

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

Application of Suburban Water Systems (U339W) for Authority to Increase Rates Charged for Water Service by \$19,971,673 or 19.41% in 2027, by \$10,876,890 or 8.91% in 2028, and by \$10,831,656 or 8.15% in 2029.

Application 26-01-____
(Filed January 2, 2026)

DIRECT TESTIMONY OF CARMELITHA BORDELON

January 2, 2026

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1 **I. INTRODUCTION**

2 Q1. Please state your name and business address for the record.

3 A1. My name is Carmelitha Bordelon and my business address is 1325 N. Grand Ave. Ste.
4 100, Covina, CA 91724.

5 Q2. Briefly describe your present employment.

6 A2. I currently serve as the Vice President of Regulatory Affairs and Finance for Suburban
7 Water Systems and have been in this role since 2024. I am responsible for all filings with
8 the Public Utilities Commission (CPUC). I am also the primary financial management
9 representative for Suburban with our parent company Nexus Water Group (“Nexus”),
10 formerly Southwest Water Company.

11 Prior to becoming Vice President, I was Suburban’s Director of Regulatory Affairs where
12 I worked on General Rate Cases (GRCs), Cost of Capital filings (CoC), merger
13 applications, refinancing applications, and various advice letter filings.

14 Q3. Describe your educational and professional background.

15 A3. I received a Bachelor of Science in Accounting from Northwestern State University in
16 Natchitoches, LA and I am a CPA in the state of Texas.

17 Before joining the Suburban team in California in late 2019, I was the Accounting
18 Manager for Texas Water Utilities, Nexus’s extensive water and wastewater utility
19 headquartered in Houston, Texas. I was responsible for maintaining books and records in
20 accordance with both GAAP and regulatory standards. I lead the utility’s fixed asset
21 accounting program which included more than \$200 million of gross assets.

1 While working for Texas Water Utilities, I prepared all financial schedules for rate
2 change applications for both Class A and Class B utilities, responded to requests for
3 information (RFIs), and was the primary witness supporting expenses. I was also
4 responsible for annual reports, Sales, Transfer and Merger (STM) applications, and other
5 various filings with the Public Utilities Commission of Texas (PUCT). After the
6 responsibility for regulating water transferred from the Texas Commission on
7 Environmental Quality (TCEQ) to the PUCT in 2013, I assisted in the preparation of the
8 first Class A water utility rate case filed with the PUCT. I sponsored all schedules,
9 workpapers, and RFIs related to financial data for the case. I assisted in preparation of
10 non-financial schedules workpapers, and RFIs. I also testified before the PUCT in regards
11 to the case.

12 Prior to my employment with Nexus, I was member of the accounting team at David
13 Weekley Homes, one of the largest privately held homebuilders in America, which is
14 headquartered in Houston, Texas. My responsibilities included assisting with budgeting,
15 forecasting, monthly capital overhead expense recognition, general overhead allocation,
16 quarterly review of hedge funds and MTM adjustments, financial statement preparation,
17 and more. In this role, I received recognition for excellence in accounting and process
18 improvement.

19 While completing coursework to earn my degree, I worked full time for more than three
20 years as a plant operator for PPG Industries' chemical division in Lake Charles, LA. In
21 this role, I learned to work efficiently and safely in a fast-paced, highly stressful, and
22 hazardous environment. I operated various heavy equipment, maintained plant sites to
23 ensure a clean, safe, work environment, and worked as a helper for welders, pipefitters,
24 and machinists. I was a member of the HazMat response team and was trained to assist in
25 responding to emergency situations such as chemical spills. During my employment with

1 PPG Industries, I was a member of the International Association of Machinists and
2 Aerospace Workers, Local 470. As an operations employee and union member, I gained
3 first-hand knowledge of the challenges workers face and the grave importance of
4 maintaining assets and equipment to ensure the safety of the employee, the environment,
5 and the communities where we operate.

6 I am currently the first vice chair of the California Water Association that represents
7 CPUC regulated water companies that provide 15% of California’s water utility
8 customers with safe, reliable, and affordable water service. I have been on CWA’s board
9 since 2020 and have been engaged extensively in regulatory and legislative matters that
10 have real impacts on water customers.

11 I have had the honor and privilege of speaking and hosting panels at several industry
12 conferences including the National Association of Regulatory Utility Commissioners, the
13 National Association of Water Companies, California Water Association, and the
14 Women’s Energy Summit.

15 Q4. What is the purpose of your testimony in this proceeding?

16 A4. The purpose of my testimony in this proceeding is to sponsor sections of Suburban Water
17 Systems, “Results of Operations for Test Years Ending December 31, 2027 and 2028,
18 Attrition Year 2029”. Specifically, I am hereby sponsoring Chapter 1, “Introduction”;
19 Chapter 2, “Company History”; Chapter 3, “Company Operations” section 3.2. Positions
20 Requested and Payroll; Chapter 5, “Operating Expenses” as it relates to payroll expense;
21 Chapter 8, “Rate Base”, except for working cash; Chapter 9, “Taxes”; Chapter 10,
22 “Summary of Earnings”; Chapter 11, “Revenue Requirements”; and Chapter 12, “Rates.”

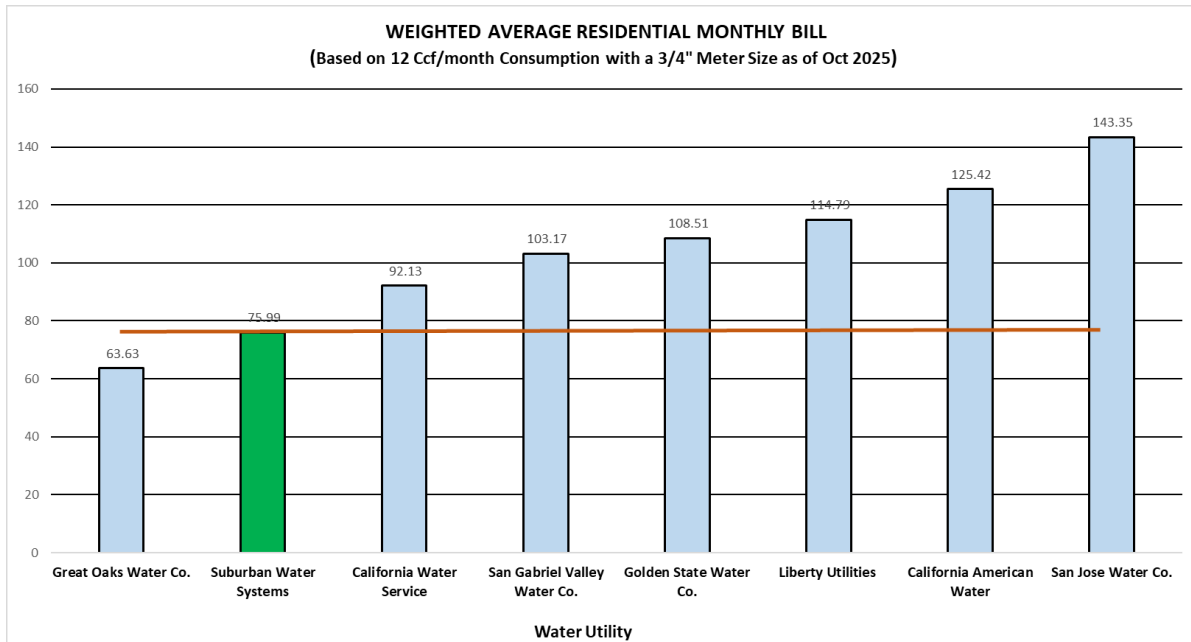
1 In addition to the items listed above, I will also discuss environmental and social justice,
2 executive compensation, and decoupling.

3 **II. ENVIRONMENTAL AND SOCIAL JUSTICE**

4 Q5. How does this application consider the Commissions ESJ Goals?

5 A5. Suburban’s capital budget includes prudent, cost-effective projects and ensures a safe and
6 reliable water supply for customers. As required by Decision 16-12-026, Suburban’s
7 proposed capital budget optimally balances investment, conservation, and affordability.
8 The projects included will maintain rates at a reasonable cost for customers while
9 providing reliable high-quality service. Detailed information regarding Suburban’s
10 capital budget can be found in the direct testimony of Jorge Lopez.

11 A comparison of the general rate schedules of California’s CPUC-regulated Class A
12 water utilities shows Suburban’s current weighted average water bill is the second lowest,
13 as shown on the table below.



1 Q6. How does Suburban consider the CPUC’s vision for the updated Environmental and
2 Social Justice (ESJ) Action Plan Version 2.0?

3 A6. Suburban recognizes the Commission’s vision to advance its programs and policies for
4 Environmental and Social Justice. The following section discusses Suburban’s actions to
5 support the Commission’s goals.

6 Goal 1: Consistently integrate equity and access considerations throughout CPUC
7 regulatory activities.

8 This is a Commission goal; however, Suburban is committed to doing its part to further
9 the Commission’s efforts to achieve this goal. Suburban has bilingual (Spanish/English)
10 customer service representatives to take payments and address customer concerns, and
11 bilingual (Spanish/English) field personnel that perform field customer service and
12 operations activities.

13 The Commission has gone to great lengths to ensure that Suburban’s public participation
14 meetings can now be held remotely using web-based meeting technology providing all
15 customers with access to participate in these important regulatory activities from their
16 homes removing barriers that disadvantaged customers have historically had in travelling
17 to in person meetings held outside of the service area.

18 Additionally, Suburban has a well-established economically disadvantaged support
19 program to help disadvantaged customers with their monthly bills. Suburban is
20 committed to outreach and to increase awareness and enrollment in our Customer
21 Assistance Program.

1 Lastly, Suburban, by prudently managing its resources, has maintained rates that are
2 among the most affordable when compared to other Class A IOUs in the state of
3 California. In 2021, UCLA published “The Human Right to Water in Poor Communities
4 of Color”. This study specifically highlighted Suburban’s low rates.

5 Goal 2: Increase investment in clean energy resources to benefit ESJ communities,
6 especially to improve local air quality and public health.

7 Suburban includes in this rate case filing a request to invest in clean energy projects to
8 reduce carbon emissions, improve air quality, and improve public health. Projects include
9 drilling new wells to utilize groundwater instead of relying on water imported from
10 Northern California or the Colorado River. Imported water requires significantly more
11 energy to transport which leads to higher embedded energy demand and carbon footprint.
12 Treatment plants to remove PFAS and manganese from water in Sativa, a predominately
13 ESJ community, will improve public health in a community that has been long neglected.
14 Suburban is also planning to purchase electric and hybrid vehicles and install charging
15 stations. The continued migration of Suburban’s fleet to electric and fuel-efficient
16 vehicles reduces carbon emissions improving the air quality in Suburban’s service areas
17 including its disadvantaged communities. A more detailed description of each project is
18 included in the direct testimony of Jorge Lopez.

19 Goal 3: Strive to improve access to high-quality water, communications, and
20 transportation services for ESJ communities.

21 Suburban supports the Commission’s goal to provide high quality water to customers in
22 ESJ communities. The Sativa system, located in an area identified as a disadvantaged
23 community, is a clear example of Suburban’s alignment with this goal. Customers of the

1 Sativa district have endured episodes of “brown water”, inadequate water pressure and
2 flow required for firefighting, and lackluster response to their concerns. Additionally,
3 customers in the Sativa district did not have access to a program to assist low-income
4 customers with their bills.

5 Suburban follows on the footsteps of the County of Los Angeles, the previous owner, that
6 made significant efforts to upgrade facilities and improve customer service, The
7 Commission’s approval of Suburban’s application to purchase Sativa paved the way for
8 Suburban’s request in this application to invest \$13.9 million dollars in environmental
9 improvements including construction of a welded steel reservoir to provide operational,
10 fire flow and emergency water storage, also drilling a new well to increase groundwater
11 production capacity to reliably meet demands and provide fire flow capacity. Suburban’s
12 requested Blow-off Assembly Replacement program is relatively low cost but ensures
13 customers receive high quality water free from sediment and debris that could affect
14 water quality and aesthetics.

15 The following table details pipeline projects proposed to be built during the next rate case
16 cycle that serve disadvantage communities. Suburban proposes to replace 43,000 lineal
17 feet of pipe and invest over \$22,500,000 in pipelines that had reached the end of its useful
18 life.

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Pipeline Projects	Projected (\$)			Total
	2026	2027	2028	
Glenhope & Ruthcrest		\$4,729,000		
Wing & Lidford		\$4,853,000		
Orange & Sherway			\$3,173,000	
Hurley wo Azusa			\$1,519,000	
Near Tree & San Ardo			\$7,248,000	
Sunkist			\$1,062,000	
Total	\$0	\$9,582,000	\$13,002,000	\$22,584,000

Pipeline Projects	Projected (LF)			Total
	2026	2027	2028	
Glenhope & Ruthcrest		14,370		
Wing & Lidford		8,400		
Orange & Sherway			5,360	
Hurley wo Azusa			1,510	
Near Tree & San Ardo			12,260	
Sunkist			1,100	
Total	-	22,770	20,230	43,000

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Goal 4: Increase climate resiliency in ESJ communities.

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Detailed testimony related to capital improvements can be found in testimony prepared by Jorge Lopez. It includes projects to construct new wells and treatment plants that demonstrate Suburban’s commitment to increase climate resiliency in our disadvantaged communities. Decades of ongoing drought in California and the Colorado River Watershed have strained these imported sources, reducing their availability and increasing their cost. Projects that increase the capacity and quality of local groundwater sources reduce Suburban’s dependence on imported water sources and increase supply reliability for our service areas, including disadvantaged customers.

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Goal 5: Enhance outreach and public participation opportunities for ESJ communities to meaningfully participate in the Commission’s decision-making process and benefit from Commission programs.

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As previously stated, Suburban’s public participation hearings are now being held virtually to provide all customers with access to participate remotely thereby removing barriers that disadvantaged customers have historically had in travelling to in person meetings. The Frequently Asked Questions (FAQ) page on Suburban’s website provides customers with information on how to reach the Commission if needed. The online customer portal vastly improved Suburban’s ability to communicate swiftly and directly with customers and encourage their involvement in the Commission’s decision-making processes.

Suburban also participates in outreach activities in its service areas. Employees are encouraged to participate in volunteer activities in our service area. Outreach programs such as Operation Gobble, which provides Thanksgiving meals for needy families, donations to local food pantries, job fairs, cancer fundraisers, career day events at local schools to educate children about careers in the water industry, and many more activities demonstrate Suburban’s commitment to caring for its customers.

Goal 6: Enhance enforcement to ensure safety and consumer protection for all, especially for ESJ communities.

As a regulated utility company, Suburban does not engage in enforcement activities.

Goal 7: Promote high road career paths and economic opportunity for residents of ESJ communities.

Suburban’s water treatment facilities require certified water system operators. The operation of these facilities provides Suburban with the opportunity to train and promote employees that are recruited locally including from disadvantaged communities for high-

1 road career paths and economic opportunities that are aligned with ESJ Plan Goals #7 and
2 #8.

3
4 Suburban values and believes in diversity. We take immense pride in aligning our spending
5 with our communities' demographics. We were the #1 CPUC regulated water utility for
6 Diverse Supplier spend three years in a row with 67.61% in 2022, 66.95% in 2023, and
7 61.35% in 2024. Suburban's success with the Supplier Diversity Program is due to a
8 bottom-up approach. All employees are encouraged to seek and provide avenues of support
9 and opportunities for minority-, woman-, and disabled veteran-owned business enterprises
10 (MWDVBE) suppliers who also may be valued customers. Much of Suburban's spending
11 with diverse suppliers is related to CAPEX projects. These projects support our local
12 diverse businesses who in turn provide many good paying jobs in the engineering and
13 construction industries for members of our local community. Unfortunately, the massive
14 cuts to Suburban's capital budget in the 2023 GRC had direct negative impacts to diverse
15 vendors. It is unlikely Suburban will continue to be the leader in diverse spend The CPUC's
16 decision to deny prudent capital projects also negatively effects California's ESJ
17 communities and is not consistent with the state goal of providing high road careers.

18 Suburban offers internships in Engineering, HR, Communications, Field Services, GIS,
19 Accounting, and more. The interns are paid, which is particularly important for candidates
20 from ESJ communities, many of whom cannot afford to accept unpaid internships. Paid
21 internships are equitable because they eliminate unfair financial barriers inherent in unpaid
22 internships.

23
24 Goal 8: Improve training and staff development related to environmental and social justice
25 issues within the CPUC's jurisdiction.

1 Similar to Goal 1, this is a Commission goal which Suburban wholeheartedly supports.
2 Suburban has provided all employees with implicit bias training to increase awareness of
3 this important subject and ensure that customers are treated with the upmost respect no
4 matter their ethic or socioeconomic heritage. Suburban’s employees have participated in a
5 company-wide Diversity Council that worked together to bring awareness about different
6 cultures to all employees. Suburban’s employees also have access to Employee Resource
7 Groups (ERGs). The purpose of ERGs is to increase connection in the workplace and foster
8 greater understanding of diverse populations. Examples of existing ERGs include
9 Military/Veterans, Women’s Initiative, Disabilities in the Workplace, Pride, Working
10 Caregivers, and Tapestry (BIPoC). ERGs are open to both members of the population and
11 those who are supporters.

12
13 Goal 9: Monitor the Commission’s environmental and social justice efforts to evaluate how
14 they are achieving their objectives.

15
16 This goal is only achievable by the Commission. Suburban does engage in monitoring
17 activities

18 19 **III. EXECUTIVE COMPENSATION**

20 Q7. Is the total proposed compensation for Suburban’s managers and executives reasonable,
21 fair, and beneficial to customers?

22 A7. Yes. For a detailed discussion of employee compensation, see the direct testimony of
23 Robert Mustich. However, I will address the overall benefits of Suburban’s Performance
24 Pay Program.

25 Q8. Why does Suburban include Performance Pay as a component of total compensation?

1 A8. Water is the only utility people ingest. As such, water utilities are obligated to ensure
2 every aspect of their utility is well run. Simply put, customers cannot afford to have a
3 badly run water system. It is irresponsible for a water utility to hire anything other than
4 highest quality employees because ultimately, it is the ratepayer who pays the price if a
5 system is poorly managed and does not provide clean, safe water.

6 Attracting and retaining competent, knowledgeable, dedicated employees is a key
7 component of maintaining water quality. As demonstrated in the direct testimony of
8 Robert Mustich, Suburban's requested total compensation is reasonable. We are not
9 asking for unreasonable compensation for employees. We only seek to compensate our
10 employees equitably, when compared to other similarly educated and experienced people
11 in the workforce, which ultimately benefits customers.

12 Q9. What is Suburban's Performance Pay Program?

13 A9. Suburban's Performance Pay Program is a component of total compensation that is only
14 paid if employees achieve specific performance goals. In essence, it is a performance
15 incentive mechanism. The program in its current state consists of five goals which are
16 designed to ensure the employee's focus is aligned the best interest of the customer. I will
17 discuss each in greater detail.

18

19 Safety

20 Suburban's first and most important value is "Safety First" Every employee is
21 empowered to stop work whenever an actual or perceived unsafe condition is recognized.
22 Safety is everyone's job so all managers and executives, whether their role is customer-
23 facing or not, are responsible for contribution to a safe workplace. The key measures are:

- 24 • Total ORIR

- Preventable vehicle accident rate
- Near Miss Ratio to Recordable Incidents

Fewer workplace accidents lead to lower insurance expenses which results in lower revenue requirements. Incentivizing safety leads to lower bills for customers.

Customer Care

Suburban's employees are rated on their ability to serve customers and meet metrics set by General Order 103-A such as percent of bills rendered inaccurately and percent of bills rendered within 7 days. If customers' needs aren't met, then managers and executives have a portion of their total compensation withheld.

Environmental Stewardship

Customers want clean, safe water, shareholders want to avoid costly notices and penalties that reduce profitability. The key item all managers and executives are rated on days in compliance with MCLs. Similar to safety, environmental stewardship is everyone's responsibility. By holding its entire leadership responsible for compliance with MCLs, Suburban and its parent, Nexus, have ensured clean, safe, water is at the core of its culture.

Employee Success and Development

Attracting highly qualified personnel is the first step in ensuring customers receive clean, safe, water. It is equally important to retain employees and ensure they are continually trained on best practices, safety, emerging contaminants, changing rules and regulations, and more. Each manager is tasked with ensuring every person on their team completes at least eight hours of career development training each year. This component of

1 Suburban's performance pay plan ensures customers are served by knowledgeable,
2 competent employees at every level.

3
4 Financial Performance

5 As a regulated utility, Suburban does not have ability to market its business and increase
6 sales or revenue. Additionally, rates are designed to decrease sales, not increase them.

7 This means it is in the shareholder's best interest to avoid spending Commission-
8 approved revenues imprudently. Suburban's performance pay program effectively
9 penalizes managers and executives by withholding a portion of their total compensation if
10 financial goals are not met. Employees are expected to manage their controllable
11 expenses in the most efficient and cost-effective manner possible, and which does not
12 negatively impact safety and water quality. Customers want affordable bills; shareholders
13 want to eliminate imprudent or wasteful spending. Rating managers on financial
14 performance aligns the best interests of the ratepayer with the goals of the shareholder.

15
16 **IV. DECOUPLING**

17 Q10. Why is Suburban requesting that the Commission approve a decoupling mechanism in
18 this general rate case?

19 A10. Suburban's is proposing a decoupling Revenue Stabilization Mechanism (RSM) in this
20 proceeding to address the potential for substantial revenue variability associated with the
21 implementation of Suburban's proposed three-tier rate design. Suburban has had a two-
22 tier rate design with pricing zones based on elevations since 2008. As directed D.24-12-
23 030, Suburban has proposed a new three-tier rate design, which is discussed in detail in
24 the testimony of David Mitchell. In addition to adding a third tier, Suburban proposes to
25 shift from 30/70 fixed charge recovery to 40/60 fixed charge recovery. Suburban is not
26 proposing to eliminate its three pricing zones, which are based on pumping lifts required

1 to serve customers at higher elevations. Suburban’s proposed rate structure with three
2 tiers and three pricing zones is unique among Class A water utilities. Adding the third tier
3 substantially increases the potential for revenue variability because even relatively small
4 differences between forecasted and actual consumption can have a big impact due to the
5 higher cost for each unit of water in the third tier.

6 Suburban’s current Monterey Water Revenue Adjustment Mechanism (M-WRAM) and
7 incremental cost balancing account (ICBA) does not address this issue. The M-WRAM
8 tracks the revenue utilities actually collect at tiered rates and compares it to revenue the
9 utility would have collected if customers had been billed at uniform rates. It does not
10 track sales or adjust for any difference between authorized sales forecasts and actual
11 sales.

12 Q11. How would the decoupling RSM work?

13 A11. Each month, Suburban would track the difference between its actual and authorized
14 quantity revenues in the Revenue Stability Mechanism Balancing Account (RSMBA). It
15 would also track the difference each month between actual and adopted water production
16 expenses in the Production Expense Balancing Account (PEBA). Suburban would then
17 combine the RSMBA and PEBA balances to arrive at the RSMBA/PEBA balance. The
18 RSMBA/PEBA balance for amortization would be included in base rates, along with
19 Suburban’s authorized base quantity revenue requirement for the upcoming period and
20 incorporated into the quantity rates charged to customers.

21 Suburban would recover file a Tier 1 advice letter by November 30 of each year, which
22 would provide the total RSMBA/PEBA balance for each service area for the period from
23 October 1 of the previous year through September 30 of the current year, and the
24 requested rate change to recover or refund the RSMBA/PEBA balance over a twelve-

1 month period beginning January 1. Any unamortized balance from the previous twelve-
2 month period would be added to the RSMBA/PEBA balance for recovery or refund. The
3 earnings test would not apply to amortization of the RSMBA/PEBA balance since
4 addresses recovery of revenue already determined to be reasonable by the Commission.

5 Suburban is also proposing a Sales Reconciliation Mechanism (SRM) similar to that
6 approved for other Class A water utilities. Suburban's proposed SRM would adjust the
7 forecast for escalation years if recorded aggregate sales for the past year are more than
8 five percent higher or lower than adopted sales. The SRM would make a 50% adjustment
9 to the sales and calculate a revenue requirement to reflect the adjusted consumption.
10 Suburban would set its escalation year rates based on the adjusted revenue requirement
11 and the adjusted sales forecast. Adjusting forecasted sales for the upcoming year based on
12 changes in sales during the previous year through the SRM is necessary to avoid
13 accumulating large balances in the RSMBA.

14 Q12. Would adoption of the decoupling RSM harm customers?

15 A12. No. The RSM simply allows Suburban to recover costs that the CPUC has already
16 determined are reasonable and necessary for Suburban to provide safe and reliable water
17 service. It is similar to the decoupling mechanism that has been in place for Commission-
18 regulated energy utilities for decades.

19 Q13. Does this complete your testimony.

20 A13. Yes.