



BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

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Application of Suburban Water Systems
(U339W) for Authority to Increase
Rates Charged for Water Service by
\$14,268,446 or 17.33% in 2021, by
\$5,787,612 or 6.04% in 2022, and by
\$5,784,955 or 5.70% in 2023.

A.20-03-xxx

APPLICATION OF SUBURBAN WATER SYSTEMS (U339W)
FOR AUTHORITY TO INCREASE RATES CHARGED FOR WATER SERVICE

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**BEFORE THE PUBLIC UTILITIES COMMISSION
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Application of Suburban Water Systems (U339W) for Authority to Increase Rates Charged for Water Service by \$14,268,446 or 17.33% in 2021, by \$5,787,612 or 6.04% in 2022, and by \$5,784,955 or 5.70% in 2023.

A.20-03-XXX

**APPLICATION OF SUBURBAN WATER SYSTEMS (U339W)
FOR AUTHORITY TO INCREASE RATES CHARGED FOR WATER SERVICE**

As directed by the California Public Utilities Commission ("Commission") in Decision 07-05-062 (Order Instituting Rulemaking to Consider Revisions to the General Rate Case Plan for Class A Water Companies, ("Rate Case Plan")), Suburban Water Systems ("Suburban" or "Applicant") hereby submits its general rate case ("GRC") application to increase rates for water service.

I. STATEMENT OF RELIEF SOUGHT

By this application, Suburban seeks a general rate increase for water service for the total company in order to realize the following increased revenue:

<u>Year</u>	<u>Amount of Increase</u>	<u>Percent</u>
2021	\$14,268,446	17.33%
2022	\$ 5,787,612	6.04%
2023	\$ 5,784,955	5.70%

The following is a summary of the requested increase:

Comparison of Proposed Increase to Last
Test Year Adopted and Recorded Actual Amounts
(Dollar Amounts in Thousands)

	<u>Last Test Year Adopted</u>	<u>Last Recorded Year</u>
Total Rev Req \$	\$15,664.2	\$14,995.6*
Total Rev Req %	19.36%	18.38%
Rate Base \$	\$53,960.2	\$49,895.9
Rate Base %	34.04%	30.69%
Operating Expenses \$	\$12,503.0	\$16,123.0
Operating expenses %	18.46%	25.14%
Rate of Return	-0.75%	-3.13%

*Of the total revenue requirement increase in 2021, 43% is brought about by an increase in non-controllable purchased and pumped water costs.

II. NECESSITY FOR GENERAL RATE RELIEF

Basic to Applicant's request for authority to raise rates is the fact that, in the test years at its present general metered rates, any annual increase in revenues will be more than offset by increases in expenses, rate of return, including costs related to capital expenditures. Suburban has little opportunity for customer growth inasmuch as its service area is substantially built out. The customer count increased only .38% since Suburban's last GRC (from recorded year 2015 to recorded year 2018). The general metered rates the Commission previously authorized will, with the passage of time, become unjustly and unreasonably low. The rates Suburban requests are just and reasonable, and reflect pass through to customers of only increased costs to the Applicant

for service.

A. Primary Factors for Increase

As required by the Rate Case Plan, following are primary factors behind Suburban's request for increased rates:

Increase Volume Related Costs \$6,400,000

In this rate case cycle purchased and groundwater pumping assessment water costs have increased by more than \$6,400,000 as compared to the adopted water costs in 2020. The volume related costs included in 2020 present rates were based on 2015/2016 cost per acre foot. The estimated volume related costs in Test Year 2021 are based on 2018/2019 rates.

Increased Payroll \$2,456,000 and Headcount \$468,000

See Chapter 3 of Suburban Water Systems, "Report on the Results of Operations Test Years Ending December 31, 2021 and 2022 Attrition Year 2023" ("Results of Operations").

Suburban proposes increased headcount to be able to continue to provide and maintain safe and reliable water service.

Increased Conservation Expense \$100,000

The 2018 Senate Bill 606 and Assembly Bill 1668 reaffirm that in California conservation is a way of life. See Direct Testimony of Darleen Phares.

Increased Parent Company Allocation Expense \$773,000

See Direct Testimony of Mujeeb Hafeez related to Parent Company's costs. Increase is predominately related to labor costs, offset by higher capitalized labor costs. The Chief Operating Officer position was vacant and not requested in the last GRC. The position has now been filled. Incentive compensation has increased in order to remain competitive in the labor market (See Testimony of Robert Mustich).

Continuation of Trial Program

In Decision 08-02-036 the Commission approved a settlement agreement between Suburban and the Division of Ratepayer Advocates ("DRA"). The settlement adopted a trial program of conservation rates for residential customers consisting of a two-tier inclining block rate structure. The twelve-month moving average residential water demand has declined dramatically since the drought began in September 2014 - 23% in the San Jose Hills Service Area and 21% in the Whittier/La Mirada Service Area, demonstrating the effectiveness of the trial program in reducing water demand. The trial program included a Monterey-style Water Revenue Adjustment Mechanism ("WRAM"). Suburban recommends that the Commission authorize it to continue this trial program.

Some of Suburban's non-residential customers, such as juice manufacturers, are highly water intensive with water a large component of their cost structure. Given the continued fragile state of the local economy, Suburban strongly recommends that for purposes of this proceeding that the trial program not be expanded

beyond the current residential customer class.

In this proceeding Suburban requests that there be no changes in the current inclining block rate design for residential customers, no change in the uniform rate design for non-residential customers and that the current Monterey-style WRAM and long-standing incremental supply cost balancing accounts be continued unchanged. Suburban requests that the current recycled water rate design that provides recycled water quantity rates set at 85% of the quantity rate of non-residential metered service, be maintained. Suburban requests that any changes in cost of service and rates resulting from this proceeding be applied as proposed in this application; that is, applied uniformly to the rate design and WRAM that the Commission ultimately approves for the trial program.

III. LIST OF CONTENTIOUS ISSUES

As required by the Rate Case Plan, Suburban includes potentially contentious issues in this application.

Issue: Plant 201 Treatment Plant - Suburban's ability to provide a safe and reliable water supply to the Whittier-La Mirada service area is being threatened due to Per- and Polyfluoroalkyl (PFAS) chemical contamination. Suburban's most critical water source located at Plant 201 will likely exceed the revised Response Level for PFOA, and this water source will be required to be shut off to comply with Division of Drinking Water recommendations if a treatment plant is not installed. Suburban believes it would be inadvisable to try to shoehorn

PFAS investments as substitutes for other needed investments in 2020 or in any other year. Planning for the construction of the treatment plant must begin immediately due to anticipated challenges and time required to design, permit and build the treatment plant. The following schedule has been developed to ensure this source of supply continues to reliably operate when the PFAS MCL is established.

Year	Description	Amount
2020	Planning/Design 60%	\$779,711
2021	Design 100%/Permitting	\$779,711
2022	Permitting/Start Construction	\$9,056,229
2023	Complete Construction	\$9,056,229
	Total	\$19,671,880

Issue: Additional Staffing Needs (There is minimal revenue requirement impacts for 2021 and 2022 because the additional staffing costs - six positions requested not yet filled, will be capitalized as overhead associated with construction projects). An additional position is needed to perform non-capital-related accounting functions. Seven additional positions are requested, excluding four previously existing Utility Group positions transferred to Suburban.

Positions Requested (Already Filled)

Senior Accountant

Prior to October 2012, this position was titled "Sr. Accountant" reporting to Suburban's Accounting department. In October 2012, the role's title was changed to "Regulatory Analyst"

after having been transferred to the Utility Group. In October 2018, the role was transferred back to the Suburban's Accounting department and reverted back to the title "Sr. Accountant". In summary, while technically this is a new Suburban full-time accounting position, it is a vital role that has existed for many years. It is the hands-on position responsible for water cost accounting which involves tracking, recording, and budgeting for all water volume related accounts and reporting water cost by source. This individual also reconciles and reports activity in balancing accounts and cost reimbursement accounts.

Positions Requested (Not Yet Filled)

Accountant

This position is needed to perform a variety of capital-related accounting assignments, including account analyses, reconciliations between ledgers, monthly journal entry preparation, period end closing, preparation of financial statements, and other miscellaneous accounting functions, and processing of capital work orders.

Associate Engineer

This intermediate level engineering position is needed to perform capital-related duties related to planning, engineering,

coordination, design, management, and reporting on various water infrastructure projects.

Assistant Engineer

This position is needed to provide additional capital-related support in the engineering department related to necessary replacement of Company infrastructure.

Designer II (two positions)

This position is needed to accommodate the increased capital-related workload in the design department that has been precipitated by the aging and necessary replacement of Company infrastructure, much of which was constructed over 65 years ago.

Engineering Technician - Inspector II

This intermediate level position is needed, under direction from engineers and senior level inspectors, to serve as the primary point of communication and coordination for capital projects, perform public works inspection, perform quality control of construction materials and best practice methods, prepare observation reports, ensure contracts are enforced, and ensure standards of safety, testing, environment, and quality are maintained.

Issue: Construction Projects (Revenue requirement impacts for 2021 and 2022 are \$2,862,000 and \$5,489,000, respectively). Total company funded capital expenditures requested in the first and second test years are: 2021 - \$41,485,000, 2022 - \$52,614,000.

Over the last decade, Suburban has completed several critical plant upgrade projects at Plant 201, Plant 224 and is currently working to replace Plant 408 R-1. However, due to the large capital costs associated with these projects, the company's pipeline replacement projects have been delayed. Suburban has replaced less than 1% of its pipeline system infrastructure during the last 10 years. Given the age of Suburban's pipeline system infrastructure, this slow pace of replacement has resulted in main breaks occurring more frequently.

In addition, as explained in detail in Suburban's Water Main Asset Management Plan, deferring pipeline replacement in this manner is not sustainable. The majority of the mains within Suburban's service area were installed shortly after World War II in the 1950's. Suburban's mains are reaching a point at which a vast majority of the mains are exceeding their service lives at roughly the same time, thereby making it unmanageable to maintain the system and possibly even result in a catastrophic failure. The focus for this rate case is to establish a main replacement

program that will systematically replace aging pipelines for the purpose of maintaining high quality water service and also ensuring that the cost of replacement does not cripple current or future generations.

Suburban has prepared the Water Main Asset Management Plan to provide guidance for prioritizing pipeline replacements. Prior to the last GRC, Suburban has historically replaced pipelines reactively due to failures based on operators' verbal reports. The Water Main Asset Management Plan in the last GRC and in this GRC changes that approach and instead implements industry-recognized standards and tools to select pipelines with the highest priority for replacement. Improved technology and processes have enabled pipelines to be individually analyzed to develop a plan for the short, intermediate and long term. Utilizing break reports from operations departments, modeling tools and Asset Management Software a comprehensive plan has been developed.

In summary, the Water Main Asset Management Plan demonstrates the need for Suburban to proactively replace pipelines at the minimum rate of 1.25% in 2021 and 1.5% per year in 2022, or 12.9 miles per year. Even at this rate, it will take 100 years to replace Suburban's water main network. As shown in the Water Main Asset Management Plan, in the event less than 1% is replaced,

Suburban will be faced with an unmanageable amount of pipelines that will exceed their expected service lives at the same time, leading to rate shock and potential catastrophic service interruption for future generations.

Issue: Water Conservation Program (Revenue requirement impacts for 2021 and 2022 are \$450,000 in each year). Water Conservation Expense reflects ongoing aggressive conservation efforts in recognition of continuing drought conditions and political and social pressure. The Company's conservation efforts are described in further detail in the Company's Direct Testimony of Darleen Phares.

Issue: Special Request - Continue Employee Healthcare Balancing Account (Revenue requirement impact unknown). Because Employee Healthcare costs are driven by utilization of healthcare plans by employees, requiring the Company to recover less than the full amount of costs is punitive, unfair, and does not serve as an effective cost controlling measure. Therefore, the Company requests to be made whole in recovering all costs incurred related to employee healthcare, as tracked by the Employee Healthcare Balancing Account.

Issue: Parent Company Rate Base - Revenue requirement impacts for 2021 and 2022 are -\$588,000 and -\$279,000, respectively. Year 2021 beginning rate base is based on the

previous capital expenditures for years 2018 through 2020. Parent Company rate base consists primarily of plant in service less depreciation reserve and ADFIT allocated to Suburban based on the 3 factor allocation. Parent Company plant in service consists entirely of IT projects. Depreciation of Parent Company plant was calculated using the same depreciation rates as used by Suburban. No CWIP is included in Parent Company Rate Base inasmuch as projects are of relatively short duration and projects are typically completed within the same calendar year.

Issue: Discovery Deadlines - This is a contentious issue in every Suburban general rate case. A discovery procedure agreed upon in the approved settlement in Suburban's last GRC may help to reduce conflict.

Issue: Rate Case Scheduling - This has been a contentious issue in the past with proposals for a departure from the timeline adopted for single district water utilities in D.07-05-062.

IV. COMPLIANCE MATTERS

The settlement approved by Decision 19-05-029 required the following compliance item:

B. External Audits

For purposes of settlement, Suburban agreed to present an estimate of the increase in costs for accelerated external audits for Suburban and its affiliates in the next GRC filing. If audits are accelerated, Suburban ratepayers will pay the added audit cost at 100% for Suburban's audit, and based on Parent Company

allocations of the added cost of Suburban affiliates' audits. (p.36).

Estimated cost of accelerating the audit of Suburban and its affiliates is \$185,500, as follows:

Additional External Audit Cost	\$ 75,000
Added Full Time Corporate Senior Accountant	<u>110,500</u>
Total	<u>\$185,500</u>

V. SPECIAL REQUESTS

A. Special Request No. 1: Cross Connection Tariff Changes - Update Rule No. 16

Suburban requests authorization to update Rule No. 16 "Service Connections, Meters, and Customer's Facilities". As background, the California Code of Regulations, Title 17, Section 7584, requires water suppliers to develop and implement a cross-connection control program that contains six essential elements. In this request, Suburban is seeking changes related to one of those six elements: how the backflow prevention assembly testing program is implemented. Suburban seeks authorization to have a backflow device tested on the customer's behalf and pass the costs of that test on to customers through charges on their water bill if the customer does not timely test and report those results to the Company. Attached Exhibit E includes revised language for Rule 16.

Section 7605 of Title 17 of the California Code of Regulations, as well as Tariff Rule 16, requires installed backflow prevention devices to be tested annually by a certified

backflow device tester. Suburban mails reminder notices to customers advising them of the impending anniversary of their last test. Under the current tariff rules, once the anniversary date passes, Suburban is authorized to disconnect the customer for failure to comply with the tariff rules upon 10 days notice. We have discovered that most test notices are sent to absentee landlords. Frequently the physical posting of the property is the first time the water user tenant has been made aware of the testing requirement, yet that is the person or entity that would be impacted the most by discontinuing service. Frequently, we find that customers come into compliance quickly once we have visited the premises and advised them of the need for immediate compliance under the threat of discontinued service. This, however, requires significant staff time to develop a list of devices past their anniversary date and then send a person out to each premise for enforcement.

An alternative that minimizes inconvenience to the customer and the work by the utility is to have the utility, after notice to the customer, hire a third party tester to go to the premises and test the device. Suburban would then pass through the costs incurred for retaining the third party tester plus a processing fee to the customer on the customer's water bill.

In a September 20, 2018 meeting with the Department of Drinking Water challenged Suburban to improve its backflow prevention testing metrics. In a subsequent October 11, 2018 letter, Suburban committed to implementing revised procedures:

Suburban will file in its next general rate case a revised Rule 16 that will require Suburban to mail at least three notices to customers advising them of the impending anniversary of their last test. If the inspection is not performed, Suburban will hire a third party tester to go to the premises and test the device. Suburban would then pass through the costs incurred for retaining the third party tester plus a processing fee to the customer on the customer's water bill. General rate cases are filed on a 3-year cycle and, if approved by the CPUC and the proceeding progresses in a timely manner, this change to the program would be implemented on January 1, 2021.

There are several benefits to this approach. First, customers no longer face having service discontinued and paying reconnection fees. This is particularly inconvenient to tenants who neither receive notices nor are responsible for testing the backflow prevention device under the lease, but bear the burdens of discontinued water service. Second, customers avoid having to find their backflow device and a certified tester to conduct the test. Suburban receives a number of calls from customers who cannot find their backflow prevention device. Third, under the current system, the costs associated with enforcing this program is borne by all customers paying for staff resources to list and post the properties. Under the test-and-charge system, the costs are borne by the non-compliant customer. Fourth, when staff is in the field

posting properties, they are not available to respond to customer inquiries. Fifth, we would not be disconnecting a customer's service that may be integral to the fire suppression system for the premise. Lastly, the test-and-charge system allows Suburban to be more responsive to customer inquiries about the Cross Connection program.

Other California water utilities utilize this enforcement mechanism. See California Water Service Company's Rule 16, Paragraph C.4, also California American Water Company's Rule 16, Paragraph C.4.

B. Special Request No. 2: Establish a Liability Insurance Memorandum Account.

See Direct Testimony of Mujeeb Hafeez.

C. Special Request No. 3: 2018 and Jan. - Jun. 2019 SWWC IT Rate Base Offsets

Pursuant to ordering paragraph no. 13 in D.19-05-029, Suburban requests authorization to amortize the net under collection balance of \$125,951 from 2018 and Jan. - Jun. 2019 SWWC IT projects upgrades. In this proposed application, Suburban proposes the 2018 and Jan. - Jun. 2019 SWWC IT rate base offsets to be combined and recovered as a one-time surcharge of \$.09 per hundred cubic feet water consumed per customer.

See Direct Testimony of Jeffrey Farney supporting the justification of the IT project upgrades.

D. Special Request No. 4: Modification To Rule No. 9

The company requests to modify Rule No. 9, Rendering and Payment of Bills, paragraph A.3 (3), Average Billing Period. In the interest of simplification, Suburban requests to change the number of days in an average billing period from "30.4 days" to "30 days". This request is pursuant to General Order No. 96B, Water Industry Rule 7.3.2.(8), Request For Similar Treatment as California Water Service Company, D.14-08-011, which approved a settlement that included Special Request No. 15, Modification To Customer Service Rules, that among other tariff changes simplified the number of days in the average billing period from 30.4 to 30.

E. Special Request No. 5: Update Rule Nos. 10 and 18

The Company requests to add "Billing Error" Tariff similar to California's Energy Companies. See Southern California Edison, Rule 17 (Adjustment of Bills and Meter Tests); Pacific Gas & Electric, Rule 17.1 (Adjustment of Bills for Billing Error); San Diego Gas & Electric, Rule 18 (Meter Tests and Adjustment of Bills); Southern California Gas Company, Rule 16 (Adjustment of Bills).

F. Special Request No. 6: Various Offsets

The Company requests a single surchrge consisting of the sum of ten offsets, which is proposed to be netted and recovered as a one-time surcharge \$.13 per hundred cubic feet of ater consumed per customer. Details of the various offsets is as follows:

SUMMARY				
No.	Description	Under/ (Over) Collection		
		Amount	Interest	Total
1.	ATR - Employee Transfer Memorandum Account	(\$49,500)	(\$2,166)	(\$51,666)
2.	Military Family Relief Program Memorandum Account	\$5,074	\$282	\$5,356
3.	Mandatory Conservation Memorandum Account	\$35,983	\$2,528	\$38,511
4.	Drinking Water Fees Memorandum Account	\$61,851	\$3,950	\$65,800
5.	Asbestos Litigation Memorandum Account (ALMA)	\$20,013	\$1,440	\$21,453
6.	School Lead Testing Memorandum Account	\$5,911	\$305	\$6,216
7.	A.18-05-004 Cost of Capital Memorandum Account	\$83,719	\$4,096	\$87,815
8.	Employee Healthcare Balancing Account 2016-2018	(\$203,300)	(\$15,296)	(\$218,596)
9.	Water Contamination Litigation Memorandum Account	\$263,597	\$18,732	\$282,329
	Subtotal Amount	\$223,348	\$13,871	\$237,219
	1.14% Add Franchise Fee			\$2,704
	0.45% Add Uncollectible			\$1,067
	Total Amount Before Offset by Amortization of Previously Approved			\$240,991
10.	Various Surcharge Amortization (Previously Approve	(\$49,507)	(\$1,165)	(\$50,672)
	Request for Amortization Amount			\$190,319 (a)
	Estimated 2021 Water Sales/Month (ccf)			1,445,622 (b)
	One Time Surcharge/ccf = (a/b) =			\$0.13

1. Affiliate Transaction Rules - Employee Transfer
Memorandum Account Amortization

Pursuant to D.11-10-034, Appendix A, IV.D.3, Suburban requests authority to amortize the current \$51,666 credit balance in its Affiliate Transaction Rule Employee Transfer Memorandum Account.

2. Military Family Relief Program ("MFRP") Memorandum
Account Amortization

Pursuant to Assembly Bill No. 1666 and Suburban's MFRP Memorandum Account, Suburban requests authority to amortize the current \$5,356 credit balance in its MFRP Memorandum Account.

3. Mandatory Conservation Memorandum Account

Pursuant to Resolution W-4976, section 24, Suburban requests the disposition of \$38,511 under-collection balance related to mandatory rationing efforts that have not been considered in a General Rate Case or other proceeding.

4. Drinking Water Fees Memorandum Account

Suburban requests the amortization of \$65,800 under-collection balance, recorded in the memorandum account to recover the increased public water systems annual fees as charged to Suburban by State Water Resources Control Board (SWRCB) that were not included in a General Rate Case or other proceeding.

5. Asbestos Litigation Memorandum Account (ALMA)

Suburban requests the amortization of \$21,453 under-collection balance related to litigation arising from alleged exposure to asbestos from asbestos cement water pipes in Suburban's service areas.

6. School Lead Testing Memorandum Account

Suburban requests the amortization of \$6,216 under-collection balance related to the requirements for lead monitoring and lead sample result in compliance with the State Water Resources Control Board (SWRCB) Division of Drinking Water (DDW).

7. A.18-05-004 Cost of Capital Memorandum Account

Suburban requests the amortization of \$87,815 under-collection balance related to notices of the cost of capital Public Participation Hearing (PPH), the subsequent cancellation of the PPH, or notice of the rescheduled PPH that have not been considered in a General Rate Case or other proceeding.

8. Employee Healthcare Balancing Account - Request for
a) Credit Balance Amortization, b) Balancing
Account Continuation, and c) Elimination of
Undercollection Cap on Recovery.

The Company's Employee Healthcare Balancing Account, approved in its preceding rate filing A.14-02-004, tracks the difference between the adopted forecast and the actual costs of employee healthcare expenses. Suburban is required to refund 100 percent of the amount of recorded costs less than adopted, and recover 85 percent of the amount of recorded costs greater than adopted. As of December 31, 2018, the balance in the account is over-collection of \$218,596.

The Company requests the Employee Healthcare Balancing Account be continued in future years and the current overcollected balance be refunded to customers.

Suburban also requests that its recovery percentage, should actual costs exceed adopted costs, be increased from 85 percent to 100 percent. Suburban's parent company, SouthWest, determines the medical and dental plans for Company employees; however, determining the actual utilization of said plans by employees is impossible to consistently forecast accurately or control. Because Employee Healthcare costs are driven by utilization of healthcare plans by employees, requiring the Company to recover less than the full amount of costs is punitive, unfair, and does not serve as an effective cost controlling measure. Therefore, the Company requests to be made whole in recovering all costs incurred related to employee healthcare, as tracked by the Employee Healthcare Balancing Account. See Direct Testimony of Cory Misterek.

9. Water Contamination Litigation Memorandum Account
("WCLMA")

Suburban proposes to amortize the \$282,329 balance in the WCLMA. The balance pertains to costs associated with renewal of the Baldwin Park Operable Unit agreement which expired May 31, 2016.

10. Various Surcharge Amortization (Previously
Approved)

Suburban proposes to refund customers the over-collected balance of \$50,672 from previously authorized various surcharges in Advice Letter 335-W.

**G. Special Request No. 7: LIRA Memorandum Account
Amortization, Update LIRA Surcharge**

Suburban requests authority to amortize the Low Income Ratepayer Assistance Memorandum Account credit balance of \$108,190 as of September 30, 2019 as a one-time surcredit of \$0.081 per 100 cubic feet of water used.

In order to support the LIRA program, Beginning January 1, 2021, Suburban requests authority to increase the amount of the Low Income Ratepayer Assistance Surcharge from \$.047 to \$0.051 per 100 cubic feet. This amount is based on the proposed rate increase in Suburban's application filed on March 2, 2020. Depending on the final decision, the LIRA surcredit will also be increased accordingly from its current \$7.30 monthly credit.

**H. Special Request No. 8: Remove tariff Schedule WLM-3,
Whittier/La Mirada Service Area - Recycled Water Metered
Service**

Please see Direct Testimony of Jorge Lopez for further discussion to support the removal of tariff Schedule WLM-3.

I. Special Request No. 9: Update the Amortization of Water Revenue Adjustment Mechanism (WRAM) Balancing Account for Period October 2019 - December 2020 in 2023 General Rate Case (GRC) .

Suburban requests to continue the amortization of WRAM Balancing account for period October 2019 - December 2020 and be allowed to true-up the remaining balance in 2023 GRC.

VI. SB 960 SCOPING MEMORANDUM

(A) Category: Ratesetting

(B) Are Evidentiary Hearings Necessary? Yes.

Potentially, there may be factual disputes on material issues, which will necessitate evidentiary hearings on such topics as water sales and operating revenue, operation and maintenance expenses, utility plant, depreciation, rate base, taxes, revenue requirements, conservation and customer service. Pursuant to the Rate Case Plan, Suburban based cost of capital on Decision 18-12-002, which established cost of capital for Suburban as well as three other applicants in that proceeding.

(C) Support: Suburban plans to introduce the following evidentiary items, as necessary, in support of its rate request: this application, exhibits to the application and testimony, together with Suburban's work papers, and Minimum Data Requirements Responses.

(D) Are Public Witness Hearings Necessary? Yes.

(E) Safety Considerations: Suburban has developed a number of comprehensive health and safety programs for employees to follow and management to utilize to comply with all applicable regulations and laws. Suburban is also proposing in this general rate case projects that will enhance and promote safety. These are addressed in the direct testimony of Jorge Lopez.

VII. SCHEDULE

The Commission's Rate Case Plan governs this application. Under the Rate Case Plan, the Commission should issue a final decision in December, 2020. The schedule for the case is shown below. The day schedule shown is consistent with the Commission's Opinion Adopting Revised Rate Case Plan For Class A Water Utilities, D.07-05-062.

**PROPOSED 2020 GENERAL RATE CASE SCHEDULE
SUBURBAN WATER SYSTEMS**

No.	EVENT	DATE	14-Month Schedule	Item Scheduled Shift Due to Holidays/ Weekends
1.	Proposed Application Tendered	Tue, 12/31/19	(60)	
2.	Deficiency Letter Mailed	Thu, 01/30/20	(30)	
3.	Appeal to Executive Director	Tue, 02/04/20	(25)	
4.	Executive Director Acts	Mon, 02/10/20	(20)	1
5.	Application Filed/Testimony Served	Mon, 03/02/20	0	2
6.	PHC & PPH Start Date	Tue, 03/10/20	10	
7.	PHC Finish Date	Thu, 05/14/20	75	
8.	Update of Applicant's Showing	Tue, 04/14/20	45	
9.	Public Participation Hearings (End Date)	Fri, 05/29/20	90	
10.	ORA Testimony	Fri, 06/05/20	97	
11.	Other Parties Serve Testimony	Fri, 06/05/20	97	
12.	Rebuttal Testimony	Mon, 06/22/20	112	2
13.	ADR Process (Start Date)	Tue, 06/23/20	115	
14.	ADR Process (End Date)	Mon, 07/06/20	125	3
15.	Evidentiary Hearings (if required - start)	Mon, 07/06/20	126	2
16.	Evidentiary Hearings (if required - end)	Wed, 07/08/20	130	
17.	Opening Briefs Filed and Served	Fri, 08/07/20	160	
18.	Motion for Interim Rates	Fri, 08/07/20	160	
19.	Mandatory Status Conference	Mon, 08/10/20	161	2
20.	Reply Briefs Filed & Served (with Comparison Exhibit)	Mon, 08/24/20	175	2
21.	Water Division Technical Conference	Thu, 08/27/20	180	
22.	Proposed Decision Mailed	Mon, 10/26/20	240	
23.	Comments on Proposed Decision	Mon, 11/16/20	260	1
24.	Reply Comments	Fri, 11/20/20	265	
25.	Commission Meeting	Thu, 12/10/20	280	5

VIII. OTHER FORMAL MATTERS AND PROCEDURAL REQUIREMENTS

(A) This application is made pursuant to Section 451 et seq. of the California Public Utilities Code.

(B) Applicant's legal name is Suburban Water Systems. Suburban's corporate office and post office address is 1325 N. Grand Avenue, Suite 100, Covina, CA 91724.

(C) Applicant Suburban Water Systems, a California corporation, organized under the laws of the State of California, October 23, 1953, is a Class A regulated water utility organized and operating under the laws of the State of California. Suburban provides water services in various areas of Los Angeles County and Orange County.

(D) A certified copy of Applicant's Articles of Incorporation and all amendments thereto have heretofore been filed with the Commission in connection with Application Nos. 41492, 44154, 53900, 57025, 83-08-29 and 06-08-015. The Articles of Incorporation have not been subsequently amended.

(E) None of the persons described in Section 2 of General Order No. 104-A has a material financial interest in any transaction involving the purchase of materials or equipment or the contracting, arranging, or paying for construction, maintenance work, or service of any kind to which Applicant has been a party during the period subsequent to the filing of Suburban's last Annual Report with this Commission or to which Suburban proposed to become a party at the conclusion of the year covered by said Annual Report.

(F) Applicant is now and will be ready to proceed with its showing as prescribed by the Commission's Rate Case Plan.

(G) Applicant anticipates that, subsequent to the filing of this applicant and prior to the issuance of a decision by the

Commission, Applicant may file one or more advice letter requests to offset unanticipated increases in expenses that may be incurred, or to file one or more advice letters requesting recovery or refund of captured balances in its various memorandum or balancing accounts. Any such offset rate increases requested by advice letter will be in addition to the increases in rates requested in this application. If necessary, such rate and revenue changes will be incorporated into the calculations of the final rates adopted in this proceeding.

IX. CORRESPONDENCE, NOTICE, AND SERVICE

Correspondence concerning this application should be sent to:

Robert L. Kelly
Suburban Water Systems
1325 N. Grand Avenue, Suite 100
Covina, CA 91724-4044
Telephone: (626) 543-2590
Email: bkelly@swwc.com

Copies of such correspondence and communication should be

sent to:

Lori Anne Dolqueist
Nossaman, LLP
50 California Street, 34th Floor
San Francisco, CA 94111-4799
Telephone: (415) 398-3600
Facsimile: (415) 398-2438
Email: ldolqueist@mossaman.com

Within ten days of filing this final application, Applicant will cause to be published a notice of the proposed increases in a newspaper of general circulation in the area served and will file proof of publication with the Commission. Applicant will mail a

copy of this application to the parties set forth in Exhibit C.

X. EXHIBITS AND TESTIMONY

Suburban provides the following exhibits and testimony in support of this application:

- Exhibit A Balance Sheet and Income Statement
- Exhibit B Notice To Customers (for approval by the Public Advisors Office)
- Exhibit C Service List for Final Application
- Exhibit D Year 2020 Tariffs Rate Schedules
- Exhibit E Proposed Test Year 2021 Tariffs
- Exhibit F Comparison Exhibit Explaining Differences Between the Proposed Application and Application

Suburban Water Systems, Results of Operations, Test Years Ending December 31, 2021 and 2012 Attrition Year 2023 ("Results of Operations").

Suburban Water Systems, DRAFT 2015 Urban Water Management Plan. June 15, 2016.

Suburban Water Systems, Minimum Data Requirements.

Suburban Water Systems, Workpapers, Vols. I-III (including Capital Project Descriptions, Asset Management Plans, and System Master Plans).

Testimony of Christian Aldinger Depreciation; sponsoring Results of Operations Chapter 7, "Depreciation Accruals, Reserve For Depreciation"

Testimony of Kiki Carlson Sponsoring Results of Operations Chapter 4 "Water Sales and Operating Revenues" as it relates to demand forecasts for industrial, public authority and recycled water and construction water customers, sales to other utilities; Chapter 5 "Operating Expenses" except for the areas of payroll expense, uncollectible rate in compliance with SB 998, conservation expenses, insurance, parent company expenses, Utility Group Expense, and Chapter

	8, "Rate Base" as it relates to working cash.
Testimony of Jeff Farney	Parent Company - Rate Base and IT
Testimony of Mujeeb Hafeez	Indirect Parent Company Costs, Insurance, sponsoring <u>Results of Operations</u> Chapter 5, "Operating Expenses" as it relates to parent company expenses and 3-Factor Allocation.
Testimony of Stephen Johnson	San Gabriel Basin hydrogeology and groundwater quality.
Testimony of Jorge Lopez	Safety and Capital Projects; sponsoring <u>Results of Operations</u> Chapter 6 "Utility Plant".
Testimony of Robert Kelly	Sponsoring <u>Results of Operations</u> Chapter 1, "Introduction"; Chapter 2, "Company History"; Chapter 3, "Company Operations"; Chapter 5, "Operating Expenses" as it relates to payroll expense, uncollectible rate in compliance with SB 998, and dissolution of Utility Group; Chapter 8, "Rate Base", except for working cash; Chapter 9, "Taxes"; Chapter 10, "Summary of Earnings"; Chapter 11, "Revenue Requirements"; and Chapter 12, "Rates".
Testimony of Robert V. Mustich	Parent Company - Executive Compensation and Directors' Fees.
Testimony of Cory Misterek	Sponsoring <u>Results of Operations</u> , Chapter 5 as it relates to Medical, Prescription Drug, Dental Insurance Premium expense, Employee Healthcare Balancing Account.
Testimony of Jocelyn Padilla	Water Quality.
Testimony of Kenneth Parris	<u>Results of Operations</u> Chapter 4 "Water Sales and Operating Revenues" as it relates to demand forecasts for residential and business.
Testimony of Darleen Phares	Results of Operations Chapter 5 as it relates to Conservation Expense.

XI. CONCLUSION

WHEREFORE, Suburban respectfully requests that this Commission issue its findings and an order to the effect that:

1. The present rates authorized for Suburban are projected to be, in the test years, unfair, unjust and unreasonable;
2. The rates proposed and requested by Suburban are fair, just and reasonable;
3. Suburban be granted the relief requested in of this application;
4. Suburban Water Systems be authorized to publish, file and make effective, beginning January 1, 2021, the proposed rates requested or such other rates as will result in the additional gross revenues requested in this application; and
5. For such other and further relief as is just.

Respectfully submitted on March 2, 2020.

By: /s/ Robert Kelly
Robert Kelly

Vice President

SUBURBAN WATER SYSTEMS

VERIFICATION

I am an officer of the applicant corporation herein, and am authorized to make this verification on its behalf. The statements in the foregoing document are true of my own knowledge, except as to matters which are therein stated on information or belief, and as to those matters I believe them to be true.

I declare under penalty of perjury that the foregoing is true and correct.

Executed on March 2, 2020 at Pasadena, CA.

/s/ Craig Gott

Craig Gott, President

Suburban Water Systems