

Docket	:	<u>A.25-01-001</u>
Exhibit Number	:	<u>Cal Adv-05</u>
Commissioner	:	<u>Darcie L. Houck</u>
Administrative Law Judge	:	<u>Minh LeOuang</u>
Public Advocates Office	:	<u>Zaved Sarkar</u>
Witness(es)	:	



PUBLIC ADVOCATES OFFICE
CALIFORNIA PUBLIC UTILITIES COMMISSION

Report On
General Office Operations, Taxes,
And Special Request #4

PUBLIC

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

Los Angeles, California
July 25, 2025

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CHAPTER 1 GENERAL OFFICE EXPENSES

I. INTRODUCTION

This chapter addresses General Office (GO) Expenses in General Rate Case (GRC) Application (A) 25-01-001 filed by San Gabriel Valley Water Company (SGVWC or San Gabriel). This chapter includes key recommendations, describes general approaches, and proposes forecasting adjustments in Test Year (TY) 2026-2027 GO expenses. In developing its recommendations, Cal Advocates reviewed SGVWC's general report, direct testimony, discovery responses, and the Results of Operations model.

SGVWC is a California corporation engaged in the business of producing, treating, storing, distributing, and selling water in Los Angeles and San Bernardino Counties. As of December 31, 2024, the Los Angeles (LA) Division had 49,879 customers including private fire services. As of December 31, 2024, the Fontana Water Company (FWC) Division had 49,523 customers including private fire services. The GO is located at 11142 Garvey Avenue, El Monte, California 91734.

II. SUMMARY OF RECOMMENDATIONS

The Commission should

- Remove ratepayer funding for vacant and unnecessary staff positions.
- Adopt an Operating & Maintenance (O&M) budget of \$164,520 in Test Year 2026-2027.
- Adopt an Administrative & General (A&G) budget of \$24,959,645 in Test Year 2026-2027.
- Reject SGVWC's funding request of \$760,000 in 2025, \$738,000 in 2026 and \$713,000 in 2027 to continue the Health Reimbursement Arrangement plan.
- Reject SGVWC's request for the authorization of a two-way balancing account as part of Special Request #4.

1 **III. ANALYSIS**

2 **A. Existing Approved Positions and New Positions**

3 SGVWC requests a total of 8 new GO positions and 3 re-requested positions from
4 last GRC, which are still not filled. These positions represent a near 10% expansion of
5 the GO staffing. SGVWC currently has 113 GO positions.

6 SGVWC forecasts payroll expenses including additional proposed staffing
7 positions in 2025, and applies an escalation factor of 2.1% in 2026, and 2.4% in 2027.¹
8 The Commission should adopt SGVWC's methodology for forecasting payroll expenses,
9 with specific position adjustments based on the analysis below.

10 **Table 1-1: New GO Position and Requests¹.**

Position	Division	Status
Planning Manager	GEN	Not Filled
Senior Planning Engineer/Hydraulic Modeler	GEN	Filled
Surveyor	GEN	Not Filled
Associate Corporate Counsel	GEN	Filled
Procurement Supervisor	GEN	Not Filled
Database Coordinator	GEN	Not Filled
Senior Accountant	GEN	Not Filled
Accountant III	GEN	Not Filled
Cybersecurity Analyst	GEN	Not Filled
Operations Software Administrator	GEN	Not Filled
Engineering Software Administrator	GEN	Not Filled

! Exhibit SG-1 (General Division), p. 4-2.

¹ Response to Data Request No. ZSI-010 (GO Existing and New Positions Follow Up), Q 8 - updated TABLE 7 of EXHIBIT SG-4 (Reiker) and an updated TABLE 2 of EXHIBIT SG-13 (Yucelen).

I

Table 1-2: New GO Position and TY Salary

Position	Division	Status	TY 2026-2027 Salary
Planning Manager	GEN	Not Filled	\$209,476
Senior Planning Engineer/Hydraulic Modeler	GEN	Filled	\$190,000
Surveyor	GEN	Not Filled	\$90,000
Associate Corporate Counsel	GEN	Filled	\$153,150
Procurement Supervisor	GEN	Not Filled	\$115,000
Database Coordinator	GEN	Not Filled	\$85,000
Senior Accountant	GEN	Not Filled	\$122,520
Accountant III	GEN	Not Filled	\$26,801
Cybersecurity Analyst	GEN	Not Filled	\$115,146
Operations Software Administrator	GEN	Not Filled	\$115,146
Engineering Software Administrator	GEN	Not Filled	\$115,146
Total			\$1,337,385

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1. Surveyor

4

The Commission should reject SGVWC's budget request to add a new Surveyor position in the GO. <<BEGIN CONFIDENTIAL>> [REDACTED]

6

[REDACTED] <<END CONFIDENTIAL>> SGVWC's five-year average annual

7

spending on surveying services was approximately \$123,000 from 2020-2024.J. SGVWC

8

has not filled this position since it was initially funded by ratepayers in September 2023.

9

SGVWC fails to justify the continual need for the position since it has been handling its

1 Response to Data Request No. ZSI-010 (GO Existing and New Positions Follow Up), ATTACHMENT 7.a.xlsx. (Attachment 1-2).

1 surveying work with different surveying firms.⁴ According to SGVWC, it plans to utilize
2 a combination of the in-house surveyor and consultants to complete the necessary survey
3 work⁵, which means ratepayers have to bear the cost of both the surveyor (when hired)
4 and consultants, as the surveyor would not be able to take over the survey work
5 immediately. The Commission should reject SGVWC's request to add a new Surveyor
6 position and adopt a surveying budget based on Cal Advocates' capital project budget
7 recommendation in other witness testimonies.

8 **2. Planning Manager**

9 The Commission should reject SGVWC's budget request to add a new Planning
10 Manager position in the GO. <<BEGIN CONFIDENTIAL>> [REDACTED]
11 [REDACTED] <<END CONFIDENTIAL>> SGVWC's explains that the
12 position was vacated when the previous Planning Manager resigned in February of 2024.⁶
13 SGVWC has spread the workload for this position among different engineering
14 department staff including the Vice President of Engineering, Director of Engineering
15 and the Design Manager.⁷

16 Since the Planning Manager's resignation, SGVWC has successfully redistributed
17 core planning functions across existing engineering resources for over 16 months, as of
18 this report. SGVWC provides no specific operational failures or project delays
19 attributable to this vacancy, which indicates work can be managed through existing
20 resources. The proposed \$209,476 represents an avoidable expense when workload
21 redistribution has proven feasible. The Commission should reject SGVWC's budget
22 request to add a new Planning Manager position.

⁴ Response to Data Request No. ZS1-010 (GO Existing and New Positions Follow Up), Q 1.d. (Attachment 1-2).

⁵ Response to Data Request No. ZS1-010 (GO Existing and New Positions Follow Up), Q 1.c. (Attachment 1-2).

⁶ Response to Data Request No. ZS1-010 (GO Existing and New Positions Follow Up), Q 3.a. (Attachment 1-2).

⁷ Response to Data Request No. ZS1-010 (GO Existing and New Positions Follow Up), Q 3.f. (Attachment 1-2).

1 **3. Procurement Supervisor**

2 The Commission should reject SGVWC’s request to add a new Procurement
3 Supervisor position in the GO. <<BEGIN CONFIDENTIAL>> [REDACTED]
4 [REDACTED] <<END CONFIDENTIAL>> SGVWC states that adding
5 a procurement supervisor role will help cover for the Procurement Specialist when
6 warehouse staff are unavailable. SGVWC states it is currently managing the workload by
7 assigning the Procurement Specialist to cover additional responsibilities during
8 warehouse staff absences.⁸

9 It is SGVWC’s responsibility to fully utilize its existing staff and budget to cover
10 its procurement and warehouse work to conduct its daily business. SGVWC currently
11 manages the warehouse operations and procurement duties with its existing warehouse
12 staff. No operational failures or project delays have been attributed to this vacancy, which
13 indicates the work can be managed through existing resources. Ratepayers should not
14 fund the creation of an unnecessary position when SGVWC is able to manage with
15 existing staff. The Commission should reject SGVWC’s budget request to add a new
16 Procurement Supervisor position.

17 **B. General Office Operating & Maintenance Expenses**

18 SGVWC forecasts an O&M expense budget of \$164,911² in TY 2026-2027.
19 O&M expenses include payroll, materials and supplies, outside services, utilities and
20 rents, and miscellaneous expenses. SGVWC forecasts O&M expenses on a calendar year
21 basis, using five-year inflation-adjusted averages of recorded data (2019 – 2024) and the
22 escalation factors published on November 27, 2024 (“Escalation Rates”) by Cal
23 Advocates. The Commission should adopt an O&M expense budget of \$164,520 in TY
24 2026-2027. The difference in budget is due to the adjustment of salaries for the new
25 positions as discussed in Section A of this chapter.

⁸ Response to Data Request No. ZS1-010 (GO Existing and New Positions Follow Up), Q 4.f. (Attachment 1-2).

² GRCWorkpapers - 2025 (FORMAL APPLICATION), Tab EX1, cell T34.

1 **C. General Office Administrative & General Expenses**

2 The Commission should adopt an Administrative & General (A&G) expenses
3 budget of \$ \$24,959,645. SGVWC forecasts an A&G expense budget of \$26,671,916¹⁰
4 in TY 2026-2027.

5 A&G expenses include payroll, materials and supplies, transportation, insurance,
6 pensions & benefits, outside services, regulatory commission expenses, utilities and rents,
7 and miscellaneous expenses. SGVWC forecasts A&G expenses on a calendar year basis,
8 using five-year inflation-adjusted averages of recorded data (2019 – 2024) and the
9 escalation factors published on November 27, 2024 (“Escalation Rates”) by Cal
10 Advocates.¹¹ SGVWC’s Administrative Expense Transferred to General Office is
11 discussed in Cal Advocates' testimony by Anthony Andrade.¹²

12 **1. Health, Dental and Vision Insurance**

13 The Commission should adopt SGVWC’s general approach in forecasting the cost
14 of related employee insurance, with specific adjustments to remove corresponding costs
15 in years where certain positions Cal Advocate’s recommends being removed. The table
16 below compares the cost difference between SGVWC and Cal Advocates proposed
17 budgets. The TY 2026-2027 forecast is based upon the forecasted number of employees,
18 in addition to the current premiums and forecasted inflation.¹³
19

¹⁰ GRCWorkpapers - 2025 (FORMAL APPLICATION), Tab EX1, cell T116.

¹¹ Exhibit SG-4 (Reiker), p. 9.

¹² Cal Advocates Report and Recommendations on Operations and Maintenance Expenses and Administrative and General Expenses, Chapter 2 LA Division A&G Expenses.

¹³ Exhibit SG-1 (General Division), p. 4-2.

Table 1-3: Difference between SGVWC and Cal Advocates for TY 2026-2027

TY 2026-2027	Health	Dental	Vision
SGVWC	\$1,593,229	\$83,102	\$10,793
Cal Advocates	\$1,574,894	\$82,048	\$10,676

D. Retiree Health Reimbursement Arrangement (RHRA) Program & Special Request #4 Post-retirement Benefits Other than Pension (PBOP)

SGVWC requests an average annual budget of \$737,000 in TY 2026-2027.¹⁰ to continue the Retiree Health Reimbursement Arrangement (RHRA), which would reimburse eligible participants up to \$5,000 for qualified medical expenses over a 12-month coverage period from January 1 through December 31 of each year, with funds unable to be rolled over into the next coverage period.¹¹ Eligible participants include current and future retirees and their spouses, where employees retire from SGVWC at age 62 or older, and have a minimum of ten years of continuous service at the time of retirement.

SGVWC also requests the authorization of a two-way balancing account to track the difference between the amount of Post-retirement Benefits Other than Pension (PBOP) expense approved in the GRC and the amount of PBOP expense actually recorded.¹⁶ PBOP consists of only the RHRA program as of this GRC.

SGVWC first requested the RHRA program in its prior GRC, A.22-01-003, with an annual budget of \$357,150. Cal Advocates opposed this request due to concerns about its cost effectiveness for ratepayers. Ultimately, both parties reached a comprehensive settlement that was adopted by the Commission in D.24-03-005, with the understanding

¹⁰ GRC Workpapers - 2025 (FORMAL APPLICATION), Tab PR3, Cells R90, S90 and T90. SGVWC is requesting \$760,000 in 2025, \$738,000 in 2026 and \$713,000 in 2027 which makes it an average annual budget of \$737,000.

¹¹ Exhibit SG-10 (Brown), PDF p. 4-5.

¹⁶ Exhibit SG-5 (Hanis), PDF p. 22-24.

1 that the settlement does not set a precedent. As part of this settlement, SGVWC also
2 agreed that it would need to provide complete justification in its subsequent GRC if it
3 wishes to request the RHRA program again.¹⁷

4 The Commission should deny SGVWC's proposed Retiree Health Reimbursement
5 Arrangement plan budget of \$737,000. SGVWC claims that it is competing with other
6 water utilities that offer post-retirement medical benefits and includes a list of such
7 utilities.¹⁸ However, the list is overwhelmingly comprised of publicly owned water
8 utilities.¹⁹

9 SGVWC provided a revised list of utilities when asked if it performed any
10 analysis on retirement healthcare benefit across public utilities and investor-owned
11 utilities.²⁰ However, as discussed below, employees of publicly owned water utilities
12 typically received a lower salary which may be offset by more generous benefits such as
13 additional health coverage. This makes public owned utilities a poor basis compared
14 with an investor-owned utility like SGVWC. SGVWC has also failed to provide
15 evidence that it has difficulty retaining or attracting qualified employees, nor that the
16 RHRA benefit is necessary to attract and retain employees.

1. Comparisons with Public Water Utilities Is Unreasonable

17
18
19 SGVWC argues that it must compete with other utility providers to attract and retain
20 qualified employees and provides a list of other water utilities and their post-retirement
21 healthcare benefits for comparison purposes, as shown in Table 1-4 below.
22

¹⁷ D.24-03-005, PDF p. 32-33.

¹⁸ Exhibit SG-10 (Brown), Attachment A.

¹⁹ Utilities that are government-owned as distinct from entities that are shareholder-owned.

²⁰ Response to Data Request No. ZS1-007 (HRA Plan), ZS1-007 ATTACHMENT 5.xlsx. (Attachment 1-3).

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Table 1-4: Retiree Health Benefits at Other Water Utilities²¹

Agency	Retiree Health Benefits	Description
Cal Water (IOU)	yes	shared cost (50/50) medical, dental, vision - no max
Southwest (IOU)	yes	portable HRA (contributions made during employment that can be used in retirement)
LADWP	yes	reimbursement of part B and up to \$935 per month for medical, dental, and vision
Cucamonga Valley Water	yes	portable HRA (contributions made during employment that can be used in retirement)
Metropolitan Water District	yes	up to \$1,855.59 per month
West Valley Water District	yes	reimbursement of part B, up to full medical, dental, and vision insurance for employee and spouse
Western Municipal Water District	yes	CalPERS - pay up to \$1,223 per month
Castaic Lake Water Agency	yes	up to \$1,727 per month
Alemeda County Water District	yes	up to 100% of cost of certain selected health plans
Desert Water Agency	yes	up to \$2,234.93 per month
Helix Water District	yes	up to \$2,277.64 per month
Casitas Municipal Water District	yes	retiree only premiums for medical insurance
Irvine Ranch Water District	yes	up to \$728 per month
Central Basin Municipal Water District	yes	100% for retiree plus up to \$1,566.83 per month. Plus \$1,000 per month HRA
Golden State (IOU)	no	
West Basin Municipal Water District	yes	up to \$2,106.07 per month, plus \$1,000 per month HRA
Las Virgenes Municipal Water District	yes	up to \$403.28 per month
City of Long Beach	yes	\$128 per month
Liberty Utilities (IOU)	no	
City of Santa Clarita	yes	\$128 per month
Municipal Water District of Orange County	yes	\$216.67 per month HRA
Santa Clarita Valley Water Agency	yes	up to \$1,937 per month
Coachella Valley Water District	yes	up to 75% of premiums
Orange County Sanitation District	yes	up to \$250 per month
City of Santa Monica	yes	\$58.67 per month
City of Simi Valley	no	
City of Thousand Oaks	yes	\$435 per month
United Water Conservation District	yes	up to \$98.00 per month
Ventura Regional Sanitation District	yes	\$128 per month

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4 Out of the 29 water utilities listed by SGVWC, only four are investor-owned while
5 the remaining 25 are publicly owned municipalities. It is unreasonable for SGVWC, an
6 investor-owned water utility, to compare itself to publicly owned municipalities for only
7 a single aspect of employee compensation, such as RHRA plan, without comparing total
8 compensation and benefits comprehensively. Furthermore, out of the four investor-
9 owned water utilities included, only two offer retiree health benefits. In response to

²¹ Response to Data Request No. ZS1-007 (HRA Plan), ZS1-007 ATTACHMENT 5.xlsx. (Attachment 1-2).

discoveiy,²² SGVWC provided another list, with five investor-owned water utilities including those listed in its initial Application, out of which only two have retiree-only health benefits, San Jose Water Company and California Water Service Company.¹¹

If SGVWC wishes to compare itself to a publicly owned water utility, then it should do so with more than just retiree health benefits. For example, base salary is generally lower in public agencies compared to investor-owned utilities. As shown in Table 1-5 below, the selected publicly owned water utilities offer greater benefits but typically provided salaries that are multiples less than SGVWC.

**Table 1-5: SGVWC Vs. Publicly Owned Water Utilities'
Retiree Health Benefits and Base Salary**

Company	Annual Benefit Total ²⁴	Utility> SGVWC	General Manager Base Salary ²⁵	President SGVWC > Utility
SGVWC	\$5,000	-	<<BEGIN CONFIDENTIAL>> <<END CONFIDENTIAL>>	-
West Basin Municipal Water District	\$37,272	\$3,736	\$290,569	<<BEGIN CONFIDENTIAL>> - << E N D CONFIDENTIAL>>
Deseli Water Agency	\$26,819	\$21,819	\$331,855	<<BEGIN CONFIDENTIAL>> - << E N D CONFIDENTIAL>>
Helix Water District	\$27,332	\$22,332	\$259,473	<<BEGIN CONFIDENTIAL>> - << E N D CONFIDENTIAL>>

¹¹ Response to Data Request No. ZS 1-007 (HRA Plan), ZS 1-007 ATTACHMENT 5.xlsx. (Attachment 1-2).

¹¹ Southwest Water Company was listed as having retiree health benefits in SGVWC's Application but was shown as having none in the discoveiy response. 7 out of 9 Class A Water utilities in California do not offer such benefits to its employees.

¹¹ Monthly retiree health benefits multiplied by 12-month calendar year.

¹¹ Transparent California (<https://transparentcalifornia.com/>).

1 In general, employee compensation between public and private entities is very
2 different. As shown in the above example, the selected municipalities can provide larger
3 retiree health benefits than SGVWC, while compensating their General Managers at
4 <<BEGIN CONFIDENTIAL>> [REDACTED] <<END CONFIDENTIAL>> the
5 rate of SGVWC's comparable President role. Instead of showing which public entity
6 offers the RHRA benefit, SGVWC must take the overall compensation (salary and
7 benefit) into account in making such comparisons.

8 **2. Retiring and Retaining Employees Simultaneously**

9 SGVWC states that, historically, many of its employees delayed their retirement
10 for years due to significant additional medical costs associated with retirement and
11 instead continue to work to retain their employee healthcare benefits.²⁶ Despite
12 providing no support, SGVWC also argues that it must compete with other utility
13 providers to retain qualified employees.²⁷ These statements are contradictory. SGVWC,
14 on one hand, argues that this program will retain current employees while, on the other
15 hand, it argues that the RHRA plan would encourage employees to retire sooner.

16 **3. Lack of cost-benefit analysis showing actual savings**

17 In D.24-03-005, which adopted the settlement agreement in the last SGVWC
18 GRC, the Commission stated:

19 The cost of the Health Reimbursement Arrangement Plan shall be
20 subject to review by the Public Advocates Office of the California
21 Public Utilities Commission in the next General Rate Case where
22 San Gabriel Valley Water Company should make specific
23 justification for retaining the plan.²⁸

24 As part of a broader justification, SGVWC states that over the past several years, it
25 had several retirement-aged field employees suffer work-related injuries. These
26 employees then “retire-out” on worker’s compensation to supplement their retirement,

²⁶ Exhibit SG-4 (Brown), PDF p. 3-4.

²⁷ Exhibit SG-4 (Brown), PDF p. 4, lines 2-6.

²⁸ D.24-03-005, PDF p. 32-33.

1 which in-turn increases the Company's workers' compensation premiums.²⁹ SGVWC
2 further states that over the years, San Gabriel's workers' compensation loss control
3 representatives have asked the Company if there is a way to encourage eligible
4 employees to retire rather than continue to work and use the Company's expensive
5 workers' compensation system to fund their retirement.³⁰ This would suggest that
6 SGVWC believes the introduction of the RHRA plan will save the Company money by
7 lowering reliance on worker's compensation fund and that resulting cost savings would
8 potentially surpass the cost of the RHRA plan.

9 Cal Advocates inquired about the list of workers that retired using worker's
10 compensation and how it has impacted SGVWC's premium rates for workers'
11 compensation.³¹ In response, SGVWC provided data for 6 employees, who suffered work
12 related injuries and a document with the Experience Modification Rate (Mod Rate) for
13 the past 33 years. Mod Rate is a factor that is developed by examining the insured's
14 actual loss history against the expected or average loss experience for the insured's class
15 of business. Out of the 6 workers, two sustained injuries between 2012 and 2015, which
16 SGVWC uses to claim has caused a significant increase in its Mod Rate in 2015, which
17 subsequently increased the premium rates for worker's compensation. Analyzing the
18 Mod Rate document that was provided as part of the data response, the Mod Rates exhibit
19 a cyclical pattern rather than a consistent linear upward trend. Periods of sharp increases
20 (e.g., 1993-1995, 2013-2015) are followed by sharp declines (e.g., 2001-2002, 2016-
21 2019). As shown below in Diagram 1-1, the Mod Rate has displayed considerable
22 volatility over time, indicating that attributing long-term premium increases to a small
23 number of past injuries may oversimplify the underlying factors causing these
24 fluctuations.³²

²⁹ Exhibit SG-4 (Brown), PDF p. 7, lines 4-7.

³⁰ Exhibit SG-4 (Brown), PDF p. 7, lines 8-11.

³¹ CONFIDENTIAL Data Request No. ZS1-009 (HRA Follow Up), Q.1.a & b. (Attachment 1-3).

³² Data Request No. ZS1-009 (HRA Plan Follow Up), CONFIDENTIAL ATTACHMENT 1.b.

1 <<BEGIN CONFIDENTIAL>>
2

3
4 <<END CONFIDENTIAL>>

5 As part of the same data request, Cal Advocates inquired about any cost benefit
6 analysis that SGVWC has conducted which shows that the RHRA plan would be cost
7 effective:¹¹ SGVWC was unable to provide any such analysis showing actual savings
8 even after 2 years of implementing the RHRA plan in the company.³⁵ Rate payers should
9 not bear the cost of a program that SGVWC claims will reduce expenses, but fails to
10 adequately support with supporting evidence or documented savings. SGVWC is free to
11 pursue this program using shareholder funds, but it should not be funded at ratepayer
12 expense. The Commission should also SGVWC's request to the authorization of a two-
13 way balancing account as part of Special Request #4, since it is not needed.

(Attachment 1-3).

11 Data Request No. ZSI-009 (HRA Follow Up), CONFIDENTIAL ATTACHMENT 1.b (Attachment 1-3).

11 CONFIDENTIAL Data Request No. ZSI-009 (HRA Follow Up), Q.1.d. (Attachment 1-3).

11 CONFIDENTIAL Response to Data Request No. ZSI-009 (HRA Follow Up), Q.1.d (Attachment 1-3).

1 **IV. CONCLUSION**

2 The Commission should

- 3 • Remove ratepayer funding for vacant and unnecessary staff
4 positions.
- 5 • Adopt an Operating & Maintenance (O&M) budget of \$164,520
6 in Test Year 2026-2027.
- 7 • Adopt an Administrative & General (A&G) budget of
8 \$24,959,645 in Test Year 2026-2027.
- 9 • Reject SGVWC's funding request of \$760,000 in 2025, \$738,000
10 in 2026 and \$713,000 in 2027 to continue the Health
11 Reimbursement Arrangement plan.
- 12 • Reject SGVWC's request for the authorization of a two-way
13 balancing account as part of Special Request #4.
- 14

LIST OF ATTACHMENTS FOR CHAPTER 1

#	Attachment #	Description
1	1-1	Qualifications of Witness
2	1-2	Response to Data Request No. ZS1-010 (GO Existing and New Positions Follow Up)
3	1-3	Response to Data Request No. ZS1-007 (HRA Plan)
4	1-4	CONFIDENTIAL Data Request No. ZS 1-009 (HRA Follow Up)

CHAPTER 2 GENERAL OFFICE RATEBASE

I. INTRODUCTION

This chapter addresses SGVWC's GO Rate Base request for TY 2026-2027. The GO division rate base is comprised of assets common to both the LA and FWC divisions, such as administrative facilities, IT infrastructure, and vehicle fleets. SGVWC's request includes five disputed components:

1. Replacement of the General Office Division Administrative Building (\$38.5 million budget).
2. Vehicle Replacement Program (a total of \$1.825 million over 4 years to address aging fleet and state electrification mandates).
3. IT Upgrades (server replacements, system modernizations, and customer service enhancements).
4. New Furniture for the proposed administrative building (\$1.2 million budget).
5. Include GO Construction Work in Progress (CWIP) in Rate Base.

II. SUMMARY OF RECOMMENDATIONS

The Commission should

- Reject SGVWC's funding request of \$38.5 million to replace the company's General Division administrative building as SGVWC has not adequately explored alternatives (i.e. purchasing existing properties).
- Authorize a vehicle replacement budget of \$300,000 in 2025, \$310,000 in 2026, \$128,000 in 2027 and \$330,000 in 2028.
- Adjust SGVWC's IT Upgrades capital budget.
- Reject SGVWC's budget of \$1.2 million to acquire new furniture for the General Office administrative building.
- Remove CWIP from Rate Base and Adopt an IDC budget of \$25,502 for General Office.

III. ANALYSIS

A. General Office Administrative Building

San Gabriel proposes a budget of \$38.5 million to replace the company's General Office Administrative building (Admin Building). This project is San Gabriel's solution

1 to office space shortage at its El Monte office. A similar application was filed more than
2 a decade ago. The Commission approved a solution that would remodel the existing
3 office building, which was expected to accommodate San Gabriel's employees for ten
4 years as stated in settlement agreement D.11-11-018³⁶. San Gabriel did not propose a new
5 office building prior to its scheduled 2020/2021 GRC filed in January 2019 pursuant to
6 D.11-11-018 nor in its subsequent GRC application filled in January 2022. Alternatively,
7 San Gabriel acquired the adjacent lot and constructed two temporary office trailers to
8 alleviate the space shortage.³⁷

9 SGVWC proposes its new relocation to take place in Capital Budget Years 2025
10 through 2028. The project proposes relocating two trailer office buildings, which are
11 currently housed in an adjacent lot acquired by SGVWC³⁸, to Plant No. 11 site and
12 constructing a new 32,000 Gross Square Foot (GSF), four-story admin building at the
13 same location in this rate cycle.³⁹ SGVWC plans to dismantle the trailer office buildings
14 in Plant No. 11 after the new Admin Building is completed and in service. Phase 1 of the
15 project is expected to be followed by a Phase 2 request in 2030 GRC to demolish the
16 existing admin building and construct a new operation and warehouse building in the
17 same location.⁴⁰ SGVWC expects these projects will provide enough space needs through
18 the year 2045.

19 The existing administrative functions are housed in two (2) buildings, a one-story
20 building originally designed and constructed circa 1958, and a two-story building,
21 originally designed and constructed circa 1965. The current setup houses 96 employees⁴¹

³⁶ D.11-11-018, Attachment E.

³⁷ Exhibit SG-13 (Yucelen), Attachment A, PDF p. 4.

³⁸ Exhibit SG-13 (Yucelen), Attachment A, PDF p. 4.

³⁹ Exhibit SG-13 (Yucelen), Attachment A, PDF p. 10.

⁴⁰ Exhibit SG-13 (Yucelen), Attachment A, PDF p. 11.

⁴¹ Supplemental Response to Data Request No. ZS1-001 (General Division Administrative Building), Q1.b, ZS1-001 Attachment 1.b.xlsx.

1 in the GO facilities with 173 standard parking spaces shared among them.⁴² The existing
2 building area is approximately 23,400 GSF⁴³ out of which the main building and field
3 office building are approximately 20,860 GSF.

4 **1. The cost of the project is not reasonable**

5 SGVWC requests a budget of \$38.5 million for the years 2025 through 2028 for
6 this project. This budget was considered as the final recommended option after a study
7 was conducted which evaluated six options of varying costs and construction options.⁴⁴

8 The cost per square foot for the budget presented by SGVWC is \$1,203 per square
9 foot.⁴⁵ Cal Advocates analyzed the average cost of commercial real estate construction
10 throughout the USA and specifically in Western USA and compared the pricing
11 differences. Below are some examples of construction costs/per square foot:

- 12 ○ Claris Design Build (2025) ~ **\$557-730/SF**: Claris Design Build
13 is an award-winning real estate construction company based in
14 Connecticut. Claris specializes in architecture, engineering and
15 commercial construction. Market segments include auto
16 dealerships, non-profit organizations, healthcare, recreation,
17 manufacturing, distribution and industrial.⁴⁶
- 18 ○ Home Guide Regional Market Data ~**\$380-850/SF**: Home Guide
19 is a popular blog site that publishes updates connecting
20 homeowners and construction professionals.⁴⁷
- 21 ○ Cushman & Wakefield Guide ~**\$80-86/SF**: Cushman &
22 Wakefield is a global commercial real estate services firm with
23 over 100 years of experience, employing approximately 52,000
24 professionals across 400 offices in 60 countries. The company

⁴² Exhibit SG-13 (Yucelen), Attachment A, PDF p. 151.

⁴³ Exhibit SG-13 (Yucelen), Attachment A, PDF p. 151.

⁴⁴ Exhibit SG-13 (Yucelen), Attachment A, SAN GABRIEL VALLEY WATER COMPANY MASTER SPACE PLAN - ANALYSIS OF OPERATIONAL SPACE REQUIREMENTS FOR INTERIORS AND BUILDING SITES (prepared by MASBUILD, INC.) - PDF pages 154-161.

⁴⁵ Cost of building ÷ Square Feet to be built = \$38,500,000 ÷ 32,000 = \$1203.125/SF.

⁴⁶ [\[2025 UPDATE\] Commercial Construction Cost per Square Foot in the US - Claris Design Build](#), (Accessed on 5/30/2025). (Attachment 2-1).

⁴⁷ [How Much Does Commercial Construction Cost Per Square Foot? \(2025\)](#) (Accessed on 5/30/2025) (Attachment 2-2).

1 provides a wide range of services, including agency leasing,
2 global occupier services, asset services, investment management,
3 capital markets, project and development services, facility
4 services, tenant representation, and valuation & advisory.⁴⁸

5
6 SGVWC's **\$1,203/SF** cost exceeds all benchmark data provided in the above
7 sources. For none of these sources the construction cost per square foot exceeds
8 \$1,000/SF. In fact, the highest shown among these sources is \$850/SF which is estimated
9 to be a high-end construction cost. The Commission should reject SGVWC's inflated
10 pricing estimate for its new building as it lacks proper justification.

11 **2. Oversized building and parking capacity**

12 San Gabriel states that the current administrative locations house 96 employees,⁴⁹
13 and includes 173 standard parking spaces shared among them.⁵⁰ The MASBUILD, INC
14 study commissioned by SGVWC states that the parking issue is being managed by the
15 addition of the lot (located at the corner of New Deal Avenue and Garvey Avenue) and
16 by a practice that allows certain on-call staff to take their car/truck to their home at
17 night.⁵¹ Others employees drive their personal car to the office, park their car then check
18 out a company vehicle, requiring two parking spaces for one person.

19 To resolve its spacing and parking issues, SGVWC proposes a significantly
20 oversized future building and a parking space allocation that will have vehicle parking
21 requirement of 250.⁵² Even if all the APPROVED/OPEN and NEW positions in General
22 Division, LA Division and Fontana Division are fulfilled the company will have a head

⁴⁸ [2025 Industrial Construction Cost Guide](#), PDF page 30. (Accessed on 5/30/2025). (Attachment 2-3).

⁴⁹ Supplemental Response to Data Request No. ZS1-001 (General Division Administrative Building), Q1.b, ZS1-001 Attachment 1.b.xlsx.

⁵⁰ Exhibit SG-13 (Yucelen), Attachment A, PDF p. 151.

⁵¹ Exhibit SG-13 (Yucelen), Attachment A, PDF p. 149.

⁵² Exhibit SG-13 (Yucelen), Attachment A, PDF p. 153.

count of 301.⁵³ SGVWC’s own Minimum Data Requirements shows a 0% increase in employees for TY 2026-2027 in General Office⁵⁴.

3. Failure to consider property acquisition as a cost-effective alternative

The MASBUILD, INC., evaluated several construction-focused options for the SGVWC’s building needs in its study, including:

1. Retrofit Existing Buildings Only (\$25 million),
2. Lease Separate Buildings and Construct Tenant Improvements (\$36 million - \$39 million),
3. Acquire Land at a New Location and Construct New Office Buildings. (\$30 million for land acquisition and \$30 million for construction)

However, the study did not consider the option to acquire a similar size property in a nearby location. Despite proposing a \$38.5 million budget for its chosen options, SGVWC overlooked a comparable nearby facility that could accommodate its GO employees while still supporting its operations. Cal Advocates identified a similar Office Building that can accommodate SGVWC current operational requirements with minimal renovations at a significantly lower cost of \$15 million.⁵⁵ This represents a potential saving of \$23.5 million compared to new construction. Purchasing an existing building should have been an option that SGVWC analyzed. SGVWC should explore all feasible options before it proceeds with its proposed \$38.5 million project.

⁵³ GRCWorkpapers - 2025 (FORMAL APPLICATION), Tab PR4.

⁵⁴ Exhibit SG-4 (Reiker) APPENDIX A - MINIMUM DATA REQUIREMENTS, PDF p. 44.

⁵⁵ [3810 Durbin St, Irwindale, CA 91706 - Office for Lease | LoopNet](#) (Accessed on 5/30/2025) (Attachment 2-4).

1 **4. High level budget estimate**

2 SGVWC’s proposed budget includes a base cost of \$25 million with \$10 million
3 in adders and multipliers such as construction management cost, administrative overhead
4 (19.6%) and contingency (10%).⁵⁶

5 Additionally, SGVWC’s cost estimate is inconsistent when comparing its proposal
6 with MASBUILD, INC’s earlier estimate. MASBUILD, INC. provided a high-level cost
7 estimate of \$28.3 million for a larger 49,561 GSF facility (\$571/SF), while SGVWC’s
8 current proposal is \$38.5 million for a smaller 38,000 GSF facility (\$1,013/SF).
9 SGVWC’s proposal represents a 77% increase in cost per square foot compared to
10 MASBUILD, INC’s option, without any proper justification of how these costs were
11 derived.

12 The Commission should deny SGVWC’s \$38 million budget request to replace the
13 company’s General Office administrative building as it has not adequately explored other
14 existing solutions and prepared a reasonable and well-supported budget for its new office
15 building.

16 **B. Vehicle Replacement Program**

17 SGVWC requested a budget of \$425,000 in 20205, \$445,000 in 2026, \$465,000 in
18 2027 and \$490,000 in 2028 to purchase new vehicles to support field operations and
19 replace outdated transportation equipment. This includes the acquisition of electric
20 vehicles (“EVs”) to meet California’s state electrification requirements. The Commission
21 should authorize a budget of \$300,000 in 2025, \$310,000 in 2026, \$128,000 in 2027 and
22 \$330,000 in 2028, consistent with the testimony of Cal Advocates’ witness Meghan
23 Tosney.⁵⁷

⁵⁶ Exhibit SG-13 (Yucelen), Attachment A, PDF p. 199.

⁵⁷ Cal Advocates Report and Recommendations on Capital Projects, Historic Rate Base, Utility Plant, Depreciation, and Rate Base, Chapter 9.

1 **C. IT Upgrades Capital Budget**

2 SGVWC requested a budget of \$200,000 in 2025, \$25,000 in 2026, \$550,000 in
3 2027, and \$280,000 in 2028 to replace network servers and storage space due to end of
4 life. The Commission should approve a budget of \$200,000 in 2025, \$25,000 in 2026,
5 \$537,000 in 2027, and \$279,000 in 2028 for this project which reflects removal of
6 contingency factors.^{58,59}

7 SGVWC requested a budget of \$350,000 in 2026 to make enhancements to its
8 Customer Information System. The Commission should approve a budget of \$328,675 in
9 2026 which reflects the removal of contingency factors.

10 SGVWC requested a budget of \$50,000 in 2025, \$350,000 in 2026, and \$550,000
11 in 2027 to modernize its technologies within the General Office which the Commission
12 should approve for this project.

13 SGVWC requested a budget of \$350,000 in 2025 to upgrade its phone systems.
14 The Commission should approve \$318,550 in 2025 which reflects removal of contingency
15 factors.

16 **D. Furniture for New Admin Building**

17 SGVWC requested a budget of \$25,000 in 2025, \$25,000 in 2026, \$144,000 in
18 2027 and \$1,000,000 in 2028 to acquire new furniture for its proposed new Admin
19 Building. As recommended in Section III. A of this chapter, the Commission should not
20 authorize ratepayer funding for the new Admin Building at this time. Therefore, the
21 Commission should remove the total budget of \$1,194,000 for the new office furniture.

22 **E. Interest During Construction (IDC)**

23 The Commission should adopt an IDC budget of \$25,502 for General Office.
24 SGVWC has proposed including Construction Work in Progress (CWIP) in rate base;
25 however, IDC should be adopted as a more reasonable alternative benefiting ratepayer.

⁵⁸ Decision 24-03-042, pp. 24-27.

⁵⁹ Cal Advocates Report and Recommendations on Capital Projects, Historic Rate Base, Utility Plant, Depreciation, and Rate Base, Chapter 3.III.A.

1 CWIP projects are not used and useful and therefore it is unreasonable for utilities to earn
2 a profit on these costs. In lieu of CWIP, utilities should budget for IDC which better
3 reflects the actual cost of short-term financing that utilities may utilize during project
4 construction, without providing an unreasonable return on assets that are not used and
5 useful. As further described in Cal Advocates' testimony on IDC by Meghan Tosney⁶⁰
6 and Andrew Rubang⁶¹, IDC costs should be forecasted at \$25,502 for General Office.

7 **IV. CONCLUSION**

8 The Commission should adopt these crucial recommendations to ensure the
9 financial prudence and operational efficiency of the San Gabriel Valley Water Company
10 (SGVWC).

11 First and foremost, the Commission must reject SGVWC's exorbitant funding
12 request of \$38.5 million for a new General Division administrative building. SGVWC has
13 failed to adequately explore more economic alternatives, such as purchasing existing
14 properties, which would undoubtedly save ratepayers a substantial sum.

15 Secondly, a carefully considered vehicle replacement budget is essential for
16 maintaining SGVWC's operational capacity. The Commission should authorize a budget
17 of \$300,000 in 2025, \$310,000 in 2026, \$128,000 in 2027, and \$330,000 in 2028.

18 Furthermore, it is imperative to adjust SGVWC's IT Upgrades capital budget. A
19 thorough review will ensure that investments in technology are strategic, cost-effective,
20 and directly beneficial to the company's operations and, by extension, its customers.

21 The Commission should also reject SGVWC's budget of \$1.2 million to acquire
22 new furniture for the General Office administrative building.

23 Finally, to accurately reflect the true cost of service and prevent ratepayers from
24 shouldering unnecessary financial burdens, the Commission should remove Construction
25 Work in Progress (CWIP) from the Rate Base. Concurrently, an Interest During

⁶⁰ Cal Advocates Report and Recommendations on Capital Projects, Historic Rate Base, Utility Plant, Depreciation, and Rate Base, Chapter 11.

⁶¹ Report on Construction Work-In Progress and Balancing & Memorandum Accounts, Chapter 1.

- 1 Construction (IDC) budget of \$25,502 for the General Office should be adopted,
- 2 providing a more appropriate mechanism for accounting for project financing.
- 3

1

LIST OF ATTACHMENTS FOR CHAPTER 2

#	Attachment #	Description
1	2-1	[2025 Update] Commercial Construction Cost Per Square Foot in the US - Claris Design Build
2	2-2	How Much Does Commercial Construction Cost Per Square Foot? (2025)
3	2-3	2025 Industrial Construction Cost Guide, Pdf, p. 30
4	2-4	3810 Durbin St, Ilwindale, Ca 91706- Office for Lease LOOPNET

2

CHAPTER 3 GENERAL OFFICE COST ALLOCATION

I. INTRODUCTION

This chapter presents the analyses and recommendations for SGVWC's GO cost allocation request. GO division's operating expenses are developed and allocated to the two ratemaking divisions by applying the four-factor rates.

II. SUMMARY OF RECOMMENDATIONS

The Commission should adopt SGVWC's general office cost allocation methodologies.

III. ANALYSIS

A. Allocation of Administrative Salaries and Other Costs to Affiliated Companies

SGVWC has four affiliated companies to which it attributes administrative salaries. Corporate officers and support personnel record their time spent on affiliate matters and monthly time sheets for these employees are accumulated.⁶² An invoice is prepared for each affiliate, based on each employee's hourly rate multiplied by their time spent, plus an additional rate for their fringe benefits,⁶³ plus a further 10% addition for overhead.⁶⁴ If the employee is an officer of the Company, an additional 15% is added in addition to other charges, otherwise an additional 5% is added in compliance with D.12-01-042; R.09-04-012.⁶⁵

SGVWC conducted an Overhead Allocation Study of Costs Attributable to Services Provided to Affiliated Companies in a September 2024 study.⁶⁶ The study evaluated the adequacy of SGVWC's overhead rate applied for recovery of its overhead

⁶² Exhibit SG-5 (Harris), p. 5.

⁶³ Fringe benefits are calculated after SGVWC's books are closed.

⁶⁴ Exhibit SG-5 (Harris), p. 5.

⁶⁵ Exhibit SG-5 (Harris), p. 5.

⁶⁶ Exhibit SG-5 (Harris), Attachment E, Overhead Allocation Study of Costs Attributable to Services Provided to Affiliated Companies.

costs associated with services it provides to its affiliated companies and found that SGVWC's allocation of costs to affiliates is more than adequate and no revision to the overhead rate is required at this time.⁶⁷ The method and rate used to allocate overhead costs to affiliated companies is designed so that the amount is reasonable and supporting entries readily show the nature, amount and account ultimately charged.⁶⁸

B. Four-Factor Allocation

The Commission should adopt the four-factor rate, developed from recorded 2023 data. The GO division operating expenses are generally allocable to the two ratemaking divisions (LA and FWC) on a four-factor basis. The four factors, each given equal weight, are as follows:

- a. Number of active service connections.
- b. Direct payroll expenses.
- c. Direct operating expenses excluding uncollectible, general expenses, depreciation, and taxes.
- d. Gross utility plant, less intangibles and plant common to all divisions.

⁶⁷ Exhibit SG-5 (Harris), Attachment E, Overhead Allocation Study of Costs Attributable to Services Provided to Affiliated Companies, p. 18.

⁶⁸ Exhibit SG-5 (Harris), Attachment E, Overhead Allocation Study of Costs Attributable to Services Provided to Affiliated Companies, p. 17.

Table 3-1: Four-factor rates and similar capital additions⁶⁹

2. Four-factor rates, developed from recorded 2023 data for 2024 and Estimated Year 2025, are as follows:

Factor	Los Angeles County	Fontana Water Company	Total
a.	50.59%	49.41%	100.00%
b.	51.74%	48.26%	100.00%
c.	51.93%	48.07%	100.00%
d.	46.95%	53.05%	100.00%
Average	50.30%	49.70%	100.00%

3. Because of similar capital additions and other changes within the two ratemaking divisions in recent years, the 2023 four-factor rates are used for both Test Years:

Test Year	Los Angeles County	Fontana Water Company	Total
2026-2027	50.30%	49.70%	100.00%
2027-2028	50.30%	49.70%	100.00%

V. CONCLUSION

The Commission should adopt SGVWC's GO cost allocation methodologies.

⁶⁹ Exhibit SG-1 (General Division), p. 4-1.

CHAPTER 4 TAXES OTHER THAN INCOME

I. INTRODUCTION

This chapter presents analysis and recommendations relating to Taxes Other Than Income. Taxes Other Than Income are comprised of: (1) payroll taxes, and (2) ad valorem, or property taxes. Payroll taxes are comprised of (1) Federal Insurance Contribution Act (FICA); (2) Federal Unemployment Insurance (FUI); and (3) State Unemployment Insurance (SUI). Income taxes are discussed in Chapter 5.

Cal Advocates and SGVWC generally do not differ in methodologies employed to forecast Taxes Other Than Income. The differences in total estimated taxes are largely due to differences in plant additions.

II. SUMMARY OF RECOMMENDATIONS

The Commission should adopt Cal Advocates' estimates of Taxes Other Than Income. The Commission should use the following parameters to calculate Test Year and Escalation Year Taxes Other Than Income:

- a. SGVWC's use of effective payroll tax rates and wage bases to forecast payroll taxes are reasonable and should be applied in estimating payroll tax expense.
- b. SGVWC's ad valorem tax expense methodologies are reasonable and should be applied in estimating property taxes. Any differences between SGVWC and Cal Advocates are due to differences in the Test Year estimate of plant levels.

III. ANALYSIS

A. Payroll Taxes

Payroll taxes are estimated based upon the applicable tax rates and minimum wage bases applied to forecasted payroll levels. The applicable rate for each of the taxes is applied to each employee's estimated salary up to the maximum taxable limit.

SGVWC and Cal Advocates both use the FICA rate of 6.2% in the TY applicable to the estimated FICA wage base of \$174,900 in 2026 and \$183,800 in 2027. In addition, total FICA also includes 1.45% of each employee's total annual wages for the Medicare component of FICA. SGVWC's forecast of the FICA (6.2%) wage base for 2026 and

1 2027 is consistent with the historical five-year average increases by the Social Security
2 Administration. The 1.45% Medicare component does not have a maximum wage cap.

3 The maximum taxable wage base for both FUI and SU taxes is the first \$7,000 of
4 each employee's annual wages and is not forecasted to change. SGVWC and Cal
5 Advocates both use 0.6% as the FUI tax rate and 1.7% as the SUI tax rate because both
6 rates are consistent with historical actual tax rates.

7 **B. Ad Valorem Taxes**

8 SGVWC bases its estimate for property taxes on historical County Assessor
9 valuations and the underlying methodologies applied to estimate plant additions in the
10 Test Year. The forecasted tax is based on a calculated average effective tax rate applied
11 to forecasted (net) plant investment. Plant in service is reduced by intangibles, advances
12 and contributions for construction, and deferred income taxes.

13 SGVWC's method of estimating ad valorem taxes for the Test Year is reasonable.
14 The differences between SGVWC and Cal Advocates' estimate of Ad Valorem Taxes is
15 due to differences in forecasted plant estimates.

16 **IV. CONCLUSION**

17 The Commission should adopt Cal Advocates' Test Year estimates of Taxes Other
18 Than Income. Cal Advocates and SGVWC generally do not differ regarding
19 methodologies employed to forecast Taxes Other Than Income. The differences in total
20 estimated taxes are largely due to differences in forecasts for plant additions.

CHAPTER 5 INCOME TAX CALCULATION

I. INTRODUCTION

This chapter presents the analysis and recommendations of the Public Advocates Office (Cal Advocates) relating to regulated income tax expenses in Los Angeles and Fontana Division of SGVWC Valley Water Company's (SGVWC). Regulated income tax expense is comprised of federal income taxes (FIT), and California Corporate Franchise Taxes (CCFT).

Cal Advocates and SGVWC generally do not differ on the methodologies employed to forecast regulated income tax expenses. SGVWC has accounted for the impact of the 2017 Tax Cuts and Jobs Act (TCJA). Any differences in total estimated income taxes are due to differences in forecasted operating revenues, expenses, and plant additions.

Cal Advocates' Results of Operations table summarizes the differences in estimates between Cal Advocates and SGVWC.

II. SUMMARY OF RECOMMENDATIONS

The Commission should adopt Cal Advocates' estimates for FIT and CCFT for the Test Year as reflected in Cal Advocates Results of Operation table. The Commission should use the following parameters to determine the Test Year and Escalation Year income tax expense:

- a. The corporate tax rate of 21% should be used to compute FIT and the net-to-gross multiplier. The state corporate income tax rate of 8.84% should be used to compute CCFT and the net-to-gross multiplier. For estimating income tax expenses, both Cal Advocates and SGVWC used this tax rate.
- b. The FIT rate of 21% should be used to revalue accumulated deferred income taxes (ADIT) to be deducted from the rate base. Both Cal Advocates and SGVWC used this tax rate to revalue ADIT in accordance with the TCJA.
- c. Excess Accumulated Deferred Income Taxes (Excess ADIT) resulting from the reduction in the FIT rate from 35% to 21% should be recognized and accounted for as a direct reduction FIT expense. The accounting of Excess ADIT should be

consistent with the normalization requirements of the TCJA which SGVWC has employed.⁷⁰

- d. All federal and state tax timing differences should be flowed through to ratepayers to the extent allowed by Commission policy, and federal and state tax laws.

III. ANALYSIS

The following section provides an overview of regulated income tax expenses and discusses certain specific tax deductions, credits, and other tax policy issues used to determine taxable income for ratemaking purposes.⁷¹

Income tax expense reflects the cost of service and is in this way like any other expense in a GRC proceeding. Estimating income tax expense is unique however, because in addition to reviewing historical payments, objective projection criteria must be applied to estimate the Test Year tax expense. Income tax expense is a mixture of projected taxable income streams, booked expenses, tax credits, and special tax deductions, calculated within the contexts of real-world tax laws and regulatory tax policies.⁷²

A. Basis for Regulated Tax Expense

While the mathematical model used to calculate tax expense is seemingly unambiguous, the underlying accounting conventions, applicable tax rates, and the determination of what constitutes allowable deductions are necessarily a function of current FIT and CCFT tax laws, including new laws expected to affect the Test Year.

⁷⁰ The Excess ADIT amounts consisted of 2 components; (a) the accumulated amortization of EDIT from January 2018 through June 2020 (including interest) which is fully amortized, and (b) the ongoing amortization of Excess ADIT commencing with the Test Year beginning July 1, 2020. Ongoing amortization of Excess ADIT has two sub-components; and (1) an “unprotected” portion not subject to the IRC’s normalization rules and it is already amortized, and (2) the “protected” portion, to which the Internal Revenue Code’s (“IRC”) normalization rules apply, which SGVWC is still amortizing.

⁷¹ Unless otherwise noted, all discussions apply equally to both federal and state tax expenses.

⁷² Tax expense also includes taxes that are a function of the payment of employee compensation, (payroll taxes), and the ownership of plant and property (ad valorem taxes). This category of taxes is referred to as Taxes Other Than Income.

1 Forecasted tax expense is based on adopted regulatory tax policy as determined by
2 numerous Commission decisions, and the Cal Advocates' recommended tax policies.
3 These decisions and policies should be considered when reviewing SGVWC's tax
4 expense.

5 Much of the Commission's existing tax policy was established in D.84-05-036⁷³
6 and then with numerous subsequent decisions.^{74,75} Cal Advocates' goal is to achieve the
7 lowest possible rate for service consistent with reliable and safe levels of service.⁷⁶ As
8 this applies to taxes, the goal is to minimize regulated tax expense to the extent possible,
9 which in turn minimizes revenue requirements for taxes. Another way to articulate this
10 goal is that the Test Year's income tax expense estimate should reflect, to the extent
11 possible, the current (Test Year) deduction of expenses in which there is a book/tax
12 timing difference. The Commission should continue to promote policies that result in the
13 Test Year tax estimate reflecting, to the extent possible, the flow-through of forecasted
14 expenditures.⁷⁷

15 **B. FIT Deduction for Prior Year's CCFT**

16 For FIT purposes, the amount of CCFT allowed as a deduction by the Internal
17 Revenue Service (IRS) is the CCFT liability of the prior year. This creates a timing
18 difference between when the payment of the CCFT is made and when it is allowed as a
19 tax deduction. D.17-06-008 requires that the prior-year last Commission adopted CCFT
20 amount be used as the deduction for CCFT for ratemaking purposes to arrive at FIT

⁷³ D.84-05-036 adopted ratemaking policy for a variety of tax issues.

⁷⁴ D.87-09-026 authorized various ratemaking methods that utilities may adopt to recover the federal tax imposed upon CIAC pursuant to the Tax Reform Act of 1986. D.88-01-061 adopted ratemaking policies for a variety of tax issues.

⁷⁵ See D.84-05-036, discussion at Section I, pgs. 32-33a. The Commission refused to adopt additional normalization requirements beyond those required for depreciation.

⁷⁶ Public Utilities Code §309.5.

⁷⁷ The Cal Advocates' ability to flow-through certain tax deductions and benefits is limited by Income Tax Normalization requirements of the Internal Revenue Code, as well as tax policy, established in D.84-05-036.

1 taxable income in the Test Year.⁷⁸ Cal Advocates and SGVWC agree with this
2 methodology.

3 **C. Deferred Income Taxes and Excess Accumulated**
4 **Deferred Income Taxes and the TCJA**

5 The reduction in the FIT rate from 35% to 21% created Excess ADIT, which is the
6 portion of deferred income taxes that ratepayers funded in rates, before the reduction in
7 the FIT. The reduction in the corporate income tax rate requires utilities to revalue
8 current deferred income taxes (DIT) at the 21% rate because the lower rate decreases the
9 Utilities' federal tax liabilities in the future. As a result, deferred tax reserves are more
10 than the utility's federal tax liabilities thus creating "Excess" ADIT.

11 As defined in Section 13001(d)(3)(A) of TCJA, the Excess ADIT is the difference
12 between the recorded accumulated deferred federal income tax (ADFIT) and the revalued
13 amount of the ADFIT after the federal income tax rate changed. Section 13001(d)(3)(A)
14 of TCJA defines excess tax reserve as follows:

15 the term "excess tax reserve" means the excess of— (i) the reserve
16 for deferred taxes (as described in section 168(i)(9)(A)(ii) of the
17 Internal Revenue Code of 1986) as of the day before the corporate
18 rate reductions provided in the amendments made by this section
19 take effect, over (ii) the amount which would be the balance in such
20 reserve if the amount of such reserve were determined by assuming
21 that the corporate rate reductions provided in this Act were in effect
22 for all prior periods.

23 The ADFIT before revaluation represents the amount SGVWC already collected
24 from ratepayers in prior years to pay future federal income taxes. SGVWC revalued its
25 ADFIT amount to reflect the new 21% FIT tax rate in accordance with this provision of
26 TCJA. The difference between these two will provide the Excess ADIT amount. For

⁷⁸ However, in some cases, the current or Test Year estimated CCFT amount may be used as a Test Year FIT deduction. This is particularly true when there is no firm prior year's payment information or the prior year's amount is merely an estimate based on progressive annual estimates or when there is simply no "last adopted" CCFT amount. In D.89-11-058, the Commission agreed with the Cal Advocates' position that the Test Year CCFT amount may also be used as a convenient approximation for the prior year's CCFT expense in the calculation of the Test Year FIT. The Commission explained that this is done to avoid preparing a complete summary of earnings for the prior year

1 ratemaking purposes and to ensure that excess reserves are returned to ratepayers,
2 SGVWC accurately recognized and accounted for Excess ADIT as a regulatory liability.

3 The Excess ADIT amounts consisted of two components:⁷⁹ (a) the accumulated
4 amortization of Excess EDIT from January 2018 through June 2020 (including interest)
5 which is fully amortized, and (b) the ongoing amortization of Excess ADIT commencing
6 with the Test Year beginning July 1, 2020. Ongoing amortization of Excess ADIT has
7 two sub-components; and (1) an “unprotected” portion not subject to the Internal
8 Revenue Code’s (IRC’s) normalization rules and it is already amortized,⁸⁰ and (2) the
9 “protected” portion, to which the IRC normalization rules apply, which SGVWC is still
10 amortizing. The Cal Advocates agrees with this methodology.

11 **D. Interest Expense**

12 For FIT purposes, Cal Advocates and SGVWC estimated interest expense by
13 applying the weighted average cost of long-term debt from SGVWC’s capital structure to
14 the total rate base. Differences in the total amount of interest expense deductible for
15 regulated income tax purposes are, therefore, the result of differing rate base estimates
16 between SGVWC and Cal Advocates.

17 There are two normalization options to amortize ITC for regulated tax purposes
18 for Public Utility corporations. Under Option One, the tax benefits of investment tax
19 credit (ITC) are flowed through to ratepayers by deducting deferred ITC from the rate
20 base. As each year passes, the deferred ITC balance decreases, thereby proportionally
21 restoring the rate base over the book life of the plant that generated it. Under Option Two,
22 the tax benefits of ITC are proportionally flowed through as a direct reduction to
23 estimated FIT.

⁷⁹ Exhibit SG-4 (Reiker), PDF pp. 47-48.

⁸⁰ Excess ADIT stemming from other tax benefits such as the “Repairs Regulations” are not subject to the normalization rules. These deferred taxes are commonly referred to as “Unprotected.” The TCJA does not provide for rules for amortizing Excess ADIT on Unprotected balances; this is left up to the regulatory agency.

1 The unamortized deferred investment tax credit (ITC) balance was deducted from
2 the rate base for this calculation because SGVWC is an Option One company. The
3 method of “interest synchronization” that normally results in a higher interest deduction,
4 and therefore, a lower regulated FIT expense, does not apply to SGVWC because of how
5 SGVWC treats unamortized Investment Tax Credit (Option One). For CCFT purposes,
6 Cal Advocates and SGVWC also deducted the unamortized ITC from the rate base before
7 applying the same debt cost factor.

8 **E. Investment Tax Credit (ITC)**

9 As discussed above, public utilities can select either of these two normalization
10 options to amortize ITC for regulated tax purposes. Cal Advocates does not have a
11 policy preference as to which option is used.

12 SGVWC uses Option One. This means the FIT expense was not reduced directly
13 by the annual amortization of ITC. Instead, amortized ITC reduced the rate base.⁸¹ The
14 Cal Advocates accept SGVWC’s methodology.

15 **IV. CONCLUSION**

16 Cal Advocates and SGVWC have no methodological differences for computing
17 regulated tax expenses. Any differences are due to different estimates for revenues,
18 operating expenses, and plant additions. The Commission should adopt Cal Advocates'
19 estimates for tax expense as reflected in Cal Advocates Results of Operation table.

⁸¹ Under current federal tax law, ITC must be amortized over the life of the underlying plant when estimating regulated federal income tax expense. Generally, this method of normalizing ITC applies to plant placed in service after 1980.

ATTACHMENTS

LIST OF ATTACHMENTS FOR CHAPTER 1

#	Attachment #	Description
1	1-1	Qualifications of Witness
2	1-2	Response to Data Request No. ZS1-010 (GO Existing and New Positions Follow Up)
3	1-3	Response to Data Request No. ZS1-007 (HRA Plan)
4	1-4	CONFIDENTIAL Data Request No. ZS 1-009 (HRA Follow Up)

Attachment 1-1: Qualifications of Witness

1 **QUALIFICATIONS AND PREPARED TESTIMONY**
2 **OF**
3 **ZAVED SARKAR**
4

5 Q.1 Please state your name and address.

6 A.1 My name is Zaved Sarkar, and my business address is 505 Van Ness Avenue, San
7 Francisco, CA 94102

8
9 Q.2 By whom are you employed and what is your job title?

10 A.2 I am employed by the Public Advocates Office – Water Branch and my job title is
11 Utilities Engineer.

12
13 Q.3 Please describe your educational and professional experience.

14 A.3 I received a Bachelor of Science Degree in Electrical and Electronic Engineering
15 from the American International University – Bangladesh (AIUB) in 2010. I also
16 earned a Master of Science Degree in Electrical and Electronic Engineering from
17 California State University, Sacramento in 2019. I have been with the Public
18 Advocates Office – Water Branch since October of 2017.

19
20 Q.4 What is your area of responsibility in this proceeding?

21 A.4 I am responsible for the preparation of Cal Advocates’ testimony on General
22 Office’s expenses, rate base and cost allocations, and Taxes other than Income.

23
24 Q.5 Does that complete your prepared testimony?

25 A.5 Yes, it does.
26

**Attachment 1-2: Response to Data Request No. ZS1-010
(GO Existing and New Positions Follow Up)**

SAN GABRIEL VALLEY WATER COMPANY

June 3, 2025

Mehboob Aslam
Water Branch, Cal PA
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102

(by email)

Re: **Response to Data Request No. ZS1-010 (GO Existing and New Positions Follow Up)**

Dear Mr. Aslam:

In response to your data request dated May 27, 2025, San Gabriel Valley Water Company (San Gabriel or Company) responds as follows:

REQUEST NO. 1:

Regarding the yet to be filled Surveyor position referenced in Exhibit SG-13 (Yucelen), pg. 49-53.

- a. Is this position currently filled? Please provide details of the hiring process if it's not completed yet.
- b. How much is SGVWC budget for professional land survey services in the years 2026 through 2028 in both divisions? Please provide a breakdown of how this budget is allocated annually between 2026 through 2028.
- c. Does SGVWC plan to use a combination of consultants and the in-house Surveyor? If so, explain the division of labor in detail.
- d. How did SGVWC handle the responsibility of this position in the past?
- e. What does SGVWC estimate the annual Surveyor consultant costs to be in 2026 through 2028?
 - i. Identify the projects related to this professional land survey services?
 - ii. Please provide a timeline of related projects in 2026, 2027, 2028, and 2029.
 - iii. Where in the RO model SGVWC presented these estimates?

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RESPONSE NO. 1:

- a. No. The position of surveyor is not currently filled. As explained on Page 53 of EXHIBIT SG-13, San Gabriel has been advertising to fill this position and is actively seeking candidates.

San Gabriel has advertised this position since September of 2023 on numerous advertising websites including BC Water Jobs and San Gabriel's company website. San Gabriel also interviewed five candidates in 2024. Of the candidates interviewed, some of them were not qualified for the position while others chose not to accept the position with San Gabriel due to receiving offers from other companies. Currently, San Gabriel is still seeking to fill this position and is advertising through an employment agency to find the right candidate.

- b. The cost for professional land surveying work in 2026 through 2028 is included as part of the Engineering and Design costs for each project wherever applicable. The detailed cost estimates were provided in ATTACHMENT B and ATTACHMENT D to EXHIBIT SG-13, ATTACHMENT A and ATTACHMENT B to EXHIBIT SG-14 and ATTACHMENT A and ATTACHMENT B to EXHIBIT SG-15. Although a specific budget for survey work is not shown for each project, the cost of survey work can range from \$2,000 up to \$40,000 depending on the size and scope of the project
- c. Initially San Gabriel will utilize a combination of the in-house surveyor and consultants to complete necessary survey work. Eventually, San Gabriel's goal is to complete all survey work in house. This will include but not be limited to:
- Topographic surveys
 - Boundary surveys
 - Easement descriptions
 - Pipeline alignment surveys
 - Record of surveys
 - Survey elevations of company assets
 - Reservoir foundation surveys
 - Construction staking
- d. San Gabriel has handled this position in the past by working with different surveying firms to complete the work.
- e. In 2025, San Gabriel estimates that the annual surveyor consultant costs will be on average with previous years since the Surveyor position is not filled yet. The average annual cost for surveying work in the past five years as detailed in \ZS1-010 ATTACHMENT 7.a.xlsx\ is approximately \$123,000. San Gabriel expects that this cost will decrease once the position is filled and more surveying work is able to be completed by in house staff.
- i. Refer to \ZS1-010 ATTACHMENT 1.e.xlsx\ for a summary of land surveying services required for San Gabriel's LA division and Fontana division projects and their construction timelines.
- ii. Refer to \ZS1-010 ATTACHMENT 1.e.xlsx\ for a summary of land surveying services required for San Gabriel's LA division and Fontana division projects and their construction timelines.

- iii. These costs are included in the annual capital budget for each division on WORKPAPER P1.

RESPONDING WITNESS: Yucelen, Marroquin

REQUEST NO. 2:

Regarding the yet to be filled Senior Planning Engineer/Hydraulic Modeler position referenced in Exhibit SG-13 (Yucelen), pg. 49-53.

- a. Is this position currently filled? Please provide details of the hiring process if it's not completed yet.
- b. How much is SGVWC budget for Mater Plan Updates and Hydraulic Model Updates in 2026 through 2028? Please provide a detailed breakdown of this budget allocated annually.
- c. Does SGVWC plan to use a combination of consultants and the in-house Senior Planning Engineer/Hydraulic Modeler? If so, explain the division of labor in detail.
- d. How did SGVWC handle the responsibility of this position in the past? Please provide any documents and detailed breakdown of cost associated with these responsibilities.
- e. What does SGVWC estimate the annual cost for Senior Planning Engineer/Hydraulic Modeler to be in 2026 through 2028?
 - i. Identify any capital projects this positions will be directly tied to.
 - ii. Please provide a timeline of related projects in 2026, 2027, 2028, and 2029.
 - iii. Where in the RO model SGVWC presented these estimates?

RESPONSE NO. 2:

- a. Yes. This position was filled with the hiring of Samson Kawjaree. Samson was hired in the position of Senior Project Manager of Planning due to his qualifications.
- b. San Gabriel provided a breakdown for hydraulic model updates and master plan updates in the four-year budgets provided in Attachment B and Attachment D to Exhibit SG-13. A summary of those costs for each division is provided below.

Los Angeles Division			
Description	2026	2027	2028
Hydraulic Model Updates	\$ 100,000	\$ -	\$ 100,000
Master Plan Updates	\$ -	\$ 200,000	\$ 200,000
Fontana Division			
Description	2026	2027	2028
Hydraulic Model Updates	\$ 100,000	\$ -	\$ 100,000
Master Plan Updates	\$ -	\$ 200,000	\$ 200,000

- c. San Gabriel is currently utilizing both in house staff and consultants to complete hydraulic modeling work. The hydraulic modeling work currently being completed by in-house staff

is limited to small scale projects. San Gabriel's ultimate goal is to have someone on staff that is experienced in hydraulic modeling that can complete all of the required modeling work in-house regardless of the project size and greatly reduce the need to work with consultants. On special projects, San Gabriel will still need to work with consultants to get a third party opinion, but the majority of the modeling work will be done by San Gabriel Staff. This will improve efficiency in completion of the work and reliability in the preparation of the models because our employees will have access to system data that can easily be verified and updated as needed. Tasks to be completed include but are not limited to the following.

- Assist with master plan preparation
 - Perform hydraulic model updates
 - Complete hydraulic analysis studies for new developments
 - Evaluate existing system and recommend improvements
- d. San Gabriel has utilized in house staff to complete modeling for small scale projects that do not require extensive modeling scenarios. For large scale projects that do require extensive modeling scenarios and modifications, San Gabriel has utilized consultants to complete these tasks. Refer to \ZS1-010 ATTACHMENT 7.a.xlsx\ for details of costs paid to consultants for planning manager/hydraulic modeling work. The costs for these two positions are included together because both of them work hand in hand on these tasks.
- e. San Gabriel estimates the annual cost for an in-house Senior Planning Engineer/Hydraulic Modeler in the years 2026 through 2028 to be in the range of \$150,000 to \$190,000 per year with most, if not all, of the costs being capitalized. This would be for the salary paid to an in-house employee that would be able to work on senior planning and hydraulic modeling work. As stated in response to Question 2.c, initially San Gabriel will utilize a combination of both the in-house employee and consultants to complete such work, with the consultants' costs decreasing over the years as more work is completed in house. As detailed in \ZS1-010 ATTACHMENT 7.a.xlsx\, the average annual consulting cost for Senior Planning Manager/Hydraulic Modeler is approximately \$793,000. San Gabriel expects that this cost will decrease once the position is filled and more hydraulic modeling/senior planning work is able to be completed by in house staff.
- i. The capital projects which will require the services of Senior Planning Engineer/Hydraulic Modeler are listed in \ZS1-010 ATTACHMENT 2.e.xlsx\ along with the timeline. In addition to capital projects, the Senior Planning Engineer/Hydraulic Modeler will also be involved with developer-related projects. Tasks for developer will include hydraulic modeling, fire flow requests and master planning.
- ii. The capital projects which will require the services of Senior Planning Engineer/Hydraulic Modeler are listed in \ZS1-010 ATTACHMENT 2.e.xlsx\, along with the timeline. In addition to capital projects, the Senior Planning Engineer/Hydraulic Modeler will also be involved with developer-related projects. Tasks for developer will include hydraulic modeling, fire flow requests and master planning.

- iii. The position of Senior Planning Engineer/Hydraulic Modeler is shown on Line 170 of WORKPAPER PR4. As explained above, San Gabriel anticipates that most, if not all of the salary and related costs of this position will be capitalized. Thus, San Gabriel has forecasted a salary of \$0 on WORKPAPER PR4.

RESPONDING WITNESS: Yucelen, Marroquin

REQUEST NO. 3:

Regarding the yet to be filled Planning Manager position referenced in Exhibit SG-13 (Yucelen), pg. 49-53.

- a. Is this position currently filled? Please provide details of the hiring process if it's not completed yet.
- b. Please provide a detailed job description of this position.
- c. What workload changes have occurred to justify the need for this position? How will this new position address these workload changes?
- d. What are the adverse impacts if this role is not approved?
- e. Why is this solution the highest and best use of resources? Why does this have to be done in this GRC?
- f. How is SGVWC managing this position's workload without a permanent person in place?
- g. How does this role address a long-term or short-term need or a combination of both? Explain the timeframe.
- h. If additional space/facilities are required to accommodate the Planning Manager, how will this need be met (e.g., sharing space, individual cubicle or office, other)?
- i. Explain why it is not possible for San Gabriel to provide training to its existing staff or promote/merge existing roles to perform the responsibility of this position?

RESPONSE NO. 3:

- a. No. The position was vacated when the current Planning Manager resigned in February of 2024. San Gabriel has been advertising to fill this position since it was vacated and is actively seeking candidates to fill the position with advertisements on BC Water Jobs, LinkedIn, and on San Gabriels' company website. San Gabriel interviewed three candidates that were qualified for the Planning Manager position, however all three declined to accept San Gabriel offer. San Gabriel is still actively seeking candidates to fill this position and has advertisements on the Company's website as well as with an employment agency.
- b. Refer to \ZS1-010 ATTACHMENT 3.pdf\ for a detailed job description for the Planning Manager.
- c. The Planning Manager position is not a new position. It was approved in the 2022 GRC and was filled by converting the position of Chief Engineer to Planning Manager. This

position was left open when the Planning Manager resigned in February of 2024. Please refer to testimony provided in the 2022 GRC, EXHIBIT SG-8 (Yucelen), Pages 205 to 209, where San Gabriel provides a detailed explanation for the workload changes that occurred to justify the need for a Planning Manager as well as how the position will address the workload changes.

- d. As explained in response to Question 3.c, the Planning Manager position is not a position requested for approval in this GRC. It was approved in the prior GRC. Please refer to testimony provided in the 2022 GRC, EXHIBIT SG-8 (Yucelen), Pages 205 to 209 where San Gabriel provides a detailed explanation for the workload changes that occurred to justify the need for a Planning Manager as well as how the position will address the workload changes.
- e. Refer to response to Question 3.c.
- f. Due to the resignation of the Planning Manager, the workload for this position has been spread among different Engineering Department staff including the Vice President of Engineering, Director of Engineering and the Design Manager. The Engineering Department's Design Manager was temporarily transferred to the Planning Department in an interim position to provide support and guidance to the employees. This has put a strain on the Engineering Department because the Design Manager was required to dedicate time to two different departments. For example, the Design Manager assumed responsibilities for capital budget preparation, preparation of rate case documents, exhibit and justifications and coordination with consultants for preparation of the Master Plan. The Design Manager's involvement in these tasks slowed down the design of Engineering tasks such as treatment plant design, pump station design or pipeline designs. Additionally, the Vice President of Engineering and the Director of Engineering have had to take on more prominent roles related to planning functions such as the design of the administrative building, permitting the Plant No. 7 reservoir with the Division of State Architect, and the review and preparation of the Master Plan update. Although involvement with these tasks helps move some of the planning functions along, it delays the completion of engineering design work.
- g. Filling this vacancy addresses both a long-term and a short-term need. In the short term, a Planning Manager would be able to relieve the Design Manager of all of the Planning related responsibilities. The Planning Manager will be able to work directly with Planning staff or consultants as needed to execute all functions of the Planning Department. This would allow the Design Manager to fully dedicate his time to the Engineering Department to complete critical design projects. San Gabriel's time frame for this short term goal is as soon as possible.

In the long-term, the Planning Manager would be able to work directly with Planning Department staff to complete all planning related functions such as asset management, GIS management, hydraulic modeling, master plan preparation and updates and rate case filing preparation. The timeframe for the long-term goal is one to two years.
- h. The Planning Manager position utilized two offices. One in the Los Angeles County division office and the other in the Fontana division office. Following the resignation of the Planning Manager and due to the urgent need for office space, the Planning Manager's

offices were re-assigned to other managers or converted to shared offices. When San Gabriel is able to fill this position, a workspace will be created for the Planning Manager by having other employees share offices or workspaces to open an office.

- i. Training existing staff and promoting or merging existing roles to perform the responsibilities could take several years due to the extensive knowledge required not only of San Gabriel's water system but also of technical items such hydraulic modeling, GIS development, asset management, master planning and familiarity with rate case filings. Although it is possible to train someone for this position with time, San Gabriel has a need to fill this position immediately in order to relieve the Design Manager of his planning related responsibilities and to optimize the efficiency of both the Engineering and Planning Departments.

RESPONDING WITNESS: Yucelen, Marroquin

REQUEST NO. 4:

Regarding the newly requested Procurement Supervisor role for the Procurement Department referenced in Exhibit SG-13 (Yucelen), pg. 54-56.

- a. Is this position currently filled? Please provide details of the hiring process if it's not completed yet.
- b. Please provide a detailed job description of this position.
- c. What workload changes have occurred to justify the need for this position? How will this new position address these workload changes?
- d. What are the adverse impacts if this role is not approved?
- e. Why is this solution the highest and best use of resources? Why does this have to be done in this GRC?
- f. How is SGVWC managing this position's workload without a permanent person in place?
- g. How does this role address a long-term or short-term need or a combination of both? Explain the timeframe.
- h. Explain why it is not possible for San Gabriel to provide training to its existing staff or promote/merge existing roles to perform the responsibility of this position?
- i. What does SGVWC estimate the annual costs to be for Procurement Supervisor in 2026 through 2028?

RESPONSE NO. 4:

- a. This position is currently not filled. San Gabriel is seeking qualified candidates to fill this position.
- b. Refer to \ZS1-010 ATTACHMENT 4.pdf\ for a detailed job description for the Procurement Supervisor..

- c. Adding a Procurement Supervisor will help resolve current staffing challenges by providing consistent oversight and support. The Procurement Supervisor can cover for the Procurement Specialist when warehouse staff are unavailable, ensuring all duties are completed without interruption. This role will enhance management of daily operations, improve vendor coordination, and ensure timely purchasing and deliveries. With a dedicated leader in place, the department will be better equipped to manage absences, balance workloads, and maintain smooth operations. This addition will increase efficiency and minimize disruptions across both divisions.
- d. Without a Procurement Supervisor, the department will remain understaffed and vulnerable to disruptions when employees are absent. As operational demands continue to grow, the team's ability to maintain steady workflows, manage vendor relationships, and complete purchases on time will be increasingly challenged. Currently, the Procurement Specialist is often pulled away from essential procurement duties to cover warehouse responsibilities, leading to delays and inefficiencies. These challenges can negatively affect field operations, project timelines, and overall service delivery across both divisions. Over time, the ongoing strain on existing staff may also cause exhaustion, further impacting performance and morale.
- e. Adding a Procurement Supervisor is the highest and best use of resources because it directly addresses critical staffing gaps that impact on the efficiency and effectiveness of procurement and warehouse operations. By providing dedicated supervision and coverage, it allows existing staff to focus on their core responsibilities without being diverted to cover multiple roles, reducing delays and improving overall departmental performance.

Including this position in this GRC is necessary because it reflects the growing needs of the department to support both divisions effectively. The Procurement Department is facing workload pressures that are impacting operations. Without a dedicated Procurement Supervisor in place, the department will continue to experience inefficiencies, delays, and disruptions, especially during employee absences. Addressing this need will help prevent operational setbacks, support timely purchasing and delivery.

- f. San Gabriel is currently managing the workload by assigning the Procurement Specialist to cover additional responsibilities during warehouse staff absences. This includes stepping in to handle warehouse operations, which takes them away from their primary procurement duties such as purchasing, vendor coordination, and strategic support. While this arrangement helps maintain basic operations, it is not sustainable and has led to delays and increased strain on staff. The absence of a dedicated supervisor limits the department's ability to operate efficiently and meet the growing demands of both divisions.
- g. In the short term, the Procurement Supervisor would take over key responsibilities currently handled by the Procurement Specialist, allowing the Specialist to step in and support warehouse operations during staff absences. This shift ensures that both procurement and warehouse functions continue without major disruption, helping to reduce delays, improve workflow, and maintain overall efficiency across the department.

In the long-term, the Procurement Supervisor position strengthens the overall department structure by adding leadership, improving oversight, and supporting growing operational demands across both divisions. As the company continues to expand and operations

become more complex, this role will play a key part in maintaining continuity, enhancing vendor and contractor coordination, and supporting strategic procurement planning.

The timeframe for this need is immediate, with long-term benefits that support the department's continued stability and effectiveness over time.

- h. It is not possible for San Gabriel to train or promote existing staff or merge roles to absorb the responsibilities of this position due to current staffing limitations and workload capacity. The Procurement and Warehouse teams are already operating at full capacity, with each role performing essential, distinct functions that are critical to daily operations. Asking existing staff to absorb additional responsibilities would increase workload pressure and contribute to staff strain, reducing overall efficiency and effectiveness. Additionally, the specialized nature of this role will include oversight of both procurement and warehouse functions, vendor coordination, purchasing strategy, and operational support across two divisions. This requires a level of leadership experience, decision-making ability, and cross functional coordination that exceeds the scope of current roles. Merging duties would not provide focused supervision and continuity needed to address growing operational demands. A dedicated Procurement Supervisor would ensure accountability, stability, and long-term success of the department.
- i. The annual costs for the Procurement Supervisor position that San Gabriel is requesting to recover in this proceeding are shown on Line 193 of WORKPAPER PR4.

RESPONDING WITNESS: Yucelen, Marroquin

REQUEST NO. 5:

Regarding the newly requested Associate Corporate Counsel referenced in Exhibit SG-4 (Reiker), pg. 30.

- a. Is this position currently filled? Please provide details of the hiring process if it's not completed yet.
- b. Please provide a detailed job description of this position.
- c. What workload changes have occurred to justify the need for this position? How will this new position address these workload changes?
- d. What are the adverse impacts if this role is not approved?
- e. Why is this solution the highest and best use of resources? Why does this have to be done in this GRC?
- f. How is SGVWC managing this position's workload without a permanent person in place?
- g. How does this role address a long-term or short-term need or a combination of both? Explain the timeframe.
- h. Explain why it is not possible for San Gabriel to provide training to its existing staff or promote/merge existing roles to perform the responsibility of this position?

- i. What does SGVWC estimate the annual costs to be for Associate Corporate Counsel in 2026 through 2028?

RESPONSE NO. 5:

- a. Yes, the position was filled on 04/29/2025.
- b. Please see \ZS1-010 ATTACHMENT 5.b.pdf\.
- c. From 2016 through 2021, the company employed four in-house attorneys in various positions including the Vice President and General Counsel, Assistant General Counsel (formerly titled Regulatory Compliance Counsel), the Chairman & CEO, and the Senior Regulatory Specialist. By the end of 2024, three of these attorneys had departed the company, leaving only one attorney, the General Counsel, prior to hiring the Associate Corporate Counsel on April 29, 2025. The Associate Corporate Counsel's role is essential for several reasons.

First, regulatory compliance is a cornerstone of the utility's operations. The Associate Corporate Counsel, in conjunction with and under the leadership of General Counsel, will fill the role of the former Regulatory Compliance Counsel/Assistant General Counsel in researching, understanding, interpreting and monitoring the myriad of governmental regulations that govern the company's operations to ensure the utility adheres to all legal requirements, thereby avoiding potential non-compliance issues. The position requires sufficient education and training to fully understand and knowledgeably interpret regulations, and an ability to conduct comprehensive legal research and interpret ever-changing local, state, and federal statutes, regulations, rules, judgements, and court proceedings in order to effectively communicate and provide guidance, legal advice, and support across various departments, which is essential for informed decision-making and fostering a culture of compliance and ethical practice within the utility. Furthermore, by identifying potential legal risks and developing effective mitigation strategies, the Associate Corporate Counsel will help protect the utility's reputation and assets. Additionally, the Associate Corporate Counsel will assist in preparing necessary documentation related to regulatory filings and compliance reports. This will allow the General Counsel to concentrate on broader strategic legal initiatives, as was the case prior to 2022.

The Associate Corporate Counsel will also be integral in managing contracts and agreements. This includes drafting, reviewing, and negotiating contracts to protect the utility's interests while minimizing risks. In the context of litigation or disputes, the Associate Corporate Counsel will provide crucial support in case preparation and coordination with external legal teams, ensuring that the utility's legal strategy is thoroughly prepared and executed.

The legal landscape for investor-owned utilities, particularly those regulated by the California Public Utilities Commission (CPUC), is complex and continually evolving with the passage of new rules, regulations and laws at local, state, and federal level. To effectively manage the myriad of legal challenges and ensure compliance with regulatory

requirements, there is a growing need to hire an Associate Corporate Counsel to assist the General Counsel in managing the diverse legal challenges that the utility faces.

In summary, the addition of an Associate Corporate Counsel is a strategic initiative aimed not only at bringing the company's in-house legal expertise back to pre-2022 levels, but enhancing the company's legal capabilities and supporting the General Counsel in maintaining compliance and managing legal risks effectively. This proactive approach will help ensure the utility's continued success and alignment with regulatory expectations.

- d. The primary adverse impact of the CPUC not approving this role is that the utility will not be afforded a fair opportunity to recover its prudently incurred cost of providing service. Adverse impacts of not filling this necessary position include the following:
 1. In the absence of in-house support, the utility would ultimately need to heavily rely on outside counsel for routine legal work, contract review, internal compliance matters, regulatory filings and labor matters, as these tasks simply cannot be completed by the General Counsel alone beyond the current GRC cycle. This would ultimately increase costs for the utility as outside counsel rates are higher than in-house attorney rates.
 2. Delays in legal review and slow response times for internal departments needing legal guidance are also adverse impacts that would result if the position was not filled. These delays in legal review would cause operational bottlenecks, missed deadlines, and could increase risk exposure.
 3. Without this position, the utility would likely face increased legal and regulatory risks due to limited capacity for timely legal review and guidance. Proactive risk mitigation is far more cost-effective than addressing issues after the fact.
 4. As the utility plans for infrastructure investment and sustainability and as the utility advances water development projects with developers, the need for integrated legal counsel becomes more critical to make sure that the utility maintains compliance with government rules and regulations. The Associate Corporate Counsel will contribute to strategic planning and tracking by ensuring projects are legally sound from inception. Without this role, projects may face setbacks or legal complications, impeding progress.
 5. With this newly-filled position, the current legal team is operating at full capacity, as it was prior to 2022. Maintaining an adequately staffed legal team is vital to ensure consistent, high-quality legal service to the utility and its customers.
- e. This solution is the highest and best use of resources for the following reasons:
 1. Without the Associate Corporate Counsel position the utility would, over time, need to increase its dependence upon outside legal firms for matters that can be handled more efficiently internally. The cost per hour of in-house counsel is significantly lower than that of external legal services. This will ultimately result in considerable avoided-cost savings for ratepayers without compromising legal quality or responsiveness.
 2. Legal demands on the utility continue to grow, especially in areas such as regulatory compliance, contracting, infrastructure development, water quality, and employment law. An in-house counsel can build institutional knowledge, offer real-time legal

support, and collaborate directly with departments — providing a level of continuity, accessibility, and strategic insight that outside counsel cannot replicate. With increasing regulatory complexity, having an internal resource who can ensure proactive compliance and mitigate legal risk helps avoid costly litigation, enforcement actions, or delays in project implementation. This proactive risk management protects customer interests and ensures regulatory trust and alignment.

As explained in the response to 5(c), in 2021 the utility had four in-house attorneys in various roles, but that number dwindled to one prior to hiring the Associate Corporate Counsel on April 29, 2025. As a result, all legal tasks and duties that were spread across four attorneys fell onto one attorney, the General Counsel. The legal workload and complexity facing the utility are increasing now — not in a future cycle. Deferring this request to a future GRC would prolong inefficiencies, continue placing strain on existing staff, and ultimately result in higher costs. These impacts are already being felt and need to be addressed in the current rate cycle. Over the next GRC cycle, the utility anticipates substantial regulatory filings, infrastructure programs, and compliance reviews. Delaying this position would leave the utility under-resourced during a critical period of activity, increasing risk and potentially delaying regulatory approvals or project execution.

- f. Immediately prior to hiring the Associate Corporate Counsel, the workload fell solely upon the General Counsel. As previously explained, prior to the departure of the other three attorneys that the company employed, these legal responsibilities were better managed.
- g. Please see response to 5(c) above. This role will address long-term and short-term needs in every aspect of the reasons stated in the response for 5(c).
- h. It is not possible for San Gabriel to provide training to its existing staff or existing roles to perform the responsibility of this position because this role performs core legal functions that require an active law license and legal expertise. This role will provide legal advice, risk assessment, contract drafting and negotiations, regulatory and compliance support, employment and labor law compliance, litigation management, governance and will engage in confidential attorney client communications. Please see the job description attached as \ZS1-010 ATTACHMENT 5.b.pdf.
- i. The annual costs for the Associate Corporate Counsel position that San Gabriel is requesting to recover in this proceeding are shown on Line 21 of WORKPAPER PR4.

RESPONDING WITNESS: Reiker

REQUEST NO. 6:

Regarding the newly requested Database Coordinator referenced in Exhibit SG-4 (Reiker), pg. 31.

- a. Is this position currently filled? Please provide details of the hiring process if it's not completed yet.
- b. Please provide a detailed job description of this position.

- c. What workload changes have occurred to justify the need for this position? How will this new position address these workload changes?
- d. What are the adverse impacts if this role is not approved?
- e. Why is this solution the highest and best use of resources? Why does this have to be done in this GRC?
- f. How is SGVWC managing this position's workload without a permanent person in place?
- g. How does this role address a long-term or short-term need or a combination of both? Explain the timeframe.
- h. Explain why it is not possible for San Gabriel to provide training to its existing staff or promote/merge existing roles to perform the responsibility of this position?
- i. What does SGVWC estimate the annual costs to be for Database Coordinator in 2026 through 2028?

RESPONSE NO. 6:

- a. No.
- b. Please see \ZS1-010 ATTACHMENT 6.b.pdf\.
- c. Refer to EXHIBIT SG-8 (Zvirbulis) at page 6. San Gabriel's Water Resources department manages large volumes of data for the LAC and FWC divisions, including water quality, production, and conservation program tracking data. Over the past decade, San Gabriel like other California water utilities, have faced an increase in digital regulatory reporting requirements, emanating from emergency drought orders and growing water quality regulations. Additional reports not already mentioned in EXHIBIT SG-8 include Urban Water Management Plans, Annual Water Supply and Demand Assessments, SB 606/AB 1668 Urban Water Use Objective reports, monthly production and conservation reports, Lead Service Line Inventories, America's Water Infrastructure Act assessments, and future Water Loss Performance Standards. Each report uses different data formats, requiring significant staff time for data collection from various departments and formatting. Reporting requirements are expected to increase even more over time. This was discussed in EXHIBIT SG-9 (Fealy), Section V, Compliance with Applicable Water Quality Standards, and Section VI, Water Conservation.
Additionally, the FWC division in-house developed and manages a unique water quality monitoring, reporting and tracking database. This database has greatly aided in reducing human error in data inputs, can query specific data sets and time ranges for various reporting, and tracks all monitoring deadlines for sampling in real time. This has greatly improved accuracy and efficiency and protects the Company from potential monitoring violations in the future. San Gabriel would like to develop a similar system in its LA Division; however, existing staff is maxed out with their current list of duties and not much progress has been made.
The proposed Database Coordinator position will be responsible for maintaining, managing, collecting, and formatting this data, creating essential databases, and ensuring timely and accurate regulatory compliance for both divisions.

- d. The primary adverse impact of the CPUC not approving this role is that the utility will not be afforded an fair opportunity to recovery its prudently incurred cost of providing service. If this position is not filled, San Gabriel will continue to face escalating challenges managing the increasing volume and complexity of regulatory reporting. As outlined in EXHIBIT SG-8 (Zvirbulis) at page 6, San Gabriel's Water Resources staff in both the LAC and FWC divisions are already tasked to capacity with time-intensive data aggregation and reporting responsibilities. San Gabriel's Water Resources staff has developed various forms of automation, primarily ad hoc macros and standalone scripts, but these tools lack adaptability and routinely fail when reporting formats or portal structures are updated, requiring repeated manual intervention.

The introduction of new regulations, including AB 1668/SB 606, the Lead Service Line Inventory, SB 601/SB 366, and the upcoming Urban Water Use Objectives, continue to add to the reporting burden.

As regulatory timelines tighten and reporting requirements evolve in complexity and format, the company's existing processes lack the flexibility and responsiveness necessary to ensure compliance. Without the Database Coordinator, San Gabriel remains vulnerable to late filings, incomplete submissions, and potential regulatory penalties. Ultimately, the absence of this position would lead to further erosion of compliance readiness, reduced reporting reliability, and strained departmental resources, compliance posture, diminished report quality, and inefficiencies that compromise San Gabriel's regulatory obligations.

- e. By assigning complex tasks such as data integration, quality assurance, and metadata management to a dedicated position, SGVWC can avoid the inefficiencies of distributing these responsibilities across multiple staff members.

Including this position in the current GRC is especially important as new regulatory mandates, such as SB 601, SB 366, and Water Loss Performance Standards are being implemented. The Database Coordinator will ensure San Gabriel has the dedicated resources necessary to manage and maintain the data required to meet evolving compliance obligations. This includes timely and accurate completion of the aforementioned reports and other future reporting requirements. It also includes the development and management of the LAs Division's Water Quality database, which is greatly needed to expedite its reporting capabilities, improve accuracy, and to better ensure its future monitoring requirements are met.

- f. Refer to the response to 6.c above.
- g. In the short term, the Database Coordinator will immediately shore up San Gabriel's ability to meet impending deadlines, such as the next eAR submission, monthly conservation reports, and the first round of validated water-loss audits, by centralizing and automating the extract, transform, and load processes that are currently spread across SGVWC's Water Resources department. Within the first quarter, this role will develop standardized conduits for SCADA, billing, GIS, and field-collected data, reducing manual preparation time and ensuring on-time, accurate filings.

The Database Coordinator will focus on building a resilient data governance framework defining metadata standards, enforcing accuracy and quality rules, and documenting data lineage. The Database Coordinator will develop a self-serve reporting environment in Power BI (and similar tools) SGVWC can leverage for a variety of reports, ad-hoc analyses, and data requests. The Database Coordinator will have laid the foundation for scalable, agile data operations. As California's regulatory landscape continues to evolve e.g. SB 601 and SB 366 adjustments, Water Loss Performance Standards compliance in 2028, or entirely new mandates require centralized architecture and governance processes.

- h. San Gabriel's Water Resources staff are currently overburdened managing the increasing volume of complex and time-sensitive regulatory reporting responsibilities. Training or merging existing roles to absorb the duties of the proposed Database Coordinator would place an unsustainable burden on current staff and significantly heighten the risk of non-compliance with critical regulatory filings.

Existing staff members lack the capacity to take on additional responsibilities related to data integration, QA/QC, metadata management, and report automation, particularly as the scope and complexity of reporting requirements continues to grow (e.g., SB 601, SB 366, Urban Water Use Objectives, and upcoming Water Loss Performance Standards). These functions require specialized skill sets and dedicated focus that cannot be realistically absorbed through internal reallocation without compromising the integrity and timeliness of San Gabriel's regulatory obligations.

The creation of a dedicated Database Coordinator position is essential to ensure regulatory compliance, improve operational efficiency, and prevent increased exposure to compliance-related risks.

- i. The annual costs for the Database Coordinator position that San Gabriel is requesting to recover in this proceeding are shown on Line 217 of WORKPAPER PR4

RESPONDING WITNESS: Zvirbulis, Fealy

REQUEST NO. 7:

Please provide the consultant contracts and rate sheets of various consultants and outside services SGVWC relies on to do their official businesses. Please sort them by the various expense accounts they are tracked in and the corresponding RO Model location where it's tracked.

RESPONSE NO. 7:

Requested General Office positions for which San Gabriel has used consultants/outside services over the past five years (2020 – 2024) include:

Position	Consultant/Outside Services
Operations Software Administrator	DCSE, Inc.
Engineering Software Administrator	DCSE, Inc.
Planning Manager Senior Planning Engineer	Civiltec Engineering Converse Construction Crosno Construction

	DCSE, Inc. HPA, Inc. Tom Dodson & Associates John Robinson Consulting PacRim Engineering, Inc. Stetson Inc. WestLAND Group, Inc. West Yost Associates Yorke Engineering, LLC.
Surveyor	CAL VADA Surveying, Inc. Civiltec Engineering Conaway Geomatics Dawson Surveying William E. Eadson Pivotal Adaptive Services The Prizm Group WestLAND Group West Yost Associates

Please see \ZS1-010 ATTACHMENT 7.a.xlsx\ for the requested cost data, including accounts charged. Accounts beginning with “7” or “8” were charged to expense and reflected in the expenses reported in WORKPAPER EX2. Accounts beginning with “1003” were charged to construction work in progress and reflected in utility plant data reported in WORKPAPER PR2. Consultant contracts (if available) and/or rate sheets/invoices are provided in the folder \ZS1-010 ATTACHMENT 7.b\.

RESPONDING WITNESS: Reiker

REQUEST NO. 8:

Please provide the updated number of **NEW/OPEN/NOT FILLED** GO positions currently in SGVWC. This could be an update to Table 7 referenced in Exhibit SG-4 (Reiker), pg. 30-31 with all positions listed in Table 2 referenced in Exhibit SG-13 (Yucelen), pg. 53.

RESPONSE NO. 8:

Please \ZS1-010 ATTACHMENT 8.xlsx\, which includes an updated TABLE 7 of EXHIBIT SG-4 (Reiker) and an updated TABLE 2 of EXHIBIT SG-13 (Yucelen).

RESPONDING WITNESS: Brown

Please call me at (626) 448-6183 with any questions regarding this information.

Sincerely,

Mehboob Aslam
Response to ZS1-010

-17-

June 3, 2025

/s/ Joel M Reiker

Joel M. Reiker
Vice President, Regulatory Affairs

Cc: Zaved Sarkar (Zaved.sarkar@cpuc.ca.gov)

/encl.

Attachment 1-3: Response to Data Request No. ZS1-007 (HRA Plan)

SAN GABRIEL VALLEY WATER COMPANY

April 3, 2025

Mehboob Aslam
Water Branch, Cal PA
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102

(by email)

Re: **Response to Data Request No. ZS1-007 (HRA Plan)**

Dear Mr. Aslam:

In response to your data request dated March 27, 2025, San Gabriel Valley Water Company (San Gabriel or Company) responds as follows:

REQUEST NO. 1:

Please refer to Exhibit SG-10 (Brown) Section II: Retiree-Only Health Reimbursement Arrangement Plan, and Attachments A and B.

How many employees currently employed at SGVWC are the age of retirement or will reach the age of retirement during this GRC period, 2026-2029? Please provide all supporting documents.

RESPONSE NO. 1:

Assuming age 65 is the age of retirement, then employees born in 1964 or earlier would qualify. 45 current employees are in that category.

RESPONDING WITNESS: Brown

REQUEST NO. 2:

How many employees have retired from SGVWC in 2024 and 2025 (as of March 2025) specifically because a Health Reimbursement Arrangement Plan is available? Please provide supporting documentation which shows the reimbursement costs from RHRA plan since 2024 (if any).

RESPONSE NO. 2:

Eight employees have retired between 1/1/24 through 3/25/25 who qualified for the RHRA. Please see \ZS1-007 ATTACHMENT 2.xlsx\.

RESPONDING WITNESS: Brown

REQUEST NO. 3:

Do the other California investor-owned Class-A water utilities not listed in the comparison table in Attachment A offer the same or similar benefit?

- a. If so, which ones?

RESPONSE NO. 3:

San Gabriel is not aware if other IOU's not listed in the comparison table have an RHRA or similar benefit.

RESPONDING WITNESS: Brown

REQUEST NO. 4:

Most of the agencies listed in the comparison table are public utilities. Why does SGVWC believe these public utilities are a good benchmark instead of other investor owned utilities in California? Please provide all supporting documentation for your response.

RESPONSE NO. 4:

San Gabriel seeks out and requires the same talent, experience, education, and certification as publicly owned utilities. This is even more daunting as the small number of IOU's only provide water utility service to 16% of Californians per the CPUC, and are required to compete with the vast number of neighboring publicly owned utilities that are hiring from the same talent pool. San Gabriel needs to stand out as an employer of choice when compared to publicly owned utilities that offer full and comprehensive health retirement benefits that substantially exceed the modest RHRA plan used by San Gabriel now. As recently as December of 2024, two of our field operators left to work at a municipality stating that one of their reasons was the retiree benefit plans offered through CalPers

RESPONDING WITNESS: Brown

REQUEST NO. 5:

Public utilities typically have different retirement benefits compared to investor-owned utilities.

- a. Has SGVWC performed any analysis on retirement healthcare benefit in public utilities vs. investor-owned utilities to support the need for this insurance? If so, please provide the analysis and support documentation.

b. If not, please provide an explanation of why SGVWC thought it wasn't necessary.

RESPONSE NO. 5:

San Gabriel completed this analysis for its 2022 GRC, in which the Company first requested approval of this retirement benefit. Please see \ZS1-007 ATTACHMENT 5.xlsx\.

RESPONDING WITNESS: Brown

Please call me at (626) 448-6183 with any questions regarding this information.

Sincerely,

/s/ Joel M Reiker

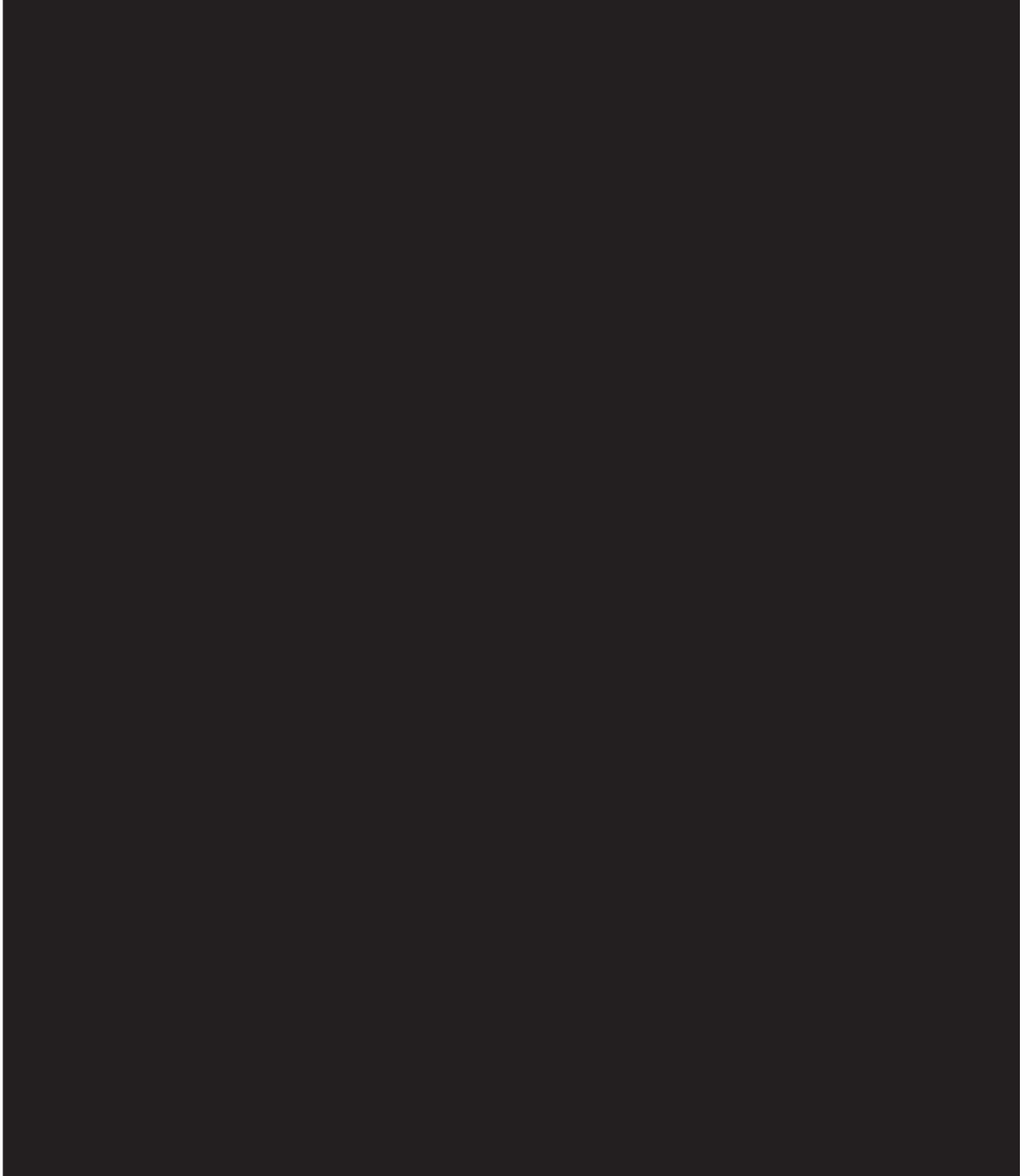
Joel M. Reiker
Vice President, Regulatory Affairs

Cc: Zaved Sarkar (Zaved.sarkar@cpuc.ca.gov)

/encl.

Attachment 1-4: **CONFIDENTIAL** Data Request No. ZSI-009 (HRA Follow Up)

<<BEGIN CONFIDENTIAL>>








<<END CONFIDENTIAL>>


LIST OF ATTACHMENTS FOR CHAPTER 2





#	Attachment #	Description
1	2-1	[2025 Update] Commercial Construction Cost Per Square Foot in the US - Claris Design Build
2	2-2	How Much Does Commercial Construction Cost Per Square Foot? (2025)
3	2-3	2025 Industrial Construction Cost Guide, Pdf, p. 30
4	2-4	3810 Durbin St, Ilwindale, Ca 91706- Office for Lease LOOPNET

Attachment 2-1: [2025 UPDATE] Commercial Construction Cost per Square Foot in the US - Claris Design Build



ABOUT PORTFOLIO HOW WE DO IT PROJECT HIGHLIGHTS TESTIMONIALS CAREERS BLOG CONTACT





- Hotels: \$180 - \$500 per square foot.

SOUTH


Southern states, particularly Texas and Florida, show moderate construction costs, influenced by lower labor rates but increasing demand:

- High-Rise Offices: \$545 - \$654 per square foot.
- Malls: \$245 - \$439 per square foot.
- Hotels: \$175-\$390 per square foot.

WEST

The West Coast, particularly California, has some of the highest construction costs due to seismic code requirements and high labor expenses:

- High-Rise Offices: \$557 - \$730 per square foot.
- Malls: \$261 - \$575 per square foot.
- Hotels: \$180-\$425 per square foot.



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Attachment 2-2: How Much Does Commercial Construction Cost Per Square Foot?
(2025)

← × <https://homeguide.com/costs/commercial-construction-cost-per-square-foot> 🔍 🔄 ⭐ ⚙️ 👤 ⋮

How much will your project cost? [Get free estimates](#)

Cost of commercial construction by region

The following table shows the average cost to construct a commercial building depending on its location in the U.S.:

Cost of commercial construction by region	
Region	Average cost per square foot
West	\$380 – \$850
Midwest	\$270 – \$760
South	\$240 – \$680
East	\$350 – \$870

West

Commercial construction costs **\$380 to \$850 per square foot** on average in western states. Building in cities like San Francisco, San Diego, Las Vegas, Seattle, or Sacramento costs more than almost anywhere else in the country. The western U.S has many coastal cities and eco-friendly structures, which drive up building costs.

Table of contents

Commercial construction cost per square foot

— Cost of commercial construction by region

◦ West

◦ Midwest

◦ South

◦ East

Cost of commercial construction by type

◦ Office building

◦ School or university

◦ Manufacturing facility

◦ Hospital or clinic

◦ Hotel

◦ Apartment building

◦ Community building

◦ Shopping center

◦ Parking garage

◦ Warehouse

Commercial building cost calculator

[Get free estimates →](#)

Attachment 2-3: 2025 Industrial Construction Cost Guide, PDF page 30.

2025 Industrial Construction Cost Guide | pages: 30 - 31 / 40 | © 2025 Cushman & Wakefield

Local Market Data U.S.						
KANSAS CITY						
	2024			2025		
	SMALL	MEDIUM	LARGE	SMALL	MEDIUM	LARGE
Site Work	\$15.77	\$12.71	\$11.21	\$21.85	\$22.05	\$19.17
Base Bldg Structural & Enclosure	\$44.15	\$33.40	\$27.54	\$48.30	\$30.08	\$27.79
Base Bldg Architectural	\$38.40	\$22.26	\$10.75	\$24.57	\$6.60	\$7.00
Base Bldg MEP	\$5.04	\$5.08	\$5.01	\$5.37	\$5.47	\$5.06
GC's and GFI's & Fee	\$12.55	\$6.17	\$4.95	\$11.34	\$5.40	\$4.50
Contingency	\$11.96	\$6.77	\$5.69	\$11.90	\$7.35	\$5.99
Total Cost	\$136.86	\$77.39	\$65.15	\$129.94	\$76.94	\$69.52

LAS VEGAS						
	2024			2025		
	SMALL	MEDIUM	LARGE	SMALL	MEDIUM	LARGE
Site Work	\$11.67	\$8.98	\$10.75	\$54.40	\$28.70	\$25.10
Base Bldg Structural & Enclosure	\$78.17	\$43.29	\$29.30	\$50.90	\$39.79	\$35.24
Base Bldg Architectural	\$27.59	\$29.14	\$28.65	\$24.31	\$6.20	\$6.54
Base Bldg MEP	\$10.66	\$5.90	\$4.00	\$6.94	\$5.43	\$4.81
GC's and GFI's & Fee	\$15.56	\$11.01	\$9.08	\$22.38	\$13.42	\$10.52
Contingency	\$11.82	\$9.14	\$7.60	\$15.04	\$8.65	\$7.71
Total Cost	\$151.47	\$107.46	\$89.38	\$173.77	\$102.19	\$89.91

LOS ANGELES						
	2024			2025		
	SMALL	MEDIUM	LARGE	SMALL	MEDIUM	LARGE
Site Work	\$46.39	\$22.92	\$20.60	\$45.38	\$22.49	\$19.27
Base Bldg Structural & Enclosure	\$32.84	\$15.76	\$5.71	\$45.33	\$35.62	\$31.65
Base Bldg Architectural	\$45.03	\$37.12	\$33.58	\$24.31	\$6.20	\$6.54
Base Bldg MEP	\$6.54	\$11.4	\$1.15	\$9.02	\$7.09	\$6.29
GC's and GFI's & Fee	\$13.22	\$6.31	\$5.47	\$21.43	\$12.90	\$10.04
Contingency	\$14.79	\$8.78	\$8.09	\$13.72	\$7.73	\$6.87
Total Cost	\$158.80	\$94.02	\$86.61	\$159.21	\$92.03	\$80.64

LOUISVILLE						
	2024			2025		
	SMALL	MEDIUM	LARGE	SMALL	MEDIUM	LARGE
Site Work	\$21.63	\$11.56	\$10.20	\$25.13	\$23.23	\$20.19
Base Bldg Structural & Enclosure	\$35.33	\$26.73	\$22.04	\$45.66	\$27.81	\$25.73
Base Bldg Architectural	\$46.26	\$14.94	\$15.65	\$25.90	\$6.95	\$7.36
Base Bldg MEP	\$12.16	\$9.20	\$7.58	\$15.71	\$9.57	\$8.85
GC's and GFI's & Fee	\$11.42	\$5.62	\$4.50	\$11.89	\$5.72	\$4.73
Contingency	\$10.88	\$6.16	\$5.18	\$10.99	\$6.93	\$6.33
Total Cost	\$137.68	\$74.21	\$63.16	\$135.28	\$80.20	\$73.18

MEMPHIS						
	2024			2025		
	SMALL	MEDIUM	LARGE	SMALL	MEDIUM	LARGE
Site Work	\$20.68	\$11.05	\$9.76	\$21.06	\$19.18	\$16.93
Base Bldg Structural & Enclosure	\$39.95	\$30.23	\$24.92	\$45.28	\$27.63	\$25.53
Base Bldg Architectural	\$144.23	\$14.28	\$11.05	\$12.62	\$5.68	\$6.10
Base Bldg MEP	\$5.45	\$4.12	\$3.40	\$6.18	\$3.77	\$3.48
GC's and GFI's & Fee	\$10.93	\$5.37	\$4.31	\$9.95	\$5.95	\$5.42
Contingency	\$10.41	\$5.89	\$4.95	\$9.95	\$5.98	\$5.49
Total Cost	\$331.63	\$70.94	\$60.38	\$314.04	\$68.18	\$62.97

MIAMI						
	2024			2025		
	SMALL	MEDIUM	LARGE	SMALL	MEDIUM	LARGE
Site Work	\$26.38	\$14.10	\$12.90	\$25.42	\$21.83	\$19.65
Base Bldg Structural & Enclosure	\$48.95	\$37.03	\$31.63	\$32.48	\$30.19	\$28.46
Base Bldg Architectural	\$56.43	\$18.22	\$17.25	\$26.09	\$6.46	\$7.10
Base Bldg MEP	\$8.92	\$6.75	\$5.77	\$9.56	\$5.50	\$5.19
GC's and GFI's & Fee	\$15.93	\$6.85	\$5.69	\$12.01	\$6.77	\$6.29
Contingency	\$13.28	\$7.51	\$6.54	\$12.01	\$6.80	\$6.38
Total Cost	\$187.89	\$90.47	\$79.78	\$137.57	\$73.55	\$71.07

MILWAUKEE						
	2024			2025		
	SMALL	MEDIUM	LARGE	SMALL	MEDIUM	LARGE
Site Work	\$23.64	\$12.64	\$11.16	\$26.37	\$24.38	\$21.18
Base Bldg Structural & Enclosure	\$43.88	\$33.20	\$27.37	\$54.35	\$33.19	\$30.69
Base Bldg Architectural	\$36.30	\$12.24	\$10.72	\$27.25	\$7.28	\$7.73
Base Bldg MEP	\$8.00	\$6.05	\$4.99	\$9.91	\$6.05	\$5.19
GC's and GFI's & Fee	\$12.49	\$5.94	\$4.70	\$12.17	\$5.52	\$4.87
Contingency	\$11.97	\$6.72	\$5.65	\$10.00	\$10.00	\$10.00
Total Cost	\$138.21	\$78.77	\$64.99	\$139.05	\$76.52	\$69.86

MINNEAPOLIS						
	2024			2025		
	SMALL	MEDIUM	LARGE	SMALL	MEDIUM	LARGE
Site Work	\$23.89	\$12.77	\$11.27	\$26.90	\$24.60	\$21.05
Base Bldg Structural & Enclosure	\$44.32	\$33.53	\$27.65	\$54.88	\$33.59	\$30.97
Base Bldg Architectural	\$36.49	\$12.70	\$9.33	\$27.38	\$7.33	\$7.82
Base Bldg MEP	\$8.08	\$6.11	\$5.04	\$10.00	\$6.12	\$5.64
GC's and GFI's & Fee	\$12.06	\$5.85	\$4.53	\$12.30	\$5.66	\$4.73
Contingency	\$12.01	\$6.82	\$5.76	\$10.00	\$10.00	\$10.00
Total Cost	\$138.84	\$77.79	\$65.57	\$131.46	\$77.30	\$70.71

30 Cushman & Wakefield 2025 Industrial Construction Cost Guide 31

Attachment 2-4: 3810 Durbin St, Irwindale, CA 91706 - Office for Lease | LoopNet

☰

?

 LoopNet™





Advertise

3810 Durbin St

29,400 SF | Office Building | Irwindale, CA 91706 | \$15,000,000 (\$510.20/SF) | 3.80% Cap Rate

Office Space / California / Irwindale / 3810 Durbin St, Irwindale, CA 91706





Call

Message



3810 Durbin St

29,400 SF | Office Building | Irwindale, CA 91706 | \$15,000,000 (\$510.20/SF) | 3.80% Cap Rate



INVESTMENT HIGHLIGHTS

Message

[Advertise](#)

3810 Durbin St

29,400 SF | Office Building | Irwindale, CA 91706 | \$15,000,000 (\$510.20/SF) | 3.80% Cap Rate

Experience 24/7 suite access to professional layouts with above-standard finishes, glass-banded offices, and beautiful conference rooms.

Enhancing security and peace of mind, the elevator-served property has security guards, surveillance cameras, and gated premises.

Close to a variety of nearby amenities, including Target, LA Fitness, The Home Depot, Raising Cane's, Superior Grocers, and Dutch Bros Coffee.

EXECUTIVE SUMMARY

3810 Durbin Street is a standalone office building with a spacious and professional design. This property features two 14,700-square-foot floors, providing 29,400 square feet of usable space. Situated on a generous 74,532-square-foot lot, the building offers ample parking to accommodate employees and visitors.

Constructed in 1989, 3810 Durbin Street boasts a 10-foot-high unfinished ceiling and expansive glass windows that flood the interior with natural light while offering scenic views from the

beautiful conference room, elevator service, and a variety of professional office spaces to suit diverse business needs. For added security, the property is gated and includes security guards and surveillance cameras.

Conveniently located with excellent access to major freeways, including the 10, 60, 210, and 605, those commuting to the office have great access to the San Gabriel Valley area. Nearby, tenants will find a multitude of shopping and dining establishments to enjoy after work hours. 3810 Durbin Street is

Message



Advertise

3810 Durbin St

29,400 SF | Office Building | Irwindale, CA 91706 | \$15,000,000 (\$510.20/SF) | 3.80% Cap Rate

Message

3810 Durbin St

29,400 SF | Office Building | Irwindale, CA 91706 | \$15,000,000 (\$510.20/SF) | 3.80% Cap Rate



ABOUT THE PROPERTY

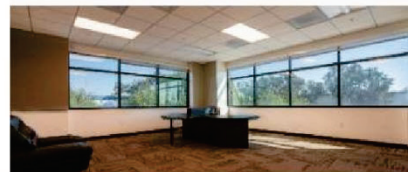
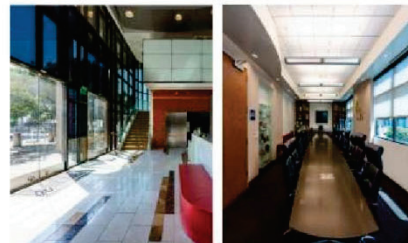
A standalone office building with a spacious and professional design. This property features approximately 14,700 square feet on the first floor and an additional 14,700 square feet on the second floor, providing a total of 29,400 square feet of usable space. Situated on a generous 74,532-square-foot lot, the building offers ample parking to accommodate employees and visitors. Constructed in 1989, the building boasts a 10-foot-high unfinished ceiling and expansive glass windows that flood the interior with natural light while offering scenic views from the office spaces. The thoughtfully designed layout includes a beautiful conference room, elevator service, and a variety of professional office spaces to suit diverse business needs. For added security, the property is gated, enhanced security and peace of mind. Conveniently located with excellent access to major freeways, including the 10, 60, and 605, this property is an exceptional opportunity for businesses seeking a well-located and functional office building.

Features

- Excellent freeway access to 10, 60 and 605 Freeways
- Professional layouts with above standard finishes
- Glass Banded Office
- Beautiful Conference Room
- Elevator Served
- Security Guards & Surveillance Cameras & Gated Premises
- 24/7 hour suite access



Aldon Lai
Vice President
Coldwell Banker Commercial George
626.552.1028
aldonlaicw@gmail.com
Lic #01121690 / 01855739



This is not intended to solicit a currently listed home. Information is deemed reliable, but not guaranteed.

MORE ATTACHMENTS

[Durbin OM Owner-Occupied](#) ↓

Message



Advertise

3810 Durbin St

29,400 SF | Office Building | Irwindale, CA 91706 | \$15,000,000 (\$510.20/SF) | 3.80% Cap Rate

Year Built	1989
Price	\$15,000,000
Price Per SF	\$510.20
Cap Rate	3.80%
NOI	\$570,000
Tenancy	Single
Building Height	2 Stories
Typical Floor Size	14,700 SF
Slab To Slab	10'
Building FAR	0.37
Lot Size	1.80 AC
Zoning	Commercial - Commercial
Parking	80 Spaces (2.72 Spaces per 1,000 SF Leased)

AMENITIES



24-Hour
Access

Central
Heating

Air
Conditioning

SPACE AVAILABILITY

1st Floor

Size
14,700 SF

Space Use

2nd Floor

Size
14,700 SF

Space Use

Message

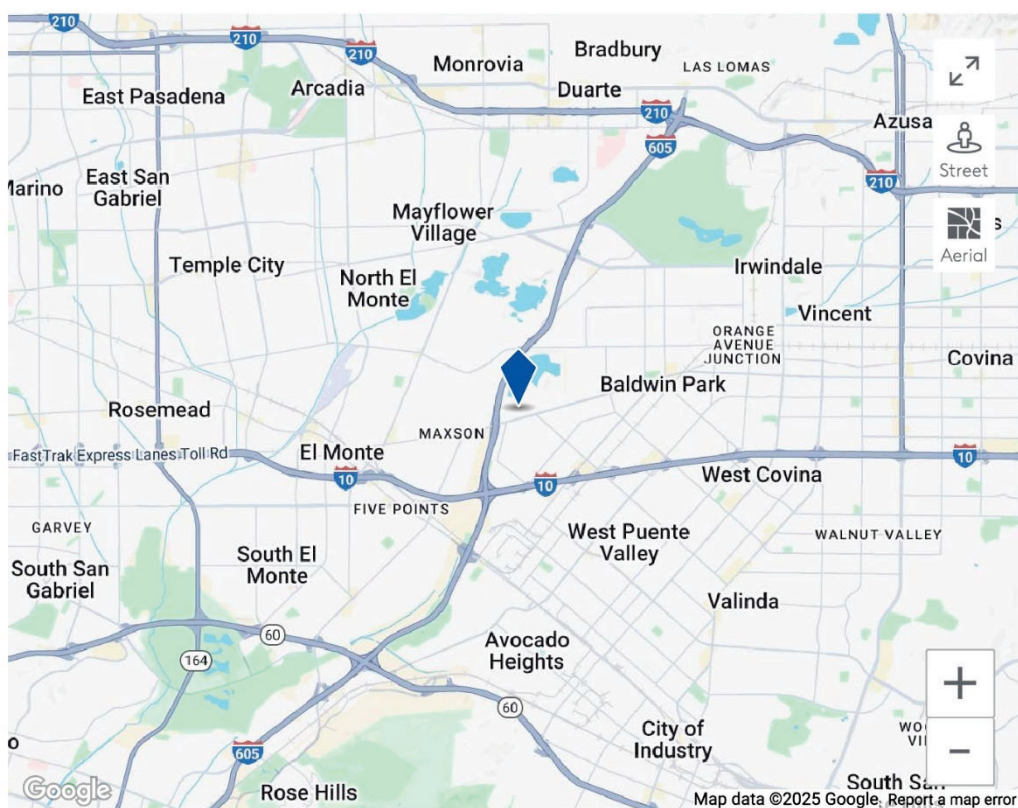


Advertise

3810 Durbin St

29,400 SF | Office Building | Irwindale, CA 91706 | \$15,000,000 (\$510.20/SF) | 3.80% Cap Rate

MAP



ABOUT EASTERN SGV

The Eastern San Gabriel Valley area comprises a large portion of eastern Los Angeles County. It is

outstanding quality of life and great business environment. Much of the Valley's success is due to its

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University, and Cal Poly Pomona.

Highways in the area, including interstates 10, 210, and 605 and state highways 57 and 60, provide great connectivity to other cities in the San Gabriel Valley and beyond. Employers can draw talent from many areas of Greater Los Angeles, Orange County, and the Inland Empire.

Office inventory is dispersed throughout the area. Large tenants in the neighborhood include South Coast Air Quality Management District in Diamond Bar, City of Hope in Duarte, Utility Trailer Manufacturing Company in the City of Industry, and Southern California Edison in Pomona.

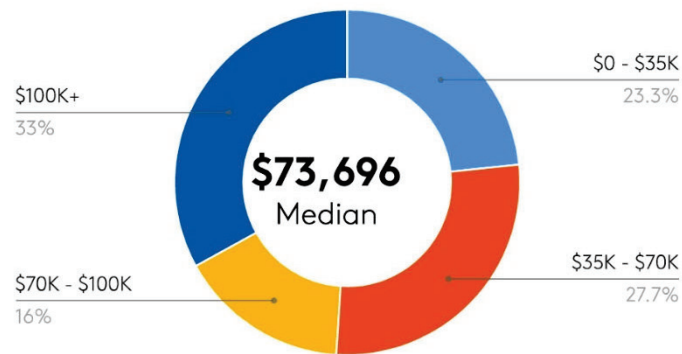
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1 mile ▼

HOUSEHOLD INCOME

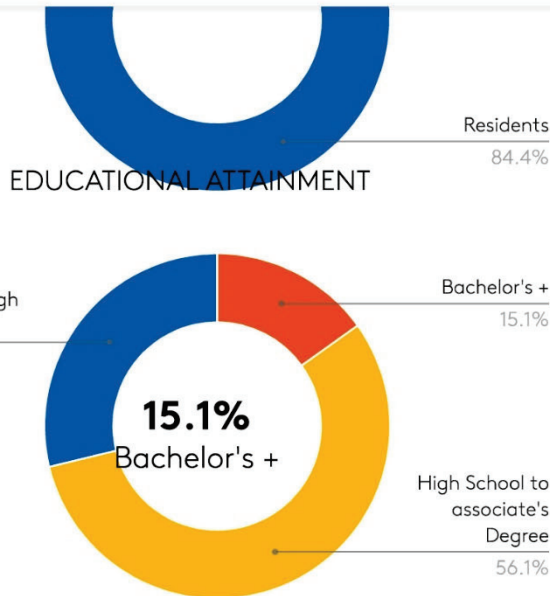


ABSOLUTE POPULATION

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	1 MILE	3 MILE	5 MILE
2020 Population	24,248	230,074	531,968
2024 Population	22,629	214,566	499,670
Population Growth '20-'24	-6.7%	-6.7%	-6.1%
2020 Households	6,019	60,589	150,289
2024 Households	5,555	55,919	140,144
Household Growth '20-'24	-7.7%	-7.7%	-6.8%
Average Age	39	39	40
Median Household Income	\$73,696	\$71,909	\$78,211

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PROPERTY TAXES

Parcel Number	8546-031-072	Improvements Assessment	\$3,074,484
Land Assessment	\$3,968,651	Total Assessment	\$7,043,135

SALE ADVISOR



Aldon Lai, Vice President

(626) 552-1028

[Contact](#)

Aldon Lai is a seasoned commercial real estate specialist with over 15 years of expertise across the Multifamily, Commercial Retail, and Warehouse sectors. Throughout his career, he has successfully represented a wide array of investors, facilitating transactions totaling over \$200 million.

In the early 2000s, Aldon served as a vacant land property sales manager for a prominent Las Vegas development company, where he gained valuable experience managing diverse vacant land projects across various regions.

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Since 2008, Aldon has been a senior commercial sales expert at Coldwell Banker Brokerage, honing his skills and staying ahead of market trends to better serve his clients. In addition to his brokerage role, he operates his own property management company, offering clients seamless support in managing their investment properties post-purchase.

Aldon's extensive experience and commitment to excellence have resulted in a proven track record of success, marked by numerous high-profile transactions and projects. He is dedicated to delivering exceptional service, ensuring his clients achieve their investment goals with professionalism and expertise.

Listing ID: 34160208

Date on Market: 12/11/2024

Last Updated: 3/17/2025

Address: 3810 Durbin St, Irwindale, CA 91706

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