

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

In the Matter of the Application Liberty Utilities  
(Park Water) Corp. (U 314 W) for an Order  
Authorizing Liberty Utilities (Park Water) Corp.  
to Purchase the City of Perris's Municipal Water  
Systems.

Application 18-05-011  
(Filed May 9, 2018)

**JOINT OPENING BRIEF OF LIBERTY UTILITIES (PARK WATER) CORP. (U 314 W)  
AND THE CITY OF PERRIS**

Eric L. Dunn  
Braden J. Holly  
Aleshire & Wynder, LLP  
3880 Lemon Street, Suite 520  
Riverside, California 92501  
Telephone: (951) 241-7338  
Facsimile: (951) 300-0985  
Email: [edunn@awattorneys.com](mailto:edunn@awattorneys.com)  
Attorneys for the City of Perris

Joni A. Templeton  
Victor T. Fu  
LKP Global Law, LLP  
1901 Avenue of the Stars, Suite 480  
Los Angeles, CA 90067  
Telephone: (424) 239-1926  
Facsimile: (424) 239-1882  
Email: [jtempleton@lkgpl.com](mailto:jtempleton@lkgpl.com)  
Attorneys for Liberty Utilities (Park Water)  
Corp.

August 13, 2019

**JOINT OPENING BRIEF OF LIBERTY UTILITIES (PARK WATER) CORP. (U 314 W)  
AND THE CITY OF PERRIS**

**TABLE OF CONTENTS**

I.	INTRODUCTION AND PROCEDURAL BACKGROUND.....	1
II.	LIBERTY PARK WATER MADE ACCEPTABLE PRE-ELECTION DISCLOSURES TO AFFECTED CUSTOMERS .....	6
III.	LIBERTY PARK WATER’S NOTICE OF APPLICATION IS ACCURATE .....	12
	A. CPUC Reimbursement Fee and California Rates for Water (“CARW”) Surcharge.....	13
	B. Post-Acquisition Rate Adjustments Due to Change of Law or Damage/Destruction of Assets .....	14
	C. Rate and Bill Impact Estimates .....	15
	1. The 3.3 Percent Annual Increase.....	15
	2. Water Supply-Related Adjustments .....	17
	3. Year 11 Rates .....	18
IV.	THE 10-YEAR INTERIM RATE PLAN IS PROPER AND BENEFITS CUSTOMERS .....	20
	A. The Rate Case Plan Does Not Prohibit the Actions Requested in the Application.....	22
	B. The GRC Is Not the Customers’ Only Protection Against Unneeded Expenses, Unsafe Water Service, and Inequitable Practices .....	23
	C. The Year 11 Rate Hike Theory Is Unfounded.....	24
V.	THE COMMISSION SHOULD ESTABLISH A RATE BASE OF \$11,500,000.....	24
VI.	CONCLUSION.....	26

**JOINT OPENING BRIEF OF LIBERTY UTILITIES (PARK WATER) CORP. (U 314 W)  
AND THE CITY OF PERRIS**

**TABLE OF AUTHORITIES**

**California Public Utilities Code**

Public Utilities Code § 10061(c)(4) .....	6, 7, 8, 9
Public Utilities Code § 2720(a) .....	24
Public Utilities Code §§ 2718-2720 .....	24

**CPUC Decisions**

D.07-05-062 .....	23
D.15-06-049 .....	26
D.16-12-014 .....	26
D.99-10-064 .....	5, 6, 7

**CPUC Resolution**

Resolution M-4832 .....	13
Resolution No. W-4180 .....	4
Resolution W-4998 .....	22

**General Order**

General Order 103 .....	22, 23
General Order 96-B .....	18, 22

**Statutes**

Code of Civil Procedure § 1263.320(a) .....	24
---	----

## **SUMMARY OF RECOMMENDATIONS**

As discussed in detail below, Liberty Utilities (Park Water) Corp. and the City of Perris recommend that the Commission approve the Application.

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

In the Matter of the Application Liberty Utilities (Park Water) Corp. (U 314 W) for an Order Authorizing Liberty Utilities (Park Water) Corp. to Purchase the City of Perris’s Municipal Water Systems.

Application 18-05-011  
(Filed May 9, 2018)

**JOINT OPENING BRIEF OF LIBERTY UTILITIES (PARK WATER) CORP. (U 314 W)  
AND THE CITY OF PERRIS**

Pursuant to Rule 13.11 of the California Public Utilities Commission (“Commission”) Rules of Practice and Procedure, Liberty Utilities (Park Water) Corp. (“Liberty Park Water”) (U 314 W) and the City of Perris (“City”) submit this Opening Brief on the Application (“Application”) for an Order Authorizing Liberty Park Water to Purchase the City of Perris’s Municipal Water Systems (“Perris MWS”).

**I. INTRODUCTION AND PROCEDURAL BACKGROUND**

On May 9, 2018, Liberty Park Water submitted its Application in this proceeding, requesting that the Commission issue an order authorizing it to purchase Perris MWS and provide water service to the customers in the Perris service territory in Riverside County, California. The purchase of Perris MWS’s assets by Liberty Park Water will occur pursuant to an Asset Purchase Agreement dated December 19, 2017 (“Asset Purchase Agreement”) and will result in Liberty Park Water taking over all of Perris MWS’s water utility service operations.<sup>1</sup> The City of Perris will sell, and Liberty Park Water will purchase, all of the necessary assets that comprise the Perris MWS as specifically set forth in the Asset Purchase Agreement (collectively, the “Purchased Assets”) for an \$11,500,000 purchase price (“Purchase Price”).<sup>2</sup>

---

<sup>1</sup> Ex. Liberty-01 (Prepared Direct Testimony of Edward Jackson), 1:3-10.

<sup>2</sup> Ex. Liberty-01 (Prepared Direct Testimony of Edward Jackson), 2:14-21.

Upon the closing of the Asset Purchase Agreement transaction, the City will be relieved of its obligation to provide water service and Liberty Park Water will assume the sole responsibility for operating the Perris MWS and providing public utility water service to current and future customers in the Perris MWS service territory.<sup>3</sup> The Asset Purchase Agreement provides that Perris MWS' customers shall have their rates for water services capped for ten years ("Interim Rate Plan") to align with comparable customer classes of the Eastern Municipal Water District ("EMWD").<sup>4</sup> Absent sale of the Perris MWS, the City would retain the water systems and the annual deficits are expected to continue, adding to the existing debt which could negatively impact other vital public services across the community.<sup>5</sup>

The Public Advocates Office filed the only protest to the Application on June 11, 2018. On August 10, 2018, a prehearing conference was held. At the prehearing conference, California Water Association ("CWA") moved for and was granted party status.<sup>6</sup> On September 26, 2018, the Public Advocates Office sent an email to Administrative Law Judge ("ALJ") Dan Burcham requesting that the Scoping Memo provide sufficient time for the Public Advocates Office to conduct an independent evaluation of the two appraisals of Perris MWS included in the Application.<sup>7</sup> On October 5, 2018, the Public Advocates Office filed a formal motion seeking time to complete its evaluation of the appraisals. Liberty Park Water and CWA opposed the motion. On January 29, 2019 the City moved for party status, which was granted on April 12, 2019.

On May 22, 2019, the Assigned Commissioner's Scoping Memo and Ruling ("Scoping Memo") set forth issues to be addressed in this proceeding and adopted a schedule. Pursuant to the Scoping Memo,

---

<sup>3</sup> Ex. Liberty-01 (Prepared Direct Testimony of Edward Jackson), 2:22-25.

<sup>4</sup> Ex. Liberty-01 (Prepared Direct Testimony of Edward Jackson), 9:4-17; City Exhibit-01 (Prepared Direct Testimony of Ron Carr), pp. 4-5.

<sup>5</sup> Ex. Liberty-01 (Prepared Direct Testimony of Edward Jackson), 3:11-13; City Exhibit-01 (Prepared Direct Testimony of Ron Carr), p. 6.

<sup>6</sup> Prehearing Conference Transcript, 3:10-4:13.

<sup>7</sup> Motion of the Public Advocates Office for Adoption of Proposed Procedural Schedule, dated October 5, 2018, p. 2.

Liberty Park Water, the City and Public Advocates Office submitted prepared direct testimony on June 14, 2019.<sup>8</sup> In their testimony, Liberty Park Water and the City urged the Commission to approve the Application. The Public Advocates Office's direct testimony recommended a rejection of the Application, but its testimony raised no issues with the appraisals of Perris MWS included in the Application or otherwise disputed the reasonableness of the transaction. Instead, the Public Advocates Office's recommendation was premised on allegedly inadequate pre-election disclosures and Notice of Application and arguments that the Interim Rate Plan would not permit Commission oversight of Perris MWS and that a substantial rate increase would occur in the future.

Liberty Park Water and the Public Advocates Office submitted rebuttal testimony on July 9, 2019.<sup>9</sup> Liberty Park Water, the Public Advocates Office and the City participated in a settlement teleconference on July 11, 2019, but no issues were resolved.<sup>10</sup> ALJ Dan Burcham presided over the evidentiary hearing on July 25, 2019 and ordered the parties to file opening briefs on August 13, 2019 and reply briefs on August 27, 2019.<sup>11</sup>

As detailed in Liberty Park Water's prepared testimony, the Commission should authorize the sale of Perris MWS, pursuant to California Public Utilities Code §§ 851- 854, because the public interest will be promoted by Liberty Park Water's acquisition of Perris MWS.<sup>12</sup> The benefits to Perris MWS customers include: 1) transition of ownership to a responsible and experienced Class A water utility with the resources and capability to provide safe and reliable water service, 2) the support of Liberty Park Water's

---

<sup>8</sup> CWA did not submit prepared testimony.

<sup>9</sup> See E-Mail Ruling Granting Request of the Public Advocates Office for Extension of Time for Rebuttal Testimony, dated July 1, 2019.

<sup>10</sup> CWA did not participate in the settlement teleconference. On July 18, 2019, Liberty Park Water, the Public Advocates Office and the City submitted a Joint Statement stating that the parties were not able to reach a settlement.

<sup>11</sup> Evidentiary Hearing Transcript ("Transcript"), 172:18-21.

<sup>12</sup> Ex. Liberty-01 (Prepared Direct Testimony of Edward Jackson), 3:1-8:1; Ex. Liberty-02 (Prepared Direct Testimony of Richard Dalton), 1:22—2:12 and Attachment Dalton-02.

experienced staff, including water treatment and distribution operators to efficiently address water quality and operational issues, 3) the provision of water service by a water utility supporting high quality water service, system reliability and public health and safety, 4) enhanced customer service with a full-service customer service center capable of handling customer inquiries and service requests, in person, over the phone, or online and access to a 24/7 call service responding to customer calls and emergency situations, 5) access to a variety of customer service programs, such as conservation device rebates and multiple convenient payment options, 6) extensive emergency response capabilities, and 7) Liberty Park Water's ability to plan and execute much needed capital improvements to Perris MWS that could not occur absent the sale of Perris MWS.<sup>13</sup> The Commission has recognized "[i]t is generally in the public interest for water systems to merge."<sup>14</sup> The Commission's own 2010 Water Action Plan specifically supports "incentives for the acquisition or the operation of small water and sewer utilities, in recognition of the benefits to customers of such acquisitions."<sup>15</sup> Liberty Park Water's acquisition of Perris MWS will provide benefits to customers in line with these Commission directives.

As discussed below, the Commission should also establish a rate base for assets consisting of the \$11,500,00 purchase price for Perris MWS under the Asset Purchase Agreement. Although the Public Advocates Office largely based its initial protest of the Application on the reasonableness of the purchase price, the Public Advocates Office's evaluation of the appraisals included in the Application concluded the appraisals are reasonable.<sup>16</sup> Rather than contesting the reasonableness, benefits attained by and the

---

<sup>13</sup> *Id.*; see also City Exhibit-01 (Prepared Direct Testimony of Ron Carr), pp. 4-5 and 7.

<sup>14</sup> Resolution No. W-4180, *Suburban Water Systems (SWS). Order Approving Modified Rates from those filed by Advice Letter No. 226-W for the area formerly served by West Covina's Water System, and Requiring SWS to file a General Rate Application*, Feb. 3, 2000, at p. 1; see also Ex. Liberty-01 (Prepared Direct Testimony of Edward Jackson), 3:1-5:29

<sup>15</sup> 2010 Commission Water Action Plan, p. 9.

<sup>16</sup> Transcript, 152:23-153:25 (Public Advocates Office's witness Pat Ma); see also Attachment 1 to this Opening Brief, Public Advocates Office's response to Liberty Park Water's data request ENJ-1 (showing that consultant Desmond, Marcello & Amster, Inc. found the appraisal numbers provided in the Application to be reasonable and did not find any adjustments necessary).



City's underlying need for approval of the sale, the Public Advocates Office pivoted in its direct testimony by raising alleged inadequacies in Liberty Park Water's pre-election disclosures and the Notice of Application. This pivot appears to be driven by the Public Advocate Office's public stance against acquisitions of smaller utilities.

The Public Advocates Office has gone on record stating that it has reconsidered its position in the last two years regarding acquisitions by Class A water utilities and that it is opposed to such acquisitions because it is opposed to the Public Water System Investment and Consolidation Act of 1997 ("Consolidation Act").<sup>17</sup> The Public Advocates Office has stated its belief that "[i]n passing the Consolidation Act and requiring the Commission to use the standard of FMV to set rate base for the distribution system of an acquired water system, the legislature provided water utilities a generous incentive to acquire public water systems."<sup>18</sup> The Public Advocates Office is opposed to such an incentive in contravention to the Commission's policy to support incentives for the acquisition of small water utilities.<sup>19</sup>

The Public Advocates Office's mission is to obtain low rates for customers while ensuring "reliable and safe service."<sup>20</sup> This is precisely what Liberty Park Water's Application achieves. By focusing on its recent change in position to disapprove of the Consolidation Act and acquisitions by Class A water utilities, the Public Advocates Office refuses to even acknowledge the substantial benefits the acquisition provides customers. The Public Advocates Office's argument ignores the will of the City's voters who approved the acquisition in a special election.

---

<sup>17</sup> Public Advocate Office's Brief on Threshold Issues, dated January 22, 2019, in A.18-09-013, at pp. 2-3.

<sup>18</sup> *Id.*

<sup>19</sup> 2010 Commission Water Action Plan, p. 9. The Consolidation Act itself was enacted by the Legislature, in part, to facilitate the acquisition of small water systems by Class A water utilities. D.99-10-064 at p. 2.

<sup>20</sup> See <https://www.publicadvocates.cpuc.ca.gov/>.

The proposed sale of Perris MWS is reasonable and serves the public interest. Approval of the Application will provide tangible benefits to ratepayers, including the provision of quality water service by a water service provider that has the operational experience and financial ability to operate and own Perris MWS. The Commission should reject all of the Public Advocates Office's arguments and approve the Application.

## **II. LIBERTY PARK WATER MADE ACCEPTABLE PRE-ELECTION DISCLOSURES TO AFFECTED CUSTOMERS**

The Public Advocates Office asks the Commission to “categorically reject Liberty’s request to acquire the Perris water systems”<sup>21</sup> based on its argument that Liberty Park Water’s pre-election disclosures did not meet requirements imposed by Public Utilities Code § 10061(c)(4) and D.99-10-064. Beyond the absence of any consideration of the far-reaching consequences such a rejection could have on the City or Perris MWS’ customers, Liberty Park Water’s pre-election disclosures were sufficient and any deviation from the format for pre-election disclosures advocated by the Public Advocates Office did not impact the election results.<sup>22</sup>

Under Public Utilities Code § 10061(c)(4), a written disclosure to customers should issue thirty (30) days prior to the election with information about the price and terms of the proposed acquisition, a comparison of charges before and after the proposed acquisition, and the estimated savings or additional costs expected to result from the proposed acquisition. Liberty Park Water mailed tens of thousands of flyers to City residents that asked residents to visit the website at [www.CityOfPerrisMeasureH.org](http://www.CityOfPerrisMeasureH.org) for

---

<sup>21</sup> Ex. PA-1 (Prepared Direct Testimony of Pat Ma) at 10:9-10.

<sup>22</sup> Moreover, the issues raised by the Public Advocates Office regarding pre-election disclosures are in the nature of an election contest. As a non-voter, the Public Advocates Office lacks standing to raise these issues. Further, the statute of limitations on any challenge to the election has expired, the election having occurred more than a year before the Public Advocates Office raised these issues.

more detailed information.<sup>23</sup> That website provided links to the City of Perris' website, where customers had access to the following materials beginning in July 2017, more than three months before the election:<sup>24</sup>

- Agendas and Staff Reports for public meetings that took place on July 11, 2017 and July 27, 2017 at the City Council Chambers, providing detailed information about the proposed acquisition such as the purchase price and the 10-year cap on rates;
- A comparison of projected rates between EMWD and a 10-year forecast of rates for Perris MWS if the proposed acquisition was approved;
- A letter to the City from Liberty Park Water outlining the principal terms and conditions of the proposed acquisition;
- Information about Liberty Park Water and its services;
- Information about other bids offered for the sale of Perris MWS; and
- A draft of the Asset Purchase Agreement approved by the City Council.<sup>25</sup>

Although all of the information required to be disclosed by Public Utilities Code § 10061(c)(4) was disclosed and made publicly available over three months prior to the election, the Public Advocates Office contends the information should have been published in another manner to meet the requirements of the code.<sup>26</sup> For reasons of practicality and conservation, Liberty Park Water made all of the materials above available for interested parties and mailing all of those materials (comprising over 150 pages) to

---

<sup>23</sup> See Transcript, 54:23-55:7 (Liberty Park Water's witness Edward Jackson); Ex. PA-1 (Prepared Direct Testimony of Pat Ma), Appendix G; Ex. Liberty-03 (Prepared Rebuttal Testimony of Edward Jackson), 2:12-15 and n.3.

<sup>24</sup> Ex. Liberty-03 (Prepared Rebuttal Testimony of Edward Jackson), 2:15-3:5.

<sup>25</sup> The executed Asset Purchase Agreement contains no substantive changes from the draft Asset Purchase Agreement available to customers in July 2017. Ex. Liberty-03 (Prepared Rebuttal Testimony of Edward Jackson), n.5. Although Ms. Ma pointed to certain changes to words in the Asset Purchase Agreement draft and the final version, she confirmed that there was no change in the purchase price of \$11,500,000 or in the 10-year interim rate plan provision of section 6.6(e). Transcript, 131:3-134:9 (Public Advocates Office's witness Pat Ma); PA-2 (Prepared Rebuttal Testimony of Pat Ma), Exhibit E.

<sup>26</sup> D.99-10-064 does not specify which entity provides the information about the acquisition to customers prior to an election, only that "notice be given to all affected customers prior to any election."

each of the approximately 70,000 City residents was unfeasible. Logically, the information was provided online. Liberty Park Water notified customers where the information could be found by directing customers to the City's website.<sup>27</sup>

The Public Advocates Office's arguments rely on the untenable assertion that a reasonable voter could not discern the information referenced in Public Utilities Code § 10061(c)(4) from the publicly available materials. The following briefly summarizes where the information referenced Public Utilities Code § 10061(c)(4) could be found in those publicly available documents:

- Price - The \$11,500,000 purchase price of the proposed acquisition was set forth on every flyer that Liberty Park Water mailed to City residents, on the Agendas and Staff Reports for public meetings that took place on July 11, 2017 and July 27, 2017 at the City Council Chambers, and in the draft Asset Purchase Agreement.<sup>28</sup>
- Terms - The term regarding the Interim Rate Plan was set forth on every flyer that Liberty Park Water mailed to City residents, on the Agendas and Staff Reports for public meetings that took place on July 11, 2017 and July 27, 2017 at the City Council Chambers, and in the draft Asset Purchase Agreement. All other key terms of the proposed acquisition were available in the draft Asset Purchase Agreement.<sup>29</sup>
- Rate Comparison – General information about rates was provided on the flyers that Liberty Park Water mailed to City residents, which stated that the agreement “caps water rates for a decade” and that “[r]ates will be similar with neighboring providers.”<sup>30</sup> Further information on this rate cap could be found in the Agendas and Staff Reports for public meetings that took place on July

---

<sup>27</sup> Ex. Liberty-03 (Prepared Rebuttal Testimony of Edward Jackson), 6:6-21.

<sup>28</sup> Ex. PA-1 (Prepared Direct Testimony of Pat Ma), Appendix G; Ex. Liberty-03 (Prepared Rebuttal Testimony of Edward Jackson), Attachment-02; City Exhibit-01 (Prepared Direct Testimony of Ron Carr), Attachment 2 (PERRIS-000014-000018, 000122-000123, 000124-000177).

<sup>29</sup> *Id.*

<sup>30</sup> Ex. PA-1 (Prepared Direct Testimony of Pat Ma), Appendix G.

11, 2017, which explained that the Interim Rate Plan caps rates for a decade to annual increases in EMWD rates, or 3.3 percent, whichever is higher.<sup>31</sup> The full provision of the contract regarding the 10-year interim rate plan was available in the draft Asset Purchase Agreement.<sup>32</sup> Finally, a comparison of projected rates between EMWD and a 10-year forecast of rates for Perris MWS if the proposed acquisition was approved was available on the City's website.<sup>33</sup> Although the Public Advocates Office argues that this rate comparison was improper by showing the current rates of EMWD customers, the Interim Rate Plan provides that the rates of EMWD customers serve as a cap for Perris MWS' customers and, as such, illustrate what rates would look like for Perris MWS' customers under the proposed acquisition and provide the essential point of comparison.<sup>34</sup>

- Savings/Costs – As stated above, the \$11,500,000 purchase price of the proposed acquisition was set forth on every flyer that Liberty Park Water mailed to City residents, on the Agendas and Staff Reports for public meetings that took place on July 11, 2017 and July 27, 2017 at the City Council Chambers, and in the draft Asset Purchase Agreement.<sup>35</sup> This amount shows the City residents the estimated savings expected to result from the proposed acquisition.

---

<sup>31</sup> Ex. Liberty-03 (Prepared Rebuttal Testimony of Edward Jackson), Attachment-02; City Exhibit-01 (Prepared Direct Testimony of Ron Carr), Attachment 2 (PERRIS-000014-000018, 000122-000123).

<sup>32</sup> Ex. Liberty-03 (Prepared Rebuttal Testimony of Edward Jackson), Attachment-02; City Exhibit-01 (Prepared Direct Testimony of Ron Carr), Attachment 2 (PERRIS 000124-000177). No party has contended that either the \$11,500,000 purchase price or the Interim Rate Plan provision set forth in Section 6.6(e) of the Asset Purchase Agreement changed from the draft available in July 2017 to the final Asset Purchase Agreement. See Ex. PA-2 (Prepared Rebuttal Testimony of Pat Ma), Appendix E. As stated in both the July 11, 2017 and July 27, 2017 City Council Agenda Submittal, "If there are any substantive changes to the APA, the APA will be brought back for further consideration." Ex. Liberty-03 (Prepared Rebuttal Testimony of Edward Jackson), Attachment-02 (City Council Agenda Submittals).

<sup>33</sup> As stated by Mr. Jackson at the evidentiary hearing, this rate comparison was intended to show what "rates, and ultimately bills, would look like for the customers in Perris after the acquisition." Transcript (Liberty Park Water's witness Ed Jackson), 40:14-18; see also Ex. Liberty-03 (Prepared Rebuttal Testimony of Edward Jackson), Attachment-02 (Rate Comparison); City Exhibit-01 (Prepared Direct Testimony of Ron Carr), Attachment 2 (PERRIS 000036-000053).

<sup>34</sup> Transcript (Liberty Park Water's witness Ed Jackson), 40:14-41-5.

<sup>35</sup> Ex. Liberty-03 (Prepared Rebuttal Testimony of Edward Jackson), Attachment-02; City Exhibit-01 (Prepared Direct Testimony of Ron Carr), Attachment 2 (PERRIS-000014-000018, 000122-000123, 000124-000177).

Regardless of what method the Public Advocates Office prefers for pre-election disclosures, there is little dispute that the information referenced in Public Utilities Code § 10061(c)(4) was readily available to customers months prior to the election and the voters of the City approved the acquisition by a substantial margin. The voters' choice should not be disregarded, and the City should not be left without a viable alternative for the Perris MWS customers.

The Public Advocates Office does not deny that, absent sale of the Perris MWS, the City will likely have to retain the water systems and suffer annual deficits that will add to its existing debt and could negatively impact other vital public services across the community.<sup>36</sup> The Public Advocates Office acknowledges that the Perris MWS is in clear need of infrastructure repair and improvements.<sup>37</sup> It strongly implies that there are no better options for the City's customers.<sup>38</sup> Moreover, Public Advocates Office seems to concede that, under the acquisition, Perris MWS customers will have rates that are comparable to that of their neighbors in EMWD for the first 10 years.<sup>39</sup> The Public Advocates Office never proffers any better alternative for Perris MWS customers.

Finally, even assuming *arguendo* that Liberty Park Water's pre-election disclosures were inadequate, the Commission retains the authority to approve the Application notwithstanding. The Public Advocates Office has not disputed that City residents were notified about Liberty Park Water's proposed acquisition of Perris MWS prior to the election through thousands of mailers, two websites, at least two public hearings, and over a dozen events.<sup>40</sup> Importantly, there is no dispute that only 20% of the City's

---

<sup>36</sup> Ex. Liberty-01 (Prepared Direct Testimony of Edward Jackson), 3:11-13; City Exhibit-01 (Prepared Direct Testimony of Ron Carr), p. 6.

<sup>37</sup> Ex. PA-1 (Prepared Direct Testimony of Pat Ma), 19:4-16.

<sup>38</sup> Ex. PA-1 (Prepared Direct Testimony of Pat Ma), 19:9-11 and Appendix B.

<sup>39</sup> Ex. PA-1 (Prepared Direct Testimony of Pat Ma), 14:9-10 ("The agreement allows for annual increases to match the EMWD's rate increase if it is higher than 3.3%). The Public Advocates Office emphasizes that the Perris MWS customers could have higher rates than EMWD customers if there is a catastrophic event, change in the law, or change in water supply availability that somehow does not impact the customers of EMWD. Ex. PA-1 (Prepared Direct Testimony of Pat Ma), 13:8-21 and 16:1-18:8.

<sup>40</sup> Ex. Liberty-01 (Prepared Direct Testimony of Edward Jackson), 2:12-14 and n.3.

residents are served by the Perris MWW; the remaining 80% of residents are served by EMWD.<sup>41</sup> In response to the ballot measure regarding the acquisition, EMWD published a statement on September 25, 2017 informing those residents that “the proposed sale of the City of Perris’ two water service systems will have no impact on water rates or service to customers served by EMWD.”<sup>42</sup> As noted in the City’s published statements regarding the ballot measure, even though the vast majority of its residents are served by EMWD and a much smaller percentage are served by the Perris MWS, the City subsidizes the Perris MWS and proceeds from the sales of the Perris MWS would be applied for general services, including park amenities, benefiting the entire populace.<sup>43</sup>

Hence, there is no reasonable basis to conclude that a different pre-election notice would have impacted the results of the election. The vast majority of the City’s population are EMWD’s customers whose rates would not be impacted by the acquisition in any way and the sale of Perris MWS and these pre-election disclosures were unconnected to them. Moreover, the City’s stated justifications for approving the sale was to eliminate debt related to the Perris MWS and free up funds for municipal services benefiting the entire population comprised of EMWD and Perris MWS customers.<sup>44</sup>

---

<sup>41</sup> Ex. PA-1 (Prepared Direct Testimony of Pat Ma), 5:1-5; Transcript, (Public Advocates Office’s witness Pat Ma), 122:17-123:21.

<sup>42</sup> See <https://www.emwd.org/sites/main/files/file-attachments/emwdmeasurestatement92617.pdf> and <https://www.emwd.org/post/emwd-statement-city-perris-water-systems-sale-november-ballot-measure-h>. (as of August 9, 2019).

<sup>43</sup> See Ex. PA-1 (Prepared Direct Testimony of Pat Ma), Appendix G; Ex. Liberty-03 (Prepared Rebuttal Testimony of Edward Jackson), Attachment-02 (July 11, 2017 City Council Agenda Submittal); City Exhibit-01 (Prepared Direct Testimony of Ron Carr), Attachment 2 (PERRIS-000014-000018).

Notably, EMWD’s published statement also explicitly noted that:

**“I am an EMWD customer, why did I receive a ballot to vote on systems that do not provide me water or sewer services?”**

The sale of the City of Perris’ systems must be voted on by all Perris residents, regardless if they are served by the City’s system or EMWD.”

<https://www.emwd.org/post/emwd-statement-city-perris-water-systems-sale-november-ballot-measure-h> (as of August 9, 2019).

<sup>44</sup> *Id.*

Accordingly, any perceived failure to disclose future rates and other information in the manner desired by the Public Advocates Office had *de minimis* impact on the vast majority of the City's residents and setting aside the expressed will of the voting populace would serve no reasonable purpose.

### **III. LIBERTY PARK WATER'S NOTICE OF APPLICATION IS ACCURATE**

The Public Advocates Office contends that Liberty Park Water's Notice of Application to customers (the "Customer Notice") is inaccurate because it does not include a comparison of rates that contains certain surcharges and does not predict every possible scenario that could impact rates in the next decade. This contention is wrong. Liberty Park Water utilized routine practices with respect to the information provided in the Customer Notice.<sup>45</sup> Liberty Park Water provided the Customer Notice to the Commission's Public Advisor's Office, which reviewed and approved the language.<sup>46</sup> If the Public Advocates Office seeks to change the customer notice approval process at the Commission, it should do so in a separate proceeding with all affected utilities and stakeholders. It is inappropriate to attempt to circumvent the correct process and attack the information provided in Liberty Park Water's Customer Notice in isolation. Furthermore, a draft Customer Notice was included with the Application. The Public Advocates Office could have chosen to engage with Liberty Park Water and the Public Advisor's Office regarding revisions to the Customer Notice before it was finalized but instead elected to wait over a year to voice its concerns in opening testimony.

As addressed below, each of the Public Advocates Office's criticisms of the Customer Notice is without merit.

---

<sup>45</sup> Ex. Liberty-03 (Prepared Rebuttal Testimony of Edward Jackson), 4:12-24.

<sup>46</sup> *Id.*



**A. CPUC Reimbursement Fee and California Rates for Water (“CARW”) Surcharge**

The Public Advocates Office contends that Liberty Park Water should have included both the CPUC Reimbursement Fee and the CARW surcharge in the Customer Notice. This contention is unreasonable and not in accordance with common accepted practice for customer notices.

Neither the CPUC Reimbursement Fee nor the CARW surcharge was required to be included in the Customer Notice by the Public Advisor’s Office.<sup>47</sup> Such a requirement would not make sense for either charge. With respect to the CPUC Reimbursement Fee, as the Public Advocates Office states, it amounts to only about 1.23 percent of a customer bill in 2019.<sup>48</sup> More importantly, the fee is subject to change annually. In 2018, the fee was set at 1.4 percent.<sup>49</sup> Given the potential high frequency of change, utilities cannot assess what this fee will be in future years.<sup>50</sup> The Public Advocates Office seems to suggest that utilities must forecast this fee for purposes of inclusion on customer notices. This request is unreasonable, especially given the immaterial dollar amount of the fee.

Similarly, the Public Advocates Office asserts that the CARW surcharge/surcredit should be included in customer notices even when, as here, the existence of the low-income assistance program is uncertain. Both the Commission and the State of California are currently investigating changes to the status quo that could substantially change Liberty Park Water’s low-income assistance program by next year.<sup>51</sup> The Commission has an ongoing investigation related to the low-income assistance programs of the Class A Water Utilities.<sup>52</sup> In that investigation, the Commission is assessing the feasibility of achieving program consistency across the Class A water utilities. Concurrently, the State Water Resource

---

<sup>47</sup> Ex. Liberty-03 (Prepared Rebuttal Testimony of Edward Jackson), 5:5-12.

<sup>48</sup> Ex. PA-1 (Prepared Direct Testimony of Pat Ma), 11:14.

<sup>49</sup> See Resolution M-4832.

<sup>50</sup> Ex. Liberty-03 (Prepared Rebuttal Testimony of Edward Jackson), 5:5-12.

<sup>51</sup> Ex. Liberty-03 (Prepared Rebuttal Testimony of Edward Jackson), 5:13-25.

<sup>52</sup> See R.17-06-024.

Control Board is evaluating options of a statewide low-income water rate assistance program.<sup>53</sup> As a result of these two ongoing investigations, Liberty Park Water's low-income assistance program will likely change in 2020.<sup>54</sup> For example, if a statewide low-income water rate assistance program is adopted, then the individual CARW program offered by Liberty Park Water would cease to exist.<sup>55</sup> For these reasons, it is not feasible to include a forecast CARW surcharge/surcredit in customer notices. Additionally, the Public Advocates Office fails to quantify the bill impact to low-income customers receiving a discount or to specify how it would like these two different rates to be represented.<sup>56</sup> It appears that the Public Advocates Office may be suggesting that utilities be required to provide two customer notices for two separate bill calculations: one for customers who qualify for assistance and one for remaining customers. This is unreasonable and likely to lead to more confusion than clarity.<sup>57</sup>

**B. Post-Acquisition Rate Adjustments Due to Change of Law or Damage/Destruction of Assets**

The Public Advocates Office contends that the Customer Notice should include rate adjustments to account for the possibility of “changes in law” and “damage or destruction of assets comprising the Water Systems (ordinary wear and tear excepted)” because such rate adjustments are permissible under the Asset Purchase Agreement.<sup>58</sup> This contention is an exaggerated version of the Public Advocates Office's demand that the uncertain CPUC Reimbursement Fee and CARW surcharge/surcredit be somehow forecast by Liberty Park Water and included on the Customer Notice. Short of a functional

---

<sup>53</sup> AB-401 Low-Income Water Rate Assistance Program.

<sup>54</sup> Transcript, 70:8-21, 72:4-10 (Liberty Park Water's witness Edward Jackson; Ex. Liberty-03 (Prepared Rebuttal Testimony of Edward Jackson), 5:13-25.

<sup>55</sup> *Id.*

<sup>56</sup> Ex. Liberty-03 (Prepared Rebuttal Testimony of Edward Jackson), 5:25-6:5.

<sup>57</sup> The Public Advocates Office also seems to imply in its argument that the 9.09 percent increase between Perris Current Rates and Year 1 is excessive. The Year 1 rates mimic EMWD's rate schedule, as stated in the Asset Purchase Agreement Section 6.6(e) and as requested by the City of Perris. In addition, the proposed rates for 2018 and 2019 were set by EMWD under their own budget conditions, revenue requirements, and customer demographics. Ex. Liberty-03 (Prepared Rebuttal Testimony of Edward Jackson), 5:13-25 and n.13.

<sup>58</sup> Ex. PA-1 (Prepared Direct Testimony of Pat Ma), 13:8-12.

crystal ball, there is no way by which any utility can forecast future changes in law or destruction of property. The inclusion of these provisions in a contract are to account for unpredictable outcomes.<sup>59</sup> The Public Advocates Office does not attempt to suggest how a utility should forecast these unforeseeable possibilities. To the extent that the Public Advocates Office seeks to have the exact language of the contract repeated in customer notices, its suggestion is unnecessary. A copy of the Asset Purchase Agreement was made available to customers.<sup>60</sup> It is unreasonable to require that the specific words in a contract must be duplicated in customer notices, especially after the final customer notices have been approved by the Public Advisor's Office and sent to customers.<sup>61</sup> As set forth above, if the Public Advocates Office seeks to change the customer notice approval process at the Commission, it should do so in a separate proceeding with all affected utilities and stakeholders.

### **C. Rate and Bill Impact Estimates**

The Public Advocates Office argues that the acquisition should not be approved because Liberty Park Water's pre-election disclosures and Customer Notice allegedly underplayed the rate and bill impacts Perris MWS customers will face post-acquisition.<sup>62</sup> This argument is without merit and should be rejected. Each of the Public Advocate Office's reasons is addressed below.

#### **1. The 3.3 Percent Annual Increase**

The Public Advocates Office asserts that Liberty Park Water's Customer Notice should have shown a higher rate increase than 3.3 percent because it believes that EMWD's rate increases will be higher than that in future years.<sup>63</sup> As with the Public Advocates Office's other criticisms of the Customer Notice, this argument asserts that the Commission should reject an acquisition beneficial to customers

---

<sup>59</sup> Ex. Liberty-03 (Prepared Rebuttal Testimony of Edward Jackson), 6:6-23.

<sup>60</sup> *Id.*

<sup>61</sup> *Id.*

<sup>62</sup> Ex. PA-1 (Prepared Direct Testimony of Pat Ma), 13:23-14:7.

<sup>63</sup> Ex. PA-1 (Prepared Direct Testimony of Pat Ma), 14:18-15:20.

because the Public Advocates Office simply disagrees with Liberty Park Water’s forecast of future rates. The Public Advocates Office’s position is particularly odd with respect to the use of a 3.3 percent annual forecast increase, given that the Public Advocates Office itself forecast a non-labor escalation rate for 2017 of 3.3 percent.<sup>64</sup> The fact is that the Asset Purchase Agreement does cap rates for a decade to annual increases in EMWD rates or 3.3%, whichever is higher.<sup>65</sup> As Liberty Park Water stated to customers prior to the election approving the acquisition, “[r]ates will be similar to neighboring providers.”<sup>66</sup> EMWD provides water service to approximately 80 percent of the City of Perris. Under the Asset Purchase Agreement, Perris MWS customers—the other 20 percent of the City—will receive rate increases that are in line with those of their neighbors served by EMWD.<sup>67</sup> It is possible, as recognized in the Asset Purchase Agreement, that these increases could exceed 3.3 percent.<sup>68</sup> As the Public Advocates Office itself points out, however, this possibility was disclosed to customers before the election:

The City in its July 11, 2017 Agenda Submittal recommending the sale of the water systems and a special election for the sale states, “over the past five years EMWD rates have been increasing by 5.1 percent per year.”<sup>69</sup>

The Public Advocates Office also acknowledges that Liberty Park Water’s Customer Notice forecasts an increase of 4.08 percent from 2018 to 2019.<sup>70</sup> Neither the Public Advocates Office nor Liberty Park Water can be certain what rate increases will be for EMWD in the long term.<sup>71</sup> The updated rate comparison below based on EMWD’s proposed 2019-2020 rates<sup>72</sup> indicates that the forecast in Liberty Park Water’s Customer Notice was a fair and reasonable forecast.<sup>73</sup>

---

<sup>64</sup> See Office of Ratepayer Advocates: Estimates of Non-labor and Wage Escalation Rates for 2017 through 2021 from the June 2017 IHS Global Insight U.S. Economic Outlook.

<sup>65</sup> Ex. Liberty-03 (Prepared Rebuttal Testimony of Edward Jackson), 7:6-22.

<sup>66</sup> See Ex. PA-1 (Prepared Direct Testimony of Pat Ma), Appendix G.

<sup>67</sup> Ex. Liberty-03 (Prepared Rebuttal Testimony of Edward Jackson), 7:6-22.

<sup>68</sup> *Id.*

<sup>69</sup> Ex. PA-1 (Prepared Direct Testimony of Pat Ma), 15:5-7.

<sup>70</sup> *Id.* at 15:7-8.

<sup>71</sup> Ex. Liberty-03 (Prepared Rebuttal Testimony of Edward Jackson), 8:4-8.

<sup>72</sup> See [www.emwd.org/sites/default/files/file-attachments/emwd\\_prop\\_218\\_2019\\_residential\\_final\\_web.pdf](http://www.emwd.org/sites/default/files/file-attachments/emwd_prop_218_2019_residential_final_web.pdf).

<sup>73</sup> Ex. Liberty-03 (Prepared Rebuttal Testimony of Edward Jackson), Table III-1 at p. 8.

**TABLE 1**  
**EMWD'S NEW RATES COMPARISON TABLE<sup>74</sup>**

16.85 CCFs

		South Perris			North Perris			EMWD			PROPOSED RATES												
		2017			2017			2017			2018		2019		2020		2021						
RATES																							
5/8" Meter Service Charge		\$	9.10		\$	9.10		\$	11.67		\$	11.70		\$	12.60		\$	13.20		\$	13.80		
Water Supply Reliability								\$	3.30		\$	3.30		\$	3.60		\$	3.90		\$	4.20		
Tier1 Usage Rate		6.71	\$	2.50		\$	2.70		\$	1.90		\$	1.03		\$	1.07		\$	1.10		\$	1.13	
Tier2 Usage Rate		33.55		\$			5.16		\$	3.47		\$	3.35		\$	3.43		\$	3.53		\$	3.63	
Tier3 Usage Rate		50.33							\$	6.22		\$	5.52		\$	5.67		\$	5.84		\$	6.01	
Tier4 Usage Rate		over 50.33							\$	11.39		\$	11.27		\$	11.59		\$	11.94		\$	12.30	
BILL CALCULATIONS																							
Meter Service Charge		\$	9.10		\$	9.10		\$	14.97		\$	15.00		\$	16.20		\$	17.10		\$	18.00		
Tier1		\$	42.12		\$	45.41		\$	12.74		\$	6.91		\$	7.18		\$	7.38		\$	7.58		
Usage Charge		Tier2	\$	-		\$	-		\$	35.21		\$	33.96		\$	34.78		\$	35.79		\$	36.80	
Tier3		\$	-		\$	-		\$	-		\$	-		\$	-		\$	-		\$	-		
Tier4		\$	-		\$	-		\$	-		\$	-		\$	-		\$	-		\$	-		
Total		\$	51.22		\$	54.51		\$	62.92		\$	55.88		\$	58.16		\$	60.27		\$	62.39		
% Change from Proposed (2018) rates to 2017 rates			9.09%		2.51%		-11.19%		Year over year rate change		4.08%		3.63%		3.52%								

## 2. Water Supply-Related Adjustments

The Public Advocates Office argues the Commission should reject the Application because it believes that water supply-related rate adjustments should have been set forth in the Customer Notice with more specificity.<sup>75</sup> As with the Public Advocates Office's other criticisms of the forecast in the Customer Notice, Liberty Park Water cannot accurately state with any specificity what possible changes in supply mix might be required over the next 10 years.<sup>76</sup> The supply mix and wholesale purchased water rates are pass-through charges that are applied to a customer's bill if changes in these charges occur.<sup>77</sup> Under the proposed interim rate plan, if no increases to purchased water rates occur, then no changes would be made to customer rates.<sup>78</sup> If increases to purchased water rates (the wholesale purchased water rates of EMWD)

<sup>74</sup> Note that the allowances listed in this table are Liberty Park Water's proposed usage structure found in the tables set forth in Exhibit Liberty-01, Section V. In addition, these allowances are applied to EMWD's 2017 rates and proposed rates for 2018-2021.

<sup>75</sup> Ex. PA-1 (Prepared Direct Testimony of Pat Ma), 16-18.

<sup>76</sup> Ex. Liberty-03 (Prepared Rebuttal Testimony of Edward Jackson), 9:1-18.

<sup>77</sup> *Id.*

<sup>78</sup> *Id.*

occur, then Liberty Park Water would file a purchased water rate offset advice letter to increase the commodity rates to reflect the exact amount of the increase.<sup>79</sup> This is the exact process used to pass through increases in wholesale water rates from Central Basin Municipal Water District for Liberty Park Water's Central Basin Division.<sup>80</sup> It is standard operating procedure in the Commission's rate regulation of water utilities.<sup>81</sup> Contrary to the Public Advocate Office's assertion, the process used by Liberty Park Water and other water utilities to offset supply cost increases is well-defined, transparent, and subject to approval by the Commission.<sup>82</sup> The Commission's General Order 96-B provides the necessary authorization for Liberty Park Water to request an expense offset. No further Commission authorization is needed.<sup>83</sup>

### **3. Year 11 Rates**

In its most exaggerated attempt at challenging Liberty Park Water's forecast of future rates, the Public Advocates Office asserts that there will be an "unavoidable, large rate hike"<sup>84</sup> in Year 11 that will be somewhere between 59 percent and over 100 percent. This assertion is false. Under the Interim Rate Plan, Perris MWS would become subject to the GRC process in Year 11. Neither Liberty Park Water nor the Commission would allow such a huge rate increase to occur in Year 11. Liberty Park Water would propose a plan to mitigate any excessive increases, such as incorporating increases over more than one GRC cycle. The Commission would need to approve any proposed mitigation plan, and the Public Advocates Office would have the opportunity to offer input and objections at a time when more realistic rate increases for Year 11 would be available.

---

<sup>79</sup> *Id.*

<sup>80</sup> *Id.*

<sup>81</sup> *Id.*

<sup>82</sup> *Id.*

<sup>83</sup> Water Industry Rule 7.3.1 of General Order 96-B specifies that an expense offset is a Tier 1 Advice Letter filing subject to approval or rejection by the Water Division. *See* Ex. Liberty-03 (Prepared Rebuttal Testimony of Edward Jackson), 9:16-18 and n.23.

<sup>84</sup> Ex. PA-1 (Prepared Direct Testimony of Pat Ma), 21:13.

Moreover, the Public Advocates Office’s calculations supporting this speculative Year 11 rate hike are replete with errors. At the evidentiary hearing, the Public Advocate Office’s witness identified no less than four errors in these calculations,<sup>85</sup> all of which would reduce the revenue requirement for Year 11<sup>86</sup> and therefore reduce the alleged Year 11 rate hike. The Public Advocate Office’s witness stated that a “really rough estimate” of a revised percentage for the Year 11 rate hike with corrections for these four errors “would change the 59 percent figure for year 11 to something close to 40 percent.”<sup>87</sup>

It is doubtful that all of the errors in the Public Advocate Office’s calculations have been corrected. For example, the Public Advocates Office asserts that, under the consolidation of rates with Liberty Park Water’s Central Basin Division, Perris customers would face “an even higher” rate hike in Year 11.<sup>88</sup> To support its allegation, the Public Advocates Office presents Table 2: Rate and Bill Comparison, Perris vs. Central Basin.<sup>89</sup> This table reveals Public Advocates Office’s fundamental lack of understanding of how rates would be developed under a consolidation proposal in a general rate case.<sup>90</sup> To determine the estimated monthly bill, Table 2 uses an estimate of monthly average residential customer usage of 16.85 Ccf for the Perris service area and applies that usage to the current and proposed rates for Liberty Park Water’s Schedule No.1, Residential General Metered Service.<sup>91</sup> This analysis is wrong because the proposed rates of Liberty Park Water are based on the water usage estimates developed for Liberty Park Water’s Central Basin Division and not the water usage estimates applicable to the Perris service area.<sup>92</sup> As a result, Public Advocates Office’s calculations of the average customer bill are grossly overstated

---

<sup>85</sup> Transcript (Public Advocates Office’s witness Pat Ma), 155:19-23, 161:14-20, 162:17-21, 164:13-19; *see also* Liberty-04.

<sup>86</sup> Transcript (Public Advocates Office’s witness Pat Ma), 155:19-23, 161:21-162:6, 162:22-25, 164:20-28; *see also* Liberty-04.

<sup>87</sup> Transcript (Public Advocates Office’s witness Pat Ma), 168:11-169:13.

<sup>88</sup> Ex. PA-1 (Prepared Direct Testimony of Pat Ma), 20:2-4.

<sup>89</sup> Ex. PA-1 (Prepared Direct Testimony of Pat Ma), p. 20 (Table 2).

<sup>90</sup> Ex. Liberty-03 (Prepared Rebuttal Testimony of Edward Jackson), 11:9-12:2.

<sup>91</sup> *Id.*

<sup>92</sup> *Id.*

because Liberty Park Water’s existing customers use substantially less water on a per-customer basis than Perris customers.<sup>93</sup> For example, in the Joint Comparison Exhibit filed in A.18-01-002, Liberty Park Water and the Public Advocates Office agreed to an average residential usage of 8.81 Ccf per month. This amount of consumption is substantially less than the consumption used in Table 2 of 16.85 Ccf per month. Under consolidation, Liberty Park Water would not simply determine its proposed rates (irrespective of the cost of service and usage characteristics for the Perris water systems) and then apply those rates to customers in the Perris service.<sup>94</sup> Under a consolidation proposal, Liberty Park Water would determine a cost of service and rate design that would be reflective of *all* customers, including the Perris service area.<sup>95</sup> For these reasons, the bill comparison contained in Table 2 is misconstrued, and the resulting conclusions are unreliable.

The Public Advocates’ assertion that there will be an “unavoidable, large rate hike”<sup>96</sup> in Year 11 is speculative, based on calculations containing numerous errors, and fails to account for mitigating measures that could be taken by Liberty Park Water and/or the Commission. Therefore, the assertion is without merit and should be disregarded.

#### **IV. THE 10-YEAR INTERIM RATE PLAN IS PROPER AND BENEFITS CUSTOMERS**

After the acquisition’s closing, when Liberty Park Water takes over the Purchased Assets and commences service, Perris MWS’ former customers (“System Customers”) shall have their rates for water services adjusted to the rates then in effect for comparable customer classes of the EMWD.<sup>97</sup> These rates shall be adjusted each year thereafter for a period of ten (10) years at the greater of (i) the percentage increase in EMWD rates, or (ii) three and three-tenths percent (3.3%) plus any rate increases attributable

---

<sup>93</sup> *Id.*

<sup>94</sup> *Id.*

<sup>95</sup> *Id.*

<sup>96</sup> Ex. PA-1 (Prepared Direct Testimony of Pat Ma), 21:13.

<sup>97</sup> Ex. Liberty-01 (Prepared Direct Testimony of Edward Jackson), 9:4-20.



to (a) changes in supply arrangements to serve System Customers, (b) changes in the cost of wholesale water to serve Systems Customers that exceed changes in EMWD customer rates, (c) changes in law, or (d) damage to or destruction of assets comprising the Perris MWS (ordinary wear and tear excepted).<sup>98</sup> This is consistent with the terms and conditions of the Asset Purchase Agreement.<sup>99</sup> EMWD provides water service to approximately 80% of the population of the City of Perris.<sup>100</sup> Under the terms of the Asset Purchase Agreement, the water rates to the entire population of the City of Perris would be comparable whether a customer is served by Liberty Park Water or EMWD which was an important consideration for the City of Perris during the sale process.<sup>101</sup>

After that 10-year period, Perris MWS customers would transition for ratemaking purposes onto Liberty Park Water's next GRC cycle and the rates would be established by the Commission based on a cost of service study proposal made by Liberty Park Water.<sup>102</sup>

The Public Advocates Office argues that Liberty Park Water's Application is prohibited by the Rate Case Plan and that Perris MWS customers would not have the benefit of Commission oversight because of the Interim Rate Plan.<sup>103</sup> As discussed below, these contentions are wrong. The Rate Case Plan does not prohibit an interim rate plan for an acquisition, and the Commission would have substantial oversight regarding Perris MWS during the initial 10-year period. The following are examples of Commission standards/processes that would govern the services provided by Liberty Park Water in the Perris service territory during the initial 10-year period:

- General Order 103-A Water service, including minimum standards for design and construction
- General Order 96-B Rules for filing and publishing tariffs

---

<sup>98</sup> *Id.*

<sup>99</sup> *Id.*

<sup>100</sup> *Id.*

<sup>101</sup> *Id.*

<sup>102</sup> *Id.*

<sup>103</sup> Ex. PA-1 (Prepared Direct Testimony of Pat Ma), 21:16-22:14.

- Informal/Formal Complaint Process (Consumer Affairs Branch)
- Annual Report to the Commission
- Compliance Reporting (*e.g.*, Low-Income Reports, Conservation Reports, Consumer Confidence Reports, Water Production Reports)
- Rulemakings<sup>104</sup>

**A. The Rate Case Plan Does Not Prohibit the Actions Requested in the Application**

The Public Advocates Office contends that the Commission should deny the Application because it allegedly does not conform with the Rate Case Plan established in D.07-05-062.<sup>105</sup> This contention is baseless. The Rate Case Plan outlines the procedures for Class A Water Utilities to file a GRC application, not an acquisition application. There is nothing in the Rate Case Plan that precludes the actions requested in the Application.<sup>106</sup> In fact, the Commission has previously approved interim rate plans for acquisitions. In Resolution W-4998,<sup>107</sup> dated August 28, 2014, the Commission authorized Liberty Utilities (Apple Valley Ranchos Water) Corp. (“Liberty Apple Valley”) to implement its proposed 4-year interim rate plan for the period of 2014 – 2017. Liberty Apple Valley (then known as Apple Valley Ranchos Water Company) was authorized to file a Tier 1 advice letter to add a new tariff rate schedule for the former Yermo Water Company service area. The rates for the Yermo service area were based on rates in effect at the time the acquisition advice letter was filed. The Commission further authorized Liberty Apple Valley to file Tier 1 advice letters for the years 2015, 2016, and 2017 requesting changes to the then interim rates increased by the approved escalation factor of 2.5%.<sup>108</sup>

---

<sup>104</sup> See Ex. Liberty-03 (Prepared Rebuttal Testimony of Edward Jackson), 12:6-19.

<sup>105</sup> Ex. PA-1 (Prepared Direct Testimony of Pat Ma), 21:18-19.

<sup>106</sup> Ex. Liberty-03 (Prepared Rebuttal Testimony of Edward Jackson), 12:21-26.

<sup>107</sup> See also Ex. Liberty-03 (Prepared Rebuttal Testimony of Edward Jackson), 13:26-14:5.

<sup>108</sup> See Advice Letters 202-W, 206-W and 220-W.

**B. The GRC Is Not the Customers' Only Protection Against Unneeded Expenses, Unsafe Water Service, and Inequitable Practices**

Contrary to the Public Advocates Office's concern, Liberty Park Water customers do not pay for unneeded expenses. As evidenced by the testimony of both the Public Advocates Office and Liberty Park Water,<sup>109</sup> there are much-needed infrastructure improvements to the utility plant for the Perris water systems. While the Interim Rate Plan is in effect, customers will not pay for the plant improvements made by Liberty Park Water.<sup>110</sup> Rates will not reflect both the established rate base (purchase price) and any capital improvements made by Liberty Park Water until such time as the Commission approves those plant improvements via the establishment of rate base in a future GRC.<sup>111</sup>

Also contrary to the Public Advocates Office's assertion,<sup>112</sup> the GRC process does not result in an approved capital budget for Liberty Park Water. Rather, the GRC process results in an approved rate base that provides Liberty Park Water with sufficient revenue to make the necessary capital improvements to ensure the provision of safe and reliable water service.<sup>113</sup> Liberty Park Water has an obligation to its customers to constantly evaluate and reprioritize its plan for capital improvements due to changed circumstances.<sup>114</sup> As a result, the capital budget is refreshed annually and during the year as circumstances dictate.

The Rate Case Plan does not dictate the standards for providing safe and reliable service. General Order 103 (rules governing water service, including minimum standards for operation, maintenance,

---

<sup>109</sup> See Ex. PA-1 (Prepared Direct Testimony of Pat Ma), 19: 4-11; Ex. Liberty-02 (Testimony of Richard R. Dalton), 1:22-2:12.

<sup>110</sup> Ex. Liberty-03 (Prepared Rebuttal Testimony of Edward Jackson), 13:3-22.

<sup>111</sup> *Id.*

<sup>112</sup> Ex. PA-1 (Prepared Direct Testimony of Pat Ma), 22:4-7.

<sup>113</sup> *Id.*

<sup>114</sup> *Id.*

design, and construction) dictates how Liberty Park Water must operate a water system.<sup>115</sup> GO 103 is in effect at all times and is not limited to a GRC proceeding.

**C. The Year 11 Rate Hike Theory Is Unfounded.**

As discussed above, the Public Advocate's assertion that the Interim Rate Plan will result in a 40 to 100 percent rate hike in year 11 is without merit and should be disregarded.

**V. THE COMMISSION SHOULD ESTABLISH A RATE BASE OF \$11,500,000**

Liberty Park Water requests that the Commission adopt ratemaking treatment for the Perris MWS assets that is consistent with the Public Water System Investment and Consolidation Act of 1997 ("Consolidation Act"), codified at Public Utilities Code §§ 2718-2720. Public Utilities Code § 2720(a) requires the Commission to "use the standard of fair market value when establishing the rate base for the distribution system of a public water system acquired by a water [utility]. This standard shall be used for ratesetting."<sup>116</sup>

Per the Asset Purchase Agreement, the total consideration to be paid by Liberty Park Water to the City of Perris is \$11,500,000. The Purchase Price is a reasonable and fair price for the Purchased Assets. Liberty Park Water compared the \$11,500,000 Purchase Price to several different categories of transactions, including recent transactions involving Class A water utilities in California which were approved by the Commission in Applications 15-12-016<sup>117</sup> and 13-10-11<sup>118</sup> and reported water system

---

<sup>115</sup> *Id.*

<sup>116</sup> Cal. Pub. Util. Code § 2720(a.) Public Utilities Code § 2720(a)(2), in turn, defines "fair market value" as having the meaning set forth in Code of Civil Procedure § 1263.320(a), which states that fair market value is "the highest price that would be agreed to by a seller, being willing to sell but under no particular or urgent necessity for so doing, nor obligated to sell, and a buyer, being ready, willing, and able to buy but under no particular necessity for so doing[.]" Cal. Code Civ. Proc. § 1263.320(a).

<sup>117</sup> California-American Water Company's acquisition of Meadowbrook Water Company was approved in D.16-12-014 (\$4 million purchase price).

<sup>118</sup> Golden State Water Company's acquisition of Rural Water Company was approved in D.15-06-049 (\$1.7 million purchase price).

acquisitions outside of California.<sup>119</sup> These comparisons demonstrate that the Purchase Price for the Perris MWS assets is reasonable.

A Reproduction Cost New Less Depreciation (“RCNLD”) analysis of the two City of Perris water systems was completed in September of 2015 by an outside consultant, Stetson Engineers Inc. (“Stetson Engineers”), for the sale process.<sup>120</sup> Liberty Park Water also retained Stetson Engineers to validate the analysis and current validity of that RCNLD.<sup>121</sup> The results of the RCNLD study resulted in a RCNLD valuation of the North Perris Water system of \$9,610,719 and a valuation of the Downtown Water System of \$13,270,354 for a total of \$22,881,073.<sup>122</sup> This valuation is well above the Purchase Price for the Purchased Assets. Additionally, a consultant hired by the Public Advocates Office evaluated Stetson Engineers’ appraisals and found them to be reasonable.<sup>123</sup>

---

<sup>119</sup> Ex. Liberty-02 (Prepared Direct Testimony of Richard Dalton), 1:3-11.

<sup>120</sup> Ex. Liberty-02 (Prepared Direct Testimony of Richard Dalton), 1:12—20 and Attachment Dalton-02

<sup>121</sup> *Id.*

<sup>122</sup> *Id.*

<sup>123</sup> Transcript, 152:23-153:25 (Public Advocates Office’s witness Pat Ma); *see also* Attachment 1 to this Opening Brief, Public Advocates Office’s response to Liberty Park Water’s data request ENJ-1 (showing that consultant Desmond, Marcello & Amster, Inc. found the appraisal numbers provided in the Application to be reasonable and did not find any adjustments necessary).

**VI. CONCLUSION**

For all of the reasons described above, Liberty Park Water respectfully requests the Commission approve the Application.

**August 13, 2019**

Respectfully submitted,

**Liberty Utilities (Park Water) Corp.**

/s/ Joni A. Templeton

Joni A. Templeton

LKP Global Law, LLP

1901 Avenue of the Stars, Suite 480

Los Angeles, CA 90067

Telephone: (424) 239-1926

Facsimile: (424) 239-1882

Email: [jtempleton@lkpgl.com](mailto:jtempleton@lkpgl.com)

Attorneys for Liberty Utilities (Park Water) Corp.

**Attachment 1**

**Public Advocates Office's Response to Liberty Park Water's Data Request ENJ-1**





(DMA) to Pat Ma of the Public Advocates Office, summarizing his findings regarding the Stetson Engineers' Reproduction Cost New Less Depreciation (RCNLD) appraisal provided in Liberty's A.18-05-011 (Exhibits 2 and 3).

- (2) "Attachment to ENJ-1 response, 3-4-2019 DMA letter v. 2, final" — This is a copy of the second and final version of the same 3-4-2019 letter. In this final version, Mr. Pigrom removed the words "fair market value or" from the second to last paragraph. Mr. Pigrom made the correction after Ms. Ma pointed out, and he agreed, that DMA only provided analysis on the RCNLD values, consistent with the contract's Scope of Work — see Item (3) below. DMA was not tasked to provide and did not provide an estimate of the "fair market value" of the Perris water systems.
- (3) "Attachment to ENJ-1 response, Scope of Work for A.18-05-011 (Nov 2018)" — This is a copy of the Scope of Work associated with the DMA's contract with the Public Advocates Office. As explained above, the scope only includes a review of the RCNLD information provided in Liberty's A.18-05-011.

**END OF DATA RESPONSE**



*Desmond, Marcello & Amster, LLC*  
*Valuation and Litigation Consultants*

6060 Center Drive, Suite 825  
Los Angeles, CA 90045

1161 Mission Street, First Floor  
San Francisco, CA 94103

Tel: (310) 216-1400

Fax: (310) 216-0800

Toll Free: (888) 240-5184

[www.dmavalue.com](http://www.dmavalue.com)

March 4, 2019

Ms. Patricia Ma  
California Public Utilities Commission  
Public Advocates Office  
505 Van Ness Avenue  
San Francisco, CA 94102

Re: *Liberty Utilities (Park Water) Corporation*

The purpose of this letter is to summarize my “reasonableness” analysis of the reproduction cost new less depreciation appraisal submitted in Liberty Utilities (Park Water) Corporation’s application for the possible acquisition of the City of Perris’ Municipal Water System. The California Public Utilities Commission - Public Advocates Office retained me to conduct this analysis on their behalf to determine if the final opinions of value within the Stetson Engineers, Inc. appraisal report are reasonable and fall within an acceptable range. The intended use of this letter is to summarize the scope of my assignment and to provide you and California Public Utilities with my final opinion on the reasonableness of the appraisal.

It is my overall opinion the Stetson Appraisal submitted in Liberty Utilities (Park Water) application falls within an acceptable range of reasonableness regarding the final opinion of values utilizing the reproduction cost new less depreciation methodology. In addition, the appraisal is in compliance and satisfies the requirements of the Uniform Standards of Professional Appraisal Practice. The following appraisal practices considered and utilized by the Stetson Appraisal were reviewed for the purposes of the reasonableness appraisal review and deemed appropriate for the analysis.

#### Identification of Assets

Stetson utilized a previously prepared appraisal prepared by others (Barret Inventory) to identify and quantify the assets appraised. In addition, Stetson staff coordinated with City of Perris staff to update the assets from the previous appraisal. Ultimately, it was reported that the City of Perris reviewed and approved of the assets appraised. Lastly, I conducted my own site inspection and verified the description, condition and quantities of the above ground assets during my February 13, 2019 site inspection. It is assumed by Stetson and myself that the underground equipment, well casings, pumps, water service lines and the interconnections are in place and accurately accounted for as they cannot be observed or measured. This is an acceptable assumption and Stetson was reasonable in assuming the accuracy of the information provided.

#### Valuation Methodology

Upon completion of the identification of assets, Stetson estimated the reproduction cost new utilizing commonly used and acceptable construction data and cost manual sources. In addition, communication with vendors and contractors were utilized to establish reproduction cost new estimates. An additional multiplier of 37% was applied for general overhead costs for all the items appraised. General overhead costs should always be accounted for in a reproduction cost new estimates as they are real and relevant costs associated with project management, profit for the contractor, labor and unforeseen construction change orders.

Ms. Patricia Ma  
March 4, 2019  
Page 2

The unit costs and sourcing for all the items appraised we provided in the appraisal report. As a part of the reasonableness analysis, I reviewed the costs estimates utilizing Marshall and Swift Cost Guides, RS Means Construction Estimator and previously prepared appraisal reports I conducted of similar asset types. The unit costs utilized by Stetson were within acceptable ranges of estimation and the 37% general overhead factor was also acceptable and appropriately accounted for in establishing the reproduction cost new.

The final step in estimating the fair market value or reproduction cost new less depreciation is accounting for the accrued depreciation. Stetson utilized an age/life analysis which is an acceptable method to determine depreciation. The ages of the assets (when known) were provided by the City of Perris during the process of identifying the assets. Subsequently, an average useful life was estimated for all the different types of assets, as they vary depending on type of asset. A remaining useful life was then estimated for each asset depending on the item's estimated useful life, a depreciation factor was calculated and then subtracted from the reproduction cost new.

In conclusion, I found the reproduction cost new less depreciation analysis and ultimately the appraisal's opinions of value to fall within an acceptable range of reasonableness. Furthermore, upon review of the supplemental information and responses for additional information, I was satisfied with the supporting documentation and explanations provided by Liberty Utilities (Park Water) Corporation. Lastly, I'm confident that the assets appraised are accurate in quantity, description and currently in use by the City of Perris Municipal Water Systems.

DESMOND, MARCELLO & AMSTER



Marcus Pigrom, ASA  
Senior Manager

MP/dp

g:\users\lf & e\cpuc 030419.docx





*Desmond, Marcello & Amster, LLC*  
*Valuation and Litigation Consultants*

6060 Center Drive, Suite 825  
Los Angeles, CA 90045

1161 Mission Street, First Floor  
San Francisco, CA 94103

Tel: (310) 216-1400

Fax: (310) 216-0800

Toll Free: (888) 240-5184

[www.dmavalue.com](http://www.dmavalue.com)

March 4, 2019

Ms. Patricia Ma  
California Public Utilities Commission  
Public Advocates Office  
505 Van Ness Avenue  
San Francisco, CA 94102

Re: *Liberty Utilities (Park Water) Corporation*

The purpose of this letter is to summarize my “reasonableness” analysis of the reproduction cost new less depreciation appraisal submitted in Liberty Utilities (Park Water) Corporation’s application for the possible acquisition of the City of Perris’ Municipal Water System. The California Public Utilities Commission - Public Advocates Office retained me to conduct this analysis on their behalf to determine if the final opinions of value within the Stetson Engineers, Inc. appraisal report are reasonable and fall within an acceptable range. The intended use of this letter is to summarize the scope of my assignment and to provide you and California Public Utilities with my final opinion on the reasonableness of the appraisal.

It is my overall opinion the Stetson Appraisal submitted in Liberty Utilities (Park Water) application falls within an acceptable range of reasonableness regarding the final opinion of values utilizing the reproduction cost new less depreciation methodology. In addition, the appraisal is in compliance and satisfies the requirements of the Uniform Standards of Professional Appraisal Practice. The following appraisal practices considered and utilized by the Stetson Appraisal were reviewed for the purposes of the reasonableness appraisal review and deemed appropriate for the analysis.

#### Identification of Assets

Stetson utilized a previously prepared appraisal prepared by others (Barret Inventory) to identify and quantify the assets appraised. In addition, Stetson staff coordinated with City of Perris staff to update the assets from the previous appraisal. Ultimately, it was reported that the City of Perris reviewed and approved of the assets appraised. Lastly, I conducted my own site inspection and verified the description, condition and quantities of the above ground assets during my February 13, 2019 site inspection. It is assumed by Stetson and myself that the underground equipment, well casings, pumps, water service lines and the interconnections are in place and accurately accounted for as they cannot be observed or measured. This is an acceptable assumption and Stetson was reasonable in assuming the accuracy of the information provided.

#### Valuation Methodology

Upon completion of the identification of assets, Stetson estimated the reproduction cost new utilizing commonly used and acceptable construction data and cost manual sources. In addition, communication with vendors and contractors were utilized to establish reproduction cost new estimates. An additional multiplier of 37% was applied for general overhead costs for all the items appraised. General overhead costs should always be accounted for in a reproduction cost new estimates as they are real and relevant costs associated with project management, profit for the contractor, labor and unforeseen construction change orders.

Ms. Patricia Ma  
March 4, 2019  
Page 2

The unit costs and sourcing for all the items appraised we provided in the appraisal report. As a part of the reasonableness analysis, I reviewed the costs estimates utilizing Marshall and Swift Cost Guides, RS Means Construction Estimator and previously prepared appraisal reports I conducted of similar asset types. The unit costs utilized by Stetson were within acceptable ranges of estimation and the 37% general overhead factor was also acceptable and appropriately accounted for in establishing the reproduction cost new.

The final step in estimating the reproduction cost new less depreciation is accounting for the accrued depreciation. Stetson utilized an age/life analysis which is an acceptable method to determine depreciation. The ages of the assets (when known) were provided by the City of Perris during the process of identifying the assets. Subsequently, an average useful life was estimated for all the different types of assets, as they vary depending on type of asset. A remaining useful life was then estimated for each asset depending on the item's estimated useful life, a depreciation factor was calculated and then subtracted from the reproduction cost new.

In conclusion, I found the reproduction cost new less depreciation analysis and ultimately the appraisal's opinions of value to fall within an acceptable range of reasonableness. Furthermore, upon review of the supplemental information and responses for additional information, I was satisfied with the supporting documentation and explanations provided by Liberty Utilities (Park Water) Corporation. Lastly, I'm confident that the assets appraised are accurate in quantity, description and currently in use by the City of Perris Municipal Water Systems.

DESMOND, MARCELLO & AMSTER



Marcus Pigrom, ASA  
Senior Manager

MP/dp

g:\users\mf & e\ca public utilities commission\3867-01a6 city of perris water facility 030419.docx

## Scope of Work

Reasonableness Review of RCNLD Appraisal for Application (A.) 18-05-011

### 1. Service Overview

Contractor shall provide the Public Advocates Office of the California Public Utilities Commission (CPUC) with a reasonableness review of the Replacement/Reproduction Cost New Less Depreciation (RCNLD) appraisal filed in Application (A.)18-05-011. This Application requests approval of the sale of the City of Perris' Municipal Water System to Liberty Utilities (Park Water) Corporation.

### 2. Service Location

The services shall be performed at the CPUC's headquarters, the contractor's office, and other places as needed in performing the services of this contract.

### 3. Service Hours

The services shall be provided during normal working hours from 8:00 A.M. to 5:00 P.M., Monday through Friday, excluding state official holidays.

### 4. Project Representative

The project representatives during the term of this agreement will be:

<b>California Public Utilities Commission</b> Pat Ma, Public Advocates Office–Water Branch Telephone: 415-703-1559 E-mail: <a href="mailto:patricia.ma@cpuc.ca.gov">patricia.ma@cpuc.ca.gov</a>	<b>[Enter Awarded Agency Name]</b> <b>[Enter Name of Awarded Agency's Contract Manager]</b> Telephone: (XXX) XXX-XXXX Fax: (XXX) XXX-XXXX E-mail: XXXXXXXX@XXXXXXX
--	--

Direct all inquiries to:

<b>California Public Utilities Commission</b> Contracts Office Attention: Pablo Salinas, AGPA Address: 505 Van Ness Ave. San Francisco, CA 94102 Phone: 415-703-2777 Fax: 415-703-5922 Email: <a href="mailto:pablo.salinas@cpuc.ca.gov">pablo.salinas@cpuc.ca.gov</a>	<b>[Enter Awarded Agency Name]</b> Section or Unit Name (if applicable) Attention: [Enter name, if applicable] Street address & room number, if applicable P.O. Box Number (if applicable) City, State, Zip Code  Telephone: (XXX) XXX-XXXX Fax: (XXX) XXX-XXXX E-mail: XXXXXXXX@XXXXXXX
--	---

- A. Either party may make changes to the information above by giving written notice to the other party.

## **5. Contract Term**

The term of this contract shall be for a period of one year with the State's option to amend the contract for a one-year extension period, or portion thereof. Any contract extension will not become effective until an approved contract amendment has been properly executed by both parties (the State and Awarded Agency) to the contract in a timely manner.

## **6. Contract Cost**

Original contract pricing for the initial term and for the extension period will be in effect for the entire contract term. The total cost of services for the term extension shall not exceed \$9,999.99.

The Commission will have sole responsibility for payment to the Awarded Agency(s) for the work described in this SOW. The Commission makes no guarantee regarding the specific projects or amount of funding that will be assigned in any given year, nor does the Commission guarantee that the Awarded Agency will be assigned work according to the assigned segmentation.

## **7. Progress Reports or Meetings**

- A. Awarded Agency shall submit progress reports or attend meetings with state personnel at intervals determined by CPUC to determine if the Awarded Agency is on the right track, whether the project is on schedule, provide communication of interim findings, and afford occasions for airing difficulties or special problems encountered so that remedies can be developed quickly.
- B. At the conclusion of this agreement and if applicable, Awarded Agency shall hold a final meeting at which the Awarded Agency shall present any findings, conclusions, and recommendations. If required by this agreement, the Awarded Agency shall submit a comprehensive final report.

## **8. Awarded Agency's Tasks and Responsibilities**

The Contractor (Awarded Agency) shall provide the Public Advocates Office of the CPUC with a reasonableness review of the Replacement/Reproduction Cost New Less Depreciation (RCNLD) appraisal filed in A.18-05-011.<sup>1</sup> This Application requests approval of the sale of the City of Perris' Municipal Water System to Liberty Utilities (Park Water) Corporation.

The Contractor shall in collaboration with the Public Advocate Office's expert witness provide an evaluation (reasonableness review) of the RCNLD appraisal filed in A.18-05-011. The evaluation and the resulting written report should include:

- 1. Review of data, information, and records provided by Liberty Utilities in A.18-05-011 in support of the Application's appraisal.

---

<sup>1</sup> A.18-05-011, p. 4, refers to the appraisal as "Replacement Cost New Less Depreciation." Its Exhibits 2 and 3 refer to the North Perris Water System and Downtown Water System appraisals, respectively, as "Reproduction Cost New Less Accrued Depreciation" appraisals.



2. Review and determine the appropriateness and reasonableness of the methodology used in the Application's appraisal.
3. Review and determine the appropriateness and reasonableness of the costs and depreciation presented in the Application's appraisal.
4. Review the above for compliance with Public Utilities Code §§ 2718-2720 and CPUC Decision 99-10-064.
5. Based on the above, determine the reasonableness of the Application's appraised value of the water system, and provide different appraised values (range of values) as appropriate.

The Contractor's evaluation and resulting report must be adequate in preparing the assigned Public Advocate Office's expert witness for development of testimony and evidentiary hearing in A.18-05-011.

The report shall be sent via email as Word/PDF/Excel documents and be available without any restrictions for the Public Advocate Office's use.

## **9. State Responsibilities**

- The Public Advocates Office will appoint a Program Contract Manager to approve deliverables.
- The Program Contract Manager will be responsible for coordinating payments of invoices.
- The Public Advocates Office will provide the Awarded Agency with an initial understanding of the assignment and deliverable expectations.
- The Public Advocates Office will provide sufficient access to appropriate levels of staff, other users and commission management as appropriate to facilitate the performance of consulting tasks and creation of deliverables.
- It shall be the Public Advocates Office's sole determination as to whether a deliverable has been successfully completed and acceptable by the Public Advocates Office. There may be a signed acceptance document for each deliverable before invoices will be approved for payment.

## **10. Travel**

If travel reimbursement is allowed, travel costs are to be specifically identified and reimbursement will be limited to rates published by the Department of Personnel Administration. If no travel shall be permitted under this agreement, then travel costs shall not be reimbursed. Proposed costs shall be fully loaded.