

Docket:	:	<u>A.24-07-003</u>
Exhibit Number	:	<u>Cal Adv - #</u>
Commissioner	:	<u>Matthew Baker</u>
Admin. Law Judge	:	<u>Alberto Rosas</u>
Public Advocates Office	:	
Witness(es)	:	<u>Roy Keowen</u>



PUBLIC ADVOCATES OFFICE
California Public Utilities Commission

REPORT
ON ADMINISTRATIVE & GENERAL EXPENSES
AND SPECIAL REQUESTS #7

California Water Service Company
 General Rate Case

Application 24-07-003

San Francisco, California
 January 28, 2025

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1 **MEMORANDUM**

2 The Public Advocates Office at the California Public Utilities Commission (Cal
3 Advocates) examined application material, data request responses, and other information
4 presented by California Water Service Company (CWS) to provide the California Public
5 Utilities Commission (Commission or CPUC) with recommendations in the interests of
6 ratepayers for safe and reliable service at the lowest cost. Roy Keowen prepared this
7 report under the general supervision of Program Manager Richard Rauschmeier, Program
8 & Project Supervisor Syreeta Gibbs, and Project Lead Edward Scher. Emily Fisher and
9 Megan Delaporta are Cal Advocates' legal counsels.

10 Although every effort was made to comprehensively review, analyze, and provide
11 the Commission with recommendations on each ratemaking and policy aspect presented
12 in the Application, the absence from Cal Advocates' testimony of any particular issue
13 connotes neither agreement nor disagreement of the underlying request, methodology, or
14 policy position related to that issue.

1

Table 1-1: Summary of Recommendations

Item	CWS	Cal Advocates	Difference
	A	B	(A – B)
Apprenticeship Program	\$624,468	\$0	(\$624,468)
Special Request #7	N/A	N/A	N/A
Ad Valorem Taxes	N/A	N/A	N/A
Payroll	\$122,108,891	\$89,726,865	(\$32,382,026) ¹
Executive Compensation	\$14,746,200	\$4,375,986	(\$10,370,214)
Pension & Health Care Benefits	\$ 27,076,398	\$20,013,414	(\$7,062,984)
Total	\$165,096,559	\$114,655,297	(\$50,439,692)

2

3 **III. ANALYSIS**

4 **A. Apprentice Program**

5 The Commission should deny ratepayer funding for a new apprentice program.²

6 While Cal Advocates does not oppose the concept of an apprentice program because
7 CWS fails to provide reasonable justification for the program. Ratepayers should not pay
8 for this additional expense without receiving a corresponding additional tangible benefit.
9 CWS proposes to include in rates \$624K annually starting in TY2026 for its proposed
10 apprenticeship program. CWS’s justification does not adequately show customers will
11 receive much or any additional benefit above the current level of service. Therefore, the

¹ CWS partially forecasts executive compensation in payroll expense (base pay and Short-term at risk pay) and the other portion (long-term at risk pay) under A&G non-specifics; however, in this table, Cal Advocates separates payroll and CWS’s executive compensation for clarity.

² This section addresses CWS’s testimony from Testimony Book #1 at 89-96.

1 Commission should deny CWS’s request to include in rates to cost of its proposed new
2 apprentice program.

3 **Table 1-2: Comparison of Apprenticeship Program Forecasts**

Apprenticeship Program Forecast		
CWS	Cal Advocates	Difference
\$624,468	\$0	(\$624,468)

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The stated purpose for the program is to help CWS, who alleges difficulty finding qualified employees in high-cost areas, turnover, and attrition.³ However, CWS’s customer growth is stagnant,⁴ so new entry-level employees are not justified. Replacements for existing entry-level positions should be filled by already qualified personnel since that’s what ratepayers have already funded in rates, so paying for an apprenticeship program is ratepayers paying more for the same benefit. An apprenticeship program is not going to help CWS reduce attrition since it is the more experienced employees who hold higher positions that will need to be replaced, and apprentice-level personnel cannot hold those positions and it won’t help turnover either since employees can still transfer to lower-cost areas once they become permanent. Thus, because CWS does not provide sufficient justification for its new apprenticeship program, from the Commission should deny its request to include in customer rates the cost of the program in this GRC cycle.

³ A.24-07-003, CWS Testimony Book #1 at 89.

⁴ CWS June 2024 Investor Presentation, available at https://www.calwatergroup.com/_assets/_71648a31dec444c196dc93974da35500/calwatergroup/db/2251/21693/file/California_Water_Service_Group-10K2023.pdf at 5.

1 **1. Customer Growth is Stagnant, so No Need to Train**
2 **New Employees.**

3 CWS requests ratepayer funding to hire 50 new employees. The Commission
4 should deny this funding request because CWS’s customer growth is stagnant.⁵

5 Customer growth is a reasonable measure for assessing the need for new employees. The
6 number of customers is a key element in estimating CWS’s revenues and the customer
7 growth rate is useful to determine the amount of incremental revenues that will be
8 available to CWS to pay for new or additional positions.⁶ In a competitive environment,
9 prudent business management would hire new or additional employees when the business
10 expects to generate sufficient incremental revenues to pay for the additional payroll
11 expense. CWS’s customer growth rate as a reasonable measure to determine whether
12 hiring new employees is necessary.

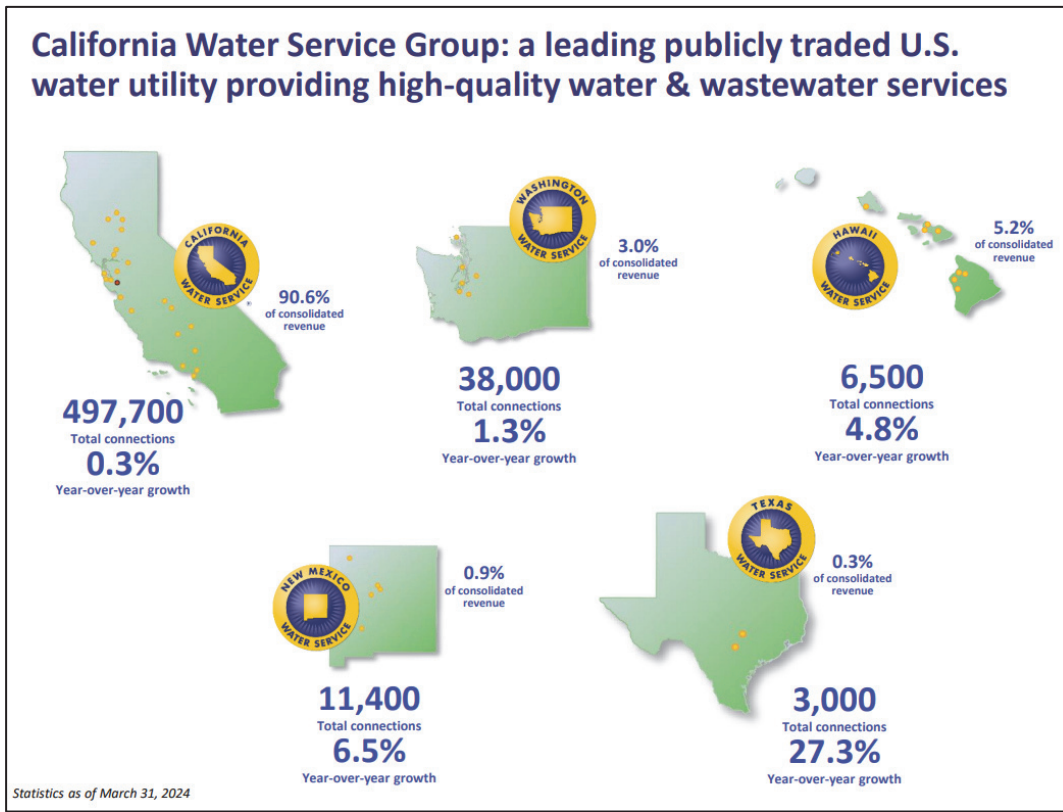
13 The Commission should reject CWS’s request for ratepayer funding for its
14 proposed apprentice program because the utility’s year-over-year customer growth rate is
15 only 0.3%,⁷ as shown in the excerpt below from CWS’s June 2024 investor presentation,
16 Figure 1-1.
17

⁵ See the Payroll Section of this report.

⁶ What Is a Good Growth Rate for a Company? By the Indeed Editorial Team writes “Predicting essential resources: As businesses grow, they require more resources like supplies, staff and equipment. Knowing a business's growth rate can help you determine when you need to expand the business infrastructure and plan to get those resources.”

⁷ CWS June 2024 Investor Presentation, available at https://www.calwatergroup.com/_assets/_71648a31dec444c196dc93974da35500/calwatergroup/db/2251/21693/file/California_Water_Service_Group-10K2023.pdf at 5.

1 **Figure 1-1: CWS’s Customer Growth Rate as Reported to Investors⁸**



2
3
4 Figure 1-1 shows that CWS’s California-only operations’ year-over-year customer
5 growth was 0.3% in 2023. Customer growth is a useful metric to determine whether
6 hiring new employees is necessary. An increase in customers will generate more revenue
7 to pay for the added costs of new employees, thus justifying the cost of a new employee.
8 If employee growth is tied to customer growth, as suggested by the Commission’s Rate
9 Case Plan, then there is little need for an apprenticeship program, because based on
10 CWS’s growth rate, there would only be one new employee for the entire 2026-2028 rate
11 case cycle.² A new apprenticeship program is not necessary if new employees are not
12 needed.

⁸ CWS June 2024 Investor Presentation, available at https://www.calwatergroup.com/_assets/_71648a31dec444c196dc93974da35500/calwatergroup/db/2251/21693/file/California_Water_Service_Group-10K2023.pdf at 5.

² See Payroll section of this report.

1 While no new positions are be justified, CWS have existing entry-level positions
2 in rates that may need to be filled. For the positions to be in rates, CWS must have
3 justified the positions to the Commission in a previous GRC. In those GRC, ratepayers
4 were promised qualified personnel would fill the positions for the cost of the position.
5 By adding an apprenticeship program, CWS ratepayers will not only paying for a
6 qualified position in rates but now have to add the cost of producing personnel qualified
7 to begin with. Ratepayers should get what they were promised, but should not have to
8 pay more for the same expected benefit.

9 **2. Turnover**

10 CWS states it has a problem with turnover in that employees transfer to lower-cost
11 areas once they become a qualified, permanent employee.¹⁰ While an apprentice
12 program may eventually provide CWS with more qualified personnel, it is not going stop
13 the new employee from seeking out lower-cost areas once they reach permanent status. If
14 CWS implements this apprentice program, with or without ratepayer funding, it will still
15 face the same problem which it claims the program intends to solve. Instead of an
16 apprentice program CWS should analyze the specific reasons for employee transfers to
17 lower-cost areas and to implement better employee retention strategies to mitigate the
18 issue. Therefore, the Commission should deny CWS’s request to include in rates the cost
19 of its proposed apprentice program in this GRC cycle.

20 **3. Attrition**

21 CWS states the apprenticeship program is necessary because CWS’s workforce is
22 aging and will need replacements since 35% of their current workforce will be eligible
23 for retirement within the next 5 years.¹¹

24 One issue is how CWS frames its request. Being “eligible” for retirement is not
25 the same as retiring, and CWS provides no details on recorded retirement rates, which
26 could be substantially less than the rate for those eligible for retirement. Social security

¹⁰ A.24-07-001, CWS Testimony Book #1 at 90.

¹¹ A.24-07-001, CWS Testimony Book #1 at 90.

1 does not begin until the age of 66. Even though an employee could retire as early as the
2 age of 55, that same employee could choose to continue to work for substantially longer,
3 meaning replacements are not as urgent as CWS request makes it appear to be.

4 CWS’s apprentice program won’t help with CWS attrition problem. Potential
5 retirees that have worked at least 5 years and are over the age of 55 are more likely to
6 hold senior positions, which will be filled by the next senior person, since these are union
7 jobs. The vacancies created by retirement will create openings for new hires but are not
8 going to affect CWS’s ability to find qualified personnel to fill vacant the positions with
9 other senior personnel. The apprentice program, which is for untrained new hires will
10 only help backfill lower-level positions and not vacancies created by a senior employee
11 who has retired.

12 CWS provides insufficient justification for its request to include in rates the cost
13 of its proposed apprentice program in this GRC cycle. CWS does not demonstrate how
14 this added cost would provide tangible benefit to ratepayers. Therefore, the Commission
15 should deny CWS’s funding request.

16 **B. Special Request #7 Labor Escalation Rates Based on**
17 **Union Contract**

18 The Commission should reject CWS’s request to tie escalation rates to the union
19 wage contract rates. The purpose of escalation is to adjust rates for inflation, not to adjust
20 rates to accommodate changes in the labor agreements CWS negotiates.¹²

21 The Commission’s Class A Water Rate Case Plan (RCP) sets forth the escalation
22 process of establishing one test-year and two attrition years.¹³ Escalation is the process
23 of adjusting test year estimates for inflation. Inflation is the only adjustment allowed for
24 attrition years.¹⁴ The RCP also specifies the use of the labor rates found in the

¹² D.04-06-018 *Interim Order Adopting Rate Case Plan* at 5.

¹³ D.04-06-018 *Interim Order Adopting Rate Case Plan* at 5.

¹⁴ D.04-06-018 *Interim Order Adopting Rate Case Plan* at 10.

1 Commission’s monthly Energy Cost of Service (ECOS) Factor Memorandum to escalate
2 attrition year labor costs.

3 The RCP establishes the attrition-year inflation-based escalation methodology for
4 expenses. Public Utilities(Pub. Util.) Code §455.2(c) establishes a three-year rate case
5 cycle for Class A Water Utilities.¹⁵ To comply with this statute, the Commission
6 established a three-year rate case cycle consisting of one test-year and two attrition years,
7 with the aim to reduce regulatory burden.¹⁶ Attrition year expense levels are to be
8 equivalent to TY levels that are adjusted for inflation.¹⁷ The inflation rate used to adjust
9 attrition years for changes in labor expenses are published monthly in the Commission’s
10 ECOS Factor Memorandums.

11 CWS proposes to deviate from the current practice established by the RCP and
12 instead use the “actual union rates” from CWS’s most recent union contract for labor
13 expenses and in attrition years.¹⁸ If the Commission issues a proposed decision in this
14 proceeding before March 1, 2026, CWS proposes that the most recent CPI for the western
15 US, San Francisco and Los Angeles is used. CWS’s most recent union contract with the
16 Utility Union Workers of America (UWUA) is from May 2021, and CWS states that it
17 will update the data for 2025, which is not included in the current GRC period (2026-
18 2028).

19 The Commission should deny CWS’s requests because the RCP requires attrition
20 years to be equivalent to TY levels, adjusted for inflation only.¹⁹ The Commission
21 requires this to comply with Pub. Util. Code § 455.2 without additional funding from the
22 state.²⁰ CWS’s proposal is overly complex and unnecessary because CWS should make

¹⁵ Public Utilities Code (PUC) § 455.2(c).

¹⁶ D.04-06-018 Interim Order Adopting Rate Case Plan at 4.

¹⁷ D.04-06-018 Interim Order Adopting Rate Case Plan at 5.

¹⁸ A.24-07-001, CWS’s Testimony Book #1 at 10.

¹⁹ D.04-06-018 Interim Order Adopting Rate Case Plan at 5.

²⁰ D.04-06-018 Interim Order Adopting Rate Case Plan at 4.

1 any and all proposed adjustments, including increases beyond inflation, to TY estimates
2 in accordance with the RCP.

3 The Commission should deny CWS’s Special Request No.7 because the requested
4 wage increases are more than just inflation, and the RCP only allows adjustment for
5 attrition year expense. Cal Water may choose to increase wages greater than inflation,
6 but it should not do so at ratepayer expense.

7 **C. Ad Valorem Taxes**

8 Ad Valorem taxes are property taxes based on CWS’s net plant investments.²¹ If
9 plant investment is less than the forecast amount, actual Ad Valorem taxes paid will be
10 lower than the forecast. CWS’s workpapers show that CWS over-forecasted Ad Valorem
11 taxes in the last GRC TY 2023, meaning that CWS invested less in plant than was
12 authorized in its last GRC.²²

13 The RCP allows utilities to use any forecasting technique to arrive at test-year
14 estimates, but the forecast should never result in ratepayers paying more than is
15 necessary.²³ CWS’s over-forecast of Ad Valorem taxes resulted in nearly \$3.4 million in
16 excessive rates.²⁴ Therefore, Cal Advocates recommends reductions to CWS’s proposed
17 funds for plant projects in this GRC.²⁵

18 Below, Table 1-3 shows a comparison of 2023 adopted and recorded Ad Valorem
19 taxes:

20

²¹ CWS Testimony Book #1,

²² CWS forecasts \$27,593,409 in ad Valorem Taxes for Test-Year 2026. CWS RO Model Workpaper “W_Reports_SOE All.xlsb,” Tab “SOE-All_2026 Test Year” at Cell AC70.

²³ Decision (D.)04-06-018, Appendix *Rate Case Plan for Class A Water Utilities* at 7.

²⁴ A.24-07-001, RO Model Workpaper “W_Reports_SOE All.xlsb,” Tab “SOE-All_2023 Recorded” at Cell AC70 shows \$17,100,918 and Tab “SOE-All_2023 Adopted” at Cell AC70 shows \$20,498,138.

²⁵ See Cal Advocates Report on Plant for Bayshore, Bear Gulch, Los Altos, Redwood Valley Districts, & Multiple Common Plant Issues by Justin Menda.

1 **Table 1-3: Ad Valorem Taxes in Rates versus Recorded²⁶**

Ad Valorem Taxes in Rates v. Recorded		
In Rates for 2023	Recorded 2023	Difference
\$20,498,138	\$17,100,918	\$3,397,220

2
3 Table 1-3 shows that the amount of Ad Valorem taxes CWS actually paid was
4 \$3.397 million less than CWS forecasted in its last GRC TY 2023. CWS’s Ad Valorem
5 taxes are calculated based on plant-in-service multiplied by a composite Ad Valorem tax
6 rate.²⁷

7 CWS forecasts an increase in Ad Valorem taxes in this GRC. Table 1-4 below
8 compares CWS’s last adopted Ad Valorem tax amount, which exceeded actual Ad
9 Valorem tax payments by nearly \$3.4 million, to CWS’s proposed Ad Valorem taxes:

10 **Table 1-4: Ad Valorem Taxes in Rates v. Projected.²⁸**

Ad Valorem Taxes in Rates v. Projected		
In Rates for 2023	Projected TY 2026	Difference
\$20,498,138	\$27,593,409	\$7,095,271

11
12 Ad Valorem taxes should be based on the final plant levels adopted in this GRC.
13 The Commission should adopt Cal Advocates’ plant forecast because it aligns with
14 CWS’s recorded plant levels and saves ratepayers from paying for excessive Ad Valorem
15 taxes in rates.

²⁶ CWS RO Model Workpaper “W_Reports_SOE All.xlsb,” Tab “SOE-All_2023 Adopted” at Cell “AC70” for adopted figures and Tab “SOE-All_2023 Recorded” at Cell AC71 for recorded figures.

²⁷ CWS Response to Cal Advocates Data Request RK2-003. The composite Ad Valorem tax rate is due to CWS’s multiple districts across the state of California, each with a unique Ad Valorem tax rate.

²⁸ CWS RO Model Workpaper “W_Reports_SOE All.xlsb,” Tab “SOE-All_2023 Adopted” at Cell “AC70” for adopted figures and Tab “SOE-All_2026 Test Year” at Tab AC70 for projected figures.

1 **D. Payroll**

2 The Commission should reject CWS’s payroll forecast because it is based on
3 several unreasonable assumptions which greatly and unfairly add to CWS’s TY 2026
4 rates.²⁹ CWS payroll forecast is based on 129 unfilled positions.³⁰ Unfilled positions are
5 positions that ratepayers have already paid for but have not received the full benefit
6 promised by CWS.³¹ In addition to unfilled positions, CWS is asking for 50 new
7 positions in the current GRC.³² This request makes no sense when CWS already has 129
8 unfilled positions. With so many unfilled positions, it is not reasonable for ratepayers to
9 fund more positions until CWS utilizes its current unfilled, yet fully-funded positions.

10 CWS’s executive compensation forecasts (base pay and short-term at-risk-pay) are
11 added to payroll expenses and require adjustments. These items are discussed in the
12 separate section of this report on Executive Compensation.

13 Table 1-5 below shows the dollar differences between CWS’s and Cal Advocates’
14 TY 2026 payroll cost estimates.

15 **Table 1-5: Comparison of TY 2026 Payroll Estimates**

Comparison of TY 2026 Payroll Estimates.		
California Water Service ³³	Cal Advocates	Difference
\$122,108,891	\$89,726,865	\$28,778,025

16
²⁹ This section addresses CWS Testimony Book #1 at 148-160.

³⁰ CWS Workpaper “CH05_OM_FDR_Benefits_Payroll_WorkersComp.xlsb” at Tab “SD_EMP_Compliment” at Cell L4.

³¹ An example of an unfilled position is described in CWS Testimony Book #1 at p.156 which states the Commission approved 25 positions in CWS’s TY 2023 GRC but CWS only hired 12 positions, meaning ratepayers funded 25 positions and only received the benefit of 12 positions. $12 / 25 = 48\%$ meaning ratepayers received less than half of the benefit CWS originally promised.

³² CWS Workpaper “CH05_OM_FDR_Benefits_Payroll_WorkersComp.xlsb” at Tab “SD_EMP_Compliment” at Cell F80 (1,247) and L7 (1,297). $1,294 - 1,247 = 50$.

³³ CWS RO Model Workpaper “CH05_OM_FDR_Benefits_WorkersComp.xlsb,” Tab “Total Payroll WS-5” at Cell H85.

1 It is the Commission’s role to act as a substitute for competition and ensure that
2 CWS efficiently manages costs.³⁴ The Commission should ensure that ratepayers will
3 receive corresponding tangible benefit for costs included in rates.

4 CWS’s payroll forecast is based on recorded 2023 amounts. As CWS states,
5 “[projected] payroll expenses are based on recorded 2023 district and...payroll expense
6 adjusted for known quantifiable or projected changes in employees and escalated using
7 the last [agreed-upon] union rate.”³⁵

8 CWS recorded payroll cost for 2023 was \$90.5 million.³⁶ CWS end-of-year
9 employee count was 1247 employees in 2023.³⁷

10 CWS’s employee count forecast is 1,263 employees in 2024 and 2025, 1,294
11 employees in 2026, and 1,297 employees in 2027.³⁸ These numbers line up with CWS’s
12 proposal to add a net of 19 previously approved positions and new hires between rate
13 cases and 31 new positions in TY 2026, for a total of 50 additional positions in the TY
14 2026 rate.^{39, 40}

15 However, a data request response indicates that the CWS employee count at the
16 end of 2023 was 1,121, not 1,247, as shown in CWS’s workpaper.⁴¹ In addition, Cal
17 Advocates discovered that the employee count information from CWS’s 2023 10K

³⁴ “Our objective through regulation is to act as a substitute for competition.” D.96-04-050 citing D.86-08-083.

³⁵ CWS Testimony Book #1 at 148.

³⁶ CWS Workpaper “CH05_OM_FDTR_Benefits_Payroll_WorkersComp.xlsx,” Tab “Total Payroll Adj WS-1” at Cell F77.

³⁷ CWS RO Model Workpaper “CH05_OM_FDR_Benefits_WorkersComp.xlsx,” Tab “SD_EMP_Complement” at Cell F4.

³⁸ CWS RO Model Workpaper “CH05_OM_FDR_Benefits_WorkersComp.xlsx,” Tab “SD_EMP_Complement” at Row 7, Columns H to L.

³⁹ CWS Testimony Book #1 at 149 shows CWS request for 14 new employees and at 154 for 17 more new employees, for a net of 31 new employees.

⁴⁰ CWS Testimony Book #1 at 157 shows CWS request for a net of employees hired in between rate cases and prior compliment to be 19 employees.

⁴¹ See attachment 1-2 CWS Response to Cal Advocates Data Request RK2-001, “RK2-006 Attachment #1 - Question 2.xlsx.”

1 Annual Report to the Securities Exchange Commission (SEC) reports 1,118 employees at
2 year-end 2023.⁴²

3 This discovery leads Cal Advocates to conclude that the employee data in the
4 CWS’s workpapers are based on the Commission-approved position counts rather than
5 actual recorded employee counts. Further, Cal Advocates learned that CWS’s payroll
6 forecast is not based on employee counts, but rather on recorded dollar amounts in 2023,
7 plus costs for hires between the rate case and the proposed new compliment.⁴³

8 However, as discussed above, CWS claims an employee count total of 1247 in
9 2023. That total is the same employee count for California Water Services Group’s
10 (CWSG), CWS’s parent company.⁴⁴ If CWS’s \$90 million in recorded payroll is based
11 on company-wide payroll, it would mean that California ratepayers would be cross-
12 subsidizing CWSG’s other business units and activities, which is a violation of the
13 Commission’s Non-Tariffed Products and Services (NTP&S) rules.⁴⁵

14 On October 11, 2024, Cal Advocates met with CWS via Zoom to discuss the
15 discrepancy in employee counts between application workpapers and CWS data request
16 and SEC 10K filing.⁴⁶ CWS clarified that the recorded \$90 million shown dollar shown
17 in CWS’s workpapers is based on the lower employee counts reported in response to Cal
18 Advocates’ data request and in the SEC filing. CWS also clarified that the difference in

⁴²

https://www.calwatergroup.com/_assets/_71648a31dec444c196dc93974da35500/calwatergroup/db/2251/21693/file/California_Water_Service_Group-10K2023.pdf at 21.

⁴³ CWS Response to Cal Advocates Data Request RK2-002 (Payroll 2), at Q.1.

⁴⁴

https://www.calwatergroup.com/_assets/_71648a31dec444c196dc93974da35500/calwatergroup/db/2251/21693/file/California_Water_Service_Group-10K2023.pdf at 21 states that California Water Service Group employee counts in 2023 are 1266. CWS Workpaper “CWS RO Model Workpaper “CH05_OM_FDR_Benefits_WorkersComp.xlsb,” Tab “SD_EMP_Complement” at cell shows 1247 in 2023 and 2024 but then increases to 1263 in 2025 and 2026. 1263 is substantially the same as 1266 reported in CWS 2023 SEC 10K filing.

⁴⁵ CWS Testimony Book #3, Attachment A, “Affiliate Transactions Report” at 24-25, Rule IV.B. which prohibits ratepayer subsidy of any parent or other affiliate of the utility.

⁴⁶ Zoom meeting with CWS on October, 11 2024, 1:00 to 2:00pm.

1 employee counts was not due to CWS’s use of the CWSG employee count, but to unfilled
2 positions. This means that in 2023, CWS had 129 unfilled positions at year-end.⁴⁷

3 While CWS states that its payroll forecast is based on recorded dollars, its
4 workpapers do not show the accurate employee count.⁴⁸ CWS’s workpapers show an
5 employee count of 1,294 for \$122 million in TY 2026, based on 129 unfilled positions.⁴⁹
6 Therefore, to ensure fairness to ratepayers, the Commission should deny CWS’s payroll
7 budget request and forecast, and adopt the payroll recommendations discussed below.

8 **1. CWS Payroll Forecast Should Exclude Expenses**
9 **for 129 Unfilled Positions.**

10 CWS’s payroll forecast includes 129 unfilled positions, which should be removed
11 from proposed TY2026 rates. Ratepayers should not pay twice for a benefit that they
12 have not received.

13 CWS workpapers show 1,247 employees while CWS’s 10-K filing shows that
14 only 1,118 employees worked for CWS’s California Operations in 2023, a difference of
15 129 employees.⁵⁰ CWS’s TY2026 projected employee counts are based on CWS’s 2023
16 employee count, which according to CWS are due to unfilled positions (and not
17 company-wide payroll). Unfilled positions are positions that were approved by the
18 Commission in a previous GRC but remain unfilled. It is not reasonable to base a
19 forecast on employee counts that include unfilled positions. Therefore, CWS’s recorded
20 expense should be adjusted to remove recorded unfilled positions. Figure 1-6 shows the
21 percentage difference in employee counts.

⁴⁷ 1,247 employees reported in CWS’s workpaper, less 1,118 employees reported in CWS’s 10K filing with the Securities and Exchange Commission (SEC) is 129.

⁴⁸ CWS RO Model Workpaper “CH05_OM_FDR_Benefits_WorkersComp.xlsb,” Tab “SD_EMP_Complement” at Cell F4.

⁴⁹ CWS RO Model Workpaper “CH05_OM_FDR_Benefits_WorkersComp.xlsb,” Tab “SD_EMP_Complement” at Cell K4.

⁵⁰ CWS RO Model Workpaper “CH05_OM_FDR_Benefits_WorkersComp.xlsb,” Tab “SD_EMP_Complement” at Cell F4 show 1,247 employees at year-end 2023 and https://www.calwatergroup.com/_assets/_71648a31dec444c196dc93974da35500/calwatergroup/db/2251/21693/file/California_Water_Service_Group-10K2023.pdf at 21 states that California Water Service California operations employee counts at year-end 2023 are 1,118.

1 **Table 1-6: Comparison of Reported Employee Counts in Percentage**

Employee Count from Workpapers ⁵¹	CWS’s SEC 10-K	Percentage Change
(A)	(B)	$((B - A) / A)$
1,247	1,118	(10.3%)

2
 3 As shown in Table 1-6, the number of unfilled positions equals 10.3% of CWS
 4 workpaper employee count. To adjust CWS’s recorded expenses for unfilled positions
 5 Cal Advocates removes 10.3% of the total recorded 2023 payroll expense. Figure 1-7
 6 shows CWS recorded 2023 payroll with 10.3% of the expense removed.

7 **Table 1-7: Removal of Unfilled Positions in Dollars**

2023 Recorded Payroll Expense ⁵²	Unfilled Positions in Dollars	Difference
(A)	$(B) = A * 10.3\%$	A - B
\$90,520,372	\$9,364,176	\$81,156,196

8
 9 Table 1-7 shows that removing 10.3% of expenses to adjust for unfilled positions
 10 results in an adjusted 2023 payroll expense of \$81.1 million. The Commission should use
 11 this adjusted \$81.1 million amount as the recorded basis for CWS’s payroll forecast
 12 because it excludes the cost of unfilled positions.

13

⁵¹ CWS RO Model Workpaper “CH05_OM_FDR_Benefits_WorkersComp.xlsm,” Tab “SD_EMP_Complement” at Cell F4.

⁵² CWS RO Model Workpaper “CH05_OM_FDR_Benefits_WorkersComp.xlsm,” Tab “Total Payroll WS-1” at Cell F77.

1 **2. The Commission Should Reject CWS’s Request**
2 **For Funding Of 50 New Positions Because CWS**
3 **Has Been Unable To Fill Existing Vacancies**
4 **Previously Included In Rates And Paid For By**
5 **Ratepayers.**

6 CWS requests to add funding for 50 new positions into TY 2026 rates. However,
7 CWS already has 129 unfilled positions, so it is not reasonable for the Commission to
8 authorize CWS to fund more positions when the result is likely to add to CWS’s funded
9 but unfilled position count. Unfilled positions result in customers paying for, but not
10 receiving, the benefit of the positions approved by the Commission.

11 Unfilled positions are positions that have already been approved in rates by the
12 Commission in a previous GRC but remain unfilled. Unfilled positions are unreasonable
13 because for at least one rate case cycle (three years), customers have paid the fully loaded
14 (meaning the wage plus any overhead and taxes) cost of each of those employees in their
15 bills. If CWS does not fill the position, customers will have paid for benefits they did not
16 receive.

17 Costs included in customer rates must be just and reasonable. In a competitive
18 environment CWS would need to be efficient with labor costs because customers could
19 simply choose a better value water service. Because CWS is a monopoly, the
20 Commission must act as a substitute for competition by ensuring that CWS is prudent
21 with labor costs. Seeking funding for more unfilled positions and passing the cost on to
22 customers is not prudent and would be sustainable in a competitive environment.

23 To protect ratepayers from further excess payroll costs, CWS should fill
24 previously authorized positions already included in rates before asking for funding for
25 any new positions.

26 CWS proposes to add 50 new positions in this GRC. The obvious question is why
27 does CWS need 50 new positions when it has 2.5 times that many unfilled positions?
28 CWS’s vacancy rate indicates that CWS does not need any new positions. Customers
29 should receive the full benefit of all the CWS employees whose payroll the Commission

1 authorizes for inclusion in rates. Based on the results of CWS’s last rate case, however, if
2 more new positions are funded, customers will be paying for more unfilled positions.

3 The Commission should reject CWS payroll forecast. It is not reasonable for the
4 Commission to authorize funding for new positions while 10% of CWS’s positions are
5 unfilled.

6 **3. The Commission could add one new position based**
7 **on CWS’s California operations growth rate but**
8 **CWS has so many unfilled positions, no more are**
9 **needed for the foreseeable future.**

10 CWS has not demonstrated a need for the 50 new positions it seeks to include in
11 rates. CWS’s California operations customer growth rate is very low and the company
12 has 129 unfilled positions.⁵³

13 An analysis of CWS payroll request demonstrates that CWS seeks to increase
14 personnel by 4.5%. Table 1-8 below shows CWS’s payroll request in terms of employee
15 counts:

16 **Table 1-8: Comparison of New Complement to Recorded Employee Counts**

Data Category	Test Year 2023 Recorded ⁵⁴	Test Year 2026 Proposed ⁵⁵	Percent Increase	Annual Percent Increase
	A	B	(B-A/A)	(B-A/A)/3
Employee Count	1,118	1,168	4.5%	1.5%

17

⁵³ CWS reported customer growth rate in 2023 was 0.3%. CWS June 2024 Investor Presentation, available at https://www.calwatergroup.com/_assets/_ebabab47f4d55bd8069cd4ac22aeaddb/calwatergroup/db/2214/21732/pdf/CWT+Investor+Presentation_June+2024.pdf at 5.

⁵⁴ CWS’s application provides an employee count of 1247, but only 1,118 positions are filled according to CWS 10K Annual Report filed with the SEC: https://www.calwatergroup.com/_assets/_71648a31dec444c196dc93974da35500/calwatergroup/db/2251/21693/file/California_Water_Service_Group-10K2023.pdf

⁵⁵ CWS estimates a TY2026 employee count of 1294 in its workpaper, but that is based on a erroneous employee count. CWS only has 1,118 of the positions are filled according data request response and to CWS 10K Annual Report filed with the SEC. Adjusting CWS’s forecast based on from 1,247 less 129 unfilled positions is 1,118 employees in 2023. CWS request 50 new positions in this GRC so 1,118, plus

1 Table 1-8 demonstrates CWS request increases its employee complement by 1.5%
2 per year. Customer growth is a useful metric to determine CWS’s staffing needs.⁵⁶ More
3 customers will create more demand and more revenues to pay for the added costs of new
4 employees, thus justifying the cost of a new employee.

5 As demonstrated in Figure 1-1 in the Section on Apprenticeship Program
6 expenses,⁵⁷ CWS’s June 2024 investor presentation shows CWS’s year-over-year
7 customer growth rate for California as of March 31, 2024, is 0.3%. Table 1-9 compares
8 CWS’s proposed employee growth rate to CWS’s California customer growth rate.

9 **Table 1-9: Comparison of Employee and Customer Growth Rates**

Employee Annual Growth Rate	Customer Annual Growth Rate	Employee Annual Growth Multiplier
A	B	(A / B)
1.5%	0.3%	5

10
11 Table 1-9 demonstrates that CWS proposes employee growth at 5-times its
12 customer growth rate. In other words, CWS proposes to hire employees without an
13 increase in demand and revenues. After comparing customer growth and employee
14 growth, it is clear that Cal Water does not require the requested new employees. Table 1-
15 10 shows CWS’s annual employee increases, based on the customer growth rate:

50 new positions equals 1,168 positions.

⁵⁶ *What Is a Good Growth Rate for a Company?* By the Indeed Editorial Team writes “Predicting essential resources: As businesses grow, they require more resources like supplies, staff and equipment. Knowing a business's growth rate can help you determine when you need to expand the business infrastructure and plan to get those resources.”

⁵⁷ See Figure X-1of this report at 1-4.

Table 1-10: Additional Annual Employees Based on Customer Growth Rate

CWS Employee Count at Year-End 2023 ⁵⁸	Annual Customer Growth Rate ⁵⁹	Additional Employees per Year based on Customer Growth Rate
A	B	(A * B)
1,118	0.3%	3.4

Table 1-10 demonstrates that CWS’s employee count should only increase by 3.4 employees per year, based on customer growth rates. Table 1-11 counts employees up to CWS’s TY 2026:

Table 1-11: Estimated TY 2026 Employee Count based on Customer Growth Rates

Data Category	Test Year 2023 Recorded	2024	2025	2026
	A	B= (A+3.4)	C = (B+3.4)	D = (C+3.4)
Employee Count	1,118	1,121.4	1,124.8	1,128.2

Table 1-11 demonstrates CWS’s estimated employee count based on the customer growth rate. The rates for this time period were set in the last CWS GRC, so the above chart is useful to develop an expected employee count for TY 2026.

Based on customer growth, the Commission should only allow for 3.4 new positions in TY 2026. Some ratemaking adjustments are needed to correctly set rates in TY 2026 to account for attrition years. The RCP only allows adjustments to the TY expenses, and attrition years are adjusted for inflation only, so only part of the cost of

⁵⁸ CWS Annual SEC Report for 2023 Fiscal Year, available at https://www.calwatergroup.com/assets/71648a31dec444c196dc93974da35500/calwatergroup/db/2251/21693/file/California_Water_Service_Group-10K2023.pdf at 21.

⁵⁹ https://www.calwatergroup.com/assets/71648a31dec444c196dc93974da35500/calwatergroup/db/2251/21693/file/California_Water_Service_Group-10K2023.pdf at 5.

1 attrition year positions should be included in TY rates. The test year should have the full
 2 expense of positions expected to be hired in the TY. Positions expected to be hired in
 3 first attrition year, the Commission should only add two-thirds of 3.4 positions to TY
 4 rates. For positions hired in the second attrition year the Commission should add one-
 5 third of 3.4 positions in TY rates. This will ensure that CWS does not over collect for
 6 positions that will be hired in attrition years. Table 1-12 summarizes how many new
 7 positions should be added to TY 2026 rates:

8 **Table 1-12: Forecast of Employee Counts Based on Customer Growth Rates**

Year	New Position for TY 2026 based on Customer Growth Rate	Total Employees
2026	3.4	1,128.2
2027	2.3	1,130.5
2028	1.1	1,131.6
Total New Positions to be Added to TY 2026 Rates	6.8	N/A

9
 10 Table 1-12 shows that a reasonable number of new positions is 6.8 new positions,
 11 based on CWS’s customer growth rate for the TY 2026-2028 rate case cycle. Cal
 12 Advocates’ recommended number of new positions, 1,132 employees (rounded up from
 13 1,131.6), is less than one-ninth the number of new positions CWS requests, which is
 14 1,168.⁶⁰ Cal Advocates estimates 36 fewer positions than CWS when using the customer
 15 growth rate as the basis for employee growth.

⁶⁰ CWS estimates a TY2026 employee count of 1294 in its workpaper, but that is based on a erroneous employee count. CWS only has 1,118 of the positions are filled according data request response and to CWS 10K Annual Report filed with the SEC. Adjusting CWS’s forecast based on from 1,247 less 129 unfilled positions is 1,118 employees in 2023. CWS request 50 new positions in this GRC so 1,118, plus 50 new positions equals 1,168 positions. See CWS RO Model Workpaper

1 Nothing precludes CWS from hiring personnel as necessary for safe and reliable
2 operations, but the Commission should not allow unnecessary new employee expenses in
3 rates. To exhaust its current funding level, CWS will still need to fill the 13 positions the
4 Commission authorized in the last GRC to reach 1,131 (1,132-1,118=14), the number of
5 employees needed based on CWS’s most recently reported customer growth.⁶¹ That
6 means CWS only needs one new position for the current rate case cycle. However, the
7 Commission should not authorize any new positions until the 129 already-funded
8 unfilled positions are filled. That way CWS customers receive the benefit of the
9 positions they have already paid for before having to pay for more new positions.

10 **E. Executive Compensation**

11 The Commission should deny additional funds for CWS’s Executive
12 Compensation forecast. CWS requests to nearly double executive compensation over
13 recorded levels based on a peer-group study. The peer-group methodology is highly
14 dependent on the selected peer-group, and results in unreasonable pay increase rates for
15 CWS’s executives. Table 1-13 shows the difference between CWS and Cal Advocates
16 TY 2026 estimates.

“CH05_OM_FDR_Benefits_WorkersComp.xlsx,” Tab “SD_EMP_Complement” at Cell F4 for CWS original forecast.

⁶¹ What Is a Good Growth Rate for a Company? By the Indeed Editorial Team writes “Predicting essential resources: As businesses grow, they require more resources like supplies, staff and equipment. Knowing a business's growth rate can help you determine when you need to expand the business infrastructure and plan to get those resources.”

**Table 1-13: Comparison of CWS and Cal Advocates
Executive Compensation Forecasts**

Executive Compensation Forecast			
	CWS ⁶²	Cal Advocates ⁶³	Difference
	A	B	(B-A)
Base Pay	\$6,966,535	\$3,635,781	(\$3,330,754)
ARP - ST	\$3,013,682	\$740,186	(\$2,273,496)
ARP - LT	\$4,765,982	\$0	(\$4,765,982)
Total	\$ 14,746,200	\$4,375,986	(\$10,370,214)

The Commission allows utilities to use any reasonable method to estimate TY expenses,⁶⁴ but the forecast should be in line with recorded data to be fair to ratepayers. The Commission should act as a substitute for competition by encouraging cost efficiency. If CWS expects customers to pay double the expense for executive compensation, customers should expect a proportional increase in benefits. Cal Water provides no evidence of a corresponding increase in ratepayer benefits from the proposed increase in executive pay.

⁶² CWS Testimony Book #1 at 160.

⁶³ See Table X-18: CWS’s Recorded Executive Pay by Base Pay, Short-Term At-Risk Pay and Long-Term At-Risk Pay. The amounts presented in Column B are based on 2023 recorded levels escalated by 2.9% in 2024, 2.9% in 2025 and 3.4% in 2026 which were the all-urban factors from the Commission ECOS Factors Memorandum issued in December 2024.

⁶⁴ D.04-06-018, Appendix at p.7 states “For test year district and general office expenses, excluding water production related expenses, the utilities and ORA may forecast using traditional estimating methodologies (historical averages, trends, and specific test year estimates). In addition to any other methodology the utility may wish to use, the utility shall also present an inflation adjusted simple five-year average for all administrative, operational and maintenance expenses, with the exception of off-settable expenses and salaries in its workpapers.”

1 **1. The Commission Should Set Executive**
 2 **Compensation Equivalent to Recorded Levels**
 3 **Adjusted for Inflation and Reject CWS’s Peer-**
 4 **Group Analysis.**

5 CWS forecasts \$14.7 million for executive compensation, which is a substantial
 6 and unreasonable increase over recorded executive compensation levels based on peer-
 7 group analysis. A review of CWS 2024 Proxy Statement revealed CWS’s direct
 8 executive compensation for 2023 by executive and broken down into base pay, Short-
 9 Term Incentive (STI), Long-Term Incentive (LT-ARP or LTI), and Total.^{65,66} Table 1-14
 10 shows a summary of the CWS 2023 direct executive compensation.

11 **Table 1-14: CWS’s Recorded Executive Pay by Base Pay,**
 12 **Short-Term At-Risk Pay and Long-Term At-Risk Pay**

CWS 2023 Direct Executive Compensation	
Base Pay	\$3,211,633
ST-ARP	\$2,253,557
LT-ARP	\$2,116,481
Total	\$7,581,671

13
 14 Table 1-14 shows total direct executive compensation for 2023 was \$7.5 million.
 15 Table 1-15 compares CWS’s total 2023 direct executive compensation to CWS’s
 16 proposed direct executive compensation for TY 2026.

17 **Table 1-15: Comparison of CWS Recorded 2023 and**
 18 **Forecasted TY 2026 Executive Compensation.**

Recorded 2023 Total Direct Compensation	Proposed TY 2026 Total Direct Compensation	Difference	Percent Change	Annual Percent Change
\$7,581,671	\$14,746,200	\$7,164,529	94%	31%

⁶⁵ CWS 2024 Proxy Statement, available at https://www.calwatergroup.com/assets/ff60818d0a68f8e8236b71b631bb23c4/calwatergroup/db/2251/21692/file/California_Water_Service_Group-Proxy2024.pdf at 50.

⁶⁶ At the time of the issuance of this report the last recorded year available for review was 2023.

1 CWS proposes executive compensation at nearly double the last recorded amount,
2 as shown in Table 1-15. A 31% annual increase in executive compensation is excessive.
3 Executive compensation expert, Equilar, published data that CEO pay increased 12.6% in
4 2023.^{67,68} A Harvard Business Forum post states CEO compensation increased 11.3%
5 from 2022 to 2023.⁶⁹

6 As noted previously, CWS's customer growth rate in California is essentially
7 zero.⁷⁰ General inflation in 2024 was 2.7%.⁷¹ Therefore, a 31% annual increase in pay is
8 excessive and the Commission should reject CWS's TY2026 estimates as unreasonable.

9 CWS uses a peer group analysis to estimate its direct executive compensation.
10 However, peer group analysis is easily manipulated by cherry-picking the peer group for
11 a desirable outcome. An article by Glass Lewis, a proxy advisory service that provides
12 research and recommendations to institutional investors,⁷² explains the pitfalls with peer-
13 group analysis:

14 In the United States for example, many companies select aspirational
15 peers based on ambitious growth targets or set pay levels above the
16 peer median based on the relative perceived worth of their executive
17 team. Companies have also become adept at using peer comparisons
18 to illustrate purported retention risks that necessitate additional
19 compensation.⁷³
20

⁶⁷ Batish, Amit, Equilar Associated Press CEO Pay Study: S&P 500 CEO Pay Rebounds After Decline in 2022 (June 3, 2024) <https://www.equilar.com/reports/110-equilar-associated-press-ceo-pay-study-2024.html>.

⁶⁸ Equilar is the leading provider of corporate leadership data solutions. Companies of all sizes rely on Equilar, including 70% of the Fortune 500 and institutional investors representing over \$20 trillion in assets.

⁶⁹ Chen, Joyce and Yu, Courtney of Equilar, Inc., An Early Look at CEO Pay Trends From Proxy Season 2024 (April 18, 2024) <https://corpgov.law.harvard.edu/2024/04/18/an-early-look-at-ceo-pay-trends-from-proxy-season-2024/>.

⁷⁰ See Figure X-1 at 1-4.

⁷¹ Consumer Price Index Summary, December 11, 2024, United States Bureau of Labor Statistics <https://www.bls.gov/news.release/cpi.nr0.htm>

⁷² https://en.wikipedia.org/wiki/Glass_Lewis

⁷³ <https://www.glasslewis.com/avoiding-pitfalls-in-peer-group-selection-and-executive-pay-benchmarking/>

1 In other words, comparison companies may be selected for particular metrics, such
 2 as revenue or plant invested, or even qualitative metrics like being a rate-regulated utility.
 3 Comparisons might also be chosen to achieve the goal of bolstering executive pay.

4 CWS achieves this by selecting a peer group with revenues more than double
 5 CWS’s annual revenue. In a footnote, CWS claims that the selected proxy has group
 6 between 0.5 and 2 times the annual revenue,⁷⁴ which leads a reader to believe that CWS
 7 peer group is truly reasonable, but the opposite is true. CWS peer group is not reasonable
 8 at all. A comparison of annual revenues provides valuable insight into CWS peer group
 9 selection. Table 1-16 below organizes CWS selected peer-group by annual revenue in
 10 2023.

11 **Table 1-16: Comparison of CWS Recorded 2023 and**
 12 **Forecasted TY 2026 Executive Compensation**

Peer Group	2023 Annual Revenue in Billions⁷⁵	Percent of CWS Annual Revenue of \$0.79B
Unitil Corporation	0.55	70%
American States Water Company	0.59	75%
Black Hills Corp2 2552B	0.61	77%
San Jose Water Group	0.67	85%
MGE Energy	0.69	87%
California Water Service Group	0.79	100%
Northwest Natural Gas Company	1.13	143%
Otter Tail Corporation	1.49	189%
IDACORP, Inc	1.76	223%
Allete Inc	1.88	238%
Avista Corp	1.92	243%
PNM Resources	1.93	244%
Essential Utilities Corp	1.91	242%

⁷⁴ CWS Testimony Book #1 at 162.

⁷⁵ A google search of the utility name + annual revenues was used to obtain the annual revenue figures. For example a google search of the term of “Unitil Corporation annual revenue” would return the the amounts contained in Table X-16.

1 Table 1-16 demonstrates that CWS selected peer group ranges are not really half
2 the size of CWS annual revenue and that 7 out of the 12 (58%) of peer group companies
3 have more annual revenues than CWS, five (41%) of which are more than double. It is
4 no wonder that CWS’s forecast nearly doubles executive compensation, CWS is not
5 really comparing itself to companies half its size and is really comparing itself to much
6 larger companies instead. It is a skewed and unfair peer-group analysis.

7 CWS seeks to double its direct executive compensation in just three years, an
8 estimate based on a highly subjective and unfair methodology. CWS offers no evidence
9 or even description in testimony indicating that customers will benefit from the proposed
10 salary increases.

11 In a competitive environment, CWS would need to control costs passed on to
12 customers or customers would seek out a competitor for service. Because CWS is a
13 monopoly and customers do not have the option to choose a more efficient provider, the
14 Commission should act as a substitute for competition and only allow reasonable cost
15 increases into rates. Doubling executive compensation from one rate case to the next is
16 not reasonable. The Commission should reject CWS’s unjustified executive
17 compensation funding proposals.

18 CWS forecasts its regular employee payroll based on recorded 2023 amounts.
19 CWS should forecast executive compensation using the same methodology, rather than
20 based on a peer-group analysis selected to justify the proposed 30% annual pay increase.

21 **2. The Commission Should Reject CWS’s At-Risk Pay** 22 **Program**

23 The Commission should reject CWS’s forecast of executive compensation for
24 short-term and long term “at-risk pay” (i.e., bonus or incentive pay) because these
25 specific expenses are unreasonable. In CWS’s most recent rate case decisions, the
26 Commission agreed.⁷⁶

⁷⁶ D.24-03-042 *Decision Approving a Partial Settlement Agreement and Adopting Rates for California Water Service Company’s Test Year 2023 General Rate Case* at 104.

1 The Class A water RCP allows CWS to use any reasonable method to estimate TY
2 2026 expense levels.⁷⁷ However, CWS forecast includes CWS the full STI and LTI
3 expenses when shareholders are the primary beneficiary of CWS’s STI and LTI target
4 goals.⁷⁸ It is not fair to ratepayers to pay the full expense and only receive a fraction of
5 benefits in return. The Commission should only allow 30% of CWS proposed STI
6 expenses in rates, just like the Commission did in CWS’s last GRC.⁷⁹

7 A review of CWS request and of CWS proxy statement reveals that CWS’s
8 shareholders are still the primary beneficiaries of CWS’s STI and LTI goals.⁸⁰

9 CWS’s STI expense only partially benefits ratepayers and shifts CWS risk of
10 achievement entirely on to ratepayers. Two out of five (40%) of CWS’s STI goals are
11 earnings focused, meaning shareholders are the primary beneficiaries.⁸¹ That only leaves
12 three out of five (60%) STI goals that could potentially provide some benefit ratepayers.
13 Achievement of incentive pay targets is not assured, so the risk should be split between
14 shareholders and ratepayers.⁸² Thus the Commission should only allow 30% CWS
15 proposed STI pay in to rates.

16 CWS’s LTI goals mostly benefit CWS’s shareholders. Two of three (80%) of
17 CWS’s LTI goals are primarily earnings focused which only benefits shareholders.⁸³

⁷⁷ D.04-06-018, Interim Order Adopting Rate Case Plan, Appendix at 7.

⁷⁸ CWS Response to Data Request RK2-006, Q.2 and CWS Workpaper “CH05_OM_FDR_Other AG.xlsb” at Tab “SD_Adjustments” Cell H45.

⁷⁹ D.24-03-042 Decision Approving a Partial Settlement Agreement and Adopting Rates for California Water Service Company’s Test Year 2023 General Rate Case at 104.

⁸⁰ CWS 2024 Proxy Statement available at https://www.calwatergroup.com/assets/ff60818d0a68f8e8236b71b631bb23c4/calwatergroup/db/2251/21692/file/California_Water_Service_Group-Proxy2024.pdf at 60 to 69.

⁸¹ CWS 2024 Proxy Statement available at https://www.calwatergroup.com/assets/ff60818d0a68f8e8236b71b631bb23c4/calwatergroup/db/2251/21692/file/California_Water_Service_Group-Proxy2024.pdf at 60 to 61.

⁸² CWS 2024 Proxy Statement available at https://www.calwatergroup.com/assets/ff60818d0a68f8e8236b71b631bb23c4/calwatergroup/db/2251/21692/file/California_Water_Service_Group-Proxy2024.pdf at 65.

⁸³ CWS 2024 Proxy Statement available at

1 The other 20% is for affordability and rate design, for which the benefits to ratepayers are
2 nebulous.⁸⁴ The Commission should exclude LTI from rates entirely since there is little
3 defined benefits for ratepayers.

4 The Commission has agreed to exclude STI and LTI from rates in the past. ^{85,86} In
5 the 2024 decision, the Commission determined that a majority of CWS's ARP STI and
6 LTI pay was for the benefit of CWS's shareholders.⁸⁷ CWS's current proposals are the
7 same as in the last rate case,⁸⁸ so the Commission should apply the same criteria and
8 allow only 30% of CWS's short-term incentive pay into rates.

9 The Commission should base executive compensation on recorded levels. 30% of
10 CWS's recorded ARP STI should be allowed in rates which equals \$740,186 when
11 escalated to TY 2026.⁸⁹

12 CWS's direct executive compensation should be based on recorded 2023 amounts
13 escalated to TY 2026 and should exclude CWS bonus pay estimates for a total ratepayer
14 funding level \$81,156,196.⁹⁰ It is more reasonable for a compensation forecast to be
15 based on amounts actually paid to the executives rather than a peer-group chosen by

https://www.calwatergroup.com/assets/ff60818d0a68f8e8236b71b631bb23c4/calwatergroup/db/2251/21692/file/California_Water_Service_Group-Proxy2024.pdf at 60 to 65.

⁸⁴ CWS 2024 Proxy Statement available at https://www.calwatergroup.com/assets/ff60818d0a68f8e8236b71b631bb23c4/calwatergroup/db/2251/21692/file/California_Water_Service_Group-Proxy2024.pdf at 68.

⁸⁵ D.24-03-042 Decision Approving a Partial Settlement Agreement and Adopting Rates for California Water Service Company's Test Year 2023 General Rate Case at 104.

⁸⁶ D.24-03-042 Decision Approving a Partial Settlement Agreement and Adopting Rates for California Water Service Company's Test Year 2023 General Rate Case at 105.

⁸⁷ D.24-03-042 Decision Approving a Partial Settlement Agreement and Adopting Rates for California Water Service Company's Test Year 2023 General Rate Case at 104.

⁸⁸ Meaning to include 100% of CWS's STI and LTI in rates.

⁸⁹ CWS recorded STI in 2023 was \$2,253,557. $\$2,253,557 \times 30\% = \$676,067$. \$676,067 escalated to TY2026 using the all-urban CPI rate from the Commissions most recent ECOS Factor Memo is for 2024 2.9, is 2.9 for 2025 2.9 and 3.4 for 2026 resulting escalated recorded STI of \$740,186 for short-term incentive executive pay in TY 2026.

⁹⁰ CWS recorded \$7,581,671 in executive compensation in 2023. \$7,581,671 is escalated using the All-Urban rate from the Commission's November 2024 ECOS Factors memos. Escalation rates are 2.4% in 2024, 2% in 2025 and 3.1% in 2026. The result after escalation is \$8,164,390.

1 CWS. The Commission should also remove all but 30% of CWS’s “short-term at-risk
 2 pay,” in accordance with what is reasonable for ratepayers to fund in the current GRC
 3 and the Commission’s finding in CWS’s last GRC that any more than 30% is
 4 unreasonable.

5 **F. Pension & Healthcare Benefits**

6 The Commission should reject CWS’s pension and healthcare benefits forecasts
 7 because CWS’s healthcare cost forecast includes expenses for unfilled positions and
 8 CWS’s pension forecast includes Supplemental Executive Retirement Plan (SERP) costs
 9 that are unreasonable for ratepayer funding. The Commission should exclude healthcare
 10 costs for unfilled positions and for SERP expenses from TY 2026 rates.

11 TY estimates should be based on reasonable and verifiable assumptions.

12 **Table 1-17: Comparison of CWS and Cal Advocates**
 13 **TY2026 Healthcare Benefits Forecast**

Item	CWS TY 2026 Healthcare Benefits²¹	Cal Advocates TY 2026 Healthcare Benefits	Difference
	A	B	(A - B)
Healthcare Costs (Medical, Dental, Vision)	\$22,375,000	\$19,331,723	(\$3,043,277)
Pension Plan & SERP	\$10,115,000	\$4,873,000	(\$5,242,000)
Total	\$32,490,000	\$24,204,723	(\$8,285,277)

14

²¹ CWS RO Model Workpaper “CH05_OM_FDR_Benefits_WorkersComp.xlsb,” Tab “Benefits Forecast WS-1” at Cells T25 and T26.

1. The Commission Should Exclude Unfilled Positions from CWS’s Healthcare Cost Forecast.

CWS’s health benefits request is based on two major inputs: the cost per employee estimated for TY 2026 and the assumed number of employees in TY 2026.⁹² CWS forecasts for healthcare based on an incorrect employee count of 1294.⁹³ However, CWS’s 10K Annual Report to the SEC states CWS’s California employee count was 1,118 at the beginning of 2024, and CWS proposes 50 new positions, which amounts to a total of 1,168 potential participants.⁹⁴ The Commission should approve 1,118 positions in TY 2026 because CWS has more than 120 unfilled positions currently in rates. Healthcare estimates should be revised to match the lower, actual employee count. Table 1-18, below, shows CWS’s 2026 per-employee healthcare cost.

Table 1-18: Calculation of CWS Per-Employee Healthcare Benefits.

CWS’s 2026 Total Health Care Benefit	CWS’s 2026 Per Employee Count	CWS’s 2026 Per Employee Cost
A	B	A / B
\$22,375,000 ⁹⁵	1294 ⁹⁶	\$17,291

⁹² CWS RO Model Workpaper “CH05_OM_FDR_Benefits_WorkersComp.xlsx,” Tab “Benefits Forecast WS-1” at Cell T25 uses a formula which multiplies the cost per employee multiplied by employee counts.

⁹³ CWS RO Model Workpaper “CH05_OM_FDR_Benefits_WorkersComp.xlsx,” Tab “Benefits Forecast WS-1.”

⁹⁴ CWS estimates a TY2026 employee count of 1294 in its workpaper, but that is based on a erroneous employee count. CWS only has 1,118 of the positions are filled according data request response and to CWS 10K Annual Report filed with the SEC. Adjusting CWS’s forecast based on from 1,247 less 129 unfilled positions is 1,118 employees in 2023. CWS request 50 new positions in this GRC so 1,118, plus 50 new positions equals 1,168 positions. See CWS RO Model Workpaper “CH05_OM_FDR_Benefits_WorkersComp.xlsx,” Tab “SD_EMP_Complement” at Cell F4 for CWS original forecast. See the payroll section of this report for more discussion regarding employee counts.

⁹⁵ CWS RO Model Workpaper “CH05_OM_FDR_Benefits_WorkersComp.xlsx,” Tab “Benefits Forecast WS-1” at Cell T25.

⁹⁶ CWS RO Model Workpaper “CH05_OM_FDR_Benefits_WorkersComp.xlsx,” Tab “Benefits Forecast WS-1” at Cell R14.

1 CWS per employee cost is based on an actuarial estimate provided by Ernst &
 2 Young (EY) with input from CWS.⁹⁷ Table 1-22 estimates CWS’s TY 2026 healthcare
 3 expenses using the per-employee cost multiplied by the number of employees
 4 recommended by Cal Advocates.

5 **Table 1-19: Calculation of CWS’s Healthcare Benefit, Excluding Unfilled Positions.**

Cal Advocates Employee Count TY 2026 ⁹⁸	CWS Cost per Employee ⁹⁹	2026 Healthcare Cost Total (w/o Unfilled Positions)
A	B	(A x B)
1,118	\$17,291	\$19,331,723

6
 7 Table 1-19 demonstrates that, based on an employee count that does not include
 8 unfilled positions, CWS’s healthcare expense is \$19.3 million. This recommended TY
 9 2026 Healthcare benefit estimate is \$3,043,277 less than CWS’s proposed estimate of
 10 \$22,375,000.¹⁰⁰

11 **2. The Commission Should Continue to Reject CWS**
 12 **SERP Expenses.**

13 CWS forecasts \$9,873,000 in pension expenses, which includes \$5,242,000 in
 14 SERP expenses.¹⁰¹ The Commission rejected SERP expenses in CWS’s last GRC, and
 15 should reject these expenses again in this rate case. Although the RCP allows CWS to

⁹⁷ CWS Testimony Book #1, Attachment B. Ernst & Young (EY) disclaims all the information was provided by CWS and not audited by EY.

⁹⁸ CWS Annual SEC Report for 2023 Fiscal Year, available at https://www.calwatergroup.com/assets/dc572ce7649ff16171aa5d6cd78edebe/calwatergroup/db/2251/21693/file/California_Water_Service_Group-10K2023.pdf at 21.

⁹⁹ See Table X-21.

¹⁰⁰ \$22,375,000 - \$19,331,723 = \$3,043,277. See RO Model Workpaper “CH05_OM_FDR_Benefits_WorkersComp.xlsb,” Tab “Benefits Forecast WS-1” at Cell T25.

¹⁰¹ CWS Testimony Book #1, Attachment B at 52.

1 use any reasonable method to arrive at TY estimates, CWS’s pension forecast is based on
2 unreasonable expenses

3 The Commission rejected SERP expenses in CWS’s last GRC.¹⁰² In CWS’s last
4 rate case, Cal Advocates opposed SERP. The Commission agreed with Cal Advocates in
5 D.24-03-042, rejecting SERP costs because CWS did not define the purpose, the size of
6 the fund, nor the proposed rate recovery associated with SERP.¹⁰³

7 In this rate case, CWS provides some additional testimony for its SERP request
8 but fails to adequately justify SERP expenses. CWS provides the annual cost and
9 describes SERP as a “top-hat plan” for CWS’s officers, or an additional retirement
10 benefit on top of qualified pension amounts.¹⁰⁴ CWS says the purpose of SERP is to
11 circumvent IRS qualified pension limits and CWS claims it is part of “market
12 compensation” needed to be competitive with peers in recruiting for CWS’s executive
13 team.¹⁰⁵ However, this justification indicates no benefit from SERP expenses for
14 ratepayers who would be funding the program.

15 Putting numbers to the additional information provided in CWS’s application
16 reveals that CWS has seven officers, and that in TY 2026, the SERP is estimated to cost
17 \$5.2 million.¹⁰⁶ That is an additional \$749,000 in compensation for each CWS officer, if
18 distributed evenly to the officers, on top of the regular pension plan benefits the officers
19 will receive, amounting to a \$62,000 monthly bonus every month. CWS’s reasons for the
20 additional expense are to benefit highly compensated officers by circumventing IRS
21 limits on qualified pensions and to remain competitive with peers,¹⁰⁷ but CWS offers no

¹⁰² D.24-03-042 at 107.

¹⁰³ D.24-03-042 at 107.

¹⁰⁴ CWS Testimony Book #1 at 184. CWS states that “[the] SERP is a top-hat plan, meaning it sits on top of the basic pension plan and allows participants to earn nonqualified pension benefits on earnings not covered by the basic pension plan to designated individuals, generally Corporate Officers.”

¹⁰⁵ CWS Testimony Book #1 at p.164

¹⁰⁶ CWS Testimony Book #1 at 163-164

¹⁰⁷ CWS Testimony Book #1 at 184 states “The purpose of the SERP is to provide additional retirement income for those whose income exceeds IRS qualified pension maximums and to provide pension

1 evidence to support that the SERP is necessary to be competitive. CWS’s peer-group
2 analysis of executive compensation is unreasonable because it is based on an
3 unreasonable peer-group analysis. If the only justification for SERP is to work around tax
4 rules and be competitive based on a faulty peer-group comparison,¹⁰⁸ then the
5 Commission should reject CWS’s request as not reasonable or prudent.

6 To be clear, nothing about Cal Advocates’ recommendation prevents CWS’s
7 shareholders from funding SERP expenses for its executives. Cal Advocates only
8 recommends that the Commission exclude SERP expenses from customer rates, as
9 consistent with reasonableness and the Commission’s decision in CWS’s last rate case.

10 The Commission should reject CWS’s pension and healthcare costs forecast and
11 adopt Cal Advocates’ recommendations because CWS’s forecasts are based on incorrect
12 employee counts and unreasonable SERP expenses.

13 **IV. CONCLUSION**

14 The Commission should reject funding associated with CWS’s apprenticeship
15 program because CWS’s customer growth rate is essentially zero and not enough new
16 employees will be needed to justify the cost of an apprenticeship program.

17 The Commission should deny Special Request #7 because CWS’s labor contract
18 includes increases beyond just general inflation, which contradicts the Class A water rate
19 case plan.

20 The Commission should reject CWS’s payroll requests because CWS has 129
21 unfilled positions that customers have already paid for and customer growth is non-
22 existent. Instead, the Commission should adopt Cal Advocates’ recommendation, which
23 corrects for these issues.

24 The Commission should reject CWS’s forecast for executive compensation
25 because it is based on faulty peer-group analysis, which doubles executive compensation
26 over CWS’s last recorded levels. The Commission should also reject all but 30% of

benefits to attract mid-career candidates to join Cal Water’s executive team.”

¹⁰⁸ As discussed in section on Executive Compensation at [insert page numbers].

1 CWS's proposed short-term incentive pay because that is the only portion that benefits
2 ratepayers.

3 The Commission should also reject CWS's pension and healthcare benefits
4 forecast because it is based on an inaccurate count of CWS employees and contains
5 SERP expenses, which the Commission found unreasonable to include in CWS's last
6 general rate case.

ATTACHMENTS

LIST OF ATTACHMENTS FOR CHAPTER 1

	Attachment #	Description
1	Attachment 1-1	Statement of Qualifications of Witness Roy Keowen
2	Attachment 1-2	CWS Response to Cal Advocates Data Request RK2-001
3	Attachment 1-3	CWS's Response to Cal Advocates Data Request RK2-003
4	Attachment 1-4	CWS's Response to Cal Advocates Data Request RK2-006
5	Attachment 1-5	Excerpt from CWS's 2024 Proxy Statement

ATTACHMENT 1-1
Statement of Qualifications of Witness
Roy Keowen

ATTACHMENT 1-2
CWS Response to Cal Advocates
Data Request RK2-001



RESPONSE TO DATA REQUEST
2024 GENERAL RATE CASE, A.24-07-003

To: **Public Advocates Office**

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From: **California Water Service**

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Patrick Alexander General Rate Case Manager	(408) 367-8230 palexander@calwater.com
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Date: Aug 29, 2024	Request Received from CPUC: August 16, 2024
Re: RK2-001	Requested Due Date: August 23, 2024
Subj: Payroll 1	Extension Approved to: August 29, 2024
Comments: <ul style="list-style-type: none"> • Full response attached. • Response provided by Rates. • Does not contain confidential information. • This response refers to the following attachments included separately: <ul style="list-style-type: none"> ○ RK2-001 Attachment #1 - Question 1a ○ RK2-001 Attachment #2 - Questions 1b and 1d ○ RK2-001 Attachment #3 - Question 2 	



CALIFORNIA WATER SERVICE COMPANY

Data Request RK2-001 Response (2024 GRC, A.24-07-003) –Page 2

Data Requests and Responses

Payroll (All Regions):

1. Refer to California Water Services's Testimony Book #1 regarding payroll expenses beginning on p.148.
 - a. Provide CWS's *recorded* total number of employees, by month, for the past five years. Provide the response in MS Excel format.
Response: See RK2-001 Attachment #1 - Question 1a.
 - b. For the 17 CSS positions hired in between rate cases, identify each position and provide the hire date in mm/dd/yyyy format. Provide the response in MS Excel format.
Response: See RK2-001 Attachment #2 - Questions 1b and 1d
 - c. For CWS's proposed 14 new CSS positions requested in this case, identify the positions and the projected hire date in mm/dd/yyyy format. Provide the response in MS Excel format.
Response: The positions are identified in tab "SD_2024 GRC Positions" in the CH05_OM_FDR_Benefits_Payroll_WorkersComp file. Cal Water based the proposed salary on the assumption that the positions would be hired mid 2026 with the understanding that some positions might be filled sooner and some hired later.
 - d. For the 11 district personnel hired in between rate cases, identify the position and provide the hire date in mm/dd/yyyy format. Provide the response in MS Excel format.
Response: See RK2-001 Attachment #2 - Questions 1b and 1d. Additionally, Cal Water has identified two Visalia meter reader positions that are included in the tab "SD_2024 GRC Positions" in the CH05_OM_FDR_Benefits_Payroll_WorkersComp file that were inadvertently not marked as hires between cases, but should have been.
 - e. For CWS proposed 17 new district personnel requested in this case, identify the each position and provide the projected hire date in mm/dd/yyyy format. Provide the response in MS Excel format.
Response: Please refer to the response to part c of this question.
 - f. Were any of the 28 (17 CSS and 11 District) positions hired in between rate cases filled by existing CWS or CWS affiliate personnel? If yes, provide a detailed explanation.
Response: Yes, while some of these positions were filled by existing CWS personnel, these are still new positions and ultimately the company had to back fill the employee's old position.
 - g. Does CWS anticipate if existing CWS personnel will fill any of the 31 (14 CSS and 17 District) positions CWS requests for Test Year (TY) 2026? If yes, provide a detailed explanation.
Response: Some of the positions may be filled by existing Cal Water employees, but as explained above in f., if this happens the vacated position would be backfilled. Having said that, at this point in time, Cal Water is unable to determine if any of the proposed positions will be filled by existing employees.
 - h. Are any of the 31 proposed new positions required to be filled by CWS personnel? If yes, provide a detailed explanation.



CALIFORNIA WATER SERVICE COMPANY

Data Request RK2-001 Response (2024 GRC, A.24-07-003) –Page 3

Response: These are not positions that are required to be filled by existing CWS personnel, and if an existing employee moves into one of them, that employee's old position will have to be back-filled.

- i. Confirm the CWS requests a total of 59 (28 hired in between rate cases and 31 new positions) positions to be added to TY 2026 rates.

Response: As discussed above in part d, Cal Water has identified two positions that are in the model that were not marked as hires between cases but should have been and one that was included but shouldn't have been. With this correction, Cal Water requests expenses associated with the 28 hires between cases and 31 new hires to be added to Test Year 2026. Please note that some positions are 100% capitalized and therefore do not have payroll expenses associated with them.

- j. For the 13 positions previously authorized by the Commission but not yet filled, identify of each 13 positions and provide the hired or projected hire dates in mm/dd/yyyy format. Provide the response in MS Excel format.

Response: The positions are identified in tab "SD_2021 GRC Positions" in the CH05_OM_FDR_Benefits_Payroll_WorkersComp file.

2. Refer to CH05_OM_FDR_Benefits_Payroll_WorkersComp.xlsx at Tab "Payroll Adj. Exp. WS-3, Cell H77, which shows \$119,691,778 for total projected payroll expenses in TY 2026.

Indicate how much of the total TY 2026 projected payroll expense is from:

- a. The 25 total positions authorized in CWS's last GRC decision.

Response: All 25 positions are included in the Test Year with the exception of the three positions related to the East LA Water Quality lab, which are anticipated to be hired upon completion of the lab in 2027. The expense portion related to these positions are normalized over the three-year cycle. Please refer to RK2-001 Attachment #3 – Question 2 for the payroll expense.

- b. The 27 positions CWS states were hired in between rate cases (in dollars).

Response: See tab "SD_2023 Payroll Adj" and filter column G for "yes" in the CH05_OM_FDR_Benefits_Payroll_WorkersComp file. There are two meter reading positions for Visalia that thought have also been flagged as hires between GRCs. Please refer to RK2-001 Attachment #3 – Question 2 for the payroll expense associated with hires between cases.

- c. The 31 new positions CWS requests for test-year 2026 (in dollars).

Response: See tab "SD_2024 GRC Positions" in the CH05_OM_FDR_Benefits_Payroll_WorkersComp file. Please refer to RK2-001 Attachment #3 – Question 2 for the payroll expense associated with the 2024 GRC proposed complements.

- d. Base pay for all employees (O&M, A&G, and executive compensation) (in dollars).

Response: The total 2023 base pay for all employees except executives is \$93,179,593, which reflects recorded payroll expenses. Executive base payroll is added in as a 2024 adjustment and escalated to 2026. Please refer to RK2-001 Attachment #3 – Question 2 for all base payroll expenses.



CALIFORNIA WATER SERVICE COMPANY

Data Request RK2-001 Response (2024 GRC, A.24-07-003) –Page 4

- e. At-risk pay for all employees (company-wide and executive compensation) (in dollars).
Response: Please refer to RK2-001 Attachment #3 – Question 2 for the payroll expense associated with company-wide at risk pay.
- f. Merit Increases for all employee (in dollars and percentage).
Response: The payroll projections do not include an adjustment for merit.
- g. Inflation (in dollars and percentage).
Response: Please refer to RK2-001 Attachment #3 – Question 2 for the payroll expense associated with inflation.

ATTACHMENT 1-3
CWS's Response to Cal Advocates
Data Request RK2-003



RESPONSE TO DATA REQUEST
2024 GENERAL RATE CASE, A.24-07-003

To: **Public Advocates Office**

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Date: Aug 28, 2024	Request Received from CPUC: August 21, 2024
Re: RK2-003	Requested Due Date: August 28, 2024
Subj: Ad Valorem Taxes	
Comments: <ul style="list-style-type: none"> • Full response attached. • Response provided by Engineering. • Does not contain confidential information. • This response refers to the following attachments included separately: <ul style="list-style-type: none"> ○ Attachment #1 – CH06_TOTI_FDR_Ad Valorem 	



CALIFORNIA WATER SERVICE COMPANY

Data Request RK2-003 Response (2024 GRC, A.24-07-003) –Page 2

Data Requests and Responses

Ad Valorem Taxes:

1. Refer to CWS's Testimony Book #1 regarding Ad Valorem taxes beginning on p.105. Provide the workpapers CWS used to calculate TY2026 Ad Valorem tax estimates shown on pp.105-106.

Response: RK23-003 Attachment # 1 - CH06_TOTI_FDR_Ad Valorem shows calculation for TY2026 Ad Valorem tax estimates. As this file has been included in the RO model provided with the July application filing, all referenced files linked to this file should be available in the RO model. Cal Water will be happy to walk you through the files via Zoom or over the phone if you like.

2. Refer to CWS's Workpaper "W_Reports_SOE All.xlsx" at Tab "SOE-All_2023 Recorded" at Cell AC70 which shows \$17,100,918 in recorded Ad Valorem Taxes in 2023 and to Tab "SOE-All_2023 Adopted" at cell AC70 which shows \$20,498,138 adopted for Ad Valorem and explain the \$3,397,220 variance in 2023 recorded and adopted amounts.

Response: The difference of \$3,397,220 between 2023 recorded Ad Valorem taxes (Actual) and 2023 Adopted Ad Valorem taxes (estimated) is due to difference in tax basis amounts used to calculate Ad Valorem taxes. The 2023 recorded Ad Valorem Taxes of \$17,100,918 is comprised of the payments made to cities/counties based on their assessments on Cal Water's annual recorded plant/asset for the year 2023. The 2023 adopted Ad Valorem taxes of \$20,498,138 was calculated based on plants adopted in 2021 GRC, plus rate base offsets filed between July, 2021 thru December, 2023, deferred taxes and other rate base components.

Attachment 1-4
CWS's Response to Cal Advocates
Data Request RK2-006



RESPONSE TO DATA REQUEST
2024 GENERAL RATE CASE, A.24-07-003

To: **Public Advocates Office**

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From: **California Water Service**

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Date: October 3, 2024	Request Received from CPUC: September 26, 2024
Re: RK2-006	Requested Due Date: October 3, 2024
Subj: Payroll 2	
Comments: <ul style="list-style-type: none"> • Full response attached. • Response provided by Rates. • Does not contain confidential information. • This response refers to the following attachments included separately: <ul style="list-style-type: none"> ○ RK2-006 Attachment #1 - Question 2 	



CALIFORNIA WATER SERVICE COMPANY

Data Request RK2-006 Response (2024 GRC, A.24-07-003) –Page 2

Data Requests and Responses

Benefits:

1. Refer to the excel file “CH05_OM_FDR_Benefits_Payroll_WorkersComp.xlsx” at Tab “SD_EMP_Complement” at Cell K4, which shows 1263 employees projected for Test-Year 2026.
 - Confirm that the \$122,108,891 CWS projects for Test-Year 2026 payroll on Tab “Total Payroll WS-5” Cell H77 is based on an assumed employee count of 1263. If not, please provide an explanation.

Response: The payroll dollars are not directly correlated with the number of employees shown in the “SD_EMP_Complement”. The payroll dollars are built off of the following:

1. Recorded 2023 payroll expenses for positions that were filled at any point in 2023.
2. Hires between cases that were not captured in 2023 recorded payroll expenses. This includes positions approved in the 2021 GRC that were not hired in 2023.
3. Proposed new complements for this rate case.

The total number of complements in the “SD_EMP_Complement” tab include all positions at Cal Water, including those that were vacant in 2023.

2. Provide a step-by-step walk-through of CWS’s payroll forecast calculations that resulted in the Test Year 2026 amount of \$122,108,891 .

Response: Please see “RK2-006 Attachment #1 - Question 2”.

Attachment 1-5
Excerpt from CWS's 2024 Proxy Statement

2023 Total Direct Compensation

	2023 Base Salary \$	Achieved Short-Term At-Risk Compensation \$	Achieved Long-Term At-Risk Compensation \$	2023 Total Direct Compensation ⁽¹⁾ \$
Martin A. Kropelnicki	1,050,005	1,449,000	1,225,666	3,724,671
David B. Healey	289,564	113,505	—	403,069
Thomas F. Smegal III	426,344	90,494	179,136	695,974
Paul G. Townsley	367,266	151,871	179,136	698,273
Michael B. Luu	415,021	172,204	204,053	791,278
Ronald D. Webb	334,198	138,483	179,136	651,817
Shawn C. Bunting	329,235	138,000	149,354	616,589

(1) Total "Direct" Compensation consists of base salary, earned annual performance-based short-term at-risk compensation, grant date fair value of long-term performance-based restricted stock units, and grant date fair value of time-based restricted stock awards.