  
11 with a Bachelor of Science Degree in Mechanical Engineering, and also graduated  
12 from Western Kentucky University with a Master of Science Degree in Business  
13 Administration with an emphasis in Accounting and Finance. I have been  
14 employed by the CPUC since 2001. From 2001 through 2002, I was a member of  
15 the Consumer Protection and Safety Division, where I was responsible for energy  
16 utilities' operating practices to enforce the rules and regulations relating to the safe  
17 use of the plant and workforce. I performed engineering reviews and conducted  
18 incident investigations for both gas and electric utilities. I have also helped resolve  
19 customers' complaints. From 2002 through the present, I have been working for  
20 the Public Advocates Office in its Water Branch, mostly dealing with Class-A  
21 water utilities. I have performed evaluations of public utility plants and properties,  
22 regulation of utility tariffs and rates, studies of the cost of service, and studies of  
23 the utility's operating practices to enforce the rules and regulations relating to  
24 ratemaking. I have presented my findings and recommendations as an expert  
25 witness at public hearings before the Commission. I have also been actively  
26 involved with a few of Commission's OIR/OII proceedings.

27 Q. 4 What is your area of responsibility in this proceeding?

28 A. 4 I am a project coordinator in the GSWC Sutter Pointe GRC proceeding and  
29 responsible for Executive Summary and Results of Operations Tables.

30 Q. 5 Does this conclude your prepared testimony?

31 A. 5 Yes, it does.