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ORIGINAL

Decision No. 74643

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of PARK WATER COMPANY, a California Corporation, for Authorization to Increase Its Rates Charged for Water Service.	Application No. 49080 (Filed January 12, 1967) (Amended January 8, 1968)

Chris S. Rellas, for applicant.
Alex Googooian, for City of Bellflower;
Robert B. Carleson and D. E. Donovan, for City of Pico Rivera;
Henry Lewis Goerlick, for City of Bell Gardens; Mrs. Jeanette Urban; and Dora L. Bateman; protestants.
Charles R. Dobbins, for Assemblyman L. E. Townsend, 67th Assembly District; and Harvey Howard, for Leon Ralph, Member of California Legislature; interested parties.
Vincent MacKenzie, Counsel, and Chester O. Newman, for the Commission staff.

O P I N I O N

Applicant Park Water Company seeks authority to increase rates for water service in its thirteen service areas, which for the most part are within the southeastern metropolitan Los Angeles area.

After due notice public hearings were held before Examiner Main in two series: one series on August 1 and 2, 1967 in Downey and August 4, 1967 in Los Angeles, and the other on January 23 and 24, 1968 in Pico Rivera and January 25, 1968 in Los Angeles. The August hearings were adjourned following numerous customer complaints about service, notably low pressure and poor water quality, and applicant's commitment to prepare a report on the standard of service being rendered in each service area, the improvements required to correct deficiencies, the cost of such improvements, and the impact on revenue requirements.

The matter was submitted on January 25, 1968 with provision for filing Exhibits 12 and 13 on or before February 7, 1968 and for filing a statement of position of Commission staff also on or before February 7, 1968, and a reply by applicant to the staff statement within ten days thereafter. Said exhibits and the staff statement have been received; applicant did not elect to reply to the staff statement and the matter is now ready for decision.

Service Areas, Water Systems and Service

In 1966 applicant served approximately 37,100 residential customers, 3,900 business customers, 117 industrial customers, and 110 public or municipal customers in 13 service areas. The service areas include portions of the cities of Artesia, Baldwin Park, Bell Gardens, Bellflower, Commerce, Compton, Downey, Hawaiian Gardens, Lynwood, Montebello, Norwalk, Paramount, Pico Rivera, Santa Fe Springs, and Southgate. Service is also provided in unincorporated areas of Los Angeles County in Gardena, La Mirada, and Willowbrook, and west of the city of Chino in San Bernardino County. About 90 percent of applicant's service is rendered within incorporated cities.

The source of water supply for the service areas comprises 84 wells and 3 MWD connections. The wells range in size from 10-inch diameter to 24-inch diameter and are equipped with deep well turbine pumps that range in size from 10 horsepower to 150 hp. Wells deliver water through combination sand traps and hydropneumatic tanks into distribution systems. The MWD connections have a combined capacity of 32 cubic feet per second. There are 4 storage tanks, having a combined capacity of 2,050,000 gallons.

Below is a tabulation of the service areas, showing the number of separate systems, the number of wells, MWD taps and reservoirs, and the number of customers in each of the designated service areas:

TABLE 1

Service area designation	Number of: Separate systems	Wells	MWD taps	Reservoirs	Customers
Baldwin Park	1	1			200
Bellflower-Downey	4*	23		1	11,155
Bell Gardens	1	4	1	1	1,917
Chino	1	2			260
Compton	3	15	1	1	8,874
Gardena	1	3			638
Hawaiian Gardens	1	2			349
La Mirada	1	2			338
Montebello	1	2			311
Norwalk	1	17	1	1	11,773
Paramount	3	7			1,730
Pico Rivera	2*	4			3,146
South Gate	1	2			583
Totals	21	84	3	4	41,274

*System 2 in Pico Rivera Service Area is interconnected with System 42 in Bellflower-Downey Service Area.

The service areas are generally flat and consequently have little difference in static pressure. Pump controls actuated by pressure switches operate to maintain a minimum of 40 psi at the plant. In certain service areas it is necessary to add chlorine and polyphosphates to well water containing excessive amounts of iron and manganese. Treatment is applied by hypochlorinators.

As previously mentioned numerous complaints were received during the course of the hearings regarding water service. Complaints were received in the form of petitions filed with the Commission, letters of protest to Park Water Company, and oral testimony given at the public hearings. A total of 365 complaints were received. Of these, 87 complained of poor water quality, 108 complained of low pressure, and 170 complained of poor service in general. Of the total number of complaints, 269 were received in the form of signatures to five separate petitions. As indicated in Table 2, complaints regarding low pressures were received from systems in the Bellflower-Downey, Compton, Norwalk, Paramount and Pico Rivera areas. In each of these areas complaints were also received regarding poor water quality.

TABLE 2 - Complaint Record

			Type of Complaint, total number				
Service area	System	Form of complaint	Dirty Water	Sand	Low pressure	Other	Service in general
Bellflower-Downey	11	Petition			25		
	11	Letter		1			
	42	Letter			1		
	1	Petition					36
Compton	9	Petition					133
	13	Verbal			1		
	16	Verbal			1	1	
Norwalk	6	Verbal	1				
	46	Letter	1		1	1	
Paramount	51	Letter	1				
	51	Verbal				1	
	52	Petition	75		75		
	52	Letter				1	
Pico-Rivera	2	Letter	1		1	1	
	2	Verbal	1	1	3	1	
Total Complaints			80	2	108	6	169

Improvement Program

An analysis of the above complaint record is not completely informative. In formulating an improvement program (Exhibit 9) the firm of consulting engineers retained by applicant evaluated existing facilities for production, treatment, transmission, distribution and storage in each service area. Service deficiencies were thereby located and analytically verified, and a program of construction was put together under which the consultants believe it will be possible to eliminate or control a substantial portion of the present deficiencies. Such deficiencies primarily consist of poor water quality and low pressure in systems where wells supply water containing excessive amounts of iron and manganese[1/] and where main replacements are needed.

1/ Troubles with rust-colored water and the staining of plumbing fixtures and laundered fabrics stem from the presence of iron and manganese. In groundwater, which is normally devoid of oxygen, these constituents are present in solution and thus are invisible at a well pump discharge. Following oxidation, by aeration or chlorination or any other means, precipitation takes place and the precipitated material causes the water to acquire a color which may vary anywhere from rust or red through purple to black. Accumulations of precipitated iron and manganese, which may develop in dead ends or other portions of a distribution system subject to restricted circulation, are a frequent cause of consumer complaints, especially when they lead to severe staining of laundered fabrics. The limiting concentration for iron is 0.3 mg/l and for manganese, 0.05 mg/l. Waters high in iron and manganese are also prone to infestation by iron bacteria, notably Crenothrix, which accumulate as slime in wells and distribution piping, and on decay, impart a musty taste and a sulfide odor.

A discussion of the individual service areas in relation to the improvement program follows:

Baldwin Park Service Area. This area is served by an isolated system supplied only by one well. The well supply is adequate to meet peak hour demands. Service pressures are satisfactory. An agreement with Baldwin Park County Water District to provide for an intersystem connection is pending. This agreement was executed by applicant over a year ago and final action by the District has not been taken. The connection would provide supply reliability in the event of failure or shutdown of the present single well source of supply. The cost of the aforesaid intersystem connection would be minor and has not been included in the improvement program.

Water produced from the well in this area is of reasonably good quality for domestic uses.

Bellflower-Downey Service Area. Service in this area is provided by four separate systems, which are: (1) The portion of System 5 served by Well 5D, (2) System 11 and the portion of System 5 supplied from Well 5E, (3) System 42 (isolated from the balance of the Bellflower-Downey Service Area and contiguous to and integrated with System 2 in the Pico Rivera Service Area), and (4) interconnected Systems 1, 8, 21, 23 and 40.

(1) System 5--Portion served by Well 5D. This system is adjacent to Rio Hondo at Florence Avenue and Well 5D is its only source of supply. Supply from this well appears to be adequate to meet peak demands within the system. A manually-operated interconnection with the City of Downey water system provides for

emergency and fire supply for System 5D. The distribution network was found to be adequate and no pressure problems were disclosed by a hydraulic analysis of the system. Water quality appears to be satisfactory except for the fact that the water is classified as "very hard." No improvements are proposed by applicant for System 5D.

(2) System 5--Portion supplied from Well 5E--and System 11. The portion of System 5 supplied by Well 5E is connected to System 11 by an 8-inch main on the extension of Ryerson Avenue. The normal source of supply is Wells 11B and 5E, with Well 11A on standby. Supply capacity is adequate to meet maximum demands. A manually-operated interconnection with the City of Downey water system is located on the southerly extension of Ryerson Avenue. About one-half of the original pipelines in this system have been replaced. Service pressures appear to be satisfactory and the distribution network is adequate. Although no complaints have been reported, water quality is questionable in light of the excessive amount of iron present in the water produced by Well 5E (3.4 mg/l vs. suggested limit of 0.3 mg/l). The improvement program provides for an expenditure of $700 in 1971 to equip Well 5E for the addition of polyphosphate.

(3) System 42. This system is interconnected with System 2 in the Pico Rivera Service Area at the system boundary along Gallatin Road. Two pipelines, a 6-inch line and an 8-inch line, cross the Santa Ana Freeway in System 2. Supply from wells in System 42 is adequate to meet maximum demands. The pipeline grid is acceptable and service pressures in this system appear to be satisfactory. Other than being classified as very hard, the water supply to this system is of satisfactory quality.

(4) Systems 1, 8, 21, 23, 28 and 40. The large portion of the Bellflower-Downey Service Area south of Firestone Boulevard and west of San Gabriel River consists of six interconnected distribution systems. Supply from wells appears to be adequate in quantity to meet present demands, but well production to meet water requirements in peak demand seasons is marginal. The MWD lower feeder and the South Coast feeder pass through this area. A connection located on the MWD lower feeder at Bellflower Boulevard has a total capacity of 22 cfs. Applicant is entitled to 10 cfs of this capacity but has not installed the equipment necessary to divert this flow. Several of the wells in this area are being treated with polyphosphate and hypochlorite for the purpose of holding iron and manganese in solution and for corrosion control. To supplement the water supply to this area, the improvement program provides for the construction of a service tap with a capacity of 10 cfs on Woodruff Avenue at Imperial Highway from the MWD South Coast feeder. This MWD tap is estimated to cost $39,600 and is scheduled for construction in year 1971.

A water quality and pressure problem was found to exist in the portion of System 1 west of Paramount Boulevard (Tract No. 13091). The problem area is served through a 6-inch pipeline approximately 2400 feet long from Well 1B. Manganese concentrations in water from this well exceed the recommended maximum. Service to Tract No. 13091 would be improved by construction of a new 8-inch pipeline in Alameda Street between Dolan Avenue at Paramount Boulevard and in Paramount Boulevard between Alameda Street and Melva Street. About 2700 feet of new pipeline is required at an estimated capital cost of $25,100 and is scheduled for installation in year 1968. The new pipeline would improve supply reliability and service pressures in this area and the quality of water served would be improved by supplying the area with water from wells in the vicinity which produce water of better quality than that available from Well 1B. Following construction of the new pipeline, Well 1B is to be placed on standby operation and water supplied to the area west of Paramount Boulevard from the east and the south.

Bell Gardens Service Area. Supply to this system is adequate with two-thirds of demand being met from the MWD middle feeder through tap No. CB-45. The distribution network is adequate in capacity. Approximately 16,000 feet of pipelines have been replaced in the last 30 months but a similar quantity remains in need of replacement. The water supplied by Wells 3C and 3D is classified as very hard but the total dissolved solids and sulfate content are well below the levels present in the waters from the MWD source. Current efforts toward pipeline replacements are being concentrated in the Bell Gardens Service Area and it is estimated that the total capital cost of replacements remaining to be made amounts to approximately $300,000, of which $30,000, $200,000, and $70,000 are scheduled to be expended in years 1968, 1970 and 1971, respectively.

Chino Service Area. This area is supplied by two wells, one of which supplies normal demands, and the other is used for peaking purposes. Combined production from both wells is adequate to meet maximum demands. Service pressures throughout most of the Chino system are adequate. The water supplied from these wells is only moderately hard and is considered to be of good quality for domestic uses. No improvements are proposed for the water system serving the Chino Service Area.

Compton Service Area. Water service in this area is provided through three separate systems. The portion of this service area adjacent to the Long Beach Freeway at Rosecrans is served by Systems 4, 7 and 10. System 9 is an isolated system located adjacent to Long Beach Boulevard approximately one mile south of the southerly border of System 10. The Compton-Willowbrook portion of this service area is served by Systems 12, 13, 14, 16, 17, 18, 19, 30 and 31, which are interconnected.

Systems 4, 7 and 10. Supply from wells in the East Compton area is adequate to meet maximum demands in these interconnected systems. The pipeline grids are adequate to maintain reasonable service pressures. The water supply from Well 7A contains excessive amounts of iron and manganese, .52 mg/1 and .31 mg/1, respectively. In year 1965, 153.5 acre-feet were produced at said well, which represents 16 percent of the total production of the wells serving these interconnected systems. The improvement program does not provide for the treatment of water produced by Well 7A.

System 9. Supply from Wells 9A and 9C is adequate in quantity to meet maximum demands in this system. The water supply from Well 9A is being treated with polyphosphate for the purpose of holding iron and manganese in solution and is also being chlorinated to control troublesome bacteria growths. Well 9A is run continuously, with Well 9C being used for standby and peaking purposes. However, it appears that the quality of the water produced from Well 9C is better inasmuch as the iron and manganese concentrations are well within acceptable levels. The pipeline grid is adequate in capacity, but many of the old steel lines are subject to severe leaks and are in need of replacement. Toward this end, the improvement program includes $46,200 for such replacements in year 1968. Also scheduled for installation in 1968 is the equipping of Wells 9A and 9C with variable speed electric or gas engine drives at an estimated cost of $17,200. So equipping these wells will eliminate the need for hydropneumatic tanks and thereby avoid the exposure of iron and manganese found in the water to the air cushion in such tanks. Applicant has a program of flushing mains in this system on a biweekly basis.

<u>Systems 12, 13, 14, 16, 17, 18, 19, 30 and 31</u>. These interconnected systems comprise the western portion of the service area and have adequate sources of supply to meet present maximum demands. The sources include eight wells and MWD tap CB-9 which supplies about 60 percent of the total water requirements. Service pressures, with the exception of those in a portion of System 13, are satisfactory. Pipelines in System 13 are old steel mains which are in need of replacement and will not withstand high pressures. Under the improvement program applicant defers such replacement until year 1971. The estimated capital cost of the replacement of the old mains is $99,000. The water supplies to these systems do not appear to pose the troublesome water quality problems encountered elsewhere.

A new hospital is proposed for construction on Wilmington Avenue north of El Segundo Boulevard. To provide adequate supply for the hospital it will be necessary to construct a new tap on the MWD West Coast feeder at El Segundo Boulevard and Wilmington Avenue. Supply at the rate of 5 cfs from the new tap will be adequate to supply the hospital and to permit reduction in use of some of the wells. Systems 12, 18 and 19 are connected to System 16 through a

6-inch pipeline approximately 500 feet long and an 8-inch line in El Segundo Boulevard. At present, supplemental supply to Systems 12, 18 and 19 must be provided through these pipelines in the event of shutdown of wells in this area. The aforesaid new MWD tap and related facilities would eliminate this operating problem.

The following tabulation sets forth the facilities proposed to be constructed in order to serve the aforementioned hospital. Said facilities are scheduled for construction in year 1968.

Description	Estimated Cost
MWD Tap, 5 cfs, El Segundo Blvd. at Grandee Ave.	$ 52,800
2.0 mil. gal. reservoir	258,780
Booster pumping station	105,600
16-inch pipeline in El Segundo Blvd. between Grandee Ave. and Wilmington Ave., and in Wilmington Ave. between El Segundo Blvd. and reservoir, 4,500 ft.	200,640
12-inch pipeline in 120th St. between Compton Ave. and reservoir, 2,000 ft.	63,360
Total	681,180*

*$170,280 of this total to be borne by Park Water Company; the remainder or $510,900 is to be contributed by the developer of the hospital.

Gardena Service Area. Supply from wells in this area is adequate to meet maximum demands. The distribution network is acceptable and service pressures appear satisfactory. The water is of good quality for domestic uses and is only moderately hard.

Hawaiian Gardens Service Area. Supply from the two wells in this area is adequate to meet maximum demands. Well 24C is in use and the other well (24A) is available for standby and emergency purposes. The water produced by Well 24C contains an excessive amount of manganese (.10 mg/l) and is treated with polyphosphates and hypochlorite. Excessive concentrations of both manganese and iron are present in water from Well 24A. Reliability of supply and quality of water to this area could be increased by construction of an interconnection with Southern California Water Company. Some water quality and pressure problems are experienced. There are numerous deadend mains in this system and main replacements are needed. Such replacements are estimated to cost $42,000, and are deferred under the improvement program until year 1972.

La Mirada Service Area. The only source of supply for this service is Well 43A. Another well in the area, Well 43B, has been abandoned because it produced excessive amounts of sand. The capability of Well 43A to meet peak demands in the system is marginal. Because of this, Park Water Company has an intersystem connection with Southern California Water Company for emergency and peaking uses. Several deadend mains exist in the distribution system, but the pipeline network is adequate to operate with minimum pressure losses. Pressures are in the 40-psi range during peak demand periods.

Water produced by Well 43A is classified as very hard, and the total dissolved solids are in the 700 range; otherwise the water quality is satisfactory. No improvements are proposed for this service area.

Montebello Service Area. The combined capacity of the two wells serving this area is adequate to meet peak system demands. The distribution network is satisfactory and service pressures are acceptable. As to water quality, iron and manganese are the only chemical constituents whose concentrations exceed the suggested limits. The record indicates that these excessive concentrations are found in water produced by Well 25A; however, the water produced by Well 25B is presently being treated with polyphosphate and hypochlorite.[2/] To increase supply reliability and fire-fighting capability in this service area, an intersystem connection with San Gabriel Valley Water Company, at an estimated cost of $5,000, is provided for in the improvement program and scheduled for installation in year 1971.

Norwalk Service Area. This service area is served by Systems 6, 20, 29, 41, 45 and 46 which are interconnected; however, the 6-inch connection between System 45 and System 29, which is a portion of the service area south of Firestone Boulevard, is inadequate. Tap CB-26 on the MWD lower feeder supplies System 45 and would supply more MWD water to other systems in the Norwalk area, if the aforesaid inadequate connection were reinforced. In addition to the MWD tap, the sources of supply for this area include 17 wells. The capability of these wells to meet demands on peak days is marginal. A blind flange outlet with a capacity of 10 cfs exists on the MWD lower feeder at Studebaker Road. This tap could be

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2/ In view of this apparent inconsistency, well sampling procedures should be reviewed and controls placed in effect to assure that the samples correspond to the wells from which they were taken.

equipped and put into service in order to supplement supply to the central portion of the Norwalk Service Area. With the exception of said 6-inch connection between System 45 and the balance of the Norwalk area, the distribution network is adequate to maintain satisfactory pressures.

The water produced by Well 46A, which is relied upon as a heavy producer, contains an excessive concentration of iron (1.10 mg/l). This well pumped 532.9 acre feet in year 1965, its water is not presently treated, and no provision is made in the improvement program for treatment. The improvement program provides for reinforcing the connection between Systems 45 and 29 in year 1972 by means of a 12-inch pipeline at an estimated cost of $74,600, but does not include a connection to the MWD lower feeder at Studebaker Road which would provide an additional source of supply in the western portion of this service area.

Paramount Service Area. One of the major water quality problems is found to exist in ground water produced in this service area which is served by three separate systems (Systems 50, 51, and 52). Manganese is found in concentrations exceeding the recommended maximum in Wells 50D, 51B, 52A, and 52B. Iron concentration in Well 52B, a standby well, also exceeds the suggested limit. Well 51B produces water in which the fluoride concentration (2.2 mg/l) is above the suggested maximum. Polyphosphates are being fed at Wells 50D, 51B, and 52A for the purpose of holding iron and manganese in solution. At these three stations hypochlorite is introduced into the pipeline to control troublesome growths of bacteria.

Pipelines in Systems 50, 51, and 52 are in need of replacement. System 51 consists of two small systems connected by a single 6-inch and 8-inch pipeline; Well 51B, which is its only source of supply, is located in its extreme eastern portion; pipelines in this system are flushed weekly.

The following items, which come to a total estimated cost of $537,200, are provided in the improvement program:

(a) Elimination of use of the pneumatic pressure tanks at Well 51B and replacement of the electric motor with variable speed or gas engine driver to help control the problems associated with the presence of iron and manganese in the water from this well; scheduled for installation in year 1968 at an estimated cost of $5,300.

(b) Main replacements in System 51: Estimated cost $79,200; installation, 1968.

(c) Main replacements in System 50: Estimated costs, $84,800 and $100,000, scheduled for years 1969 and 1970, respectively.

(d) Main replacements in System 52: Estimated cost, $184,800; installation, 1969.

(e) MWD tap, 5 cfs, middle feeder at Rosecrans Avenue; estimated cost, $33,000; installation, 1969. 12-inch pipeline in R/W between Howery Street and in Rosecrans Avenue; estimated cost, $50,200; installation, 1969. Construction of this MWD tap and this pipeline, which connects Systems 50 and 52, should permit substantial reduction in use of water containing excessive concentrations of iron and manganese produced from wells in these systems.

Pico Rivera Service Area. This service area is served by two separate systems, System 2 and System 47; however, System 2, as previously stated, is interconnected with System 42 of the Bellflower-Downey Service Area. Supply to System 2 is not adequate to meet water requirements during maximum demand periods. This supply deficiency results in low pressures in the eastern portion of

System 2. System 47 is supplied by one well, - Well 47A. For emergency supply to this system there is a manually operated interconnection with the City of Downey water system. The water produced from wells in this service area is of reasonably good quality for domestic use.

The improvement program makes provision for a new well in or near the problem area of System 2, which should substantially improve the low pressure condition, and provision for the construction of a new pipeline in Orange Avenue to improve the circulation in the distribution system. These improvements in System 2 are estimated to cost $81,600 and are scheduled for year 1968,

Southgate Service Area. The sources of supply and pipeline network provide satisfactory service.

Evaluation of Improvement Program and Its Financing

Applicant has not kept pace with the essential service needs of its customers and the programmed improvements are long overdue. Accordingly, construction of the improvements should be accelerated and the program completed in not more than 3 years. Other than in its scheduling, the program falls short in assuring reliability of supply for certain systems and it may not remedy the water quality problem in areas served with locally produced water high in iron and manganese content. These actual or potential shortcomings will require appropriate disposition in our findings and order herein. Finally, upon completion of the improvement program the standard of service to be then rendered will be below the level expected in metropolitan areas.

The 5-year improvement program adopted by applicant is rescheduled to a 3-year timetable as set forth below. The improvements scheduled have an estimated total cost of $1,279,000 and do not include the several major supply and distribution facilities required to provide water service and adequate fire protection to the new hospital to be built in the Compton-Willowbrook Service Area. This exclusion is warranted primarily because of the additional revenue producing character of such facilities, which is not compatible with the rate-fixing procedures used in the results of operation portion of this opinion, and to some extent because the systems immediately affected by such facilities are comparatively free from service deficiencies.

Table 3

3-Year Schedule of Improvements and Additions

Service area	Facility number(a) or description	Estimated Cost 1968	1969	1970
Compton	6	$ 6,600		
Compton	7	10,600		
Compton	Replacements in Sys.9	46,200		
Paramount	15	5,300		
Paramount	Replacements in Sys.51	79,200		
Bellflower-Downey	2	25,100		
Pico Rivera	18,19,20	81,600		
Paramount	16		$ 33,000	
Paramount	17		50,200	
Paramount	Replacements in Sys.50		84,800	$100,000
Paramount	Replacements in Sys.52		184,800	
Bell Gardens	Replacements	30,000		270,000
Bellflower-Downey	1		39,600	
Bellflower-Downey	3	700		
Compton	4		4,600	
Compton	5		6,300	
Compton	Replacements in Sys.13		99,000	
Montebello	Intersystem connection		5,000	
Norwalk	13, 14			74,600
Hawaiian Gardens	Replacements			42,000
	Annual Totals	$285,300	$507,300	$486,600

(a) - Keyed to Exhibit 9. For description see Tables 5-2 through 5-6 therein.

For reliability, all systems with a single source of supply should have an adequate additional source and all systems which rely upon manually operated interconnections with other systems to assist in meeting peak season demands or fire flow supply should have such interconnections automated. The proposed polyphosphate treatment and elimination of hydropneumatic tanks to control the problem occurring in water supplies containing excessive concentrations of iron and manganese appear to be of questionable efficacy. Careful control and observation of the results of this treatment will be necessary to determine its effectiveness.

The criteria to be met in the hydraulic analysis of systems for the improvement program included pipeline flows based upon the estimated present level of peak water requirements, exclusive of fire flow, and a minimum pressure of 30 psig at services. The present customer demands used will probably satisfy needs for some time to come since there appears to be little growth potential in most of the areas served and the minimum pressure complies with the Water Ordinance and Utility Manual of July 1964, Los Angeles County. Said manual also sets forth fire flow requirements but these do not apply retroactively to existing installations. Pipeline additions and replacements are to be sized however to provide greater flows for fire protection.

Although the above procedures yield requirements which exceed the minimum standard for service pressures set forth in General Order No. 103, they fall short of providing the standard of service including fire flow expected in metropolitan areas.

The evaluation of the quality of water supplies in use and the remedial measures to be taken included consideration of chemical analyses of such supplies, U. S. Public Health Service Drinking Water Standards, customer complaints, prior studies prepared by other consultants retained by applicant and the operational experience of applicant's personnel. In connection with the chemical analyses, it appears that the quality of water from a given well may vary depending on how continuously the well is operated and other factors. There is also a distinct possibility that samples of water taken from wells inadvertently are switched.

We turn now to the financing of the improvement program. It appears that applicant has not made many essential and long overdue water system improvements because of reluctance to incur additional long-term debt.

Applicant's long-term debt consists of two installment notes requiring interest and principal payments semi-annually. Each note bears an interest rate of 3-3/8 percent applicable to declining balances, and each had a balance of $650,000 owing at December 31, 1966. Both notes were issued under similar agreements which were authorized by Decision No. 45673, dated May 8, 1951, in Application No. 32254.

Applicant's capital structure as of December 31, 1966, consisted of the aforesaid long-term debt of $1,300,000 and common equity of $3,385,246. The equity position is, of course, predominant representing 72.3 percent of the total capitalization of $4,685,246. Of the 27,173 shares of applicant's capital stock outstanding, 10,190 shares were held directly by its president and not less than 13,538 shares were held by other members of the Wheeler family.

In recent years applicant has relied upon internally generated funds, which include earnings, to continue with its metering program and to make some of the needed improvements to its water systems. Such funds, after meeting certain commitments against them such as the metering program and principal payments on applicant's long-term debt, have not been sufficient to carry out many other needed improvements.

To finance its five-year improvement program applicant wishes to avoid incurring additional long-term indebtedness, and proposes to supplement internally generated funds with short-term borrowings, perhaps with renewal options. Applicant is concerned that it might be required to renegotiate at current interest rates the promissory notes comprising its existing long-term debt if it seeks additional long-term debt financing.[3/]

The three-year improvement program set forth in Table 3 hereinabove contemplates additional equity and/or long-term debt financing. As can be determined from the operational results set forth hereinafter, applicant has ample bondable capacity, as often measured by 60 percent of rate base and by interest payments not to exceed one-half of the net revenue after taxes, to accommodate the entire $1,279,000 involved in the program.

3/ Based upon an examination of the terms of the pertinent loan agreement (executed under authority granted by Decision No. 45673, dated May 8, 1951, in Application No. 32254), there does not appear to be adequate cause for such concern.

While we appreciate applicant's concern, if properly founded, over disturbing its present long-term debt carrying a 3-3/8 percent interest rate, a protracted scheduling of improvements essential to applicant's water service should be of greater concern. Moreover, if further improvements are required, they should not be delayed or deferred while adequate financing is obtainable.

Rates

The present rates of Park Water Company are set forth in nine schedules which provide rates for general metered service, general flat rate service, temporary metered service, temporary flat rate service, public fire protection, and private fire protection. Applicant proposes to increase the rates for general metered service and for general flat rate service.

General metered service is provided under Schedules Nos. 1 and LS-1 and general flat rate service under Schedules Nos. 2 and LS-2. Schedules Nos. 1 and 2 are applicable to all service areas except Baldwin Park and Chino; Schedules Nos. LS-1 and LS-2 are applicable to the Baldwin Park and Chino service areas. The present rates in these four schedules were authorized by Decision No. 67909, dated September 22, 1964, in Application No. 46071, and became effective November 5, 1964.

As can be seen in the rate tabulations below, the difference in rates between Schedule No. 1 and Schedule No. LS-1 and between Schedule No. 2 and Schedule No. LS-2, is minimal. Accordingly, we do not see the need to retain Schedules Nos. LS-1 and LS-2 if the applicability of Schedules Nos. 1 and 2 is extended to cover the Baldwin Park and Chino service areas. On the other hand, we do see that perhaps in a future rate proceeding on Park Water

Company, it could become necessary to group the 13 service areas into suitable rate districts. In this connection it is important to note, however, that the rates of Park Water Company are the lowest of any major water utility regulated by this Commission, and the additional costs inherent in administering and accounting for services rendered within rate districts may outweigh the benefits to be obtained from operations under such districts. The rates which will be authorized herein provide for extending the applicability of Schedules Nos. 1 and 2 and eliminating Schedules Nos. LS-1 and LS-2.

Because of its five-year improvement program applicant has proposed several levels of rates, as shown hereinafter, which are keyed to the first three years of said program. To be responsive to the three-year improvement program set forth in Table 3 above and to exercise appropriate controls, we have developed a somewhat complex application of a series of rate levels, five in all, which either will be authorized herein subject to certain conditions or by supplemental orders. The five rate levels relate to the three-year improvement program as follows:

Rate Level	Relationship to 3-year Program
1	Without 3-year improvement program
2	With 3-year improvement program - 1968 phase
3	With 3-year improvement program - 1969 phase
4	Lag in the completion of 1969 or 1970 phase of improvement program
5	With 3-year improvement program - 1970 phase

If the three-year program is completed as scheduled or ahead of schedule, only rate levels 2, 3 and 5 would be applicable. However, applicant is placed on notice that completions of the improvements as scheduled are essential to said three rate levels going into effect and a new application might be required for any increase in rates after the downward triggering to a lower level of rates which would follow any failure to carry out the scheduled improvements.

Summarized below for general metered service and for flat rate service are applicant's present rates and the rates proposed by applicant which are compared with adopted rate levels 1, 2, 3 and 5. In connection with rate levels 1 and 2, the Commission takes notice of the federal income tax 10 percent surcharge adopted on June 28, 1968, applicable to corporate earnings during 1968 and the first half of 1969. While said tax surcharge is in effect, bills computed at rate level 1 or at rate level 2 would be increased by 1.58 percent or 2.25 percent, respectively. Although rate levels 3, 4 and 5 are designed for service on or after July 1, 1969, the rate schedules associated with these rate levels will contain a surcharge provision in the event the 10 percent surtax is not terminated as of July 1, 1969.

Present Rates for General Metered Service4/

Monthly Quantity Rates		Schedule No. 1	Schedule No. LS-1
First	1,000 cf or less	$ 1.70	$ 1.60
Next	1,000 cf, per Ccf	.15	.15
Next	8,000 cf, per Ccf	.125	.125
Next	90,000 cf, per Ccf	.10	.10
Next	200,000 cf, per Ccf	.08	.08
Over	300,000 cf, per Ccf	.075	.075

Comparison of Applicant's Proposed Rates and Adopted Rate Levels 1, 2, 3 and 5 for GENERAL METERED SERVICE4/ 5/

Schedule No. 1

Monthly Quantity Rates			Without Improvements	With Improvements 1968	1969	1970
First	800 cf or less*	Proposed:	$1.70**	$1.78	$1.84	$1.89
		Rate level 1,2,3,5:	1.53	1.72	1.75	1.80
Next	4,200 cf, per Ccf	Proposed:	.17**	.178	.184	.189
		Rate level 1,2,3,5:	.156	.17	.175	.18
Next	95,000 cf, per Ccf	Proposed:	.12**	.126	.130	.133
		Rate level 1,2,3,5:	.11	.12	.123	.13
Over	100,000 cf, per Ccf	Proposed:	.10**	.105	.108	.111
		Rate level 1,2,3,5:	.09	.10	.103	.11

* The proposed rates under Schedule No. LS-1 differ only for the first 800 cf or less and are $1.60, $1.68, $1.73 and $1.78 at the 4 levels shown.
** Per this application before amendment to include improvement program.

4/ A surcharge of 2.04 percent is to be added to bills for service rendered in the city of Norwalk.

5/ Surcharges ranging between 1.58 and 2.25 percent to offset the 10 percent federal income tax surtax are also to be added to the bills.

Present Flat Rates for General Service[4/]

Monthly Flat Rates	Schedule No. 2	Schedule No. LS-2
For a single family residential unit or commercial unit including premises not exceeding 7,500 sq. ft. in area	$1.80	$1.70
For each additional single family residential unit on the same premises and served from the same service connection	1.00	1.00
For each 100 sq. ft. of premises in excess of 7,500 sq. ft.	.02	.02

Comparison of Applicant's Proposed Flat Rates and Adopted Rate Levels 1, 2, 3 and 5 for

GENERAL SERVICE[4/] [5/]

Schedule No. 2

Monthly Flat Rates	Without Improvements	With Improvements 1968	1969	1970
For a single family residential unit or commercial unit including premises not exceeding 7,500 sq.ft. in area*				
Proposed:	$2.20	$2.30	$2.40	$2.45
Rate level 1,2,3,5:	1.90	2.10	2.15	2.25
For each additional single family residential unit on the same premises and served from the same connection				
Proposed:	1.20	1.25	1.30	1.35
Rate level 1,2,3,5:	1.05	1.15	1.20	1.25
For each 100 sq.ft. of premises in excess of 7,500 sq.ft.				
Proposed:	.02	.021	.022	.022
Rate level 1,2,3,5:	.02	.02	.025	.03

* The proposed rates under Schedule No. LS-2 differ only "For a single family residential unit . . . not exceeding 7,500 sq.ft. in area" and are $2.10, $2.20, $2.30 and $2.35 at the four levels shown.

4/ A surcharge of 2.04 percent is to be added to bills for service rendered in the city of Norwalk.

5/ Surcharges ranging between 1.58 and 2.25 percent to offset the 10 percent federal income tax surtax are also to be added to the bills.

For an average water use of 2,000 cubic feet per month, the monthly charge under Schedule No. 1 would increase from $3.20 under present rates to $3.92 under the proposed rates for 1968 or an increase of 23 percent. Under the rates in adopted rate level 2, after provision for the federal income tax 10 percent surcharge, the billing for that level of consumption is $3.84 or an increase of 20 percent over present rates.

Position of Protestants

Representatives of the Cities of Bellflower, Bell Gardens and Pico Rivera presented their respective positions for the record, which are as follows:

Bellflower. The level of service rendered within the city of Bellflower by applicant is below the standard required by previous Commission orders. The increase in rates proposed by the applicant is unreasonable and is not called for by the facts in the analysis of the true operating revenues and expenses available to Park Water Company.

Bell Gardens. The three water systems serving the City of Bell Gardens have a combined rating of Class 7 for fire protection purposes, and one of the three systems is operated by Park Water Company. There is no objection to a reasonable increase in rates but better service is sought, especially an improvement in the fire flow capability of applicant's water system within Bell Gardens, which is a Class 6 city with a Class 2 fire department.

Pico Rivera. The rate increases sought by applicant are opposed unless applicant's system within the city of Pico Rivera is brought up to standard.

Respecting the above positions, the three-year improvement program should eliminate or control a substantial portion of the present deficiencies in service to customers; fire flow capability would not be upgraded generally, but would be augmented to some extent in those systems where mains are replaced and additional pipelines installed; reasonable increases in rates are determined herein.

A representative of a large industrial customer in the Bell Gardens service area takes exception to the changes in rate design for general metered service (Schedule No. 1) proposed by applicant which reduce the number of quantity rate blocks from six to four and increase the rate in the proposed new tail block (to 10 cents per Ccf) by some 33 percent over the one in the present tail block. According to the representative, this customer was billed $1,705.08 for a consumption of 2,222,500 cubic feet in June, 1967, whereas a bill for this consumption computed at the rates proposed in the application before amendment would amount to $2,245.34. This represents an increase of 31.7 percent, or nearly double the percentage increase in total operating revenues estimated by applicant to result from the proposed rates involved. For other monthly consumptions, namely, 1,000, 1,500, 2,000, 3,000 and 5,000 cubic feet, monthly bills computed at such proposed rates would be higher by 20.0, 18.0, 16.9, 22.2 and 27.2 percent, respectively.

A pattern of ascending percentage increases above monthly consumptions of 2,000 cubic feet is responsive to present higher costs of water supplies and the continuing upward trend in such costs. In the Bell Gardens service area about two-thirds of the water requirements are met by Metropolitan Water District water for which applicant is charged $47 per acre-foot, or 10.8 cents per Ccf, effective July 1, 1968. For companywide operations about one-fourth of total water requirements are met from MWD sources.

As a matter of course, some of applicant's customers object to any increase in rates whatsoever, but generally applicant's customers do not appear to oppose a reasonable increase in rates provided that essential improvements in service are made.

Results of Operation

Consistent with the discussion above under the heading of Rates, operational results will be shown herein on the following three bases: (1) Without an improvement program, (2) with applicant's five-year improvement program, and (3) with the three-year program adopted for rate-fixing purposes.

The showings of the applicant and the Commission staff relative to estimated results of operation for test year 1967 and the operational results adopted herein without the three-year improvement program for that test year are summarized in Table 4 which follows.

TABLE 4

Estimated Results of Operation
(Test Year 1967 without Improvement Program)

Item	Present Rates Staff	Present Rates Applicant	Proposed Rates* Staff	Proposed Rates* Applicant	Adopted
Operating Revenues	M$1,772.1	M$1,762.2	M$2,063.5	M$2,048.9	M$1,889.2
Deductions					
Source of Supply	293.5	306.8	293.5	306.8	305.6
Pumping	163.8	163.6	163.8	163.6	166.1
Water Treatment	24.0	21.7	24.0	21.7	29.0
Trans. & Distrib.	152.4	150.5	152.4	150.5	152.4
Customer Accounts	168.2	168.2	168.2	168.2	168.2
Admin. & General	151.0	167.0	151.0	167.0	136.0
Subtotal	952.9	977.8	952.9	977.8	957.3
Depreciation	133.5	142.7	133.5	142.7	140.4
Taxes Other Than on Income	394.0	394.7	395.6	396.3	396.0
Taxes on Income	69.9	55.9	219.6	208.2	146.2
Total Deductions	1,550.4	1,571.1	1,701.6	1,725.0	1,639.9
Net Revenue	221.7	191.1	361.9	323.9	249.3
Rate Base	4,542.4	4,627.5	4,542.4	4,627.5	4,532.3
Rate of Return	4.9%	4.13%	8.0%	7.0%	5.5%

*Before amendment to application.

M$ = thousands of dollars

The staff's estimates and the applicant's estimates of operating revenues reflect total water sales under normal climatic conditions of 11,046,530 Ccf and 10,816,203 Ccf, respectively. The staff's estimates are responsive to a trend in water usage derived from a five-year period in which water use was correlated by means of graphical analysis with the temperatures and precipitation experienced and are based upon more recent customer data than were available to the applicant at the time its estimates were prepared. Notwithstanding the staff's higher estimate of water sales, the estimates of total water requirements are in the same range because the applicant includes in its estimate a substantially larger allowance for water losses. Such larger allowance amounts to 10 percent of total water requirements. The staff allowed 8 percent.

The source of supply and pumping expenses adopted in Table 4 are consistent with the staff's estimate of water sales and the staff's distribution of water requirements among sources of supply but provide an allowance for water losses amounting to 9 percent of the total water requirements.

The adopted water treatment expense has been increased over the estimates of either the staff or the applicant and is responsive to the serious water quality problems which applicant is experiencing. The staff's estimate of transmission and distribution expenses, which reflects more recent payroll data and is somewhat higher than the applicant's estimate, and customer accounts expense, estimated at the same level by the staff and the applicant, are adopted.

Applicant's estimate of administrative and general expense exceeds the staff's estimate by $16,000. This difference is accounted for primarily by the staff's estimate reflecting larger capitalization of administrative and general salaries, amortization of regulatory Commission expense over five years, and capitalization of injuries and damages and employees' pensions and benefits consistent with the payroll capitalized and expensed. The staff's estimate is based upon more recent data and appears more reasonable than the applicant's. In the adopted estimate a downward adjustment to the staff's estimate has been made, since the policies which have resulted in applicant's not meeting essential service needs of its customers warrant a reduction for rate-fixing purposes in management compensation at the level responsible for such policies. Said adjustment amounts to $15,000 of administrative and general salaries expensed. Adoption of the three-year improvement program by applicant's management would reflect appropriate remedial policies. Accordingly, as can be seen in the operational results set forth in Table 6 hereinafter, the adjustment would not be carried forward in that event.

Applicant's estimate of depreciation exceeds that of the staff by $9,200. Although there are some differences in estimates of depreciable utility plant and in the depreciation rates applied to the various plant categories, the major portion of the $9,200 is accounted for by the staff's higher depreciation accrual on contributed plant. In computing the depreciation accrual corresponding to contributed plant, the staff used a composite rate reflecting the entire depreciable utility plant mix, whereas applicant applied the depreciation rate corresponding to each plant category. The depreciation expense adopted in Table 4 is based upon the staff's estimates of depreciable utility plant, its determination of depreciation rates applicable to plant categories, and applicant's method of computing depreciation accruals corresponding to contributed plant. Such accruals are deducted from the total accruals in determining the depreciation expense.

The staff's estimate and the applicant's estimate of taxes other than on income are in close agreement and the adopted estimate in Table 4 is $396,000.

The adopted taxes on income comprise state franchise and federal income taxes, and were computed using the income tax rates and provisions in effect during 1967. The deduction for depreciation used is consistent with applicant's use of accelerated depreciation on the double declining balance method and the investment tax credit is consistent with the utility plant additions estimated for 1967.

Applicant's estimate of rate base exceeds the staff's estimate by $85,100, primarily because of the staff's treatment in its estimate of $88,800 in unpaid refunds due on advances for construction. The unpaid refunds due show a pattern of steadily increasing balances (of the $82,130 payable at December 31, 1966, $69,430 date prior to the year 1966) and the staff treated them as a deduction in the determination of rate base, whereas the applicant made no adjustment to rate base for this item. The staff's estimates of certain of the other components of rate base are somewhat higher than those of applicant due in part to the more recent plant data available to the staff and in part to the staff's higher depreciation accruals on contributed plant. The staff estimate of rate base, after being modified to be consistent with our treatment of depreciation expense above, is adopted.

The adopted rate of return of 5.5 percent, for test year 1967 without the improvement program, reflects applicant's service record. During 1967 and in recent prior years, applicant has not done nearly what it could reasonably be expected to do to improve service, and since the matter of service is of vital importance in a rate of return consideration, this lower than a normal level of return is justified. Such rate of return on the adopted rate base will produce a return of 6.1 percent on common equity.[5/]

5/ After adjustment for that portion of applicant's capitalization not used in public utility operations, the effective return on common equity would be 6.7 percent.

Summarized in Table 5 below is applicant's showing relative to operational results under its five-year improvement program. Such results are in the form of estimated revenue requirements and show the cumulative impact on applicant's estimates for test year 1967 shown in Table 4 above, of adding each of the five increments of the improvement program successively. This "rollback" procedure holds the deduction of depreciation reserve used in computing rate base at a nearly constant level over the five-year span of applicant's improvement program.

TABLE 5

Revenue Requirements as Estimated by Applicant
with its 5-year Improvement Program Imputed to Test Year 1967

Item	1967 Estimated*	Estimated 1967 after Rollback of Cumulative Net Additions under Improvement Program scheduled through: 1968	1969	1970	1971	1972
Rate Base	M$4,627.5	M$5,071.4	M$5,418.4	M$5,713.4	M$5,934.9	$M6,049.6
Return on rate base at 7%	323.9	355.0	379.3	399.9	415.4	423.5
Estimated net income at present rates	191.0	191.0	191.1	191.0	191.0	191.1
Additional net income required	132.9	164.0	188.2	208.9	224.4	232.4
Additional income tax requirement	152.3	173.7	194.2	210.8	223.7	229.9
Addl. increase in expenses:						
Taxes						
Local	1.6	1.7	1.8	1.9	2.0	2.1
Ad valorem		22.7	31.1	38.2	44.2	47.0
Depreciation		11.0	16.8	21.8	25.5	27.4
Total addl. expenses	1.6	35.4	49.7	61.9	71.7	76.5
Addl. gross revenue required	286.8	373.1	432.1	481.6	519.8	538.8
Gross revenue at present rates	1,762.2	1,762.2	1,762.2	1,762.2	1,762.2	1,762.2
Increase in revenue required	16.27%	21.17%	24.52%	27.33%	29.50%	30.58%

* Equivalent to operational results shown under Proposed Rates - Applicant in Table 4, above, except for small differences due to rounding.

M$ - Thousands of dollars.

The estimates of revenue requirements set forth in Table 5 are not based upon the three-year improvement program adopted herein for rate-making purposes, the rollback procedure used overstates the revenue requirements under the five-year program used, and the operational results for 1967 from which applicant has extended its computations of revenue requirements are not compatible with the operational results for test year 1967 adopted herein as shown in Table 4 above.

In addition, the rates proposed by applicant to meet the above revenue requirements for years 1968, 1969 and 1970 are not based upon the indicated percentage increases in revenue required but upon 4.90 percent, 8.25 percent and 11.06 percent increases, respectively, applied to the rates proposed originally to yield the 16.27 increase in gross revenues produced at present rates. This, of course, results in a compounding of the percentage increases and has the effect of increasing the rates of return used by applicant for those years from 7.0 percent to 7.1, 7.2 and 7.2, respectively.

For rate-fixing purposes we have developed the operational results which are summarized in Table 6 which follows. As stated earlier, rate levels 1 through 5 bear the following relationships to the three-year improvement program summarized in Table 3 hereinabove: Rate Level 1 - without 3-year improvement program; Rate Level 2 - with 3-year improvement program, 1968 phase; Rate Level 3 - with 3-year improvement program, 1969 phase; Rate Level 4 - lag in the completion of 1969 or 1970 phase of improvement program; and Rate Level 5 - with 3-year improvement program, 1970 phase.

TABLE 6

Adopted Results of Operation

	Year 1968		Year 1969		Year 1970
	Rate Level 1	Rate Level 2	Rate Level 3	Rate Level 4	Rate Level 5
Operating Revenue	M$1,906.3	M$2,098.0	M$2,151.0	M$2,039.3	M$2,225.0
Deductions:					
Operating expenses excl. source of supply	651.7	666.7	666.7	666.7	666.7
Source of supply exp.	322.7	322.7	339.8	339.8	356.9
Depreciation expense	140.4	147.5	155.5	147.5	163.3
Taxes other than income	396.0	399.1	407.9	402.2	424.8
Taxes on income	146.2	235.2	230.3	203.0	239.8
Total deductions	1,657.0	1,771.2	1,800.2	1,759.2	1,851.5
Net Revenue	249.3	326.8	350.8	280.1	373.5
Rate Base	4,532.3	4,668.6	5,011.2	4,668.6	5,335.9
Rate of Return	5.5%	7.0%	7.0%	6.0%	7.0%

M$ = Thousands of dollars

For rate level 1 the operational results shown in Table 6 differ from the results adopted in Table 4 hereinabove only in operating revenues and source of supply expense, each of which was increased by $17,100. Said amount reflects an increase of $3.00 per acre-foot in the cost of water purchased by applicant from Metropolitan Water District sources of supply, effective July 1, 1968. The taxes on income shown have not been adjusted upward in accordance with the federal income tax 10 percent surcharge adopted on June 28, 1968, and applicable to corporations during the period January 1, 1968 through June 30, 1969. The effect of said surtax is to increase the operating revenues required and taxes on income to $1,936,600 and $176,500, respectively. As previously mentioned in this regard, the revised rate schedules attached to the order herein as Appendix A provide for a surcharge of 1.58% on bills computed thereunder. This surcharge will offset only the future effect of the tax surcharge and is not designed to recoup any of the increased taxes on net revenue produced prior to the effective date of said revised rate schedules.

With the three-year improvement program in effect, the operational results shown have been developed on the premise that the improvement program consists of non-revenue-producing plant replacements, betterments or additions; that little growth is expected in applicant's service areas over the next several years; and that total water requirements of about the same magnitude as adopted for test year 1967 under normal climatic conditions is therefore not unreasonable. Accordingly, we have extended or "rolled forward," and modified as necessary, the adopted operational results for test year 1967 set forth in Table 4 to fit each year of the improvement program.

Source of supply expense is increased each year according to the scheduled increases in the costs of water purchased by applicant from the Metropolitan Water District sources. For rate levels 2, 3 and 5, depreciation expense is increased consistent with the net plant additions contemplated under the three-year improvement program. Such net plant additions are reflected on a full year basis in the year in which they are scheduled to occur, consistent with the year-end rate bases developed and the contemplated timing of placing these rate levels in effect at the midyear point successively through 1970. Midyear application of the rate levels is compatible with the scheduled increases in the cost of MWD water and with the presently scheduled termination of the 10 percent federal income tax surcharge. Taxes other than on income include the additional ad valorem taxes which are attributable to the net plant additions under the improvement program and the somewhat increased other local taxes which would result. Taxes on income have been computed in a manner consistent with the procedures used in arriving at the taxes on income adopted in Table 4 above. However, for rate level 2, where the effect of the 10 percent federal income tax surcharge is to increase operating revenues required and taxes on income to $2,145,300 and $282,500, respectively, an appropriate surcharge as mentioned in the case of rate level 1 will be included in the revised rate schedules which may be authorized. In determining rate bases on the roll-forward basis, the reserves for depreciation involved represent the reserve balance at the end of each year of the improvement program.

The operational results shown under rate level 4 differ from those under rate level 2 in that a 6 percent rather than a 7 percent rate of return has been used and an additional increment in the cost of water from MWD sources has been included. Rate level 4 would become applicable only in the event applicant has complied with the necessary conditions for rate level 3 to be placed in effect but subsequently becomes deficient in carrying out the three-year improvement program.

The adopted rates of return, ranging from 5.5 percent to 7 percent applied to the adopted rate bases, are responsive to applicant's service record and the prospective improvements in service under the three-year improvement program adopted herein for rate-fixing purposes. If it is assumed that the increase in applicant's capitalization necessary to carry out the three-year improvement program would reflect 50 percent equity and 50 percent long-term debt financing, an indicated return on common equity, adjusted for the portion of applicant's capitalization not devoted to public utility operations, on the order of 8 percent can be derived from the 7 percent rate of return on the adopted rate base of $5,335,900 under the 1970 phase of the improvement program. This return on equity computation reflects adjusted common stock equity of $3,546,300, long-term debt of $1,789,600 with a composite interest rate of 4.67 percent (7 percent interest rate for new debt) and net earnings of $289,900. With such capital structure and cost of money, the relationship between rates of return on rate base and earnings on common equity is as set forth in the following tabulation:

Relationship Between Rates of Return on Rate Base and on Common Stock Equity, Year 1970 Estimated

Item	Adj.Cap. Ratios	Cost of Money	Earnings on Common Equity, % 7.0	8.0	9.0	10.0
Long Term Debt	33.5	4.67	1.56	1.56	1.56	1.56
Common Stocks Equity	66.5		4.66	5.32	5.99	6.65
Weighted Cost Totals*			6.22	6.88	7.55	8.21

*Equivalent to rate of return on rate base since total adjusted capitalization equals rate base.

In their showings, both the applicant and the Commission staff sponsored a 7 percent rate of return on rate base.

Accounting Matters

A financial examiner of the Commission's staff examined applicant's accounting records and testified that with certain exceptions the accounting practices and records of applicant conform to the requirements prescribed by the Commission for water utilities. An important exception, however, is applicant's accounting relating to indirect costs allocable in part to capital.

It is applicant's practice to capitalize 12½ percent of the amounts of Work in Progress jobs closed to capital each month. Said 12½ percent represents an allowance for a portion of those costs which applicant distributes through clearing accounts (stores, transportation, engineering and tool/work equipment), for a portion of administrative and general salaries and office supplies and for a portion of injuries and damages insurance, employees' pensions and benefits, and payroll taxes associated with construction crew wages charged directly to capital. The clearing accounts are cleared to capital and expense accounts in proportion to direct labor charges. Deducting the amounts cleared to capital accounts in this manner from the amounts corresponding to the basic 12½ percent added to capital as stated above, derives the amount of all other indirect costs capitalized. In 1965 the indicated amounts to be capitalized were $20,795 for clearing account items and $8,492 for all other; in 1966 the amounts capitalized were $19,978 for clearing account items and $13,659 for all other items. This "all other" category is handled in effect as an administrative expense transfer credit in the nominal accounts.

Applicant's accounting practices relative to such indirect costs are deficient in the following respects: (1) The labor basis of distributing charges to capital and to expense from the clearing accounts does not conform to the Uniform System of Accounts prescribed for Class A, B and C Water Utilities; (2) the allocation of payroll taxes, employees' pensions and benefits, and injuries and damages insurance costs do not adequately follow direct labor charges to capital; (3) the allocation of administrative and general salaries and office supplies and expenses does not relate ostensibly to any rational basis, including that of informed managerial judgment. Applicant will be required to correct these deficiencies and should find useful in that connection some of the guidelines contained in Exhibit 15 prepared by the Commission's staff.

Concerning certain other accounting matters, the staff has made appropriate recommendations which will be adopted.

Findings and Conclusions

The Commission finds that:

1.a. Service is adversely affected by the problems of water quality, quantity, pressure or supply reliability being experienced in nine out of applicant's 13 service areas, as discussed in the foregoing opinion.

b. In recent years, applicant has not improved service conditions nearly to the extent which could reasonably be expected in the circumstances.

c. Applicant has now adopted a five-year improvement program; the improvements included therein are long overdue.

d. Upon completion of the improvement program, the standard of service rendered by applicant will be measurably improved where improvement is needed most but will not reach the standard expected in metropolitan areas; 90 percent of applicant's service is rendered in incorporated cities.

e. The improvement program may not remedy the water quality problem in areas served with locally-produced water high in iron and manganese content.

f. The improvement program does not make adequate provision for reliability of supply in systems having a single source of supply or in systems which rely upon manually-operated interconnections with other systems.

g. The three-year improvement program, as discussed in the foregoing opinion and summarized in Table 3 of that opinion, provides an accelerated scheduling of improvements which better fits the essential service needs of applicant's customers; applicant's capital structure and bondable capacity indicate that suitable financing for said three-year program should be readily obtainable.

2.a. Applicant is in need of additional revenues but the proposed rates set forth in the application are excessive.

b. The projected estimates of operating revenues, operating expenses and rate base for years 1968, 1969 and 1970, as discussed in the foregoing opinion and summarized in Table 6 of that opinion, are reasonable.

c. The rates of return, ranging from 5.5 percent to 7 percent, adopted in Table 6 of the foregoing opinion are consistent with the principle that a public utility is entitled to an opportunity to earn a fair return on its investment subject to modification for inadequate or defective service.

d. The increases in rates and charges authorized herein are justified, the rates and charges authorized herein are reasonable, and the present rates and charges, insofar as they differ from those herein prescribed, are for the future unjust and unreasonable.

3. Applicant does not keep a record of all customer complaints as required under Section I.8. of General Order No. 103.

4. Applicant's requirement that new service applications be signed in its office often works a hardship on potential customers in view of the fact that certain of applicant's service areas are located at a considerable distance (up to 30 miles) from the office.

5. The straight-line remaining-life depreciation rates set forth in Table 3-A of Exhibit 6 are reasonable for applicant's plant.

6. Applicant's accounting relating to capitalization of indirect costs and to income taxes is not carried out in conformity with the Uniform System of Accounts prescribed by this Commission for water utilities; a change in applicant's accounting relating to the replenishment pumping tax as recommended by the Commission staff would provide a more functional treatment of this expense.

7. As of December 31, 1966, applicant held $82,130 in unpaid refunds due on advances for construction and of this amount $69,430 fell due in years prior to the year 1966.

Based on the foregoing findings, the Commission concludes that the application should be granted to the extent, and under the conditions, set forth in the order which follows and that applicant should be required to take the actions set forth in said order.

O R D E R

IT IS ORDERED that:

1. After the effective date of this order, applicant, Park Water Company, is authorized to file the revised rate schedules (rate level 1) attached to this order as Appendix A. Such filing shall comply with General Order No. 96-A. The effective date of the revised schedules shall be four days after the date of filing. The revised schedules shall apply only to service rendered on and after the effective date thereof. Concurrently, applicant shall cancel its presently-effective tariff sheets Nos. 212-W, 214-W, 232-W and 233-W. If applicant exercises this authority, ordering paragraphs Nos. 2 through 8 herein are rendered inapplicable and without effect.

2. Within ninety days after the effective date of this order, applicant is authorized, subject to the certificate requirements set forth below, to file the revised rate schedules (rate level 2) attached to this order as Appendix B. Such filing shall comply with General Order No. 96A. The effective date of the revised schedules shall be four days after the date of filing. The revised schedules shall apply only to service rendered on and after the effective date thereof. Concurrently, applicant shall cancel its presently-effective tariff sheets Nos. 212-W, 214-W, 232-W and 233-W.

> Certificate Requirements. The filing of said revised rate schedules (rate level 2) shall be accompanied by a certificate signed by the president and attested to by the secretary of Park Water Company to the effect that: (1) The board of directors have adopted the three-year improvement program summarized in Table 3 of the foregoing opinion; (2) an amount of not less than $285,300* has been budgeted for year 1968 for improvements under said program; (3) the amount to be budgeted for year 1969 for improvements under said program will not be less than $507,300*; (4) the amount to be budgeted for the year 1970 for improvements under said program will be sufficient to complete the program.
>
> In addition, the certificate shall set forth a breakdown of the budgeted improvements for the 1968 phase of the improvement program in sufficient detail to identify them by service area, system and type of improvement and as to estimated cost and completion date or actual cost and completion date, whichever is applicable.

*In instances where the engineering of projects scheduled to be constructed in the first or second year of the three-year improvement program discloses that the estimates in the aforesaid Table 3 overstate costs, such overstatement shall be substantially compensated for by scheduling for construction an appropriate amount of improvements from the ensuing year one year earlier.

3. On or before April 15, 1969, applicant shall file in this proceeding a report of the status of the three-year improvement program as of March 31, 1969. For the 1968 phase of the improvement program, this report shall set forth, in a manner consistent with the breakdown of 1968 budgeted improvements called for in the certificate requirements under paragraph 2 above, the actual costs and the completion dates of the improvements which were budgeted; for the 1969 phase it shall set forth in a similar manner the breakdown of budgeted improvements amounting to not less than $507,300, and also shall set forth the source of funds for the budgeted improvements; for the 1970 phase it shall set forth the actual financing arranged, or the proposed financing to be arranged, for the completion of the program.

4.a. If as of March 31, 1969 applicant shall not have completed the 1968 phase of the three-year improvement program or not have budgeted the 1969 phase with a schedule for completion of the 1969 phase within that year or if applicant shall not have filed the report required by paragraph 3 above, it shall file on or before April 20, 1969 the revised rate schedules (rate level 1) attached to this order as Appendix A. The effective date of the revised schedules so filed shall be May 1, 1969. Concurrently, applicant shall cancel the then effective tariff sheets corresponding to the revised rate schedules (rate level 2) attached to this order as Appendix B.

b. In the event applicant becomes delinquent in complying with paragraph 4.a. above, the Secretary of this Commission is authorized and directed (1) to cancel the then effective tariff sheets corresponding to the revised rate schedules (rate level 2) attached to this order as Appendix B, and (2) to file the revised rate schedules (rate level 1) attached to this order as Appendix A.

c. If the revised rate schedules (rate level 1) attached to this order as Appendix A are placed in effect, ordering paragraphs 5 through 8 herein are rendered inapplicable and without effect.

5. If applicant shall have completed the 1968 phase of the three-year improvement program and budgeted the 1969 phase to the satisfaction of the Commission, it shall be authorized by supplemental order in this proceeding to file the revised rate schedules (rate level 3) attached to this order as Appendix C. Such authority may make provision for the revised rate schedules to become effective July 1, 1969.

6. On or before February 15, 1970, applicant shall file in this proceeding a report describing the status of the three-year improvement program as of January 31, 1970. For the 1969 phase of the improvement program this report shall set forth, in the manner prescribed for the 1968 phase in paragraph 3 above, the actual costs and the completion dates of the improvements which were budgeted; for the 1970 phase it shall set forth in a similar manner the breakdown of budgeted improvements necessary to complete the program, together with their estimated completion dates, and also shall set forth the source of funds for the budgeted improvements.

7.a. If as of January 31, 1970 applicant shall not have completed the 1969 phase of the three-year improvement program or not have budgeted the 1970 phase with a schedule for completion of the 1970 phase within that year or if applicant shall not have filed the report required by paragraph 6 above, it shall file the revised rate schedules (rate level 4) attached to this order as Appendix D on or before February 20, 1970. The effective date of the revised schedules so filed shall be March 1, 1970. Concurrently, applicant shall cancel the then effective tariff sheets corresponding to the revised rate schedules (rate level 3) attached to this order as Appendix C.

b. In the event applicant becomes delinquent in complying with paragraph 7.a. above, the Secretary of this Commission is authorized and directed (1) to cancel the then effective tariff sheets corresponding to the revised rate schedules (rate level 3) attached to this order as Appendix C, and (2) to file the revised rate schedules (rate level 4) attached to this order as Appendix D.

c. If the revised rate schedules (rate level 4) attached to this order as Appendix D are placed in effect, ordering paragraph 8 herein is rendered inapplicable and without effect.

8. If applicant shall have completed the 1969 phase of the three-year improvement program and budgeted the 1970 phase to the satisfaction of the Commission, it shall be authorized by supplemental order in this proceeding to file the revised rate schedules (rate level 5) attached to this order as Appendix E. Such authority may make provision for the revised rate schedules to become effective July 1, 1970.

9. For the year 1968 applicant shall apply the straight-line remaining-life depreciation rates set forth in Table 3-A of Exhibit 6 and shall continue to use these rates until review indicates otherwise. Applicant shall continue to review its future depreciation rates by the straight-line remaining-life method at intervals of three years, and whenever major change in the depreciable utility plant occurs, and shall submit these reviews to the Commission.

10. Within ten days after the effective date of this order, applicant shall establish the necessary procedures and practices to assure compliance in all respects with Section I.8., Complaints, of General Order No. 103 and shall file in this proceeding a notice of compliance with this requirement.

11. Applicant shall develop basic data relative to the effectiveness of the improvement program and shall continue its studies to improve service conditions. For such purposes applicant shall fulfill at least the following requirements: (a) Until such time as operating pressure deficiencies have been corrected in Systems Paramount Nos. 50, 51 and 52, Compton Nos. 9 and 13, Pico Rivera No. 2, Bellflower-Downey No. 1, and Hawaiian Gardens No. 24, recording gauges shall be set in these systems at locations remote from sources of supply at points where minimum pressures are likely to occur during periods of peak-hour demand and shall record a minimum of 24 hours of continuous pressure readings. Such tests shall be conducted each year during periods approaching those of maximum use within the two-month period of September and October in 1968 and of July and August in years thereafter. Results of these pressure surveys shall be reported in writing to the Commission as filings in this proceeding on or before November 30 of this year and September 30 of each year thereafter. (b) Until such time as the water quality problems are corrected in Systems Paramount Nos. 50, 51 and 52, Compton Nos. 7 and 9, Bellflower-Downey Nos. 1 and 5, Norwalk No. 46, and Hawaiian Gardens No. 24, not less than two samples drawn, at points selected by qualified personnel, from each distribution system supplied by Wells Nos. 1B, 5E, 7A, 9A, 9C, 24C, 46A, 50D, 51B, or 52A shall be taken at monthly intervals and examined for phosphates, color, chlorine residual and dissolved oxygen. For a period of at least six months, waters from the aforesaid wells shall be examined at monthly intervals for iron, manganese, color, turbidity, iron bacteria, hydrogen sulfide and

dissolved oxygen. Applicant shall have reports prepared quarterly by qualified personnel evaluating water quality, the effectiveness of the water treatment and any changes in such treatment which are indicated. The first such report shall be filed in this proceeding on or before January 31, 1969 and subsequent reports shall be filed every three months thereafter. (c) Within 120 days after the effective date of this order, applicant shall file in this proceeding a study setting forth a firm basis of providing an adequate additional source of supply to each system with a single source at the present time and the estimated cost applicable to each such system of so increasing the reliability of supply. This study shall also include the results of an investigation by applicant into the feasibility and the cost of converting manually-operated interconnections with other systems to automated controls.

12. Applicant shall review its requirements and procedures applicable to new service applications in order to determine measures which can be taken to render such procedures less burdensome to prospective customers in service areas remote from applicant's office and, within ninety days after the effective date of this order, shall file in this proceeding a summary of the results of its review.

13. To correct the deficiencies in its present practices discussed in the foregoing opinion, applicant shall determine by appropriate studies proper methods to be used in developing indirect costs which are to be charged to its capital accounts and shall employ those methods in its accounting pursuant to instructions contained in the Uniform System of Accounts. Such studies shall be

completed within 120 days after the effective date of this order and applicant shall file in this proceeding within thirty days thereafter a summary of the results of these studies.

14. Applicant shall henceforth record federal income taxes in Account No. 507, Taxes, and record replenishment pumping taxes as a source of supply expense in Account No. 703, Miscellaneous Expenses.

The effective date of this order shall be twenty days after the date hereof.

Dated at San Francisco, California, this 4th day of SEPTEMBER, 1968.

William Symons Jr.
President

Augustus

Fred P. Morrissey
Commissioners

Commissioner Peter E. Mitchell
Present but not participating.

A. 49080 ds

Schedule No. 1

METERED SERVICE (T)

APPLICABILITY

Applicable to all metered water service.

TERRITORY

Portions of Artesia, Baldwin Park, Bellflower, Commerce, Compton, Downey, Lynwood, Montebello, Norwalk, Paramount, Pico-Rivera, Santa Fe Springs, South Gate and vicinities, Los Angeles County, and the vicinity of Chino, San Bernardino County. (T) (T)

RATES

	Per Meter Per Month	
Quantity Rates:		
First 800 cu.ft. or less	$ 1.53	(I)
Next 4,200 cu.ft., per 100 cu.ft.	.156	
Next 95,000 cu.ft., per 100 cu.ft.	.11	
Over 100,000 cu.ft., per 100 cu.ft.	.09	(I)
Minimum Charge:		
For 5/8 x 3/4-inch meter	$ 1.53	(R)
For 3/4-inch meter	2.20	(I)
For 1-inch meter	3.20	
For 1½-inch meter	6.25	
For 2-inch meter	9.25	
For 3-inch meter	15.00	
For 4-inch meter	26.00	
For 6-inch meter	56.00	
For 8-inch meter	95.00	
For 10-inch meter	140.00	(I)

The Minimum Charge will entitle the customer to the quantity of water which that minimum charge will purchase at the Quantity Rates.

(Continued)

Schedule No. 1

METERED SERVICE
(Continued)

SPECIAL CONDITIONS

1. All billing under this schedule to customers in the City of Norwalk is subject to a surcharge of 2.04%. (T)

2. Until the Federal Income Tax Surtax of 10% is suspended or terminated, bills computed under this tariff will be increased by 1.58%. (N)
(N)

Schedule No. 2

FLAT RATE SERVICE (T)

APPLICABILITY

Applicable to all flat rate residential water service. (T)

TERRITORY

Portions of Artesia, Baldwin Park, Bellflower, Commerce, Compton, Downey, Lynwood, Montebello, Norwalk, Paramount, Pico-Rivera, Santa Fe Springs, South Gate and vicinities, Los Angeles County, and the vicinity of Chino, San Bernardino County. (T)

RATES

	Per Service Connection Per Month	
For a single-family residential unit, or commercial unit, including premises not exceeding 7,500 sq.ft. in area	$1.90	(I)
a. For each additional single-family residential unit on the same premises and served from the same service connection	1.05	(T) (I)
b. For each 100 sq.ft. of premises in excess of 7,500 sq.ft.	.02	

SPECIAL CONDITIONS

1. The above flat rates apply to service connections not larger than one inch in diameter.

2. All service not covered by the above classifications shall be furnished only on a metered basis.

3. For service covered by the above classifications, if the utility or the customer so elects, a meter shall be installed and service provided under Schedule No. 1, Metered Service. (T)

(Continued)

Schedule No. 2

FLAT RATE SERVICE
(Continued)

SPECIAL CONDITIONS (Contd.)

4. All billing under this schedule to customers in the City of Norwalk is subject to a surcharge of 2.04%.

5. Until the Federal Income Tax Surtax of 10% is suspended or (N)
terminated, bills computed under this tariff will be increased by 1.58%. (N)

Schedule No. 1

METERED SERVICE (T)

APPLICABILITY

Applicable to all metered water service.

TERRITORY

Portions of Artesia, Baldwin Park, Bellflower, Commerce, Compton, Downey, Lynwood, Montebello, Norwalk, Paramount, Pico-Rivera, Santa Fe Springs, South Gate and vicinities, Los Angeles County, and the vicinity of Chino, San Bernardino County. (T)

RATES

Quantity Rates:

	Per Meter Per Month	
First 800 cu.ft. or less	$ 1.72	(I)
Next 4,200 cu.ft., per 100 cu.ft.	.17	
Next 95,000 cu.ft., per 100 cu.ft.	.12	
Over 100,000 cu.ft., per 100 cu.ft.	.10	(I)

Minimum Charge:

For 5/8 x 3/4-inch meter	$ 1.72	(I)
For 3/4-inch meter	2.50	
For 1-inch meter	3.75	
For 1½-inch meter	6.50	
For 2-inch meter	10.00	
For 3-inch meter	16.00	
For 4-inch meter	30.00	
For 6-inch meter	60.00	
For 8-inch meter	100.00	
For 10-inch meter	150.00	(I)

The Minimum Charge will entitle the customer to the quantity of water which that minimum charge will purchase at the Quantity Rates.

(Continued)

Schedule No. 1

METERED SERVICE
(Continued)

SPECIAL CONDITIONS

1. All billing under this schedule to customers in the City of Norwalk is subject to a surcharge of 2.04%. (T)

2. Until the Federal Income Tax Surtax of 10% is suspended or terminated, bills computed under this tariff will be increased by 2.25%. (N)
(N)

Schedule No. 2

FLAT RATE SERVICE (T)

APPLICABILITY

Applicable to all flat rate residential water service. (T)

TERRITORY

Portions of Artesia, Baldwin Park, Bellflower, Commerce, Compton, Downey, Lynwood, Montebello, Norwalk, Paramount, Pico-Rivera, Santa Fe Springs, South Gate and vicinities, Los Angeles County, and the vicinity of Chino, San Bernardino County. (T) | (T)

RATES

	Per Service Connection Per Month	
For a single-family residential unit, or commercial unit, including premises not exceeding 7,500 sq.ft. in area	$2.10	(I)
a. For each additional single-family residential unit on the same premises and served from the same service connection	1.15	(T) (I)
b. For each 100 sq.ft. of premises in excess of 7,500 sq.ft.	.02	

SPECIAL CONDITIONS

1. The above flat rates apply to service connections not larger than one inch in diameter.

2. All service not covered by the above classifications shall be furnished only on a metered basis.

3. For service covered by the above classifications, if the utility or the customer so elects, a meter shall be installed and service provided under Schedule No. 1, Metered Service. (T)

(Continued)

Schedule No. 2

FLAT RATE SERVICE
(Continued)

SPECIAL CONDITIONS (Contd.)

4. All billing under this schedule to customers in the City of Norwalk is subject to a surcharge of 2.04%.

5. Until the Federal Income Tax Surtax of 10% is suspended or terminated, bills computed under this tariff will be increased by 2.25%. (N) (N)

A. 49080 ds

Schedule No. 1

METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

Portions of Artesia, Baldwin Park, Bellflower, Commerce, Compton, Downey, Lynwood, Montebello, Norwalk, Paramount, Pico-Rivera, Santa Fe Springs, South Gate and vicinities, Los Angeles County, and the vicinity of Chino, San Bernardino County.

RATES

Quantity Rates:

	Per Meter Per Month	
First 800 cu.ft. or less	$ 1.75	(I)
Next 4,200 cu.ft., per 100 cu.ft.	.175	
Next 95,000 cu.ft., per 100 cu.ft.	.123	
Over 100,000 cu.ft., per 100 cu.ft.	.103	(I)

Minimum Charge:

For 5/8 x 3/4-inch meter	$ 1.75	(I)
For 3/4-inch meter	2.60	
For 1-inch meter	4.00	
For 1½-inch meter	7.50	
For 2-inch meter	11.00	
For 3-inch meter	18.00	
For 4-inch meter	32.00	
For 6-inch meter	63.00	
For 8-inch meter	110.00	
For 10-inch meter	160.00	(I)

The Minimum Charge will entitle the customer to the quantity of water which that minimum charge will purchase at the Quantity Rates.

(Continued)

Schedule No. 1

METERED SERVICE
(Continued)

SPECIAL CONDITIONS

1. All billing under this schedule to customers in the City of Norwalk is subject to a surcharge of 2.04%.

2. Until the Federal Income Tax Surtax of 10% is suspended or terminated, the bills computed under this tariff will be increased by 2.21%. (R)

Schedule No. 2

FLAT RATE SERVICE

APPLICABILITY

Applicable to all flat rate residential water service.

TERRITORY

Portions of Artesia, Baldwin Park, Bellflower, Commerce, Compton, Downey, Lynwood, Montebello, Norwalk, Paramount, Pico-Rivera, Santa Fe Springs, South Gate and vicinities, Los Angeles County, and the vicinity of Chino, San Bernardino County.

RATES

	Per Service Connection Per Month	
For a single-family residential unit, or commercial unit, including premises not exceeding 7,500 sq.ft. in area	$2.15	(I)
a. For each additional single-family residential unit on the same premises and served from the same service connection	1.20	(I)
b. For each 100 sq.ft. of premises in excess of 7,500 sq.ft.	.025	(I)

SPECIAL CONDITIONS

1. The above flat rates apply to service connections not larger than one inch in diameter.

2. All service not covered by the above classifications shall be furnished only on a metered basis.

3. For service covered by the above classifications, if the utility or the customer so elects, a meter shall be installed and service provided under Schedule No. 1, Metered Service.

(Continued)

Schedule No. 2

FLAT RATE SERVICE
(Continued)

SPECIAL CONDITIONS (Contd.)

4. All billing under this schedule to customers in the City of Norwalk is subject to a surcharge of 2.04%.

5. Until the Federal Income Tax Surtax of 10% is suspended or terminated, the bills computed under this tariff will be increased by 2.21%. (R)

A. 49080 ds

Schedule No. 1

METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

Portions of Artesia, Baldwin Park, Bellflower, Commerce, Compton, Downey, Lynwood, Montebello, Norwalk, Paramount, Pico-Rivera, Santa Fe Springs, South Gate and vicinities, Los Angeles County, and the vicinity of Chino, San Bernardino County.

RATES

	Per Meter Per Month	
Quantity Rates:		
First 800 cu.ft. or less	$ 1.67	(R)
Next 4,200 cu.ft., per 100 cu.ft.	.166	
Next 95,000 cu.ft., per 100 cu.ft.	.116	
Over 100,000 cu.ft., per 100 cu.ft.	.097	(R)
Minimum Charge:		
For 5/8 x 3/4-inch meter	$ 1.67	(R)
For 3/4-inch meter	2.45	
For 1-inch meter	3.45	
For 1½-inch meter	6.25	
For 2-inch meter	9.50	
For 3-inch meter	15.50	
For 4-inch meter	28.00	
For 6-inch meter	58.00	
For 8-inch meter	97.50	
For 10-inch meter	145.00	(R)

The Minimum Charge will entitle the customer to the quantity of water which that minimum charge will purchase at the Quantity Rates.

(Continued)

Schedule No. 1

METERED SERVICE
(Continued)

SPECIAL CONDITIONS

1. All billing under this schedule to customers in the City of Norwalk is subject to a surcharge of 2.04%.

2. Until the Federal Income Tax Surtax of 10% is suspended or terminated, the bills computed under this tariff will be increased by 1.94%. (R)

Schedule No. 2

FLAT RATE SERVICE

APPLICABILITY

Applicable to all flat rate residential water service.

TERRITORY

Portions of Artesia, Baldwin Park, Bellflower, Commerce, Compton, Downey, Lynwood, Montebello, Norwalk, Paramount, Pico-Rivera, Santa Fe Springs, South Gate and vicinities, Los Angeles County, and the vicinity of Chino, San Bernardino County.

RATES

	Per Service Connection Per Month	
For a single-family residential unit, or commercial unit, including premises not exceeding 7,500 sq.ft. in area	$2.05	(R)
a. For each additional single-family residential unit on the same premises and served from the same service connection	1.15	(R)
b. For each 100 sq.ft. of premises in excess of 7,500 sq.ft.	.02	(R)

SPECIAL CONDITIONS

1. The above flat rates apply to service connections not larger than one inch in diameter.

2. All service not covered by the above classifications shall be furnished only on a metered basis.

3. For service covered by the above classifications, if the utility or the customer so elects, a meter shall be installed and service provided under Schedule No. 1, Metered Service.

(Continued)

Schedule No. 2

FLAT RATE SERVICE
(Continued)

SPECIAL CONDITIONS (Contd.

4. All billing under this schedule to customers in the City of Norwalk is subject to a surcharge of 2.04%.

5. Until the Federal Income Tax Surtax of 10% is suspended or terminated, the bills computed under this tariff will be increased by 1.94%. (R)

Schedule No. 1

METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

Portions of Artesia, Baldwin Park, Bellflower, Commerce, Compton, Downey, Lynwood, Montebello, Norwalk, Paramount, Pico-Rivera, Santa Fe Springs, South Gate and vicinities, Los Angeles County, and the vicinity of Chino, San Bernardino County.

RATES

	Per Meter Per Month	
Quantity Rates:		
First 800 cu.ft. or less	$ 1.80	(I)
Next 4,200 cu.ft., per 100 cu.ft.	.18	
Next 95,000 cu.ft., per 100 cu.ft.	.13	
Over 100,000 cu.ft., per 100 cu.ft.	.11	(I)
Minimum Charge:		
For 5/8 x 3/4-inch meter	$ 1.80	(I)
For 3/4-inch meter	2.65	
For 1-inch meter	4.25	
For 1½-inch meter	8.50	
For 2-inch meter	12.00	
For 3-inch meter	20.00	
For 4-inch meter	34.00	
For 6-inch meter	65.00	
For 8-inch meter	115.00	
For 10-inch meter	165.00	(I)

The Minimum Charge will entitle the customer to the quantity of water which that minimum charge will purchase at the Quantity Rates.

(Continued)

Schedule No. 1

METERED SERVICE
(Continued)

SPECIAL CONDITIONS

1. All billing under this schedule to customers in the City of Norwalk is subject to a surcharge of 2.04%.

2. Until the Federal Income Tax Surtax of 10% is suspended or terminated, the bills computed under this tariff will be increased by 2.23%. (I)

A. 49080 ds

Schedule No. 2

FLAT RATE SERVICE

APPLICABILITY

Applicable to all flat rate residential water service.

TERRITORY

Portions of Artesia, Baldwin Park, Bellflower, Commerce, Compton, Downey, Lynwood, Montebello, Norwalk, Paramount, Pico-Rivera, Santa Fe Springs, South Gate and vicinities, Los Angeles County, and the vicinity of Chino, San Bernardino County.

RATES

	Per Service Connection Per Month	
For a single-family residential unit, or commercial unit, including premises not exceeding 7,500 sq.ft. in area	$2.25	(I)
a. For each additional single-family residential unit on the same premises and served from the same service connection	1.25	(I)
b. For each 100 sq.ft. of premises in excess of 7,500 sq.ft.	.03	(I)

SPECIAL CONDITIONS

1. The above flat rates apply to service connections not larger than one inch in diameter.

2. All service not covered by the above classifications shall be furnished only on a metered basis.

3. For service covered by the above classifications, if the utility or the customer so elects, a meter shall be installed and service provided under Schedule No. 1, Metered Service.

(Continued)

Schedule No. 2

FLAT RATE SERVICE
(Continued)

SPECIAL CONDITIONS (Contd.)

4. All billing under this schedule to customers in the City of Norwalk is subject to a surcharge of 2.04%.

5. Until the Federal Income Tax Surtax of 10% is suspended or terminated, the bills computed under this tariff will be increased by 2.23%. (I)