

ORIGINAL

Decision 87-12-046 December 17, 1987

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application)
of the SOUTHERN CALIFORNIA WATER)
COMPANY (U 133-W) for an order)
authorizing it to increase rates)
for water service in its San)
Gabriel Valley District.)

Application 87-04-068
(Filed April 29, 1987)

O'Melveny & Myers, by Thomas N. Harding, Attorney
at Law, for Southern California Water Company,
applicant.

Carol L. Matchett, Attorney at Law, and Richard
Tom, for the Public Staff Division.

OPINION

This proceeding was heard on a consolidated record with Application (A.) 87-04-066, A.87-04-067, and A.87-04-069 before Administrative Law Judge John Lemke in Los Angeles August 31 through September 3, 1987. An informal public meeting and the evidentiary hearings were noticed by Southern California Water Company (SCWC) to each customer in the district in accordance with the Commission's Rules of Practice and Procedure. Eight customers attended the informal meeting; only two had complaints. The matter was taken under submission subject to the filing of concurrent briefs by October 5, 1987.

By this application, SCWC requests authority to increase rates for water service in its San Gabriel Valley District by 12.81% in 1988, 6.81% in 1989, and 5.11% in 1990.

SCWC renders public utility water service in various areas in the counties of Contra Costa, Imperial, Lake, Los Angeles, Orange, Sacramento, San Bernardino, San Luis Obispo, Santa Barbara, and Ventura. It also renders an electric service in its Big Bear District.

The San Gabriel Valley District, located in the County of Los Angeles, includes two systems that are not physically interconnected. The South San Gabriel system serves portions of the cities of Monterey Park, Rosemead, and San Gabriel. The South Arcadia system serves portions of the cities of Arcadia, El Monte, Irwindale, Monrovia, and Temple City, and adjacent areas. The area is primarily residential with small industrial and commercial areas. As of December 31, 1986 the San Gabriel Valley District was providing water service to 11,209 customers, including private fire service to 35 customers. Of the total customers served, over 97% were in the commercial classification which consists of residential and business customers.

The water supply for the South Arcadia system is obtained from 14 company-owned wells located within the system as well as two purchased water interconnections with the City of Arcadia. The wells range in size from 12 to 26 inches in diameter, and in depth to 1,000 feet. All wells are equipped with deep well turbine pumps - 11 operated by electric motors and three by natural gas engines.

The water supply for the South San Gabriel system is obtained from seven company-owned wells located within the system and through a connection to the Upper San Gabriel Valley Municipal Water District, a member agency of the Metropolitan Water District of Southern California. The wells range in size from 12 to 18 inches in diameter, and in depth to 700 feet. All wells are equipped with electric-driven deep well turbine pumps. Some portion of the water supply is stored at night and allowed to flow by gravity or pumped from storage by booster stations to the distribution system to meet peak demands.

There are three booster stations - Garvey, Tegner, and Teresa - all located in the South San Gabriel system. SCWC is in the process of adding a gas-powered booster pump at the Teresa Plant.

On December 31, 1986 the historical cost of utility plant in service in the district was \$7,647,800. Rates were last adjusted January 1, 1987 pursuant to an advice letter filing authorized by Decision (D.) 85-05-050.

Rate of Return

SCWC agreed with the staff's recommendations concerning cost of capital in all respects except the one concerning return on common equity (ROE). SCWC requests a constant ROE of 13.25% (Exhibit 41), while the staff recommends a range of 11.50% to 12.00%.

In our decision today on A.87-04-066, involving SCWC's Arden-Cordova District, we adopted a constant ROE for the four districts heard on this common record of 12.5%.

Authorization of a constant ROE of 12.5% during the period 1988-1990 will provide SCWC opportunity to earn a reasonable rate of return in this district and will give due consideration to the following:

1. SCWC is a regulated public utility engaged in a business which affects the public interest and must provide service at reasonable rates.
2. Fair and reasonable rates must balance the interests of investors and ratepayers.
3. Capital requirements.
4. SCWC's capital structure, capital costs, and financial history.
5. The recent increase in the prime lending rate from 8.75% to 9.00%.
6. Our recent action in authorizing an ROE of 12.0% to a large water utility with a common equity of 80%, compared with SCWC's riskier ratio of 51%.

A.87-04-068 ALJ/JSL/jt

Consideration was also given to the following recent Commission actions concerning ROE involving large California water utilities from D.87-09-071 in A.86-11-021.

Return on Equity
Large Water Utilities
1987

<u>Utility</u>	<u>Application No.</u>	<u>Decision No. (Date)</u>	<u>Return on Equity</u>		<u>Prior Return on Equity</u>
			<u>Requested</u>	<u>Authorized</u>	
Calif. Water Service Co.	A.86-05-037 through A.86-05-042	D.87-03-078 (3-25-87)	15.00%	13.00%	14.25%
Cal American Water Co.	A.86-05-016 A.86-05-017	D.87-03-030 (3-6-87)	15.00%	13.00%	14.00%
Azusa Valley Water	A.86-04-003	D.87-01-060 (1-28-87)	14.75%	13.00%	
Dominguez Water	A.86-06-048	D.87-01-064 (1-28-87)	16.00%	12.75%	14.50%
Suburban Water	A.86-05-047	D.87-01-059 (1-28-87)	16.00%	12.75%	14.25%
So. Calif. Water	A.86-07-010 A.86-07-011 A.86-07-012 A.86-07-028 A.86-07-029 A.86-07-030	D.87-04-069 (4-22-87)	16.00%	12.75%	13.50%
Park Water	A.86-11-022	D.87-09-071 (9-23-87)	13.00%	12.00%	13.20%

The following table portrays our adopted capitalization ratios, cost factors, weighted costs, and authorized rates of return for SCWC during test years 1988 and 1989, and for attrition year 1990:

<u>Component</u>	<u>Capital Ratios</u>	<u>Cost Factors</u>	
<u>1988</u>			
Long-Term Debt	47.0%	9.75%	4.59%
Preferred Stock	2.0	4.47	.09
Common Equity	<u>51.0</u>	12.50	<u>6.38</u>
Total	100.0%		11.06%
<u>1989</u>			
Long-Term Debt	47.0%	9.78%	4.60%
Preferred Stock	2.0	4.46	.09
Common Equity	<u>51.0</u>	12.50	<u>6.38</u>
Total	100.0%		11.07%
<u>1990</u>			
Long-Term Debt	47.0%	9.82%	4.62%
Preferred Stock	2.0	4.45	.09
Common Equity	<u>51.0</u>	12.50	<u>6.38</u>
Total	100.0%		11.09%

Rate Base - General Office

In our decision today on A.87-04-066 involving the company's Arden-Cordova District, there is a full discussion of our denial at this time of SCWC's request to include in rate base the costs relating to general office renovation, mainframe computer, and a customer information system. Those items may be handled in an advice letter offset request by SCWC when they are completed and in operation.

Staff recommends that the Farna Reservoir (estimated cost of \$397,200) budgeted for 1987 not be allowed in rate base until actually completed and in operation. SCWC did not object to this

recommendation. This recommendation will be adopted, and an advice letter filing authorized when appropriate.

Results of Operations

The 1988 and 1989 test year results of operations proposals for SCWC and the staff are set forth below with our adopted results.

TABLE 1

SOUTHERN CALIFORNIA WATER COMPANY
San Gabriel Valley District

Adopted Summary of Earnings

	-----1988-----	
	Present	Authorized

	(Thousands of Dollars)	
Total Revenues	\$ 2,383.2	\$ 2,533.9
Operating Expenses		
Oper. & Maint.	1,204.6	1,205.3
Adm. & Gen.	108.1	108.1
Gen. Off. Alloc.	88.7	88.7
Depreciation	148.7	148.7
Other Taxes	199.8	202.0
State Franch. Tax	42.7	56.5
Federal Inc. Tax	123.2	168.7
Total	1,915.7	1,978.0
Net Income	467.5	555.9
Rate Base	5,026.6	5,026.6
Rate of Return	9.30	11.06

	-----1989-----	
	Present	Authorized

	(Thousands of Dollars)	
Total Revenues	\$ 2,393.6	\$ 2,649.8
Operating Expenses		
Oper. & Maint.	1,230.0	1,231.3
Adm. & Gen.	113.9	113.9
Gen. Off. Alloc.	92.8	92.8
Depreciation	159.4	159.4
Other Taxes	212.5	216.3
State Franch. Tax	35.1	58.5
Federal Inc. Tax	105.0	182.5
Total	1,948.8	2,054.6
Net Oper. Revenue	444.8	595.2
Rate Base	5,376.1	5,376.1
Rate of Return	8.27	11.07

Customer Service

SCWC keeps records of the complaints that it receives from customers. A tabulation of the complaints received over the last four years and the first quarter of 1987 is shown below.

<u>Year</u>	<u>Billing</u>	<u>Pressure</u>	<u>Quality</u>	<u>Other</u>	<u>Main Leaks</u>
1983	203	35	27	193	76
1984	222	44	21	314	68
1985	196	33	16	370	73
1986	235	60	24	207	54
1987*	29	5	4	29	8

*1987 data are for first quarter only.

The utility classifies the complaints into several categories. The billing complaints include high bills, possible misreads of the meters, and billing errors. Some of these are caused by excessive use or leaks on the customer's premises, e.g., after the meter. Pressure complaints include high or low pressure at the customer's premises. These complaints are sometimes caused by reduced flow rather than just low pressure. The water quality complaints include complaints about the taste, odor, and appearance (e.g., dirt or color) of the water, and sometimes include suspected problems where there is no physical evidence. Any complaints that cannot be classified into the above categories are listed under the "Other."

The number of complaints is relatively constant. The records of complaints in the district office showed that the utility personnel and the district manager went to a great deal of effort to resolve complaints and talk to the customers about problems and perceived problems. (Exhibit 18.)

Commission D.86-10-025 issued October 1, 1986, in conjunction with the rate applications for Barstow, Desert, Metropolitan, San Bernardino, and Pomona Valley Districts included an order requiring SCWC to prepare a plan for the augmentation of its maintenance program and for the improvement of its public

relations program for these districts. The next decision, D.87-04-069, ordered SCWC to include in the public relations program the following six districts: Santa Maria, Ojai, Simi Valley, Clearlake, Bay, and Calipatria-Niland.

Realizing that inadequate public relations was not limited to those districts, SCWC has taken the initiative to develop a public relations program for the entire company. SCWC expanded the program with the public relations firm that they had been using. In addition, SCWC hired another firm to survey all of the customers with a "report card" type of grading form to initially determine customer perceptions. The results of this survey were compiled in graphical form and are being used to develop a public relations program. SCWC sends periodic reports of its public relations program to the Commission staff.

SCWC is stepping up public relations activities, and in time the results should be appreciable. SCWC has a preliminary plan for a customer information department which would provide up-to-date customer account information and provide a convenient method for customers to report problems. A customer information department may provide a method for the ratepayers to contact the utility and receive service with a minimum of frustration.

This department was scheduled in the 1989 budget for the general office. Since the plans for the general office are running behind schedule and the method of operation and relaying information to the districts is not complete, this may be delayed to 1990 or later until the plans are fully developed.

Rate Design

Almost all customers in this district are metered.

In its proposed rates for 1988, 1989, and 1990, SCWC is requesting that the following tariff schedules be changed to reflect the increased revenue requirements:

<u>Schedule</u>	<u>Class of Service</u>
SG-1	General Metered Service
SG-2	General Flat Rate Service.
AA-4	Private Fire Service

The service charge rates presently in effect under the General Metered Service tariff schedule were designed to recover approximately 27% of the fixed costs. The utility's proposal for the general metered service increases that ratio to approximately 36%.

The General Flat Rate Service and Private Fire Service rates were increased by the balance in the overall percentage increases in the revenue requirements for the respective years.

The tables in the following pages show the effects of the utility-proposed increases and the bill analysis for the 5/8" x 3/4" meter for the respective years.

SCHEDULE NO. SG-1, GENERAL METERED SERVICE

Description	1987			1988			1989			1990		
	Proposed Rates	Proposed Rates	Dollar Change	Percent Change	Proposed Rates	Dollar Change	Percent Change	Proposed Rates	Dollar Change	Percent Change		
SERVICE CHARGE												
5/8" meter	\$4.30	\$6.37	\$2.07	48.14%	\$6.82	\$4.45	7.06%	\$7.00	\$1.18	2.64%		
3/4" meter	4.60	6.80	2.20	47.83%	7.40	.60	8.82%	7.60	.20	2.70%		
1" meter	6.60	10.00	3.40	51.52%	11.00	1.00	10.00%	12.00	1.00	9.09%		
1-1/2" meter	8.70	13.00	4.30	49.43%	14.00	1.00	7.69%	15.00	1.00	7.14%		
2" meter	13.20	20.00	6.80	51.52%	22.00	2.00	10.00%	23.00	1.00	4.55%		
3" meter	24.00	36.00	12.00	50.00%	38.00	2.00	5.56%	40.00	2.00	5.26%		
4" meter	31.00	48.00	17.00	54.84%	50.00	2.00	4.17%	52.00	2.00	4.00%		
6" meter	59.00	90.00	31.00	52.54%	95.00	5.00	5.56%	97.00	2.00	2.11%		
8" meter	82.00	124.00	42.00	51.22%	130.00	6.00	4.64%	135.00	5.00	3.85%		
10" meter	152.00	225.00	73.00	48.03%	235.00	10.00	4.44%	245.00	10.00	4.26%		
COMMODITY CHARGE												
First 3 CCF, per CCF	.4130	.5497	.1367	33.10%	.5855	.0358	6.51%	.6208	.0353	6.03%		
Over 3 CCF, per CCF	.5690	.5497	-.0193	-3.39%	.5855	-.0358	6.51%	.6208	.0353	6.03%		

BILL ANALYSIS - 5/8" meter

Monthly Usage CCF	1987			1988			1989			1990		
	Proposed Rates	Proposed Rates	Dollar Change	Percent Change	Proposed Rates	Dollar Change	Percent Change	Proposed Rates	Dollar Change	Percent Change		
0	\$4.30	\$6.37	\$2.07	48.14%	\$6.82	\$4.45	7.06%	\$7.00	\$1.18	2.64%		
3	5.54	8.02	2.48	44.78%	8.58	.56	6.95%	8.86	.29	3.33%		
10	9.52	11.87	2.35	24.63%	12.68	.81	6.81%	13.21	.53	4.21%		
15	12.37	14.62	2.25	18.18%	15.60	.99	6.75%	16.31	.71	4.55%		
Z3(avg)	16.92	19.01	2.09	12.38%	20.29	1.27	6.70%	21.28	.99	4.89%		
50	32.28	33.86	1.57	4.87%	36.10	2.24	6.62%	38.04	1.95	5.39%		
100	60.73	61.34	.61	1.00%	65.37	4.03	6.57%	69.08	3.71	5.68%		

As shown in the table for the General Metered Service, increases were applied to both the service charges and the commodity rates for 1988, 1989, and 1990.

On May 28, 1986, the Commission issued D.86-05-064 in Order Instituting Investigation 84-11-041, which established a water rate design policy.

That policy, among other things, established fixed costs as they relate to the service charges to be those direct costs that are necessary to provide customer access to water. These fixed costs were defined in the decision as:

1. Maintenance expense
2. Customer account expense, excluding uncollectibles
3. Transmission and distribution expense
4. Administration and general expense
5. Rent expense
6. Depreciation expense
7. Property tax expense
8. Gross return on investment (rate base)

In the interest of balancing the utility's interest with customers' needs, the Commission established as a statewide goal the setting of a utility's service charge to recover up to 50% of its fixed cost.

The service charge revenue recovery obtained (from the general metered services) from the utility's workpapers at present rates for 1988 as a percentage of the fixed costs is 23%. In order to comply with the Commission's water rate design policy, staff recommends that the meter rates herein be adjusted so that the service charge components will approach the recovery of 50% of the fixed costs. The staff recommendation is reasonable and will be adopted.

Attrition Year 1990

Staff recommends that an attrition allowance be granted for the operational attrition at the newly authorized rates from the adopted summary of earnings for 1988 and 1989, whereby the slippage in rates of return for the respective years is projected into the third year, and that a financial attrition allowance be authorized in the same manner. This recommendation is reasonable and will be authorized.

Balancing Account

In July 1987 SCWC provided the recorded June 1987 balances in its balancing account set up pursuant to Public Utilities Code Section 792.5. The balance as of June 30, 1987, was \$570,461 undercollection or approximately 24% of the gross annual revenue.

This undercollection resulted from a decrease in the amount of pumping rights allowed the San Gabriel Valley District from 6,718 acre feet in 1983-84 to 5,550 acre feet in 1985-86. Also, because of a series of hot dry years, SCWC was required to pump water in excess of that adopted in D.85-05-050. Thus, the bulk of the undercollection resulted from an increase in quantity rather than an increase in price.

In accordance with established Commission policy on balancing accounts, recorded balances exceeding 5% of gross annual revenues should be amortized over a period of time greater than 12 months. The staff recommends amortization over a three-year period. This coincides with the rate case cycle. We will adopt the staff's recommendation. Accordingly, the appropriate surcharge has been included in Appendix A.

However, because of the unusual nature of the undercollection, this amortization should not be used as precedent setting.

2. SCWC should be authorized to file the rates set forth in Appendix A.

3. The effective date of this order should be today to meet SCWC's need for rate relief.

4. SCWC should be authorized to make an advice letter filing to cover the cost of the Farna Reservoir and the items discussed under General Office - Rate Base, when they are completed and in operation.

ORDER

IT IS ORDERED that:

1. Southern California Water Company (SCWC) is authorized to file for its San Gabriel Valley District, effective January 1, 1988, the revised rate schedules in Appendix A. The filing shall comply with General Order (GO) 96-A. The revised schedules shall apply only to service rendered on and after their effective date.

2. On or after November 15, 1988, SCWC is authorized to file an advice letter, with appropriate workpapers, requesting the step rate increases attached to this order as Appendix B, or to file a lesser or greater increase which includes a uniform cents per 100 cubic feet of water adjustment from Appendix B in the event that the San Gabriel Valley District rate of return on rate base, adjusted to reflect the rates then in effect and normal ratemaking adjustments for the 12 months ending September 30, 1988, differs from the later of (a) the rate of return found reasonable by the Commission for SCWC during the corresponding period in the then most recent rate decision, or (b) 11.07%. This filing shall comply with GO 96-A. The requested step rates shall be reviewed by the staff to determine their conformity with this order and shall go into effect upon the staff's determination of conformity. But the staff shall inform the Commission if it finds that the proposed step rates are not in accord with this decision, and the Commission

CORRECTION

**THIS DOCUMENT HAS
BEEN REPHOTOGRAPHED**

TO ASSURE

LEGIBILITY

Findings of Fact

1. SCWC's rates in this district were last adjusted January 1, 1987 by advice letter filing authorized pursuant to D.85-05-050.

2. Since January 1, 1987 SCWC's operating costs have increased, and will continue to do so.

3. The amounts of operating revenues, operating expenses, and rate base, and each element thereof shown in our adopted Results of Operations represent a fair and reasonable determination of SCWC's revenue requirements for 1988, 1989, and 1990.

4. Adoption of a constant ROE of 12.5% for this district during 1988, 1989, and 1990 is reasonable, subject to further orders of the Commission to change the ROE during the review of future rate cases involving other districts of SCWC. The capital ratios set forth in this decision are reasonable and should be adopted for 1988, 1989, and 1990.

5. The items requested by SCWC for its general office rate base - renovation, mainframe computer, and customer information system - should not be allowed in rate base until actually completed, installed, and in operation.

6. The Farna Reservoir should be allowed in rate base only after completed and in operation.

7. The staff-recommended rate design is reasonable and should be adopted.

8. The increases in rates and charges authorized by this decision are justified and are reasonable; present rates and charges, insofar as they differ from those prescribed by this decision, are for the future unjust and unreasonable.

Conclusions of Law

1. Revenue increases of \$150,400 or 6.3% in 1988, \$103,100 or 4.0% in 1989, and \$103,900 or 3.9% in 1990 are reasonable based upon our adopted results of operations for SCWC's San Gabriel Valley District.

2. SCWC should be authorized to file the rates set forth in Appendix A.

3. The effective date of this order should be today to meet SCWC's need for rate relief.

4. SCWC should be authorized to make an advice letter filing to cover the cost of the Farna Reservoir and the items discussed under General Office - Rate Base, when they are completed and in operation.

ORDER

IT IS ORDERED that:

1. Southern California Water Company (SCWC) is authorized to file for its San Gabriel Valley District, effective January 1, 1988, the revised rate schedules in Appendix A. The filing shall comply with General Order (GO) 96-A. The revised schedules shall apply only to service rendered on and after their effective date.

2. On or after November 15, 1988, SCWC is authorized to file an advice letter, with appropriate workpapers, requesting the step rate increases attached to this order as Appendix B, or to file a lesser or greater increase which includes a uniform cents per 100 cubic feet of water adjustment from Appendix B in the event that the San Gabriel Valley District rate of return on rate base, adjusted to reflect the rates then in effect and normal ratemaking adjustments for the 12 months ending September 30, 1988, differs from the later of (a) the rate of return found reasonable by the Commission for SCWC during the corresponding period in the then most recent rate decision, or (b) 11.07%. This filing shall comply with GO 96-A. The requested step rates shall be reviewed by the staff to determine their conformity with this order and shall go into effect upon the staff's determination of conformity. But the staff shall inform the Commission if it finds that the proposed step rates are not in accord with this decision, and the Commission

may then modify the increase. The effective date of the revised schedule shall be no earlier than January 1, 1989, or 30 days after the filing of the step rate, whichever is later. The revised schedule shall apply only to service rendered on and after its effective date.

3. On or after November 15, 1989, SCWC is authorized to file an advice letter, with appropriate workpapers, requesting the step rate increases attached to this order as Appendix B, or to file a lesser or greater increase which includes a uniform cents per hundred cubic feet of water adjustment from Appendix B in the event that the San Gabriel Valley District rate of return on rate base, adjusted to reflect the rates then in effect and normal ratemaking adjustments for the 12 months ending September 30, 1989, differs from the later of (a) the rate of return found reasonable by the Commission for SCWC during the corresponding period in the then most recent rate decision, or (b) 11.09%. Such filing shall comply with GO 96-A. The requested step rates shall be reviewed by the staff to determine their conformity with this order and shall go into effect upon the staff's determination of conformity. But the staff shall inform the Commission if it finds that the proposed step rates are not in accord with this decision, and the Commission may then modify the increase. The effective date of the revised schedule shall be no earlier than January 1, 1990, or 30 days after the filing of the step rates, whichever is later.

4. SCWC is authorized to make an advice letter filing to cover the cost of general office renovation, mainframe computer, and customer information system, and for the Farna Reservoir, when completed and in operation.

This order is effective today.

Dated December 17, 1987, at San Francisco, California.

STANLEY W. HULETT
President
DONALD VIAL
FREDERICK R. DUDA
G. MITCHELL WILK
JOHN B. OHANIAN
Commissioners

I CERTIFY THAT THIS DECISION
WAS APPROVED BY THE ABOVE
COMMISSIONERS TODAY.


Victor Weisser, Executive Director

so

APPENDIX A
Page 1

Southern California Water Co.
San Gabriel Valley District

SCHEDULE NO. SG-1

GENERAL METERED SERVICE

Applicability

Applicable to all general metered water service.

Territory

Portions of the Cities of Arcadia, El Monte, Irwindale, Monrovia, Monterey Park, Rosemead, San Gabriel, Temple City and vicinity, Los Angeles County.

Rates

Service Charge:	Per Meter Per Month*

For 5/8 x 3/4-inch meter.....	\$ 4.60 (I)
For 3/4-inch meter.....	4.90 :
For 1-inch meter.....	7.00 :
For 1 1/2-inch meter.....	9.25 :
For 2-inch meter.....	14.00 :
For 3-inch meter.....	25.50 :
For 4-inch meter.....	33.00 :
For 6-inch meter.....	63.00 :
For 8-inch meter.....	87.00 (I)

Quantity Rates:

For all water delivered, per 100 cu.ft..... .586 (I) (C)

The Service Charge is a readiness-to-serve charge which is applicable to all metered service and to which is to be added the monthly charge computed at the Quantity Rates.

Special Condition

1. Due to the undercollection in the balance account, an amount of \$0.060 per Ccf is to be added to the quantity rates as shown above until thirty-six months from the effective date of this filed tariff to amortize the undercollection.

* All rates are subject to the reimbursement fee set forth on schedule No. UF.

APPENDIX A
Page 2

Southern California Water Co.
San Gabriel Valley District

SCHEDULE NO. SG-2

FLAT RATE SERVICE

APPLICABILITY

Applicable to all flat rate water service.

TERRITORY

Within the area formerly served by the Mission Gardens Mutual Water Company and bounded on the north by Garvey Avenue, on the east by Walnut Grove Avenue on the south by Fern Avenue and on the west by Delta Avenue within the City of Rosemead.

RATES

	<u>Per Service Connection</u> <u>Per Month</u>
For each single unit of occupancy	\$8.45(I)
For each additional unit of occupancy on the same premises and served from the same service connection.....	8.45(I)

SPECIAL CONDITIONS

1. For service covered by the above classifications, if either the utility or the customer so elects, a meter shall be installed and service provided under Schedule No. SG-1, General Metered Service.
2. This service is limited to customers existing as of December 31, 1987.

Southern California Water Co.
All Districts

SCHEDULE NO. AA-4

PRIVATE FIRE SERVICE

Applicability

Applicable to all water service furnished to private fire systems and to private fire hydrants.

Territory

- Rate A - Applicable within the Arden-Cordova, Bay, Calipatria- (T)
 Niland, Clearlake, Los Osos, Metropolitan, Ojai, San (T)
 Gabriel Valley, and Wrightwood Districts. (T)
- Rate B - Applicable within the Barstow, Big Bear, Desert, Orange
 County, Pomona Valley, San Dimas, Santa Maria, and
 Simi Valley Districts.

Rates

Per Month

	A	B
For each inch of diameter of service connection	\$ 4.00	\$ 3.00

(End of Appendix A)

APPENDIX B

San Gabriel Valley District

Each of the following increases in rates may be put into effect on the indicated date by filing a rate schedule which adds the appropriate increase to the rate which would otherwise be in effect on that date.

Effective Dates
 1-1-89 1-1-90

Schedule SG-1 General Metered Service

Service Charge:	<u>Per Meter Per Month</u>	
For 5/8 x 3/4-inch meter.....	\$.20	\$.20
For 3/4-inch meter.....	.20	.20
For 1-inch meter.....	.30	.30
For 1 1/2-inch meter.....	.35	.35
For 2-inch meter.....	.60	.60
For 3-inch meter.....	1.00	1.00
For 4-inch meter.....	1.00	1.00
For 6-inch meter.....	3.00	3.00
For 8-inch meter.....	4.00	4.00

Quantity Rates:

For all water delivered per 100 cu.ft.	0.023	0.024
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Schedule SG-2 Flat Rate Service

	<u>Per Service Per Month</u>	
For a single unit.....	\$.35	.35
For each additional unit.....	\$.35	.35

(End of Appendix B)

APPENDIX C
Page 1

Southern California Water Company
San Gabriel Valley District

Adopted Quantities

	1988	1989
	-----	-----
PURCHASED POWER		
Supplier: SoCal Edison 1/87		
SoCal Gas 1/87		
WELLS:		
Total Production (KCcf)	2569.2	2583.7
Kwh per CCF	1.370	1.370
Total Kwh (1000)	3520.6	3540.5
Unit Cost \$/Kwh	0.08413	0.08410
Energy Cost	\$296,188	\$297,754
BOOSTERS:		
Total Production (KCcf)	3367.2	3381.7
Kwh per CCF	0.038	0.038
Total Kwh (1000)	128.1	128.7
Unit Cost \$/Kwh	0.08413	0.08410
Energy Cost	\$10,780	\$10,823
GAS (Total Therms):		
SoCal Gas \$/Therm	94565.0	94565.0
Total Gas Cost	0.57915	0.57915
TOTAL Purchased Power	\$54,767	\$54,767
	\$361,736	\$363,344
PURCHASED WATER		
City of Arcadia 7/87		
Upper San Gabriel Valley MWD 7/87		
Arcadia AF, "inside" rate	23.1	23.1
\$/AF, "inside" rate	\$217.80	\$217.80
Total Cost, "inside" rate	\$5,038	\$5,038
Arcadia AF, "outside" rate	412.1	412.1
\$/AF, "outside" rate	\$326.70	\$326.70
Total Cost, "outside" rate	\$134,643	\$134,643
Upper SGVMWD AF	135.4	135.4
\$/AF, Upper SGVMWD	\$232.30	\$232.30
Total Cost, Upper SGVMWD	\$31,464	\$31,464
TOTAL Purchased Water	\$171,145	\$171,145
PUMP TAX -- Main SG Watermaster 7/87		
Total Well Water (AF)	7259.3	7192.6
Admin. Assessment, \$/AF	\$2.00	\$2.00
Total Admin. Assessment	\$14,319	\$14,385
Prescriptive Rights (AF)	5550	5550
Long Beach Make-up, \$/AF	\$2.00	\$2.00
Total Long Beach Make-up	\$11,100	\$11,100
Excess" Pumping (AF)	1609.3	1642.61
Water Replenishment, \$/AF	\$153.00	\$153.00
Total Water Replenishment	\$246,226	\$251,319
TOTAL Pump Tax	\$271,645	\$276,804
TOTAL Chemical Cost	\$2,300	\$2,300

APPENDIX C
Page 2

Southern California Water Company
San Gabriel Valley District

Adopted Quantities

Number of Services by Meter Size	1988	1989
<hr/>		
Schedule SG-1		
5/8 x 3/4	10,025	10,075
3/4	44	44
1	868	868
1 1/2	84	84
2	178	178
3	16	16
4	9	9
6	3	3
8	0	0
	<hr/>	<hr/>
TOTAL	11,227	11,277
0 - 3 CCF	332,721	334,114
> 3 CCF	2,805,379	2,817,486
TOTAL CCF	3,138,100	3,151,600

	No. of Services		Usage (Kccf)		Avg. Usage Ccf/Yr	
	1988	1989	1988	1989	1988	1989
Commercial Met.	11,117	11,167	3007.1	3020.7	270.5	270.5
Industrial	10	10	35.0	35.0	3500.0	3500.0
Public Auth.	100	100	95.9	95.9	959.4	959.4
Other						
<hr/>						
Total Metered	11,227	11,277	3138.1	3151.6		
Flat Rate					270.5	270.5
Private Fire Prot.	35	35				
<hr/>						
Total	11,262	11,312	3138.1	3151.6		
<hr/>						
Water Loss: 6.2%			209.3	210.3		
Oper. Usage			19.8	19.8		
<hr/>						
Total Water Produced			3367.2	3381.7		

San Gabriel Valley District

Utility Plant, Depreciation Reserve, and Rate Base

	1988 -----	1989 -----
	(Thousands of Dollars)	
UTILITY PLANT		
Plant BOY	\$ 8,048.6	\$ 8,607.1
Utility Add.	548.3	538.1
Advances	56.8	53.5
Contributions	7.9	9.9
Total additions	613.0	601.5
Retirement	54.5	53.5
Plant EOY	8,607.1	9,155.1
Wgt. Plant @ 51.2%	286.0	280.6
Wgt. Avg. Plant	8,334.6	8,887.7
DEPRECIATION RESERVE		
Reserve BOY	1,857.6	1,973.0
Contrib.	15.8	17.2
Depr Exp. (1.92%)	148.7	159.4
Clear. Chg.	5.4	5.4
Total Accrual	169.9	182.0
Retirement	54.5	53.5
Reserve EOY	1,973.0	2,101.5
Wgt. Accr. @ 50%	57.7	64.3
Wgt. Deprec. Reserve	1,915.3	2,037.3
RATE BASE		
Utility Plant	8,334.6	8,887.7
Material & Sup.	25.5	25.5
Work. Cash Allow.	41.1	41.1
Deprec. Reserve	-1,915.3	-2,037.3
Advances For Constr.	-527.8	-571.8
Contributions-in-Aid	-523.5	-515.9
Gen. Office Alloc.	79.5	91.1
Unamort. Defer. Taxes	-359.3	-433.5
Unamort. ITC	-158.2	-154.6
CIAC FTC	19.0	30.4
Capit. Items	11.0	13.3
Avg RATE BASE	5,026.6	5,376.1

APPENDIX C

Page 4

San Gabriel Valley District

Income Tax Calculations

	1988 -----	1989 -----
	(Thousands of Dollars)	
Total Revenues	\$ 2,533.9	\$ 2,649.8
Purch. Power	361.8	363.4
Purch. Water	171.1	171.1
Pump Tax	271.6	276.8
Purch. Chem	2.3	2.3
Payroll	243.6	257.0
OM Other	159.1	165.2
AG Other	17.0	17.7
Pension	34.1	36.0
Inj. Damage	40.1	42.4
Gen. Office Alloc.	88.7	92.8
Payroll Tax	18.0	20.4
Ad Valorem Taxes	146.9	157.1
Uncoll. .00502	12.7	13.3
Loc. Franch. .0147	37.1	38.8
subtotal	1,604.1	1,654.3
Interest	228.8	245.4
Total Deductions	1,832.9	1,899.7
State Tax Deprec.	93.9	121.1
State Tax 9.3	56.5	58.5
Fed Tax Deprec.	148.3	154.9
Fed Tax 34%	168.7	182.5
Total Federal Taxes	168.7	182.5
Net/Gross	1.709640	

(End of Appendix C)

APPENDIX D
San Gabriel Valley District

Comparison of typical bills for commercial metered customers of various usage levels and average usage level at present and authorized rates for the year 1988.

General Metered Service (5/8 x 3/4) Inch Meters

: Monthly Usage:	At Present	:At Authorized :	Percent	:
: (Cubic Feet):	Rates	: Rates	Increase	:
300	\$ 5.54	\$ 6.36	14.8 %	
500	6.68	7.53	12.8	
1,000	9.52	10.46	9.9	
2,000	15.21	16.32	7.3	
2,250 (Avg.)	16.66	17.81	6.9	
3,000	20.90	22.18	6.1	
5,000	32.28	33.90	5.0	
10,000	60.73	63.20	4.1	

(End of Appendix D)

Decision 87 12 046

ORIGINAL DEC 17 1987

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application)
of the SOUTHERN CALIFORNIA WATER)
COMPANY (U 133-W) for an order)
authorizing it to increase rates)
for water service in its San)
Gabriel Valley District.)

Application 87-04-068
(Filed April 29, 1987)

O'Melveny & Myers, by Thomas N. Harding, Attorney
at Law, for Southern California Water Company,
applicant.

Carol L. Matchett, Attorney at Law, and Richard
Tom, for the Public Staff Division.

OPINION

This proceeding was heard on a consolidated record with Application (A.) 87-04-066, A.87-04-067, and 87-04-069 before Administrative Law Judge John Lemke in Los Angeles August 31 through September 3, 1987. An informal public meeting and the evidentiary hearings were noticed by Southern California Water Company (SCWC) to each customer in the district in accordance with the Commission's Rules of Practice and Procedure. Eight customers attended the informal meeting; only two had complaints. The matter was taken under submission subject to the filing of concurrent briefs by October 5, 1987.

By this application, SCWC requests authority to increase rates for water service in its San Gabriel Valley District by 12.81% in 1988, 6.81% in 1989, and 5.11% in 1990.

SCWC renders public utility water service in various areas in the counties of Contra Costa, Imperial, Lake, Los Angeles, Orange, Sacramento, San Bernardino, San Luis Obispo, Santa Barbara, and Ventura. It also renders an electric service in its Big Bear District.

Findings of Fact

1. SCWC's rates in this district were last adjusted January 1, 1987 by advice letter filing authorized pursuant to D.85-05-050.
2. Since January 1, 1987 SCWC's operating costs have increased, and will continue to do so.
3. The amounts of operating revenues, operating expenses, and rate base, and each element thereof shown in our adopted Results of Operations represent a fair and reasonable determination of SCWC's revenue requirements for 1988, 1989, and 1990.
4. Adoption of a constant ROE of 12.5% for this district during 1988, 1989, and 1990 is reasonable. The capital ratios set forth in this decision are reasonable and should be adopted for 1988, 1989, and 1990.
5. The items requested by SCWC for its general office rate base - renovation, mainframe computer, and customer information system - should not be allowed in rate base until actually completed, installed, and in operation.
6. The Farna Reservoir should be allowed in rate base only after completed and in operation.
7. The staff-recommended rate design is reasonable and should be adopted.
8. The increases in rates and charges authorized by this decision are justified and are reasonable; present rates and charges, insofar as they differ from those prescribed by this decision, are for the future unjust and unreasonable.

Conclusions of Law

1. Revenue increases of \$150,400 or 6.3% in 1988, \$103,100 or 40% in 1989, and \$103,900 or 3.9% in 1990 are reasonable based upon our adopted results of operations for SCWC's San Gabriel Valley District.
2. SCWC should be authorized to file the rates set forth in Appendix A.

3. The effective date of this order should be today to meet SCWC's need for rate relief.

4. SCWC should be authorized to make an advice letter filing to cover the cost of the Farna Reservoir and the items discussed under General Office - Rate Base, when they are completed and in operation.

ORDER

IT IS ORDERED that:

1. Southern California Water Company (SCWC) is authorized to file for its San Gabriel Valley District, effective January 1, 1988, the revised rate schedules in Appendix A. The filing shall comply with General Order (GO) 96-A. The revised schedules shall apply only to service rendered on and after their effective date.

2. On or after November 15, 1988, SCWC is authorized to file an advice letter, with appropriate workpapers, requesting the step rate increases attached to this order as Appendix B, or to file a lesser increase which includes a uniform cents per 100 cubic feet of water adjustment from Appendix B in the event that the San Gabriel Valley District rate of return on rate base, adjusted to reflect the rates then in effect and normal ratemaking adjustments for the 12 months ending September 30, 1988, exceeds the later of (a) the rate of return found reasonable by the Commission for SCWC during the corresponding period in the then most recent rate decision, or (b) 11.07%. This filing shall comply with GO 96-A. The requested step rates shall be reviewed by the staff to determine their conformity with this order and shall go into effect upon the staff's determination of conformity. But the staff shall inform the Commission if it finds that the proposed step rates are not in accord with this decision, and the Commission may then modify the increase. The effective date of the revised schedule shall be no earlier than January 1, 1989, or 30 days after the

filing of the step rate, whichever is later. The revised schedule shall apply only to service rendered on and after its effective date.

3. On or after November 15, 1989, SCWC is authorized to file an advice letter, with appropriate workpapers, requesting the step rate increases attached to this order as Appendix B, or to file a lesser increase which includes a uniform cents per hundred cubic feet of water adjustment from Appendix B in the event that the San Gabriel Valley District rate of return on rate base, adjusted to reflect the rates then in effect and normal ratemaking adjustments for the 12 months ending September 30, 1989, exceeds the later of (a) the rate of return found reasonable by the Commission for SCWC during the corresponding period in the then most recent rate decision, or (b) 11.09%. Such filing shall comply with GO 96-A. The requested step rates shall be reviewed by the staff to determine their conformity with this order and shall go into effect upon the staff's determination of conformity. But the staff shall inform the Commission if it finds that the proposed step rates are not in accord with this decision, and the Commission may then modify the increase. The effective date of the revised schedule shall be no earlier than January 1, 1990, or 30 days after the filing of the step rates, whichever is later.

4. SCWC is authorized to make an advice letter filing to cover the cost of general office renovation, mainframe computer, and customer information system, and for the Farna Reservoir, when completed and in operation.

This order is effective today.

Dated DEC 17 1987, at San Francisco, California.

STANLEY W. HULETT
President

DONALD VIAL

FREDERICK R. DUDA

G. MITCHELL WILK

JOHN B. OKANIAN

Commissioners

APPENDIX B

San Gabriel Valley District

Each of the following increases in rates may be put into effect on the indicated date by filing a rate schedule which adds the appropriate increase to the rate which would otherwise be in effect on that date.

Effective Dates
 1-1-89 1-1-90

Schedule SG-1 General Metered Service

Service Charge:	<u>Per Meter Per Month</u>	
For 5/8 x 3/4-inch meter.....	\$.20	\$.20
For 3/4-inch meter.....	.20	.20
For 1-inch meter.....	.30	.30
For 1 1/2-inch meter.....	.35	.35
For 2-inch meter.....	.60	.60
For 3-inch meter.....	1.00	1.00
For 4-inch meter.....	1.00	1.00
For 6-inch meter.....	3.00	3.00
For 8-inch meter.....	4.00	4.00

Quantity Rates:		
For all water delivered per 100 cu. ft.	0.23	0.24

Schedule SG-2 Flat Rate Service

	<u>Per Service Per Month</u>	
For a single unit.....	\$.35	.35
For each additional unit.....	\$.35	.35

(End of Appendix B)