

Decision 89 11 017 NOV 3 1989

ORIGINAL

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 Bay District.

Application 89-02-027
(Filed February 15, 1989)

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 Simi Valley District.

Application 89-02-028
(Filed February 15, 1989)

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 Santa Maria District.

Application 89-02-029
(Filed February 15, 1989)

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 Clearlake District.

Application 89-02-030
(Filed February 15, 1989;
amended April 19, 1989)

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 Calipatria-Niland District.

Application 89-02-031
(Filed February 15, 1989)

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 Dimas District.

Application 89-02-036
(Filed February 15, 1989)

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 Orange County District.

Application 89-02-042
(Filed February 22, 1989)

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OPINIONSummary of Decision

This decision finds the following rate increases necessary for Southern California Water Company (SCWC):

District	(\$000) 1990		(\$000) 1991		(\$000) 1992	
	Amount	%	Amount	%	Amount	%
Bay	699.7	60.6	222.6	10.7	49.9	2.4
Simi Valley	166.9	4.4	145.0	3.6	47.0	1.2
Santa Maria	530.4	17.6	361.3	9.2	141.7	3.6
Clearlake	218.5	32.0	111.0	12.3	63.8	6.3
Calipatria/Niland	28.4	4.4	37.5	5.5	33.3	4.7
San Dimas	793.1	13.3	522.4	7.8	211.3	3.0
Orange County	a \$26,500 or 0.003% levelized rate increase					

The increases are based on rates of return on rate base of 10.92%, 10.96%, and 10.90% for test years 1990, 1991, and attrition year 1992, yielding a constant return on common equity of 12.00%. The increase authorized for the Bay District in 1990 is capped at 50%; excess revenues, plus interest, will be collected at levelized rates in 1991 and 1992.

Background

SCWC is a public utility corporation with headquarters presently in Los Angeles, California. It provides water service in 17 districts located throughout the state, and provides electric service in Big Bear Lake, California.

On February 15, 1989, SCWC filed applications requesting rate increases for water service in its Bay, Simi Valley, Santa Maria, Clearlake, Calipatria-Niland, San Dimas, and Orange County Districts. An amended application was filed April 19 requesting additional increases in the company's Clearlake District.

The company initially requested increases in rates in all districts which would produce rates of return on its rate base of 11.78% in 1990, 11.74% in 1991, and 11.81% in 1992, with a constant return on common equity of 13.5%. During the conduct of evidentiary hearings, SCWC amended its request for return on common equity to 13.0%.

This decision addresses the seven applications, which were consolidated for purposes of hearings and issuance of a decision. A description of each district and of the principal budget items sought during years 1989 to 1992 is set forth as follows:

Bay District

The Bay District is located in Contra Costa County, and is part of the company's Northern Division. The total number of customers as of December 31, 1988 was 4,263, of which 99% are in the commercial classification consisting of residential and business customers. All water for this district is obtained from the Contra Costa Canal, purchased from Contra Costa Water District. In December 1987 there were approximately 98,674 feet of distribution main in the district. Storage facilities consist of a 519,000-gallon concrete reservoir and three steel tanks with a combined capacity of 1,027,000 gallons. Based on the criteria of having storage equal to one-third of maximum day demand plus fire flow storage equal to the maximum required fire flow times the required duration, the system should have a total storage capacity of 2.6 million gallons. The company plans to construct a one-million gallon reservoir at the Hill Street Plant in 1989.

Simi Valley District

This district is part of the company's Coastal Division, serving the City of Simi Valley and adjacent unincorporated territory in Ventura County. There are 11,610 customers, including 87 private fire service customers. Ninety-eight percent of the customers are in the commercial classification, consisting of residential and business customers.

All water for this district is purchased from the Calleguas Municipal Water District, a member agency of the Metropolitan Water District of Southern California (MWD). Purchased water is delivered through four separate connections. A portion of the water is stored at night and then allowed to flow by

gravity, or else pumped from storage by booster stations to the distribution system to meet peak demands. The district has one well and seven booster stations. SCWC budgeted \$30,000 for additional booster capacity in 1989 to improve pumping capabilities at the Tapo Reservoir. In December 1987 there were approximately 441,618 feet of distribution main. Storage facilities in the district consist of ten steel tanks with a combined capacity of 7,092,000 gallons. SCWC budgeted \$140,000 during 1990 for distribution and miscellaneous street improvements. About \$71,500 is budgeted for improvements of well sites, booster stations, and reservoirs during 1990-1991.

Santa Maria District

This district is also part of the company's Coastal Division, serving five separate service areas located in Santa Barbara County and San Luis Obispo County. There are 10,953 customers, including 20 private fire service customers. Ninety-eight percent of the customers are in the commercial classification, consisting of residential and business customers.

The water supply for the district is obtained from 27 wells. Some of this water is stored at night and allowed to flow by gravity, or is pumped from storage by boosters to the system to meet peak demands. In December 1987 there were approximately 867,584 feet of distribution main within the district. Storage facilities consist of ten steel tanks and concrete reservoirs with a combined capacity of 4,448,000 gallons. A new 1.5-million gallon reservoir and 3,000 feet of 14" PVC transmission main to the new reservoir are budgeted in 1990 for the Orcutt system. Estimated costs for this project are \$150,000 for land, \$468,000 for the reservoir, and \$132,000 for the transmission line. The new reservoir is needed to supply peak demands due to continued system growth.

Clearlake District

This district serves 2,137 customers in Lake County. Ninety-nine and eight-tenths percent of the customers are in the commercial classification. The system is currently supplied by Treatment Plant No. 2 and a purchased water connection with Highlands Mutual Water Company. Due to the age and condition of Plant No. 1, the California Department of Health Services (DHS) has determined that the company may no longer use the facility. In addition, a landslide at Plant No. 2, pushing against the back side of the filter building, has resulted in the back wall being four inches out of plumb. The long-term availability of Plant No. 2 is doubtful. The interconnection with Highlands Mutual Water Company will expire in 1989.

Believing a new source of assured water supply is essential for the district, SCWC plans to satisfy the need with the construction of a new treatment plant. Land on which to build the plant is currently under an option which will be exercised upon Commission approval of the proposed construction. The option, costing \$24,000, expires December 1989. In its initial application, the company sought authority to construct this treatment facility with subsequent recovery of the final costs by advice letter filing. By amended application filed April 19 SCWC proposes to include \$956,000 or approximately 75% of the treatment plant construction costs in rate base - \$478,000 each test year, and now requests authority to file an advice letter when the project is completed and in service, to include the remaining 25% for subsequent recovery in rates. The company believes that its amended cost recovery plan provides ratepayers with the least cost impact, since phasing in costs over a three-year period will minimize the initial ratepayer impact.

SCWC plans to negotiate an extension of the purchased water agreement with the Highlands Mutual Water Company to coincide with completion of the proposed new water treatment plant.

In December 1987 there were approximately 181,010 feet of distribution main in the district. Mains range in size from 3/4-inch to 8 inches in diameter, with approximately 11,600 being less than 4 inches. SCWC believes those less than 4 inches do not provide sufficient fire flow to meet current standards of General Order (GO) 103. Further, the company believes that during periods of high demand, such small sized mains may not provide adequate pressure to customers at higher elevations. DHS has prohibited connection of any new service to mains less than 4 inches in diameter. SCWC has planned main installation and replacement for the Clearlake District in 1989, 1990, and 1991 of 2,940 feet, 2,000 feet, and 2,500 feet, respectively.

Storage facilities in the district consist of a 256,000-gallon steel reservoir, a steel tank with a 225,000-gallon capacity, and a 220,000-gallon redwood tank. In 1991, following completion of the proposed water treatment plant, the company plans to replace the existing booster station located at Plant No. 1 at a cost of approximately \$75,000.

Calipatria-Niland District

The Calipatria-Niland District is part of the company's Eastern Division, serving 1,056 customers residing in the City of Calipatria and adjacent territory, and also the community of Niland, located about 8 miles north of Calipatria. The districts's water supply is purchased from the Imperial Irrigation District. Water is delivered into settling basins in the Calipatria area and pumped through filters to an elevated steel storage tank and the distribution system. Water in Niland is delivered into settling basins and pumped through filters to a 150,000-gallon storage tank, whence it flows by gravity into the system. Company plans include replacement of 1,700 feet of mains during 1989, estimated to cost about \$80,000.

In December 1987 there were approximately 181,482 of distribution mains in the district. The Calipatria elevated storage tank is over 60 years old, and is in poor condition with doubtful seismic stability. The tank is scheduled for removal in 1990 at a cost of \$40,000. A new 300-gallon per minute booster will be installed at the Calipatria Treatment Plant and the existing gas engine equipped with an auto starter to maintain water pressure in case of power failure. The total cost of the project, including tank removal, is \$70,600.

San Dimas District

The San Dimas District is part of the Company's Eastern Division, serving 14,127 customers in the Cities of San Dimas, La Verne, Covina, and surrounding Los Angeles County unincorporated area. Ninety-seven percent of the customers are in the commercial classification consisting of residential and business customers. The district's water supply comes from the main San Gabriel Basin and Relevant Watershed, the Pomona Basin through company ownership of the Durward Well, and from two connections with the facilities of the Three Valleys Municipal Water District and one connection with the Covina Irrigating Company.

In December 1987 there were approximately 1,100,145 feet of distribution main in the district, ranging in size from 1-inch to 36 inches in diameter. Main installation and replacement planned for the district is 6,750 feet in 1989, 9,100 feet in 1990, and 13,360 feet in 1991.

Orange County District

This district is part of the company's Orange Division. It includes several systems not physically connected, serving 37,414 customers throughout Orange County including portions of the Cities of Cypress, Garden Grove, La Palma, Los Alamitos, Orange, Placentia, Santa Ana, Seal Beach, Stanton, and Yorba Linda.

In 1988, approximately 50% of the district's water supply was obtained from company owned wells located within the district. The remainder was purchased from MWD through the facilities of the Municipal Water District of Orange County, East Orange County Water District, Red Hill Water Company, and the City of Seal Beach.

In December 1987 there were approximately 2,017,100 feet of distribution main in the district, ranging in size from 1-inch to 20 inches in diameter. Main installation and replacement planned for the district is 1,654 feet in 1989, 6,550 feet in 1990, and 5,000 feet in 1991. Storage facilities in the Orange County District consist of steel tanks and reservoirs from which booster pumps deliver water to the distribution system. Combined storage capacity of facilities is 10,271,000 gallons.

Public Meetings and Hearings

The Water Utilities Branch of the Commission Advisory and Compliance Division (Branch) conducted informal public meetings in Simi Valley, San Dimas, and Orange County Districts, attended by Branch and company personnel. A total of seven customers attended the informal meetings. Based upon prior history of customer participation, the Branch project manager recommended that public participation hearings (PPHs) be held for the Bay, Clearlake, Santa Maria, and Calipatria-Niland Districts. Duly noticed PPHs were conducted by Administrative Law Judge John Lemke at 2:00 p.m. and 7:00 p.m. in each of these four districts.

PPHs held in the Bay District were conducted at West Pittsburg and were attended by about 20 customers. Several customers who were senior citizens complained about the cost and quality of the water. The company representative responded by quoting portions of a letter from DHS stating that complaints have greatly decreased since improvements were made to the system several years ago. Further, he indicated that SCWC and its customers will be required to pay for a \$600 million project to build a reservoir (Los Vaqueros) to store water when it is of a higher quality as it comes down river during high-flow periods.

Then during dry periods, this higher quality water will enter the canal and be available for use by SCWC's customers. Ultimately, the water quality is expected to be entirely satisfactory.

The Clearlake District PPHs were conducted in Clearlake and were attended by over 100 customers. Many speakers voiced their opposition to the high rates and poor quality of the water. The company representative stated that the water quality would be significantly improved by the construction and operation of the new filtration plant. Many of the customers in Clearlake are senior citizens and/or retirees, who assert they will be hard pressed to pay the increased water bills. The increase proposed by SCWC for 1990 would raise the average monthly bill for a residential customer with a 5/8- x 3/4-inch meter, using 600 cubic feet of water, by \$9.59, or about 37.4%, from \$25.64 to \$35.23. Further increases proposed for 1991 and 1992 are \$3.42 and \$2.30, respectively.

The Santa Maria District PPHs were conducted in Santa Maria and were attended by about 15 customers. Average monthly bills for 2,700 cubic feet will increase from \$19.89 to \$24.91, or 25.2% under the company proposal. Several customers expressed concern about the magnitude of the increase.

In the Calipatria-Niland District the 2:00 p.m. session was conducted in Calipatria, and the 7:00 p.m. meeting in Niland. Six customers attended the Calipatria meeting, and about 25 attended the evening session at Niland. Those customers who spoke addressed mainly the cost of the water, although almost all who spoke were flat-rate customers whose cost in 1990 under the company request will increase by only 30 cents, from \$42.70 to \$43.00 per month. Several customers stated there are many low-income families in the area living on fixed incomes. A few customers commented on what they consider poor water quality.

A number of letters have been received from customers in each of the districts where PPHs were held, particularly Clearlake, stating their concerns about the high level of present and proposed water rates. Some of these letters were from customers who also attended the PPHs and spoke during those meetings.

Evidentiary hearings were held in Los Angeles from June 19 to June 22. The consolidated proceeding was submitted with the receipt of concurrent briefs on August 18, 1989.

Issues

During the proceedings SCWC and Branch consulted regarding their respective test year estimates. As a result, SCWC has agreed with many of Branch's estimates. A Reconciliation Exhibit, Exhibit 31, was received from the company on July 31 and received into evidence. During the hearing the utility stipulated to a change in the scheduled Regulatory Lag Plan, extending applicable due dates by approximately 30 days from the date for filing of briefs to the expected decision date.

The issues to be addressed in the concurrent briefs were: Cost of capital - return on common equity, cost of new debt, and capitalization ratios; general office issues - need for division managers and business managers, capital budget items, and additional outside expenses; projected number of customers in Orange County District; and labor (staffing ratio) expenses.

The Branch project manager offered a statement and recommendation concerning the number of utility personnel attending the informal and formal public meetings which were held in the seven districts. He stated that at each meeting approximately 9 or 10 company representatives attended, including the president, two vice presidents, the acting director of regulatory affairs, the director of operations, and the administrator of special projects, all from the general headquarters office. Additionally, local district managers and supervisors were in attendance. The project manager believes this number is excessive and wasteful, and pointed

out that at some of the meetings the company personnel exceeded the number of attending customers. He recommended that SCWC be placed on notice by the Commission that what he deemed to be an excessive number of headquarters personnel attending the meetings is inappropriate. He suggested that the number of headquarters personnel be limited to the president, the director of operations, and the director of regulatory affairs. He had no objection to attendance at these meetings by the attorney representing the utility, local company personnel and, when necessary, a translator.

SCWC's director of management services responded by stating that the utility is attempting to emphasize excellence in service to its customers by meeting their needs and that before those needs can be met, they must be known. He believes that an excellent opportunity to become aware of customer needs is offered through the informal and formal meeting process. However, he expects that in future years, the number of general office personnel in attendance will decrease from current levels, as newer employees become more familiar with the districts.

Summaries of Earnings

Tables 1 through 7 show a comparison of SCWC's and Branch's estimates of results of operations for 1990 and 1991 for the seven districts. The tables also show the adopted and authorized results of operations for 1990 and 1991. Adopted quantities, tax calculations, and comparisons of rates are included in Appendixes C and D, respectively.

TABLE 1
Southern California Water Co.
Bay District

Adopted Summary of Earnings

	-----1990-----	
	Present	Authorized

	(Thousands of Dollars)	
Total Revenues	\$ 1,154.1	\$ 1,853.8
Operating Expenses		
Oper. & Maint.	917.7	920.9
Adm. & Gen.	86.1	86.1
Gen. Off. Alloc.	67.6	67.6
Depreciation	174.5	174.5
Other Taxes	56.0	65.0
State Franch. Tax	-33.1	30.8
Federal Inc. Tax	-96.6	115.4
Total	1,172.2	1,460.3
Net Income	-18.1	393.5
Rate Base	3,603.1	3,603.1
Rate of Return	-.50	10.92

	-----1991-----	
	Present	Authorized

	(Thousands of Dollars)	
Total Revenues	\$ 1,228.5	\$ 2,076.4
Operating Expenses		
Oper. & Maint.	978.9	982.8
Adm. & Gen.	92.4	92.4
Gen. Off. Alloc.	73.2	73.2
Depreciation	206.7	206.7
Other Taxes	63.0	74.0
State Franch. Tax	-31.2	46.3
Federal Inc. Tax	-102.4	154.5
Total	1,280.7	1,629.9
Net Oper. Revenue	-52.2	446.5
Rate Base	4,074.1	4,074.1
Rate of Return	-1.28	10.96

TABLE 2

Southern California Water Co.

Simi District

Adopted Summary of Earnings

		-----1990-----	
		Present	Authorized

		(Thousands of Dollars)	
Total Revenues	\$	3,757.3	\$ 3,924.2
Operating Expenses			
Oper. & Maint.		2,862.3	2,863.1
Adm. & Gen.		102.0	102.0
Gen. Off. Alloc.		146.7	146.7
Depreciation		166.1	166.1
Other Taxes		122.2	124.7
State Franch. Tax		18.2	33.4
Federal Inc. Tax		45.4	95.9
Total		3,462.9	3,531.9
Net Income		294.4	392.3
Rate Base		3,592.4	3,592.4
Rate of Return		8.20	10.92

		-----1991-----	
		Present	Authorized

		(Thousands of Dollars)	
Total Revenues	\$	3,836.6	\$ 4,069.2
Operating Expenses			
Oper. & Maint.		2,931.6	2,932.7
Adm. & Gen.		109.6	109.6
Gen. Off. Alloc.		158.9	158.9
Depreciation		176.6	176.6
Other Taxes		127.5	131.1
State Franch. Tax		12.9	34.1
Federal Inc. Tax		33.4	103.7
Total		3,550.6	3,646.7
Net Oper. Revenue		286.0	422.5
Rate Base		3,854.9	3,854.9
Rate of Return		7.42	10.96

TABLE 3

Southern California Water Co.
Santa Maria District

Adopted Summary of Earnings

	-----1990-----	
	Present	Authorized

	(Thousands of Dollars)	
Total Revenues	\$ 3,021.9	\$ 3,552.3
Operating Expenses		
Oper. & Maint.	1,588.4	1,591.3
Adm. & Gen.	188.0	188.0
Gen. Off. Alloc.	157.5	157.5
Depreciation	374.5	374.5
Other Taxes	104.5	104.5
State Franch. Tax	25.1	74.2
Federal Inc. Tax	95.8	258.4
Total	2,533.7	2,748.3
Net Income	488.2	804.0
Rate Base	7,362.4	7,362.4
Rate of Return	6.63	10.92

	-----1991-----	
	Present	Authorized

	(Thousands of Dollars)	
Total Revenues	\$ 3,157.5	\$ 3,913.6
Operating Expenses		
Oper. & Maint.	1,701.6	1,705.8
Adm. & Gen.	199.4	199.4
Gen. Off. Alloc.	170.7	170.7
Depreciation	420.0	420.0
Other Taxes	116.2	116.2
State Franch. Tax	10.1	80.0
Federal Inc. Tax	73.6	305.4
Total	2,691.6	2,997.5
Net Oper. Revenue	465.9	916.1
Rate Base	8,358.1	8,358.1
Rate of Return	5.57	10.96

TABLE 4

Southern California Water Co.
Clearlake District

Adopted Summary of Earnings

	-----1990-----	
	Present	Authorized

	(Thousands of Dollars)	
Total Revenues	\$ 683.4	\$ 901.9
Operating Expenses		
Oper. & Maint.	267.1	268.1
Adm. & Gen.	95.4	95.4
Gen. Off. Alloc.	42.5	42.5
Depreciation	57.7	57.7
Other Taxes	36.5	36.5
State Franch. Tax	5.9	26.1
Federal Inc. Tax	15.9	83.0
Total	520.9	609.2
Net Income	162.5	292.7
Rate Base	2,679.8	2,679.8
Rate of Return	6.06	10.92

	-----1991-----	
	Present	Authorized

	(Thousands of Dollars)	
Total Revenues	\$ 691.2	\$ 1,012.9
Operating Expenses		
Oper. & Maint.	284.3	285.8
Adm. & Gen.	101.4	101.4
Gen. Off. Alloc.	46.1	46.1
Depreciation	71.5	71.5
Other Taxes	42.3	42.3
State Franch. Tax	-.2	29.5
Federal Inc. Tax	-2.2	96.6
Total	543.2	673.2
Net Oper. Revenue	148.0	339.7
Rate Base	3,099.0	3,099.0
Rate of Return	4.78	10.96

TABLE 5

Southern California Water Co.

Calipatria-Niland District

Adopted Summary of Earnings

	-----1990-----	
	Present	Authorized

	(Thousands of Dollars)	
Total Revenues	\$ 649.3	\$ 677.7
Operating Expenses		
Oper. & Maint.	251.7	251.8
Adm. & Gen.	53.8	53.8
Gen. Off. Alloc.	29.9	29.9
Depreciation	60.7	60.7
Other Taxes	28.6	28.8
State Franch. Tax	16.5	19.1
Federal Inc. Tax	48.4	57.0
Total	489.5	501.1
Net Income	159.8	176.6
Rate Base	1,617.0	1,617.0
Rate of Return	9.88	10.92

	-----1991-----	
	Present	Authorized

	(Thousands of Dollars)	
Total Revenues	\$ 649.7	\$ 715.2
Operating Expenses		
Oper. & Maint.	262.8	263.1
Adm. & Gen.	57.4	57.4
Gen. Off. Alloc.	32.4	32.4
Depreciation	66.8	66.8
Other Taxes	30.3	30.9
State Franch. Tax	14.2	20.2
Federal Inc. Tax	41.6	61.5
Total	505.4	532.3
Net Oper. Revenue	144.3	182.9
Rate Base	1,669.0	1,669.0
Rate of Return	8.64	10.96

TABLE 6

Southern California Water Co.

San Dimas District

Adopted Summary of Earnings

	-----1990-----	
	Present	Authorized

	(Thousands of Dollars)	
Total Revenues	\$ 5,949.1	\$ 6,742.2
Operating Expenses		
Oper. & Maint.	3,750.7	3,754.1
Adm. & Gen.	244.8	244.8
Gen. Off. Alloc.	252.3	252.3
Depreciation	514.0	514.0
Other Taxes	206.0	208.2
State Franch. Tax	36.4	109.6
Federal Inc. Tax	104.1	346.9
Total	5,108.2	5,429.9
Net Income	840.9	1,312.3
Rate Base	12,017.9	12,017.9
Rate of Return	7.00	10.92

	-----1991-----	
	Present	Authorized

	(Thousands of Dollars)	
Total Revenues	\$ 6,144.8	\$ 7,264.6
Operating Expenses		
Oper. & Maint.	3,952.2	3,956.9
Adm. & Gen.	263.8	263.8
Gen. Off. Alloc.	273.4	273.4
Depreciation	565.2	565.2
Other Taxes	224.5	227.6
State Franch. Tax	9.1	112.6
Federal Inc. Tax	51.0	393.9
Total	5,339.2	5,793.3
Net Oper. Revenue	805.6	1,471.3
Rate Base	13,424.2	13,424.2
Rate of Return	6.00	10.96

TABLE 7

Southern California Water Co.

Orange County District

Adopted Summary of Earnings

	-----1990-----	
	Present	Authorized

	(Thousands of Dollars)	
Total Revenues	\$ 9,781.5	\$ 9,707.1
Operating Expenses		
Oper. & Maint.	5,546.2	5,545.9
Adm. & Gen.	372.6	372.6
Gen. Off. Alloc.	444.2	444.2
Depreciation	561.8	561.8
Other Taxes	403.2	402.2
State Franch. Tax	163.1	156.3
Federal Inc. Tax	509.1	486.6
Total	8,000.2	7,969.5
Net Income	1,781.3	1,737.6
Rate Base	15,911.6	15,911.6
Rate of Return	11.19	10.92

	-----1991-----	
	Present	Authorized

	(Thousands of Dollars)	
Total Revenues	\$ 9,829.0	\$ 9,878.6
Operating Expenses		
Oper. & Maint.	5,429.9	5,430.1
Adm. & Gen.	398.9	398.9
Gen. Off. Alloc.	478.7	478.7
Depreciation	596.3	596.3
Other Taxes	420.0	420.7
State Franch. Tax	152.8	157.3
Federal Inc. Tax	518.0	533.0
Total	7,994.5	8,015.0
Net Oper. Revenue	1,834.5	1,863.6
Rate Base	17,004.1	17,004.1
Rate of Return	10.79	10.96

Rate of Return

Rate of return is a function of the cost of capital, consisting of weighted costs of debt, of preferred shares of stock, and of common equity.

James Gallagher is SCWC's secretary/treasurer and chief financial officer. In the preparation of his initial cost of capital report, Exhibit 10, Gallagher had used information available at the time in order to perform certain analyses. That data consisted of information recorded through September 1988. In his final report, Exhibit 11, the witness used data recorded through December 1988, where appropriate. In his final report Gallagher amended the company's requested return on common equity from 13.5% to 13.0%. The principal reason for the reduction is because of a decline in the cost of debt, as currently reflected in the market.

The staff recommendations on cost of capital were presented through a witness from the Commission's Division of Ratepayer Advocates (DRA), Seaneen Wilson. Wilson proposed a range on common equity, from 11.75% to 12.25%, and recommended adoption of the midpoint of the range, 12.00%.

A second difference between Exhibits 10 and 11 has to do with the cost of new debt. Gallagher has revised the requested coupon rate originally recommended from 10.5% to 10.0%. The DRA recommendation regarding new debt is a range of 9.7% to 9.75% on a coupon rate basis.

Another area of difference between company and DRA recommendations has to do with capital structure. SCWC is requesting a floating capital structure to match what the actual structure will be at a point in time given certain assumptions on future issues and dividend payments. DRA has recommended a fixed structure, with 50% common equity over the two-year test period as well as during the attrition year of 1992.

Common Equity

In formulating his recommendation with respect to return on common equity, Gallagher employed two methodologies: the discounted cash flow (DCF) and the risk premium (RP) model. He applied his analysis over a seven-year period. The witness has incorporated book value growth into his analysis. The company specific DCF summary information set forth in Table 12 of Exhibit 11 is shown below:

Southern California Water Company

Return on Common Equity

Company Specific Discounted Cash Flow Analysis

	Based on	
	3-month yield	6-month yield
Dividend yield	8.05%	7.80%
Growth rate	<u>4.41</u>	<u>4.41</u>
Return on common equity	12.46%	12.21%
Rounded	12.50%	12.25%

The two components of the DCF are dividend yield and growth rate. As shown above, Gallagher has calculated a common equity return of 12.50% based on a 3-month yield, and 12.25% based on a 6-month yield, on a company specific basis.

Gallagher also calculated DCF for four California water companies - California Water Service Company, San Jose Water Company, Dominguez Water Company, and Southwest Water Company. The sums of the factors for the four companies indicate common equities, based on a 3-month yield, of 13.25% and on a 6-month yield of 13.0%. Gallagher then performed a DCF analysis in connection with a nationwide group of 11 water companies. The result of that computation indicated common equities of 14.59%,

based on a 3-month yield, and 14.42% on a 6-month yield. The witness averaged the results of seven years' performance in calculating the yields shown in his report, commencing with 1982. He believes this is appropriate for three reasons:

- a. In 1982 the company significantly restructured its senior management team.
- b. The company undertook a very extensive capital spending program in that year, involving many plant additions, and continuing into the foreseeable future.
- c. This capital spending program has been accompanied by needed growth in new financing.

In support of his recommendation regarding common equity, Gallagher has relied in part upon the holding in the oft-cited Bluefield Water Works v. West Virginia Public Service Commission decision of the U. S. Supreme Court. The decision holds generally that a utility is entitled to assess rates that will permit it to earn a return equal to that generally earned at the same time and in the same general part of the country, by businesses which are subject to similar risks.

The RP method employed by Gallagher involves a comparison of actual earned return on common equity with the yield on "A" rated utility bonds for corresponding periods to arrive at a premium factor for each of the years 1982 through 1988. Differences between equity and debt yields, or risk premiums, are added to the cost of new debt. These calculations, summarized in Table 15 of Exhibit 11 are set forth as follows:

Southern California Water Company
Return on Common Equity
Risk/Premium Analysis
Equity Return - Debt Yield Comparison

	SCWC vs. <u>debt</u>	California vs. <u>debt</u>	Comparable vs. <u>debt</u>
Seven-year average	2.07%	2.90%	2.55%
Current new debt estimate	<u>10.25</u>	<u>10.25</u>	<u>10.25</u>
Return on common equity	12.32%	13.15%	12.80%
Rounded	12.25%	13.25%	12.75%

The figure of 2.07% is the average of the positive risk of premiums calculated. In some years "A" utility bond yields were greater than company equity returns. Gallagher excluded the negative yields because he believes an investor would generally consider equity to be riskier than debt.

In Table 11 of Exhibit 11, shown below, Gallagher has summarized the results of his calculations under both the DCF and RP methods for the company specific, California companies, and 11 nationwide companies. It is this information which he has relied upon to base his recommendation for a return on common equity of 13.0%. Gallagher stated, however, that he is relying primarily upon his DCF analysis as the basis for the common equity recommendation.

Southern California Water Company

Return on Common Equity

Summary

<u>Method</u>	<u>Range or Result</u>
Discounted cash flow:	
Company specific	12.25%-12.50%
California companies	13.00-13.25%
Comparable companies	14.50%
Risk/premium:	
Company specific I	12.25%
California companies	13.25%
Comparable companies	12.75%
Company specific II	12.25%-13.00%
Composite range	12.25%-14.50%
Requested return on common	13.00%

Gallagher noted that in its last general rate case, California Water Service Company was granted a 12.25% return on common equity, based on a 53% common equity ratio. He also stated that in San Jose Water Company's last rate case, the Commission has recommended a 12% return on common equity based on a 53% ratio, and in the case of San Gabriel Valley Water Company, a 12% return based on a declining ratio from 57% to 55%. He referred to a recent Commission proceeding where DRA had stated that there is an inverse relationship between a utility's equity ratio and the return on common equity required by investors. This is because of the reduced financial risk associated with higher equity ratios, i.e. debtor preference over shareholders. The witness suggests that on a comparative basis, SCWC requires a 13.0% return based on the 50% common equity ratio recommended by the staff in this proceeding.

DRA witness Seaneen Wilson has recommended adoption of the mid-point of her proposed range on common equity of 11.75% to 12.25%, or 12.00%. Wilson also performed DCF and RP calculations in formulating her recommendation, using 10 years of historical growth, compared with seven years used by the company witness.

In Table 10 of Exhibit 15, Wilson has developed expected returns on equity under the DCF method for SCWC and 11 other utilities. The calculations show expected returns on equity for SCWC of 10.57% and 10.34%, respectively, based upon 3-month and 6-month yields, and expected returns on equity for the group average of 12.073% and 12.011% for the same 3-month and 6-month periods. Table 10 is shown below:

SOUTHERN CALIFORNIA WATER COMPANY

Discounted Cash Flow Analysis
Expected Return on Common Equity
Dividends Indicated

Company	Yield (1)		Average Growth Rate (2)	Expected Yield (3)		Expected Returns on Equity (4)	
	3-Month	6-Month		3-Month	6-Month	3-Month	6-Month
	(%)	(%)	(%)	(%)	(%)	(%)	(%)
American Water Works	3.857	4.020	10.58	4.061	4.233	14.64	14.61
California Water Service	6.588	6.860	7.22	7.240	7.128	14.46	14.35
Connecticut Water Service	8.480	8.426	2.65	8.592	8.540	11.24	11.19
Consumers Water	5.971	5.526	8.11	6.215	5.752	14.32	13.86
E'Town Corporation	7.122	7.247	4.71	7.290	7.418	12.00	12.13
The Hydraulic Company	5.568	5.664	4.60	5.696	5.794	10.30	10.39
IWC Resources Corporation	7.905	7.947	3.07	8.026	8.069	11.10	11.14
Middlesex Water Corporation	6.685	6.628	4.26	6.827	6.769	11.09	11.03
Philadelphia Suburban	7.083	7.122	1.86	7.149	7.188	9.01	9.05
SJM Corporation	6.544	6.342	8.01	6.806	6.536	14.82	14.61
Southern California Water	8.054	7.870	2.38	8.190	7.964	10.57	10.34
United Water Resources	5.408	5.307	5.77	5.564	5.460	11.33	11.23
GROUP AVERAGE	6.642	6.582	5.268	6.805	6.743	12.073	12.011

(1) Developed in Table No. 8

(2) Developed in Table No. 9

(3) $D1/PO = (D0/PO) \times (1 + .5g)$ (4) $ROE = (D1/PO) + g$

In Table 11, Wilson has shown her development of expected returns on equity for SCWC under her RP analysis. She has used expected returns on equity with expected debt yields, while the utility witness used actual returns on equity with expected yields on debt. The results of this analysis indicate expected returns on equity using DRI "AA" rated bonds of 11.88%, and of 12.17% using DRI 30-year bonds. Using Blue Chip "A" bonds, expected return on equity is 11.04%, and 11.75% under Blue Chip 30-year bonds. Table 11 of Exhibit 15 is depicted below:

SOUTHERN CALIFORNIA WATER COMPANY

Risk Premium Analysis
Expected Return on Common Equity

Year	Average Expected ROE	Annual Yield			Average Annual Premium		
		"AA" Bonds; "A" Bonds; 30-Year Bonds			"AA" Bonds; "A" Bonds; 30-Year Bonds		
		(a-b)	(a-c)	(a-d)	(a-b)	(a-c)	(a-d)
	(a)	(b)	(c)	(d)	(e)	(f)	(g)
1979	13.14%	10.22%	10.49%	9.29%	2.92%	2.65%	3.85%
1980	14.20%	13.00%	13.34%	11.30%	1.20%	0.86%	2.90%
1981	14.61%	15.30%	15.95%	13.44%	-0.49%	-1.14%	1.37%
1982	17.11%	14.79%	15.86%	12.76%	2.32%	1.25%	4.35%
1983	15.84%	12.83%	13.66%	11.18%	3.01%	2.18%	4.66%
1984	14.48%	13.66%	14.03%	12.39%	0.82%	0.45%	2.09%
1985	14.21%	12.06%	12.47%	10.79%	2.15%	1.74%	3.42%
1986	12.26%	9.30%	9.58%	7.80%	2.96%	2.68%	4.46%
1987	11.10%	9.77%	10.10%	8.59%	1.33%	1.00%	2.51%
1988	11.17%	10.26%	10.49%	8.96%	0.91%	0.68%	2.21%
Average Risk Premium: (1979-1988)					1.71%	1.24%	3.18%
Interest Rate Forecasts: (1990-1992)							
DRI					10.17%		8.99%
Blue Chip						9.80%	8.57%
EXPECTED RETURN ON EQUITY:							
DRI					11.88%		12.17%
Blue Chip						11.04%	11.75%

SOURCES: Historical expected ROE's developed from data in
Standard & Poor's Stock Guide and C.A. Turner's Utility Reports

In her risk premium analysis, the DRA witness used expected returns on equity with expected debt yields, while the utility witness used actual returns on equity with expected yields on debt. She also included negative values; whereas the company witness excluded those values from his analysis.

The DRA witness included in her comparable group 12 water companies, including SCWC, while the company had included only four water companies.

The DRA witness calculated the book value of SCWC's common stock has increased 167% since 1979, while the net income available for common dividends has increased by 118% during that period. Further, dividends on common stock have increased 233% during the past 10 years, the most current dividend payout ratio (1988) being 104%.

Wilson determined that SCWC has recorded higher dividend payout ratios than the average for 12 comparable water utilities, over either the five-year period 1984-1988 (81.08% vs. 68.96%) or the 10-year period 1979-1988 (81.71% vs. 69.08%). She also determined, as set forth in Table 18 of Exhibit 15, that SCWC's pretax interest coverage has kept pace with this group. The company's pretax interest coverage over five years has averaged 2.8 times, the group's 2.9 times. Further, during 1986 and 1987 SCWC equaled the group average with pretax interest coverages of 3.5 and 3.6 times, respectively. This information presents a trend which shows a significantly improved financial picture for SCWC over the past several years.

After consideration, we conclude that the company should be authorized a common equity allowance at the mid-point of the staff recommendation, or 12.00%. In deciding upon this level we are ever aware that there are no definitive mathematical formulas which can be used to calculate with pinpoint precision the cost of equity capital for future periods. It is a judgment determination involving the requirements of each individual utility, using

guidelines established by U. S. Supreme Court decisions as well as decisions of this Commission, e.g., FPC v Hope Natural Gas (1943) 320 U.S. 591, 603, and Bluefield Water Works and Improvement Co. v West Virginia Public Service Commission (1933) 262 U.S. 677, 692-693.

These cases hold generally as follows:

1. Returns to equity holders should be commensurated with returns on investments in other enterprises having similar risks.
2. Returns should be sufficient to enable the utility to attract capital at reasonable rates and to assure confidence in the utility's financial integrity.
3. Returns should balance the interests of both investors and ratepayers.

Authorization of a return on common equity of 12.00% at this time, for these proceedings, will accomplish these traditional objectives. This allowance will give adequate consideration to the following factors:

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 both the ratepayers and the investors.
3. Interest coverage requirements.
4. Capital requirements.
5. SCWC's capital structure, capital costs, and financial history.
6. Economic conditions - the effects of continued trends and embedded costs of capital.

In Decision (D.) 89-01-043, dated January 27, 1989 in Application (A.) 88-05-019, et al., we authorized a return on common equity of 12.00% for five of SCWC's districts. In view of the acknowledged subsequent fall in interest rates, a common equity return of 12.00% will be adequate to attract the capital necessary to finance the capital spending programs contemplated.

Furthermore, major energy utilities have been operating during 1989 at rates based upon authorized returns on common equity of, generally, 13.0%. We have traditionally allowed returns on common equity for large water companies in amounts something less than those authorized for energy utilities. In that connection, our allowance here of 12.00% will give the proper recognition to the following considerations:

1. Water utilities are not as capital intensive as energy utilities. Construction programs are much smaller and are financed often by advances for construction and contributions in aid of construction.
2. Water utilities do not capitalize interest on construction projects. Construction work in progress is included in rate base which results in a better quality of earnings and better cash flow.
3. Water utilities are allowed offset increases in costs such as purchased water and power by advice letter filings concurrent with such increases. Energy companies face a lag between the time fuel cost increases are experienced and offsetting rates are authorized.
4. Water utilities are not faced with risks such as fuel costs, sources of supply, nuclear generation, technological changes, competition, etc.

New Debt

SCWC initially sought recognition of new debt cost for the three-year period of 10.5%, but revised its request in Exhibit 11 to 10%. Gallagher testified that the company has for many years viewed itself as an A-rated company. Since all of the utility's debt is privately placed, it is not rated by any of the rating agencies. Shearson Lehman Hutton (Shearson), an investment banking firm, was requested by SCWC to do a comparative analysis of SCWC versus other publicly owned water companies, and versus Standard & Poor's "Benchmarks" in order to establish an equivalent bond rating for the company. Shearson supplied the company with an analysis, contained in Exhibit 11, indicating that the utility fits into the high "BBB" or low "A" category. Gallagher stated that the company had recently placed notes with various institutional investors, \$8 million of which had a 15-year maturity, and \$10 million with a 20-year maturity. The 15-year issue carried a coupon rate of 10.03%, the 20-year issue at a rate of 10.10%.

The company witness arrived at his estimate by considering available data regarding current interest rates and anticipated future interest rates using "A" rated utility bonds as the benchmark for comparison.

The DRA witness obtained forecasts for "AA" rated bonds, then subtracted .25% to adjust for anticipated 15-year maturities rather than 30-year maturities. The staff estimates that the utility's cost of new debt over the test years will be 9.70% to 9.75%.

SCWC relies in large measure upon the information contained in the letter from its investment banker, Shearson, to support its request of 10.0% for new debt. This letter, Table 18 of Exhibit 11, states, in part:

"The principal financial benchmarks on which Standard & Poor's focuses, as per our discussion with Standard & Poor's, are the ratio of a company's total debt to total capital, the coverage ratio (the ratio of

earnings before interest and taxes to interest), net cash flow to average total capital and net cash flow to capital expenditures. . . . Based on these statistics, the Company appears to fit best into the high 'BBB' category or the low 'A' category. The Company's Debt To Total Capital Ratio...suggests either an 'AA' or an 'A' rating while the coverage...ratio suggests an 'A' rating, but the Net Cash Flow to Average Capital Ratio suggests a 'BBB' rating. While no benchmark is published by Standard & Poor's, the Company's Net Cash Flow to Capital Spending Ratio is low compared to the mean of the comparable companies..."

The DRA witness in her report compared SCWC's measures with only two Standard & Poor's financial benchmarks, total debt to permanent capital, and pretax interest coverage - cash.

In February 1989 SCWC issued two series of notes maturing in 15 years and 20 years, bearing interest rates of, respectively, 10.03% and 10.10%. At that time 30-year "A" rated utility bonds yielded 9.90%. Thus, the utility's notes were higher than those on "A" rated utility bonds even though the company's notes had a shorter maturity. It appears that the company's debt securities would be nearer an "A" rating if publicly offered. In the circumstances, an allowance of 10.0% for the company's new debt costs during the three-year period 1990-1992 will be fair and reasonable.

Capital Ratios

The company initially sought authorization of a capital ratio based upon a floating capital structure to match the structures in place given various assumptions at the end of each of test years 1990 and 1991, and attrition year 1992.

DRA initially recommended a fixed capital structure of 50% common equity for the entire three-year period. Gallagher stated that the DRA recommendation is based upon information furnished by the company in mid-May; that subsequently, he found an

error in that information and has corrected the earlier data so that now common equity ratios in each of the three years are: 52% in 1990, 48.2% in 1991, and 51.3% in 1992. These factors average to 50.5%, which Gallagher would round to 51%. The witness testified that SCWC would be agreeable to a 51% ratio for the three-year period.

Gallagher also offered a secondary recommendation for consideration in addition to the company's initial recommendation of a floating ratio. He suggested a constant common equity ratio over three years of 51%, basing his recommendation upon a factor of 50.5% rounded up to 51%. The DRA witness urged that the 50.5% factor be rounded down to 50%, but stated that she believed a reasonable range would be somewhere between 50% and 50.5%. The difference in these recommendations is too slight to be of significant consequence for ratepayers. There is no need to round either up or down from the compromise figure of 50.5%. This is a subject long recognized as one involving some judgment in determining fairness to the interests of investors and ratepayers. Authorization of a constant common equity ratio of 50.5% for the three-year period covered in these proceedings will be fair and reasonable to all parties.

Preferred Stock

The capital ratios and cost factors recommended by DRA and the company in connection with preferred stock are almost identical. DRA recommended capital ratios of 1.30% for all three years; the company recommended 1.40%, 1.30%, and 1.20%, respectively, for 1990, 1991 and 1992. Both DRA and SCWC are recommending cost factors of 4.44%, 4.43%, and 4.42%. We will authorize for this proceeding the agreed cost factors, combined with the utility recommendation for capital ratios since its calculations are based on slightly later data and analysis.

Adoption of the common equity, preferred stock, capital ratio, and new debt figures discussed above will result in the following rates of return and interest coverages for the two test years, and for attrition year 1992:

Southern California Water Company

Adopted Rates of Return

	1990				
	Capital Ratio	Cost Factor	Weighted Cost	Net-to- Gross Mult.	Return With Tax Effect
Long-term Debt	48.10%	9.98	4.80%	1.00 x	4.80%
Preferred Stock	1.40	4.44	0.06	1.67 x	0.10
Common Equity	<u>50.50</u>	12.00	<u>6.06</u>	1.67 x	<u>10.12</u>
	100.00%		10.92%		15.02%

Pretax Interest Coverage 3.13x

	1991				
	Capital Ratio	Cost Factor	Weighted Cost	Net-to- Gross Mult.	Return With Tax Effect
Long-term Debt	48.20%	10.04%	4.84%	1.00 x	4.84%
Preferred Stock	1.30	4.43	0.06	1.67 x	0.10
Common Equity	<u>50.50</u>	12.00	<u>6.06</u>	1.67 x	<u>10.12</u>
	100.00%		10.96%		15.06%

Pretax Interest Coverage 3.11x

	1992				
	Capital Ratio	Cost Factor	Weighted Cost	Net-to- Gross Mult.	Return With Tax Effect
Long-term Debt	48.30%	9.91%	4.79%	1.00 x	4.79%
Preferred Stock	1.20	4.42	0.05	1.67 x	0.09
Common Equity	<u>50.50</u>	12.00	<u>6.06</u>	1.67 x	<u>10.12</u>
	100.00%		10.90%		15.00%

Pretax Interest Coverage 3.13x

General Office Expenses

There are three disputes under the subject of general office expenses:

- A. SCWC and Branch disagree regarding the number of Division Engineer and Division Business Manager positions to be authorized.
- B. The staff recommends that all capital budget items requested be deferred.
- C. The parties disagree concerning the amount of additional outside services expense.

A. Division Engineers and Division Business Managers

The company seeks Commission approval to create the positions of Division Engineer and Division Business Manager in each of the four district service divisions affected by this proceeding, a total of eight new positions. The job descriptions for each position are shown in Exhibit 23, and are essentially as follows:

Division Business Manager reports to the Division Manager. The position provides an indirect supervisory role in customer service, meter reading, and collection functions. It also manages credit and collection policies, is responsible for training district personnel in customer service duties, and other related duties.

The Division Engineer also reports to the Division Manager. His responsibilities include ensuring that design standards are met in all capital improvement and new business projects, and providing districts with assistance in preparing and monitoring capital budgets, long-range planning, and liaison with city engineers and regulatory agencies. He will approve preliminary designs for new business projects, implement the Division's annual capital improvement program, outline priority main replacement programs, and perform numerous other duties.

Branch recommended the addition of one engineer and one business manager in the general office to handle district workloads. Branch believes that while the current general office staff is somewhat overworked, at least some of the work duties of the proposed engineer and business manager are currently performed at some level, e.g.:

1. 67% of the pumps in the seven districts have an efficiency rating of excellent or good.
2. Field investigations of the seven districts did not reveal any major problems with plant equipment operations.
3. Approval of preliminary design is currently done at the general office level.

Branch also notes that the company plans to move its headquarters to San Dimas, which is more centrally located for most districts, and that San Dimas is the location of SCWC's Production Department. Branch concludes that this move should reduce travel requirements for these personnel.

Branch's recommendation on this subject, presented through Utilities Engineer William Gibson, is that one of each position be filled at first, placing the positions at the general office, and adding more positions as need may be demonstrated. It asserts this phased-in approach will have less rate impact. Branch also argues that having a group of employees in a central location, all of whom have knowledge of the whole company, has advantages, viz: If one employee leaves the company there is less impact because of the availability of other employees with similar knowledge of procedures, responsibilities, etc.; whereas, if there is one individual at the division level who leaves the company, it will be difficult to replace that person. In sum, Branch believes its phased-in approach to the company's new staffing proposal is more flexible and reasonable.

In support of the company request on this issue, Floyd Wicks, SCWC's Vice President-Operations, testified regarding the company's failure to address a number of customer and community concerns at the local level. He mentioned several programs which, in his view, are being ignored or performed inadequately, including scheduled flushing programs, hydrant maintenance programs, leak detection programs, other scheduled maintenance, and meetings with local officials to discuss needs of local communities. He also stated that he expects these new positions would be able to assist in improving water problems in a number of districts involved in this proceeding, i.e. Clearlake, Bay, Calipatria.

The staff witness acknowledged that there is a substantial level of customer dissatisfaction in some of the company's districts.

The company is currently undertaking a number of modernization pilot programs, including a pump telemetry program (referred to as SCADA), a computerized customer information system, and the introduction of hand-held meter reading devices. These programs are not expected to produce significant savings in labor time before two or three years. But even if they did reduce some of the current time spent by meter readers or similar employees, those latter personnel would not be able to address adequately the tasks to be assigned to the Division Engineer or Division Business Manager.

SCWC argues that these functions cannot be performed from the general office and that the size of the company and specificity of tasks to be performed mandate that the positions be at the division level.

The record does not support our authorization, at this time, of the creation of eight senior positions. Branch's recommendation is based upon its uncertainties about the need at this moment for all eight positions; however it acknowledges the potential need for those positions, and urges that the balance of

positions requested be phased in. This approach seems to us to be more reasonable at this time. Mr. Wicks was not able to state how many hours professional people must put in over the standard 40-hour workweek in order to finish tasks. We are unconvinced on this record of the need for eight positions. We will authorize one position in each category, and urge SCWC to experiment with these additions and determine whether the two positions can satisfactorily fulfill the ends sought on a less costly scale. We are mindful, in denying the company's entire request on this subject at this time, of the rising levels of water rates in many of its districts, and of the difficulty experienced by many customers, particularly those subsisting on low and fixed incomes, to pay these necessary but ever increasing utility charges.

B. Capital Budget

The company has detailed in its report on general office expense (Exhibit 2) a number of capital budget items to be purchased and included in rate base over the period 1989-1991. These include furniture, data processing equipment, and other office machines with a total value of about \$1,100,000. Items worth over half this amount have already been purchased and are in operation.

By D.89-04-079 the Commission authorized SCWC to sell and lease back its headquarters property in Los Angeles. The company intends to construct and occupy a new headquarters facility in San Dimas. Ordering Paragraph 2 of the decision deferred consideration of the reasonableness of the sale terms and all ratemaking consequences flowing therefrom, including gain on sale, to a subsequent Phase II application and hearing. Ordering Paragraph 3 of the decision requires the company to maintain memorandum accounts to track the ownership cost, revenues collected, and actual costs incurred in connection with the transaction.

SCWC maintains that the necessity for the capital budget items involved here is not affected by the headquarters move. Mr. Romines, SCWC's Vice President-Management Services, testified that none of these requested capital budget items is conditioned upon the move, and stated that none of the items in the 1989, 1990, or 1991 capital budget requests made by the company have anything to do with the sale or leaseback costs or the new construction costs. He stated that the items are necessary regardless of where the general office is located.

Branch project leader Richard Tom testified that the Branch is not recommending disallowance of any of the capital items, but of the costs involved in moving and installation thereof. Branch is concerned principally with a duplicating of installation costs involving the company's mainframe computer. However, Mr. Romines testified that the mainframe computer has been installed for two years, so that the only cost will be for the actual moving expense. In other words, the company's moving costs will be addressed in the Phase II application, and there is no need to defer consideration of the requested capital budget items at this time. We concur with this argument, and will adopt the company recommendation.

C. Additional Outside Services Expense

SCWC has requested expenses for six services performed by outside agencies, in amounts of \$103,000 for 1989, \$93,000 for 1990, and \$78,000 for 1991. The services are for recruitment fees (search firms and employment advertising), a management training program, a customer service training program, a safety incentive program, service award programs, and pension improvement studies. Competitive bids, where applicable, have been used by the company in arriving at the associated costs.

The outside service expenses are itemized in Exhibit 25, and are shown below:

Expenses - Outside Services

1989 - 1990 - 1991

	<u>1989</u>	<u>1990</u>	<u>1991</u>
1. Recruitment fees - search firms and employment advertising	\$ 40,000	\$40,000	\$40,000
2. Management training program	30,000	10,000	10,000
3. Customer service training program		15,000	
4. Safety incentive program	8,000	3,000	3,000
5. Service award programs	5,000	5,000	5,000
6. Foster Higgins pension improvement studies	20,000	20,000	20,000
7. Benefit improvement	<u>0</u>	<u>0</u>	<u>0</u>
Total	103,000	93,000	78,000

Branch recommends against allowance of the request for new items for outside services, arguing that the benefits to ratepayers for these services have not been shown.

Romines described a need for each of the programs, as follows:

Recruitment fees, including expenses for advertisements, search firm fees, and temporary service fees, enable SCWC to attract qualified employees in management and technical areas. Romines stated that search firms are employed to fill positions only where the company cannot promote someone from within its organization.

Management training stems from the Commission's directives to SCWC to improve its organization and performance. The small amounts requested for a management training program and a customer service training program are merited by the company's need to improve its customer relations. Romines asserts that implementation of these programs will result in fewer errors,

better service, and better communication with employees as well as customers.

Romines testified that it is a company goal to provide each employee with a safe working environment; that to encourage a safe-working attitude in all employees, a safety incentive program has been implemented based on man hours worked without a lost time accident. Costs for the program are related to the rewards presented - for field employees, a belt buckle, and for office employees, a pin or some other token. The service awards program recognizes employees for time in service with the company. The company wishes to recognize the seniority of more employees, and to change and expand the award options.

Romines asserts there is a need to review the company's pension plan. To conform with the 1986 Tax Reform Act will require several major revisions; for example, changing the formula presently used to determine the pension benefit without using Social Security as a component. There is a need to change the vesting in the plan from ten to five years. There has been a request from SCWC's board of directors to change the retirement age from 65 to 62 years. Further, 16 to 18 people could feasibly retire in the next three to five years, presenting a significant impact on the present retirement plan.

Branch has concluded that without additional justification, involving studies, beyond the company witness testimony during the hearing, these additional outside services are unwarranted. However, it is apparent that SCWC does not have the staffing to conduct the studies needed on these issues. Romines has provided reasonable explanations and justification regarding how the ratepayers and company employees will benefit from each of the expenditures. We will adopt the dollar figures shown in Exhibit 25 as reasonable expenditures for the years indicated.

Number of Customers in Orange County District

SCWC estimates there will be 37,597 average total customers in its Orange County District during 1990 and 37,781 during 1991. Initial Branch estimates for the same years were 37,995 and 38,335, respectively, differences of 397 and 554 customers.

Branch engineer Larry Hirsch testified that his initial analysis involved calculations of various averages, using numbers of service additions during the last five years. However, he found that, in comparison with customer growth figures of the last two years, this method produced a growth rate that was too high. Using basically judgment he reduced his estimate for customer growth to 397 services in each of years 1989, 1990, and 1991.

Susan Conway, SCWC's Acting Manager of Regulatory Affairs, stated that in 1987 Orange County District added 662 customers. However, in 1988 the number of new services decreased to 366. She based her estimates upon data recorded through September, then annualized. In the first four months of 1989, only 46 customers have been added, a figure which, if annualized, will result in only 138 new connections.

In 1985, Conway testified, Orange County District added 385 new customers; in 1986, 517 customers; in 1987, 662 customers; and in 1988, 366 customers. She examined the first four months of 1986, 1987, and 1988 as well as 1989, and annualized the number of new connections for each of those years. She found that the annualized figures came very close to the number of actual new services; in fact, the annualized figures were a little higher than the actual new connections, she stated.

Estimating the number of customers for this district is difficult. The numbers of new services has varied widely over the past several years, but appears to be declining. Based upon Conway's data for the first four months, we will adopt the company estimate of new connections as the more reasonable recommendation.

Labor Expense - Staffing Ratios

The company has requested authorization of a number of additional employees in several of these districts - one in Bay District, two in San Dimas District, one and a half in Santa Maria District, and six in Orange County District. Joseph Young, SCWC's Director of Operations, stated that the additional positions are primarily meter reader/laborers at the low end of the pay scale. He stated that the company is attempting to shift more of the routine assignments to these lower paid employees, so that the more experienced service people can focus on more pressing and specialized assignments, e.g. more maintenance activity at various plant sites, and more attention to water treatment facilities which will be constructed. Young mentioned the possibility of having to install an aeration or some other exotic treatment at one or more of the wells in the company's Yorba Linda system. If this occurs, someone will have to maintain that system, someone other than the lower paid personnel.

Branch witness Gibson, in arriving at his recommendation on this issue, has calculated a 10-year average ratio of historical labor expense to customers, and multiplied that by the estimated number of customers in each district for these test years. Any of the company's requested positions not funded by the resultant projected expense would be disallowed under this recommendation. This approach assumes that the utility's historical labor expenditures in each district were adequate.

Young alleges that the company's districts have been understaffed for much of the past 10 years, leading to customer service problems. He sponsored Exhibit 12, a comparison of staffing levels, showing the number of customers per employee for SCWC compared with 19 water companies located throughout the state and other parts of the country. The exhibit shows that SCWC has 644 customers per company employee. Comparable companies shown in

the exhibit have the following number of customers per company employee:

Suburban Water System	681
Connecticut Water Co.	287
San Gabriel Water Co.	409
California Water Service	624
California-American Water Co.	447
San Jose Water Co.	801
Park Water Co.	584
Elizabethtown Water Co.	472
Dominguez Water Corp.	607
Hackensack Water Co.	340
Citizens Utilities Co.	678
Fruitridge Vista Water Co.	629
Great Oakes Water Co.	1497
North Gualala Water Works	155
Peerless Water Co.	400
Tahoe Cedars Water Co.	500
Tahoe Swiss Village Utility	300
Temescal Water Co.	53
Valencia Water Co.	542
Utility average	503

Thus, SCWC's customer to staffing ratio is considerably higher than the average of 503, and is higher than all of the multidistrict utilities except Suburban Water System. Further, Young testified that SCWC has one-third fewer field employees per customer than either California Water Service Company or San Jose Water Company, even though the other companies use well telemetry systems and hand-held meter reading devices.

We have directed SCWC in the past to improve its maintenance programs and customer service. It will be difficult for the company to achieve those improvements without adequate staffing. After consideration, we believe the arguments presented by the company are reasonable, and will adopt its requested labor expense but we will expect to see the results in better maintenance programs and customer service.

Travel to District Meetings

We are satisfied that the general office personnel who have recently attended the informal meetings and PPHs held in the district service areas have done so because of their interest in meeting the needs of customers, and in hearing comments concerning those needs first hand. There is no better place to meet with customers and receive their input than in these less structured forums. The customers are invited to attend and to address the Commission and the utility, and to ask questions of responsible personnel. It would be inappropriate not to have responsible personnel in attendance to respond to statements and questions. The Commission, hearing officer and staff, as well as the utility and customers benefit from these exchanges. The company's director of management services stated that the reason for the attendance by several general office personnel at the recent meetings was because some of these senior management people are relatively new to the company. He expects these numbers to decrease as the newer employees become familiar with the various districts. This explanation is reasonable. We will not adopt the staff recommendation at this time.

Rate Design

Branch and SCWC are in agreement that rates should follow the guidelines set forth in D.86-05-064 in Order Instituting Investigation 84-11-041. Guidelines set forth in that decision, and adopted here for the seven districts involved in this consolidated proceeding, are as follows:

1. Service charges shall be set to allow utilities to recover up to 50% of their fixed costs.
2. Lifeline rates shall be phased out.
3. There may be multiple commodity blocks, but the number of blocks may not exceed three.
4. Seasonal rates may be implemented in resort areas.

These guidelines should be implemented in such a manner that a customer's bill will not be increased by more than twice the overall percentage increase.

Rates for the Bay, Simi Valley, Santa Maria, San Dimas, and Orange County Districts have, and will continue to have, service charges designed to produce revenues equaling 50% of fixed costs. Commencing with 1990, schedules will have one commodity rate for all use.

With respect to the Calipatria-Niland District, because the majority of customers receive service under the flat-rate schedule, the guidelines for metered rate schedules do not apply. These metered customers are largely business customers. Under present rates average metered users pay considerably less (\$34.04) monthly than flat rate users (\$42.70). Under the company's proposal, Branch concurring, metered rates will be increased by greater amounts than flat rates, because consumption under metered rates has been declining. Under the proposal, average metered users' bills will be about the same as those of flat rate users.

Concerning the Orange County District, based upon our adopted summary of earnings we could order a reduction in rates in 1990 of \$74,000 or 0.76%, and increases in 1991 and 1992 of \$102,200 or 1.05%, and \$100,200 or 1.02%, respectively. However, we can insure that SCWC has the opportunity to earn the revenues found necessary for the three-year period by ordering a constant, levelized increase in revenues for this three-year period. This will result in better administrative efficiency and economy for the company and the Commission. This levelized constant rate increase will be adopted. However, rather than applying the increase to residential customer rates, we will apply it to the rates for private fire protection. This will result in a rate of \$4.00, which will be the same as SCWC's private fire protection rates in its other districts.

The revenue obtained from service charges in the company's Clearlake District is the equivalent of about 68% of fixed costs. Although the Commission's rate design policy requires that service charges be set to recover up to 50% of fixed costs, it does not specifically require service charges to be reduced when they generate over 50% of fixed costs. In this case, because the service area is, in large part, a resort area, the higher amount of revenue recovered by the service charge is reasonable and appropriate. Since resort areas experience extreme variations in water demand, and the utility must construct its system to meet peak demands, a high-fixed cost relative to the average consumption by its year-round customers is created. It is therefore appropriate to weight the charges more heavily with fixed costs so that seasonal users pay their share of those fixed costs. The rates we are adopting for the Clearlake District will perpetuate the present ratio of revenues recovered from service charges and commodity rate charges.

With the exceptions noted above, the company and Branch rate design recommendations are reasonable and will be adopted.

Attrition

An attrition allowance is needed when increases in revenues and productivity to offset increases in expenses (including the effects of cost of capital) are insufficient, thereby causing a decline in the rate of return for the following year. Attrition consists of two factors - financial and operational. Financial attrition occurs when there is a change in the company's cost of capital. Operational attrition is the result of changes in operating categories, e.g., revenues, expenses, and rate base.

For the third year, 1992, an attrition allowance should be granted for the operational attrition at newly authorized rates from the adopted summary of earnings for 1990 and 1991. The slippage in rates of return for the respective years is projected

into the third year. The following table shows the attrition allowance for each of the seven districts:

<u>District</u>	<u>Operational</u>	<u>Financial</u>	<u>Total</u>
Bay	0.78	-0.06	0.72
Simi Valley	0.78	-0.06	0.72
Santa Maria	1.06	-0.06	1.00
Clearlake	1.28	-0.06	1.22
Calipatria-Niland	1.24	-0.06	1.18
San Dimas	1.00	-0.06	0.94
Orange County	0.40	-0.06	0.34

Balancing Accounts

The company has provided recorded July 1989 balances in its balancing accounts set up pursuant to Public Utilities (PU) Code § 793.5. In accordance with established Commission procedure, recorded balances less than 2% of gross annual revenues will not be amortized. Balances between 2% and 5% will be amortized over a one-year period and balances over 5% will be amortized over periods greater than one year.

With the exception of the Clearlake and San Dimas Districts, balances for all districts are less than 2% and therefore do not require amortization. The balance in Clearlake is \$55,914 overcollection or 8.2% of the gross annual revenue; it will be amortized over a three-year period. A three-year period is selected since that is the normal period of the rate increase cycle. The balance in San Dimas is \$196,857 undercollection or 3.3% of the gross annual revenue. It will be amortized over a one-year period. Accordingly, a surcredit has been included in Appendix A-4 for Clearlake District and a surcharge has been included in Appendix A-6 for San Dimas.

In accordance with PU Code § 311, the Administrative Law Judge's proposed decision (decision) was mailed to appearances on

September 19, 1989. Comments were filed by Branch on October 10. A reply to Branch's comments was filed by SCWC on October 16.

The decision states on page 9 in paragraph 3 that Branch conducted informal public meetings in each district. In fact, Branch notes, informal meetings were held only in Simi Valley, San Dimas, and Orange County Districts where the project manager felt, based on past experience and customer participation and complaints, that public participation hearings would not be necessary. A total of seven customers attended the informal meetings in Simi Valley, San Dimas, and Orange County Districts. The wording on page 9 is amended to reflect the facts concerning these meetings.

The decision stated on page 49 that balances in the various balancing accounts as of May 1989 were less than 2%. Branch notes that while balances were less than 2% for most districts, balances for the Clearlake and San Dimas Districts are in excess thereof, and that the reporting date was July, rather than May 1989. Branch comments include appropriate wording concerning amortization of the funds in the two balancing accounts. The wording is adopted, together with amended rate schedules reflecting the treatment of these accounts.

Branch notes that the decision authorizes an increase of 60.6% for the Bay District in 1990 rates, which exceeds the 50% cap policy of the Commission for annual rate increases for customers of Class A water utilities. Branch believes the company's Bay District customers should not be subject to the excessive rate shock which would result from the substantial 60.6% increase. We concur. A revised schedule of rates for the Bay District reflecting this policy will be substituted for the one included with the decision. Rates in this revised schedule are rounded to the nearest \$0.05, a method consistent with the rate development set forth in schedules for SCWC's other districts. In its reply to Branch's comments, SCWC states that it should be allowed to receive interest on the amount deferred over the 50% cap, at the authorized

rate of return. This is consistent with Commission policy adopted in August 1982. Rates for 1991 and 1992 will be levelized to avoid the need for rate changes in 1992 in the Bay District.

The Branch report (Exhibit 19, page 8-6, para 8.25) recommended that in connection with the company's proposed construction of the filtration plant in the Clearlake District, monthly progress reports on the status of construction be filed with the Branch. While the company stipulated during evidentiary hearings to all staff recommendations not expressly contested, the decision did not contain a direction that SCWC furnish such reports. Branch states the reports will be necessary in order to monitor adequately the company's progress on this project. Our decision will include appropriate findings of fact, conclusion of law, and an ordering paragraph on this subject.

Branch also recommended that the decision be amended with respect to three clerical, typographical, and technical noncontroversial issues. These recommendations will be adopted.

Findings of Fact

1. On February 15, 1989 SCWC filed applications requesting rate increases for water service in its Bay, Simi Valley, Santa Maria, Clearlake, Calipatria-Niland, San Dimas and Orange County Districts.

2. On April 19, 1989 SCWC amended A.89-02-030, its request regarding the Clearlake District, seeking now to include 75% of the cost for a treatment plant in rate base over the two-year test period 1990-1991, and to recover the remaining 25% through an advice letter filing when the plant is completed and in use.

3. SCWC requests rates which would produce rates of return on rate base of 11.49% in 1990, 11.47% in 1991, and 11.49% in 1992 with a constant return on common equity of 13.0% in each of the three years.

4. DRA proposed a range of return on common equity from 11.75% to 12.25%, and recommends adoption of the midpoint of its range, or 12.00%.

5. SCWC proposes adoption of a constant 10.00% cost for long-term new debt. DRA recommends adoption of a cost for new debt between 9.7% and 9.75%.

6. SCWC and DRA estimates for the cost of preferred stock are virtually identical.

7. SCWC originally recommended a floating capital ratio with return on common equity varying annually. Its secondary recommendation is for authorization of a constant 50.5% common equity ratio, being rounded up to 51%. DRA suggests adoption of a constant 50.5% common equity ratio, rounded down to 50%.

8. Adoption of a constant return on common equity of 12.00%, constant new debt cost of 10.00%, and a capital ratio reflecting a constant common equity ratio of 50.5% for each of the three years covered by this proceeding will result in rates of return as follows: 10.92% for 1990; 10.96% for 1991; and 10.90% for 1992.

9. A constant return on common equity of 12.00% will cover SCWC's debt risk and will allow the company to attract new capital as needed in order to carry on its capital expansion programs.

10. The record does not support authorization at this time of four division engineers and four division business managers. The record does support authorization of one division engineer and one division business manager.

11. The record supports authorization of SCWC's request for approximately \$1,100,000 in general office capital budget items.

12. SCWC has justified its request for additional outside service expenses.

13. SCWC's estimate concerning the projected number of customers in its Orange County District is based upon more recent, reliable data than that relied upon by Branch.

14. The arguments presented by SCWC concerning its requested staffing ratios are reasonable. Authorization of its request concerning staffing ratios will allow the company to improve its customer service and maintenance programs.

15. SCWC has in recent years engaged new senior management level personnel. It is reasonable to have these new management personnel attend informal district meetings and PPHs while becoming thoroughly familiar with operational and service problems encountered in its various service districts.

16. SCWC's proposed rate designs for water service are consistent with Commission policy, and should be adopted, except for our adopted levelized rate increase for the company's Orange County District during the three-year period, and the continued authorization of recovery of 68% of fixed expenses from the service charge in the company's Clearlake District.

17. Capping SCWC's rate increases at 50% for the 1990 Bay District, deferring recovery of the excess 1990 revenue to 1991 and 1992, and allowing interest on such deferred revenue at the authorized rate of return is consistent with Commission policy.

18. The amended request by SCWC concerning the proposed treatment plant in the Clearlake District will provide for a smoother, less drastic rate impact on its customers.

19. SCWC has stipulated to all of staff's recommendations not expressly contested.

20. Staff recommends that SCWC be ordered to file monthly progress reports of the filtration plant construction in the Clearlake District.

Conclusions of Law

1. A cost of 10.00% for SCWC's long-term new debt is reasonable and should be adopted.

2. A return on common equity of 12.00% is just and reasonable for SCWC during 1990, 1991, and 1992.

3. Authorization of a capital ratio for SCWC reflecting a constant 50.5% common equity ratio is reasonable and should be adopted.

4. SCWC should be authorized to immediately employ one new division engineer and one new division business manager.

5. SCWC's requests concerning capital budget items, additional outside services expenses, number of customers in Orange County District, and staffing ratios are reasonable and should be adopted.

6. SCWC should not be restricted at this time regarding the number of general office personnel traveling to informal meetings and PPHs held in its various service districts in connection with general rate case proceedings.

7. SCWC should be authorized to file an advice letter concerning the new treatment plant to be constructed in its Clearlake District, in accordance with its Amended A.89-02-030.

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

9. The applications should be granted to the extent provided by the following order.

10. SCWC should be ordered to file monthly progress reports with the Water Utilities Branch on the status of the filtration plant construction in the Clearlake District.

ORDER

IT IS ORDERED that:

1. Southern California Water Company (SCWC) is authorized to file the revised schedules for its Bay, Simi Valley, Santa Maria, Clearlake, Calipatria-Niland, San Dimas, and Orange County Districts attached to this decision as Appendix A. This filing

shall comply with GO 96-A. The effective date of the revised schedules shall be on January 1, 1990. The revised schedules shall apply only to service rendered on and after their effective dates.

2. On or after November 15, 1990, SCWC is authorized to file an advice letter, with appropriate workpapers, requesting the step increases for 1991 included in Appendix B, or to file proportionate lesser increases than those rates in Appendix B for its Bay, Simi Valley, Santa Maria, Clearlake, Calipatria-Niland, and San Dimas Districts, respectively, in the event that these districts' rates of return on rate base, adjusted to reflect the rates then in effect and normal ratemaking adjustments for the 12 months ended September 30, 1990, exceeds the later of (a) the rate of return found reasonable for SCWC during the corresponding period in the then most recent rate decision or (b) 10.92%. This filing shall comply with GO 96-A. The requested step rates shall be reviewed by the Commission Advisory and Compliance Division (CACD) to determine their conformity with this order and shall go into effect upon CACD's determination of conformity. CACD shall inform the Commission if its finds that the proposed step rates are not in accord with this decision. The effective date of the revised schedules shall be no earlier than January 1, 1991, or 30 days after filing, whichever is later. The revised schedules shall apply only to service rendered on and after their effective date.

3. On or after November 15, 1991, SCWC is authorized to file an advice letter, with appropriate workpapers, requesting the step rate increases for 1992 included in Appendix B, or to file proportionate lesser increases for those rates in Appendix B for its Bay, Simi Valley, Santa Maria, Clearlake, Calipatria-Niland, and San Dimas Districts, respectively, in the event that these districts' rates of return on rate base, adjusted to reflect the rates then in effect and normal ratemaking adjustments for the 12 months ended September 30, 1991, exceeds the later of (a) the rate of return found reasonable for SCWC during the corresponding period

in the then most recent decision or (b) 10.96%. 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 CACD's determination of conformity. CACD shall inform the Commission if it finds that the proposed step rates are not in accord with this decision. The effective date of the revised schedules shall be no earlier than January 1, 1992, or 30 days after the filing of the step rate, whichever is later. The revised schedules shall apply only to service rendered on or after their effective date.

4. SCWC is authorized to file an advice letter concerning the new treatment plant to be constructed in its Clearlake District, in accordance with its amended Application 89-02-030.

5. SCWC shall file monthly progress reports with the Water Utilities Branch on the progress of the filtration plant construction in the Clearlake District.

This order becomes effective 30 days from today.

Dated NOV 3 1989, at San Francisco, California.

G. MITCHELL WILK
President
FREDERICK R. DUDA
STANLEY W. HULETT
JOHN B. OHANIAN
PATRICIA M. ECKERT
Commissioners

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

- 56 -

Wesley Franklin
WESLEY FRANKLIN, Acting Executive Director
DB

APPENDIX A-1

Southern-California Water Co.
Bay District

SCHEDULE NO. BY-1

GENERAL METERED SERVICE

Applicability

Applicable to all metered water service.

Territory

Portion of the City of Pittsburg and vicinity, Contra Costa County.

Rates

Service Charge:

Per Meter
Per Month*

For 5/8 x 3/4-inch meter.....	\$	8.20	I
For 3/4-inch meter.....		11.20	:
For 1-inch meter.....		16.50	:
For 1 1/2-inch meter.....		19.20	:
For 2-inch meter.....		28.00	:
For 3-inch meter.....		58.00	:
For 4-inch meter.....		72.00	:
For 6-inch meter.....		142.00	:
For 8-inch meter.....		204.00	I

Quantity Rates:

Per 100 cu.ft..... 1.1520 I

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

Special Condition

1. Due to the undercollection in the balance account, an amount of \$0.0616 per Ccf is to be added to the quantity rates as shown above until forty-eight months from the effective date of Advice Letter No. 798-W to amortize the undercollection.

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

(END OF APPENDIX A-1)

APPENDIX B-1
Bay 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
1-1-91 1-1-92

Schedule BY-1 General Metered Service

Service Charge:

Per Meter Per Month

For 5/8 x 3/4-inch meter.....	\$	1.25	\$.00
For 3/4-inch meter.....		1.70		.00
For 1-inch meter.....		2.50		.00
For 1 1/2-inch meter.....		2.90		.00
For 2-inch meter.....		4.00		.00
For 3-inch meter.....		9.00		.00
For 4-inch meter.....		11.00		.00
For 6-inch meter.....		21.00		.00
For 8-inch meter.....		31.00		.00

Quantity Rates:

Per 100 cu.ft.....		.2160		.0000
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(End of Appendix B-1)

Southern-California Water Co.
Bay DistrictAdopted Quantities
-----PURCHASED POWER
-----1990
-----1991

PGE 1-89

Total Prod. KCcf	1,193.0	1,271.5
Kwh per Ccf	.5125	.5125
Kwh, 1000	611.4	651.6
Unit Cost \$/kwh	.098984	.098984
Energy Cost	\$60,500	\$64,500

Purchased Water

Contra Costa WD. 1-89

KCcf	1,193.0	1,271.5
Acre Feet	2,738.0	2,918.0
Unit Cost \$/AF	166.58	166.58
Cost	\$514,000	\$544,000

Power Cost	\$60,500	\$64,500
Purchased Water Cost	\$514,000	\$544,000
Chemical Cost .05751	\$68,600	\$73,100

Appendix C-1
Page 2Southern-California Water Co.
Bay DistrictAdopted Quantities

Number of Service, Meter Size -----	1990 ----	1991 ----
5/8 x 3/4	4553	4838
3/4	0	0
1	48	50
1 1/2	15	16
2	53	56
3	10	11
4	4	4
6	3	3
8	2	2
	----	----
total	4688	4980
All Ccf	1055500	1125100

Avg. Usage Ccf/Yr.
1990 1991

Commercial	201.3	201.3
Industrial	12,093.9	12094
Public Authority	3,020.0	3,020.0

Total Water Produced	1,193.0	1,271.5
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APPENDIX C-1 page 3

Southern California Water Co.

Bay District

Income Tax Calculations

	1990 ----- (Thousands of Dollars)	1991 -----
Total Revenues	\$ 1,853.8	\$ 2,076.4
Purch. Power	60.5	64.5
Purch. Water	514.0	544
Purch. Chem	68.6	73.1
Payroll	189.7	204.4
OM Other	99.7	109.0
AG Other	66.0	70.7
Gen-Office Alloc.	67.6	73.2
Payroll Tax	15.2	16.4
Ad Valorem Taxes	25.9	30.8
Uncoll. .00495	8.5	9.5
Loc.Franch..0129	23.9	26.8
subtotal	1,139.6	1,222.4
Interest	181.6	207.6
Total Deductions	1,321.2	1,430.0
State Tax Deprec.	201.0	148.4
State Tax 9.3	30.8	46.3
Federal Tax Deprec.	162.4	145.7
Fed Tax 34.0%	115.4	154.5
Total Income Taxes	146.2	200.8
Net/Gross	1.700144	

(End of APPENDIX C-1)

APPENDIX D-1
Bay District

Comparison of typical bills for residential metered customers of various usage level and average usage level at present and authorized rates for the year 1990.

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

: Monthly Usage:	At Present	:At Authorized :	Percent
: (Cubic Feet):	Rates	: Rates :	Increase :
500	\$ 8.16	\$ 13.96	71.1 %
1,000	12.48	19.72	58.0
1,680 (Avg.)	18.34	27.52	50.1
2,000	21.13	31.24	47.8
3,000	29.78	42.76	43.6
5,000	47.07	65.80	39.8
10,000	90.31	123.40	36.6

(End of Appendix D-1)

APPENDIX A-2

Page 1

Southern-California Water Co.
Simi Valley District

SCHEDULE NO. SI-1

GENERAL METERED SERVICE

Applicability

Applicable to all metered water service.

Territory

Portion of the City of Simi Valley and vicinity, Ventura County.

Rates

Service Charge:

Per Meter
Per Month*

For 5/8 x 3/4-inch meter.....	\$	3.75 I
For 3/4-inch meter.....		4.40 :
For 1-inch meter.....		6.35 :
For 1 1/2-inch meter.....		10.40 :
For 2-inch meter.....		15.50 :
For 3-inch meter.....		20.00 :
For 4-inch meter.....		40.00 :
For 6-inch meter.....		70.00 :
For 8-inch meter.....		102.00 :
For 10-inch meter.....		122.00 I

Quantity Rates:

Per 100 cu.ft..... .959 I

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

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

APPENDIX A-2
Page 2

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 to all water within the Arden-Cordova, Barstow, Bay, Calipatria-Niland, Clearlake, Desert, Los Osos, Metropolitan, Ojai, Orange County, Pomona Valley, San Dimas, San Gabriel Valley, Santa Maria, Simi Valley, and Wrightwood Districts.

Rates

Per Month

A

For each inch of diameter of service connection

\$ 4.00

(End of Appendix A-2)

APPENDIX B-2
Simi 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
1-1-91 1-1-92

Schedule SI-1 General Metered Service

Service Charge:

	Per Meter Per Month	

For 5/8 x 3/4-inch meter.....	\$.15	\$.05
For 3/4-inch meter.....	.15	.05
For 1-inch meter.....	.25	.10
For 1 1/2-inch meter.....	.40	.20
For 2-inch meter.....	.50	.20
For 3-inch meter.....	1.00	.20
For 4-inch meter.....	1.00	.50
For 6-inch meter.....	3.00	1.00
For 8-inch meter.....	4.00	1.00
For 10-inch meter.....	4.00	1.00

Quantity Rates:

Per 100 cu.ft.....	.011	.011
--------------------	------	------

(End of Appendix B-2)

Southern-California Water Co.
Simi Valley DistrictAdopted Quantities

PURCHASED POWER -----	1990 -----	1991 -----
SCE 2-89		
Total Prod. KCcf	3,798.6	3,877.6
Kwh per Ccf	.42361	.42361
Kwh, 1000	1,609.1	1,642.6
Unit Cost \$/kwh	.09312	.09312
Energy Cost	\$149,800	\$152,900
 Purchased Water		
Calleguas MWD 1-89		
KCcf	3,798.6	3,877.6
Acre-Ft.	8,718.0	8,902.0
Unit Cost \$/AF	261.00	261.00
Total Cost	\$2,275,300	\$2,323,300
 Power Cost	\$149,800	\$152,900
Purchased Water Cost	\$2,275,300	\$2,323,300

Southern-California Water Co.
Simi Valley DistrictAdopted Quantities

Number of Service, Meter Size -----	1990 ----	1991 ----
SI-1		
5/8 x 3/4	11423	11664
3/4	0	0
1	154	157
1 1/2	106	107
2	301	307
3	6	6
4	6	6
6	3	3
8	0	0
total	11999	12250
All Ccf	3426800	3498200

	Avg. Usage Ccf/Yr. 1990	1991 ----
Commercial	260.2	260.2
Industrial	9,873.2	9,873.0
Public Authority	2,829.0	2,829.0
Total Water Produced	3,798.6	3,877.6

APPENDIX C-2 page 3

Southern California Water Co.

Simi District

Income Tax Calculations

	1990 ----- (Thousands of Dollars)	1991 ----- (Thousands of Dollars)
Total Revenues	\$ 3,924.2	\$ 4,069.2
Purch. Power	149.8	152.9
Purch. Water	2,275.3	2323.3
Purch. Chem	.0	0
Payroll	226.2	236.6
OM Other	208.8	217.0
AG Other	85.6	92.4
Gen. Office Alloc.	146.7	158.9
Payroll Tax	18.1	19.0
Ad Valorem Taxes	47.0	50.2
Uncoll. .00495	19.4	20.1
Loc. Franch. .0152	59.6	61.9
subtotal	3,236.6	3,332.3
Sch. M	-4.4	-4.4
Interest	209.7	226.0
Total Deductions	3,441.8	3,553.9
State Tax Deprec.	123.3	148.4
State Tax 9.3	33.4	34.1
Federal Tax Deprec.	167.0	176.2
Fed Tax 34%	95.9	103.7
Total Federal Taxes	95.9	103.7
Net/Gross	1.704731	

(End of APPENDIX C-2)

APPENDIX D-2
Simi Valley District

Comparison of typical bills for residential metered customers of various usage level and average usage level at present and authorized rates for the year 1990.

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

: Monthly Usage:	At Present	:At Authorized :	Percent	:
: (Cubic Feet):	Rates	: Rates :	Increase	:
500	\$ 8.21	\$ 8.55	4.1 %	
1,000	12.82	13.34	4.0	
2,000	22.04	22.93	4.0	
2,080 (Avg.)	23.59	24.54	4.0	
3,080	31.26	32.52	4.0	
5,000	49.71	51.70	4.0	
10,000	95.81	99.65	4.0	

(End of Appendix D-2)

APPENDIX A-3

Page 1

Southern-California Water Co.
Santa Maria District

SCHEDULE NO. SM-1

GENERAL METERED SERVICE

Applicability

Applicable to all metered water service.

Territory

Within the established Santa Maria District, San Luis Obispo and Santa Barbara Counties.

Rates

Service Charge:

Per Meter
Per Month*

For 5/8 x 3/4-inch meter.....	\$	6.75	I
For 3/4-inch meter.....		12.40	:
For 1-inch meter.....		15.15	:
For 1 1/2-inch meter.....		18.70	:
For 2-inch meter.....		28.00	:
For 3-inch meter.....		45.00	:
For 4-inch meter.....		74.00	:
For 6-inch meter.....		128.00	:
For 8-inch meter.....		181.00	I

Quantity Rates:

Per 100 cu.ft..... .606 I

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

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

APPENDIX A-3

Page 2

Southern-California Water Co.
Santa Maria District

SCHEDULE NO. SM-3ML

LIMITED METERED IRRIGATION SERVICE

Applicability

Applicable to metered irrigation water service.

Territory

The unincorporated area known as Lake Marie Ranches located in the Lake Maria service area.

Rates

Service Charge:

Per Meter
Per Month*

For	3/4-inch meter.....	15.00 I
For	1-inch meter.....	19.00 I
For	3-inch meter.....	28.00 I

Quantity Rates:

For all water delivered, per 100 cu.ft..... .280 I

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

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

(End of Appendix A-3)

APPENDIX A-3

Page 3

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 to all water within the Arden-Cordova, Barstow, Bay, Calipatria-Niland, Clearlake, Desert, Los Osos, Metropolitan, Ojai, Orange County, Pomona Valley, San Dimas, San Gabriel Valley, Santa Maria, Simi Valley, and Wrightwood Districts.

Rates

Per Month

A

For each inch of diameter of service connection

\$ 4.00

(End of Appendix A-3)

APPENDIX B-3
Santa Maria 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
1-1-91 1-1-92

Schedule SM-1 General Metered Service

Service Charge:

Per Meter Per Month

For 5/8 x 3/4-inch meter.....	\$.50	\$.25
For 3/4-inch meter.....	.95	.50
For 1-inch meter.....	1.15	.60
For 1 1/2-inch meter.....	1.40	.80
For 2-inch meter.....	2.00	1.00
For 3-inch meter.....	3.00	2.00
For 4-inch meter.....	6.00	3.00
For 6-inch meter.....	10.00	5.00
For 8-inch meter.....	14.00	7.00

Quantity Rates:

Per 100 cu.ft.....	.034	.024
--------------------	------	------

Schedule SM-3ML Limited Metered Irrigation Service

Service Charge:

For 3/4-inch meter.....	.50	.50
For 1-inch meter.....	1.00	1.00
For 3-inch meter.....	1.00	1.00

Quantity Rates:

Per 100 cu.ft.....	.050	.050
--------------------	------	------

(End of Appendix B-3)

Appendix C-3
Page 1Southern-California Water Co.
Santa Maria DistrictAdopted Quantities

PURCHASED POWER -----	1990 ----	1991 ----
PGE 1-89		
Well Stations		
Production: KCcf	4,342.7	4,540.0
Kwh per Ccf	2.3782	2.3782
Wells Kwh(1000)	10,327.8	10,797.0
Unit Cost \$/kwh	.09335	.09335
Energy Cost	\$964,101	\$1,007,903
Boosters		
Total Prod. KCcf	4,342.7	4,540.0
Kwh per Ccf	.01479	.01479
Kwh, 1000	64.2	67.1
Unit Cost \$/kwh	.09335	.09335
Energy Cost	\$5,996	\$6,268
Therms	3795	3948
Unit Cost \$/thm.	.69507	.69207
Gas Cost	\$2,638	\$2,732
 Total Power Cost	 \$972,900	 \$1,015,900
Chemical Cost	\$3,900	\$3,900

Southern-California Water Co.
Santa Maria District

Adopted Quantities

Number of Service, Meter Size -----	1990 ----	1991 ----
SM-1		
5/8 x 3/4	10568	11041
3/4	260	274
1	683	720
1 1/2	61	65
2	134	140
3	5	5
4	0	0
6	1	1
8	1	1
	-----	-----
Total	11713	12247
CCF	3923800	4097800

	Avg. Usage 1990 ----	Ccf/Yr. 1991 ----
Commercial	325.8	325.8
Public Authority	12296	12296
Irrigation	656.8	656.8

Total Water Produced	4,342.7	4,540.2
----------------------	---------	---------

APPENDIX C-3 page 3

Southern California Water Co.

Santa Maria District

Income Tax Calculations

	1990 -----	1991 -----
	(Thousands of Dollars)	
Total Revenues	\$ 3,552.3	\$ 3,913.6
Purch. Power	972.9	1015.9
Purch. Water	.0	0
Purch. Chem	3.9	3.9
Payroll	365.6	382.3
OM Other	268.1	322.7
AG Other	149.2	158.8
Gen.Office Alloc.	157.5	170.7
Payroll Tax	29.3	30.7
Ad Valorem Taxes	75.1	85.4
Uncoll. .00551	19.6	21.6
Loc.Franch..00003	.1	.1
subtotal	2,041.3	2,192.1
Sch.M	-4.5	-4.5
Interest	385.9	441.1
Total Deductions	2,422.7	2,628.7
State Tax Deprec.	332.1	424.4
State Tax 9.3	74.2	80.0
Federal Tax Deprec.	295.4	306.5
Fed Tax 34%	258.4	305.4
Total Federal Taxes	258.4	305.4
Net/Gross	1.679815	

(End of APPENDIX C-3)

APPENDIX D-3
Santa Maria District

Comparison of typical bills for residential metered customers of various usage level and average usage level at present and authorized rates for the year 1990.

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

Monthly Usage: (Cubic Feet):	At Present Rates	At Authorized Rates	Percent Increase
500	\$ 8.17	\$ 9.78	19.7 %
1000	10.84	12.81	18.2
2,000	16.17	18.87	16.7
2,720 (Avg)	19.98	23.20	16.2
3,000	21.49	24.93	16.0
5,000	32.15	37.05	15.2
10,000	58.79	67.35	14.6

(End of Appendix D-3)

APPENDIX A-4

Southern-California Water Co.
Clearlake District

SCHEDULE NO. CL-1

GENERAL METERED SERVICE

Applicability

Applicable to all metered water service.

Territory

Clearlake Park and Parkwoods Areas, Lake County.

Rates

Service Charge:

Per Meter
Per Month*

For 5/8 x 3/4-inch meter.....	\$	21.60	I
For 3/4-inch meter.....		25.10	:
For 1-inch meter.....		32.70	:
For 1 1/2-inch meter.....		37.20	:
For 2-inch meter.....		47.00	:
For 3-inch meter.....		94.00	:
For 4-inch meter.....		136.00	:
For 6-inch meter.....		236.00	:
For 8-inch meter.....		314.00	I

Quantity Rates:

For all water delivered, per 100 cu.ft..... 2.042 I

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 overcollection in the Balancing Account, an amount of \$0.114 per Ccf is to be deducted from the quantity rates as shown above for 36 months from the effective date of this decision to amortize the overcollection. (N)

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

(End of Appendix A-4)

APPENDIX B-4
Clearlake 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
1-1-91 1-1-92

Schedule CL-1 General Metered Service

Service Charge:

	Per Meter Per Month -----	
For 5/8 x 3/4-inch meter.....	\$ 3.00	\$ 1.55
For 3/4-inch meter.....	3.50	1.80
For 1-inch meter.....	4.60	2.40
For 1 1/2-inch meter.....	5.20	2.70
For 2-inch meter.....	7.00	3.00
For 3-inch meter.....	13.00	7.00
For 4-inch meter.....	19.00	10.00
For 6-inch meter.....	33.00	17.00
For 8-inch meter.....	44.00	23.00

Quantity Rates:

For all water delivered, per 100 cu.ft.	.128	.135
---	------	------

(End of Appendix B-4)

Southern-California Water Co.
Clearlake DistrictAdopted Quantities
-----PURCHASED POWER
-----1990
-----1991

PGE 1-89

Total Prod. KCcf
Kwh per Ccf
Kwh, 1000
Unit Cost \$/kwh
Energy Cost

197.9
2.119
419.4
.08967
\$37,603

200.1
2.119
424.0
.08967
\$38,021

Purchased Water

KCcf
Acre-Ft.
Yolo CFCWCD. AF.5-88
Unit Cost \$/AF
Cost

147.7
339.1
339.1
27.56
\$9,345

150.0
344.4
344.4
27.56
\$9,490

Total cost

\$9,345

\$9,490

Power Cost
Purchased Water Cost
Chemical Cost

\$37,600
\$9,300
\$8,600

\$38,000
\$9,500
\$8,600

Southern-California Water Co.
Clearlake DistrictAdopted Quantities

Number of Service, Meter Size -----	1990 ----	1991 ----
CL-1		
5/8 x 3/4	2173	2198
3/4	2	2
1	4	4
1 1/2	2	2
2	0	0
3	0	0
4	0	0
6	0	0
8	0	0
total	2181	2206
Total Ccf	163600	165400

	Avg. Usage Ccf/Yr.	
	1990 ----	1991 ----
Commercial	75.0	75.0
Public Authority	67.0	67.0
Total Water Produced	197.9	200.1

APPENDIX C-4 page 3

Southern California Water Co.

Clearlake District

Income Tax Calculations

	1990 ----- (Thousands of Dollars)	1991 -----
Total Revenues	\$ 901.9	\$ 1,012.9
Purch. Power	37.6	38
Purch. Water	9.3	9.5
Purch. Chem	8.6	8.6
Payroll	167.2	174.8
OM Other	68.2	78.4
AG Other	68.4	73.2
Gen.Office Alloc.	42.5	46.1
Payroll Tax	13.4	14.0
Ad Valorem Taxes	23.1	28.3
Uncoll. .00465	4.2	4.7
Loc.Franch.	.0	.0
subtotal	442.5	475.6
Sch.M	-1.3	-1.3
Interest	138.4	162.3
Total Deductions	579.6	636.6
State Tax Deprec.	41.6	58.7
State Tax 9.3	26.1	29.5
Federal Tax Deprec.	52.1	62.7
Fed Tax 34%	83.0	96.6
Total Federal Taxes	83.0	96.6
Net/Gross	1.678313	

(End of APPENDIX C-4)

APPENDIX D-4
Clearlake District

Comparison of typical bills for residential metered customers of various usage level and average usage level at present and authorized rates for the year 1990.

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

Monthly Usage: (Cubic Feet):	At Present Rates	At Authorized Rates	Percent Increase
500	\$ 24.10	\$ 31.81	32.0 %
645 (Avg.)	26.03	34.36	32.0
1,000	31.84	42.02	32.0
2,000	47.33	62.44	31.9
3,000	62.82	82.86	31.9
5,000	93.80	123.70	31.9
10,000	171.25	225.80	31.9

(End of Appendix D-4)

APPENDIX A-5
Page 1Southern-California Water Co.
Calipatria-Niland District

SCHEDULE NO. CN-1

GENERAL METERED SERVICE

Applicability

Applicable to all metered water service.

Territory
-----City of Calipatria and community of Niland, and adjacent
territory in Imperial County.Rates

Service Charge:

Per Meter
Per Month*

For 5/8 x 3/4-inch meter.....	\$ 21.50 I
For 3/4-inch meter.....	38.05 :
For 1-inch meter.....	46.50 :
For 1 1/2-inch meter.....	62.60 :
For 2-inch meter.....	83.50 :
For 3-inch meter.....	113.00 :
For 4-inch meter.....	252.00 :
For 6-inch meter.....	429.00 :
For 8-inch meter.....	570.00 I

Quantity Rates:

For all water delivered, per 100 cu.ft..... 1.002 I

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.

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

APPENDIX A-5
Page 2

Southern-California Water Co.
Calipatria-Niland District

SCHEDULE NO. CN-2

GENERAL RATE RATE SERVICE

Applicability

Applicable to all flat water service.

Territory

City of Calipatria and community of Niland, and adjacent
territory in Imperial County.

Rates

Per Service
Connection
Per Month*

- | | |
|--|------------|
| 1. For each single unit of occupancy,
with inside plumbing, served through
a 3/4-inch service connection..... | \$ 43.00 I |
| 2. For each single unit of occupancy,
with inside plumbing, served through
a 1-inch service connection..... | 55.00 I |
| 3. For each additional unit of occupancy,
with inside plumbing, on the same
premises and served from the same
service connection of 1 or 2 above... | 24.00 I |
| 4. For each single unit of occupancy,
without inside plumbing, served through
a 3/4-inch service connection..... | 22.00 I |

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

(End of Appendix A-5)

APPENDIX B-5
Calipatria-Niland 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
1-1-91 1-1-92

Schedule CN-1 General Metered Service

Service Charge:

	Per Meter Per Month	

For 5/8 x 3/4-inch meter.....	\$ 2.60	\$ 2.40
For 3/4-inch meter.....	4.55	4.30
For 1-inch meter.....	5.60	5.20
For 1 1/2-inch meter.....	7.50	7.00
For 2-inch meter.....	10.50	9.40
For 3-inch meter.....	13.50	12.50
For 4-inch meter.....	30.00	28.00
For 6-inch meter.....	51.00	48.00
For 8-inch meter.....	68.00	64.00

Quantity Rates:

For all water delivered, per 100 cu.ft	.120	.096
--	------	------

Schedule CN-2 General Flat Rate Service

1. For each single unit of occupancy, with inside plumbing, served through a 3/4-inch service connection.....	1.00	1.00
2. For each single unit of occupancy, with inside plumbing, served through a 1-inch service connection.....	1.00	1.00
3. For each additional unit of occupancy, with inside plumbing, on the same premises and served from the same service connection of 1 or 2 above...	1.00	1.00
4. For each single unit of occupancy, without inside plumbing, served through a 3/4-inch service connection.....	1.00	1.00

(End of Appendix B-5)

Southern-California Water Co.
Calipatria-Niland DistrictAdopted Quantities
-----PURCHASED POWER
-----1990
----1991

Imperial ID.

Total Prod. KCcf
Kwh per Ccf
Kwh, 1000
Unit Cost \$/kwh
Energy Cost820.9
.4755
390.3
.063536
\$24,900828.5
.4755
394.0
.063536
\$24,900Purchased Water

Imperial ID.

1-89

Acre-Ft.

Unit Cost \$/AF.
Cost2,129.5
11.00
\$23,4252,129.6
11.00
\$23,425Power Cost
Purchased Water Cost
Chemical Cost\$24,900
\$23,400
\$27,400\$24,900
\$23,400
\$27,400

Southern-California Water Co.
Calipatria-Niland DistrictAdopted Quantities

Number of Service, Meter Size -----	1990 ----	1991 ----
5/8 x 3/4	234	235
3/4	0	0
1	20	20
1 1/2	7	7
2	21	21
3	1	1
4	2	2
6	1	1
8	0	0
total	286	287
Total Ccf	103700	103800

	Avg. Usage Ccf/Yr.	
	1990 ----	1991 ----
Commercial	220.0	220.0
Industrial	1,503.0	1,503.0
Public Authority	2,565.0	2,565.0

Total Water Produced	820.9	828.5
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Number of Flat Rate Service -----	1990 ----	1991 ----
3/4" service, inside plumb.	792	792
1" service, inside plumb.	57	57
above service, add. unit	0	0
3/4" service, no inside plumb.	3	3
other comb.	14	14
total	866	866

Southern California Water Co.
Calipatria-Niland District

Income Tax Calculations

	1990 ----- (Thousands of Dollars)	1991 -----
Total Revenues	\$ 677.7	\$ 715.2
Purch. Power	24.9	24.9
Purch. Water	23.4	23.4
Purch. Chem	27.4	27.4
Payroll	114.8	120.1
OM Other	66.8	73.0
AG Other	44.9	48.1
Gen.Office Alloc.	29.9	32.4
Payroll Tax	9.2	9.6
Ad Valorem Taxes	13.4	14.7
Uncoll. .00502	3.4	3.6
Loc.Franch..00917	6.2	6.6
subtotal	364.3	383.7
Sch.M	-.9	-.9
Interest	84.5	88.7
Total Deductions	447.9	471.6
State Tax Deprec.	23.9	26.0
State Tax 9.3	19.1	20.2
Federal Tax Deprec.	42.9	42.5
Fed Tax 34%	.0	.0
Total Federal Taxes	57.0	61.5
Net/Gross	1.694475	

(End of APPENDIX C-5)

APPENDIX D-5
Calipatria-Niland District

Comparison of typical bills for residential metered customers of various usage level and average usage level at present and authorized rates for the year 1990.

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

Monthly Usage: (Cubic Feet):	At Present Rates	At Authorized Rates	Percent Increase
500	\$ 23.11	\$ 26.51	14.7 %
1,000	27.66	31.52	14.0
1,833 (Avg.)	35.25	39.87	13.1
2,000	36.77	41.54	13.0
3,000	45.88	51.56	12.4
5,000	64.10	71.60	11.7
10,000	109.65	121.70	11.0

(End of Appendix D-5)

APPENDIX A-6

Page 1

Southern-California Water Co.
San Dimas District

SCHEDULE NO. SD-1

GENERAL METERED SERVICE

Applicability

Applicable to all metered water service.

Territory

San Dimas, Charter Oaks and vicinity, Los Angeles County.

Rates

Service Charge:

Per Meter
Per Month*

For 5/8 x 3/4-inch meter.....	\$ 6.50 I
For 3/4-inch meter.....	6.90 :
For 1-inch meter.....	10.00 :
For 1 1/2-inch meter.....	14.60 :
For 2-inch meter.....	24.00 :
For 3-inch meter.....	37.00 :
For 4-inch meter.....	55.00 :
For 6-inch meter.....	92.00 :
For 8-inch meter.....	147.00 :
For 10-inch meter.....	221.00 I

Quantity Rates:

Per 100 cu.ft..... .948 I

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

Special Condition

1. Due to the undercollection in the Balancing Account, an amount of \$0.036 per Ccf is to be added to the quantity rates as shown above for 12 months from the effective date of this decision to amortize the undercollection. (N)
:
:
:
(N)

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

APPENDIX A-6

Page 2

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 to all water within the Arden-Cordova, Barstow, Bay, Calipatria-Niland, Clearlake, Desert, Los Osos, Metropolitan, Ojai, Orange County, Pomona Valley, San Dimas, San Gabriel Valley, Santa Maria, Simi Valley, and Wrightwood Districts.

Rates

Per Month

A

For each inch of diameter of service connection

\$ 4.00

(End of Appendix A-6)

APPENDIX B-6
San Dimas 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
1-1-91 1-1-92

Schedule SD-1 General Metered Service

Service Charge:

Per Meter Per Month

For 5/8 x 3/4-inch meter.....	\$.50	\$.20
For 3/4-inch meter.....	.50	.20
For 1-inch meter.....	.80	.30
For 1 1/2-inch meter.....	1.20	.50
For 2-inch meter.....	2.00	1.00
For 3-inch meter.....	3.00	2.00
For 4-inch meter.....	4.00	2.00
For 6-inch meter.....	7.00	3.00
For 8-inch meter.....	11.00	5.00
For 10-inch meter.....	17.00	7.00

Quantity Rates:

Per 100 cu.ft.....	.032	.029
--------------------	------	------

(End of Appendix B-6)

Appendix C-6
Page 1Southern-California Water Co.
San Dimas DistrictAdopted Quantities

PURCHASED POWER -----	1990 -----	1991 -----
SCE 2-89		
Well Stations		
Production: KCcf	2,388.0	2,438.2
Wells Kwh(1000)	3,616.4	3,736.1
Unit Cost \$/kwh	.08591	.08591
Energy Cost	\$310,686	\$320,972
Boosters		
Total Prod. KCcf	6,057.3	6,184.9
Kwh, 1000	3,105.1	3,207.9
Unit Cost \$/kwh	.08591	.08591
Energy Cost	\$266,757	\$275,589
Purchased Water		
Covina Irrg 5-88	411586	425521
Three Valley 5-88	3158686	3265630
Covina Irrg-\$ 55/AF	52.0	53.7
Three Vally \$232/AF	1,682.3	1,739.3
Stock Assm.	.7	.7
Lease	191.8	191.8
Total Purch. Water Cost	\$1,926.76	\$1,985.46
Replacement Tax Cost		
Acre Ft. SGWM 5-88	5078.1	5246.3
Make Up \$3/AF	11.8	11.2
Excess \$158/AF	181.8	237.7
Admin. \$6/AF	30.5	31.5
Leased \$35/AF	13.6	12.8
Total Pump Tax	237.7	293.2
Power Cost	\$577,400	\$596,600
Purchased Water Cost	\$1,926,700	\$1,985,500
Pump Tax	\$237,700	\$293,200
Chemical Cost	\$7,000	\$7,000

Southern-California Water Co.
San Dimas DistrictAdopted Quantities

Number of Service, Meter Size -----	1990 ----	1991 ----
SD-1		
5/8 x 3/4	6308	6568
3/4	4612	4746
1	3176	3266
1 1/2	144	147
2	469	476
3	10	10
4	37	39
6	6	6
8	2	2
total	14764	15260
Total Ccf	5467700	5649300

	Avg. Usage Ccf/Yr.	
	1990 ----	1991 ----
Commercial	355.0	355.0
Public Authority	2,190.1	2,190.1
Total Water Produced	6,057.3	6,184.9
Purchased Water	3,588.7	3,665.9
Well	2,388.0	2,438.2
Surface	80.7	80.7

APPENDIX C-6 page 3

Southern California Water Co.

San Dimas District

Income Tax Calculations

	1990 -----	1991 -----
	(Thousands of Dollars)	
Total Revenues	\$ 6,742.2	\$ 7,264.6
Pump Tax	237.7	293.2
Purch. Power	577.4	596.6
Purch. Water	1,926.7	1985.5
Purch. Chem	7.0	7
Payroll	549.8	587.7
OM Other	470.9	503.0
AG Other	200.8	216.9
Gen. Office Alloc.	252.3	273.4
Payroll Tax	44.1	47.1
Ad Valorem Taxes	145.4	160.4
Uncoll. .004245	28.6	30.8
Loc. Franch. .00277	18.7	20.1
subtotal	4,459.4	4,721.7
Sch.M	-7.1	-7.1
Interest	608.3	690.4
Total Deductions	5,060.6	5,405.0
State Tax Deprec.	502.9	649.3
State Tax 9.3	109.6	112.6
Federal Tax Deprec.	551.6	588.6
Fed Tax 34%	346.9	393.9
Total Federal Taxes	346.9	393.9
Net/Gross	1.682282	

(End of APPENDIX C-6)

APPENDIX D-6
San Dimas District

Comparison of typical bills for residential metered customers of various usage level and average usage level at present and authorized rates for the year 1990.

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

: Monthly Usage:	At Present	:At Authorized :	Percent	:
: (Cubic Feet):	Rates	: Rates :	Increase	:
500	\$ 9.52	11.24	18.1 %	
1,000	13.78	15.98	16.0	
2,000	22.30	25.46	14.2	
2,960 (Avg.)	30.46	34.55	13.4	
3,080	30.82	34.94	13.4	
5,000	47.86	53.90	12.6	
10,000	90.46	101.30	12.0	

(End of Appendix D-6)

APPENDIX A-7

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 to all water within the Arden-Cordova, Barstow, Bay, Calipatria-Niland, Clearlake, Desert, Los Osos, Metropolitan, Ojai, Orange County, Pomona Valley, San Dimas, San Gabriel Valley, Santa Maria, Simi Valley, and Wrightwood Districts.

Rates

Per Month

For each inch of diameter of service connection

A
\$ 4.00

(End of Appendix A-7)

Southern-California Water Co.
Orange County District

(INTENTIONALLY LEFT BLANK SINCE A LEVELIZED
CONSTANT RATE IS ORDERED BY THIS DECISION)

APPENDIX C-7
Page 1SOUTHERN CALIFORNIA WATER COMPANY
Orange County District

ADOPTED QUANTITIES

	1990	1991
Purchased Power		
Well Water, KCcf	7790.9	7824.6
Ccf/kWh	.932	.932
Total Energy, kWh	8361000	8397200
Boosted Water, KCcf	12841.7	12904.5
Ccf/kWh	4.972	4.972
Total Energy, kWh	2582800	2595400
Total Energy kWh	10943800	10992600
Electric:		
SoCal.Edison 2-89		
Total kWh	10705900	11657200
Composite \$/kWh	.06274	.06271
Total cost	\$671,688	\$731,023
City of Anaheim 9-88		
Total kWh	237900	239000
Composite \$/kWh	.09464	.09463
Total cost	\$22,515	\$22,617
SoCal.Gas Co. Standby	\$120	\$120
Total Purchased Power	\$692,400	\$753,800
Purchased Water		
Orange County Water		
Treated @ \$232/A.F.	Ac. Ft. 9284	7717
Cost	\$2,153,900	\$1,790,300
Untreated @198/A.F.	Ac. Ft. 522	524
Cost	\$103,400	\$103,800
Retail Meter Chg.	\$22,200	\$22,200
East Orange @ \$244/A.F.	Ac. Ft. 1059	960
	\$258,400	\$234,200
Seal Beach @ \$271.41/A.F.	Ac. Ft. 53	53
	\$14,400	\$14,400
Red Hill @ \$0.387	Ac. Ft. 817	822
	\$300	\$300
New wells @ \$40	1312	2624
	\$52,500	\$105,000
Total Purchased Water Cost	\$2,605,000	\$2,270,200
Pump Tax @ \$45/ A.F.	17821	19898
(Including new wells)	\$801,900	\$895,400
Chemical	\$17,200	\$17,200

Southern-California Water Co.
Orange County District

Adopted Quantities

Number of Service, Meter Size

	--- OC-1 ---		--- OCH-1 ---	
	1990	1991	1990	1991
5/8 x 3/4	30208	30528	114	114
3/4	1040	1041	4	4
1	2438	2448	1706	1706
1 1/2	510	511	43	43
2	1235	1241	82	82
3	49	49	0	0
4	64	64	0	0
6	53	53	0	0
8	22	22	0	0
10	1	1	0	0
	-----	-----	-----	-----
Total	35620	35958	1949	1949
CCF	11825012	11877144	9118	9160

Avg. Usage Ccf/Yr.

	1990	1991
	----	----
Commercial	298.2	298.2
Industrial	1,161.2	1,161.2
Public Authority	3168.2	3168.2
Total Water Produced	12,838.2	13,094.4
Purchased Water	4,478.0	5,147.4
Well	7,875.5	7,947.0

Southern California Water Co.

Orange County District

Income Tax Calculations

	1990 ----- (Thousands of Dollars)	1991 -----
Total Revenues	\$ 9,707.1	\$ 9,878.6
Purch. Power	692.4	753.8
Purch. Water	2,605.0	2270.2
Pump Tax	801.9	895.4
Purch. Chem	17.2	17.2
Payroll	864.6	904.8
OM Other	607.0	634.1
AG Other	289.6	312.0
Gen. Office Alloc.	444.2	478.7
Payroll Tax	69.3	72.6
Ad Valorem Taxes	197.3	210.1
Uncoll. .0042	40.8	41.5
Loc. Franch..0141	135.6	138.0
subtotal	6,764.9	6,728.4
Sched.M	-13.2	-13.2
Interest	817.5	878.2
Total Deductions	7,569.2	7,593.4
State Tax Deprec.	457.4	594.0
State Tax 9.3	156.3	157.3
Federal Tax Deprec.	550.4	560.3
Fed Tax 34%	486.6	533.0
Total Federal Taxes	486.6	533.0
Net/Gross	1.701322	

(End of APPENDIX C-7)

Southern-California Water Co.
Orange County District

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CONSTANT RATE IS ORDERED BY THIS DECISION)

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OPINION

Summary of Decision

This decision authorizes the following rate increases to Southern California Water Company (SCWC):

District	1990		1991		1992	
	Amount	%	Amount	%	Amount	%
Bay	699.7	60.6	222.6	10.7	49.9	2.4
Simi Valley	166.9	4.4	145.0	3.6	47.0	1.2
Santa Maria	530.4	17.6	361.3	9.2	141.7	3.6
Clearlake	218.5	32.0	111.0	12.3	63.8	6.3
Calipatria/Niland	28.4	4.4	37.5	5.5	33.3	4.7
San Dimas	793.1	13.3	522.4	7.8	211.3	3.0
Orange County	a \$26,500 or 0.003% levelized rate increase					

The increases are based on rates of return on rate base of 10.92%, 10.96%, and 10.90% for test years 1990, 1991, and attrition 1992, yielding a constant return on common equity of 12.00%.

Background

SCWC is a public utility corporation with headquarters presently in Los Angeles, California. It provides water service in 17 districts located throughout the state, and provides electric service in Big Bear Lake, California.

On February 15, 1989, SCWC filed applications requesting rate increases for water service in its Bay, Simi Valley, Santa Maria, Clearlake, Calipatria-Niland, San Dimas, and Orange County Districts. An amended application was filed April 19 requesting additional increases in the company's Clearlake District.

The company initially requested increases in rates in all districts which would produce rates of return on its rate base of 11.78% in 1990, 11.74% in 1991, and 11.81% in 1992, with a constant return on common equity of 13.5%. During the conduct of evidentiary hearings, SCWC amended its request for return on common equity to 13.0%.

In 1988, approximately 50% of the district's water supply was obtained from company owned wells located within the district. The remainder was purchased from MWD through the facilities of the Municipal Water District of Orange County, East Orange County Water District, Red Hill Water Company, and the City of Seal Beach.

In December 1987 there were approximately 2,017,100 feet of distribution main in the district, ranging in size from 1-inch to 20 inches in diameter. Main installation and replacement planned for the district is 1,654 feet in 1989, 6,550 feet in 1990, and 5,000 feet in 1991. Storage facilities in the Orange County District consist of steel tanks and reservoirs from which booster pumps deliver water to the distribution system. Combined storage capacity of facilities is 10,271,000 gallons.

Public Meetings and Hearings

The Water Utilities Branch of the Commission Advisory and Compliance Division (Branch) conducted informal public meetings in each district, attended by Branch and company personnel. Based upon comments received at the informal meetings, the Branch project manager recommended that public participation hearings (PPHs) be held for the Bay, Clearlake, Santa Maria, and Calipatria-Niland Districts. Duly noticed PPHs were conducted by Administrative Law Judge John Lemke at 2:00 p.m. and 7:00 p.m. in each of these four districts.

PPHs held in the Bay District were conducted at West Pittsburg and were attended by about 20 customers. Several customers who were senior citizens complained about the cost and quality of the water. The company representative responded by quoting portions of a letter from DHS stating that complaints have greatly decreased since improvements were made to the system several years ago. Further, he indicated that SCWC and its customers will be required to pay for a \$600 million project to build a reservoir (Los Vaqueros) to store water when it is of a higher quality as it comes down river during high-flow periods.

In her risk premium analysis, the DRA witness used expected returns on equity with expected debt yields, while the utility witness used actual returns on equity with expected yields on debt. She also included negative values; whereas the company witness excluded those values from his analysis.

The DRA witness included in her comparable group 12 water companies, including SCWC, while the company had included only four water companies.

The DRA witness calculated the book value of SCWC's common stock has increased 167% since 1979, while the net income available for common dividends has increased by 118% during that period. Further, dividends on common stock have increased 233% during the past 10 years, the most current dividend payout ratio (1988) being 104%.

Wilson determined that SCWC has recorded higher dividend payout ratios than the average for 12 comparable water utilities, over either the five-year period 1984-1988 (81.08% vs. 68.96%) or the 10-year period 1979-1988 (81.71% vs. 69.08%). She also determined, as set forth in Table 18 of Exhibit 15, that SCWC's pretax interest coverage has kept pace with with this group. The company's pretax interest coverage over five years has averaged 2.8 times, the group's 2.9 times. Further, during 1986 and 1987 SCWC equaled the group average with pretax interest coverages of 3.5 and 3.6 times, respectively. This information presents a trend which shows a significantly improved financial picture for SCWC over the past several years.

After consideration, we conclude that the company should be authorized a common equity allowance at the mid-point of the staff recommendation, or 12.00%. In deciding upon this level we are ever aware that there are no definitive mathematical formulas which can be used to calculate with pinpoint precision the cost of equity capital for future periods. It is a judgment determination involving the requirements of each individual utility, using

Adoption of the common equity, preferred stock, capital ratio, and new debt figures discussed above will result in the following rates of return and interest coverages for the two test years, and for attrition year 1992:

Southern California Water Company

Adopted Rates of Return

	1990				
	<u>Capital Ratio</u>	<u>Cost Factor</u>	<u>Weighted Cost</u>	<u>Net-to-Gross Mult.</u>	<u>Return With Tax Effect</u>
Long-term Debt	48.10%	9.98	4.80%	1.00 x	4.80%
Preferred Stock	1.40	4.44	0.06	1.67 x	0.10
Common Equity	<u>50.50</u>	<u>12.00</u>	<u>6.06</u>	<u>1.67 x</u>	<u>10.12</u>
	100.00%		10.92%		15.02%

Pretax Interest Coverage 3.13x

	1991				
	<u>Capital Ratio</u>	<u>Cost Factor</u>	<u>Weighted Cost</u>	<u>Net-to-Gross Mult.</u>	<u>Return With Tax Effect</u>
Long-term Debt	48.20%	10.04%	4.84%	1.00 x	4.84%
Preferred Stock	1.30	4.43	0.06	1.67 x	0.10
Common Equity	<u>50.50</u>	<u>12.00</u>	<u>6.06</u>	<u>1.67 x</u>	<u>10.12</u>
	100.00%		10.96%		15.06%

Pretax Interest Coverage 3.11x

	1992				
	<u>Capital Ratio</u>	<u>Cost Factor</u>	<u>Weighted Cost</u>	<u>Net-to-Gross Mult.</u>	<u>Return With Tax Effect</u>
Long-term Debt	48.20%	9.91%	4.79%	1.00 x	4.79%
Preferred Stock	1.20	4.42	0.05	1.67 x	0.09
Common Equity	<u>50.50</u>	<u>12.00</u>	<u>6.06</u>	<u>1.67 x</u>	<u>10.12</u>
	100.00%		10.90%		15.00%

Pretax Interest Coverage 3.13x

These guidelines should be implemented in such a manner that a customer's bill will not be increased by more than twice the overall percentage increase.

Rates for the Bay, Simi Valley, Santa Maria, Clearlake, San Dimas and Orange County Districts have, and will continue to have, service charges designed to produce revenues equaling 50% of fixed costs. Commencing with 1990, schedules will have one commodity rate for all use.

With respect to the Calipatria-Niland District, because the majority of customers receive service under the flat-rate schedule, the guidelines for metered rate schedules do not apply. These metered customers are largely business customers. Under present rates average metered users pay considerably less (\$34.04) monthly than flat rate users (\$42.70). Under the company's proposal, Branch concurring, metered rates will be increased by greater amounts than flat rates, because consumption under metered rates has been declining. Under the proposal, average metered users' bills will be about the same as those of flat rate users.

Concerning the Orange County District, based upon our adopted summary of earnings we could order a reduction in rates in 1990 of \$74,000 or 0.76%, and increases in 1991 and 1992 of \$102,200 or 1.05%, and \$100,200 or 1.02%, respectively. However, we can insure that SCWC has the opportunity to earn the revenues found necessary for the three-year period by ordering a constant, levelized increase in revenues for this three-year period. This will result in better administrative efficiency and economy for the company and the Commission. This levelized constant rate increase will be adopted. However, rather than applying the increase to residential customer rates, we will apply it to the rates for private fire protection. This will result in a rate of \$4.00, which will be the same as SCWC's private fire protection rates in its other districts.

The revenue obtained from service charges in the company's Clearlake District is the equivalent of about 68% of fixed costs. Although the Commission's rate design policy requires that service charges be set to recover up to 50% of fixed costs, it does not specifically require service charges to be reduced when they generate over 50% of fixed costs. In this case, because the service area is, in large part, a resort area, the higher amount of revenue recovered by the service charge is reasonable and appropriate. Since resort areas experience extreme variations in water demand, and the utility must construct its system to meet peak demands, a high-fixed cost relative to the average consumption by its year-round customers is created. It is therefore appropriate to weight the charges more heavily with fixed costs so that seasonal users pay their share of those fixed costs. The rates we are adopting for the Clearlake District will perpetuate the present ratio of revenues recovered from service charges and commodity rate charges.

With the exceptions noted above, the company and Branch rate design recommendations are reasonable and will be adopted.

Attrition

An attrition allowance is needed when increases in revenues and productivity to offset increases in expenses (including the effects of cost of capital) are insufficient, thereby causing a decline in the rate of return for the following year. Attrition consists of two factors - financial and operational. Financial attrition occurs when there is a change in the company's cost of capital. Operational attrition is the result of changes in operating categories, e.g., revenues, expenses, and rate base.

For the third year, 1992, an attrition allowance should be granted for the operational attrition at newly authorized rates from the adopted summary of earnings for 1988 and 1989. The slippage in rates of return for the respective years is projected

into the third year. The following table shows the attrition allowance for each of the seven districts:

<u>District</u>	<u>Operational</u>	<u>Financial</u>	<u>Total</u>
Bay	0.78	-0.06	0.72
Simi Valley	0.78	-0.06	0.72
Santa Maria	1.06	-0.06	1.00
Clearlake	1.28	-0.06	1.22
Calipatria-Niland	1.24	-0.06	1.18
San Dimas	1.00	-0.06	0.94
Orange County	0.40	-0.06	0.34

Balancing Accounts

The company has provided recorded May 1989 balances in its balancing accounts set up pursuant to Public Utilities Code § 792.5. In accordance with established Commission procedures, recorded balances exceeding 5% of gross annual revenues should be amortized over a two-year period. Balances as of June 1989 for the various districts are less than 2%. Therefore, no surcharges have been included in Appendix A.

Findings of Fact

1. On February 15, 1989 SCWC filed applications requesting rate increases for water service in its Bay, Simi Valley, Santa Maria, Clearlake, Calipatria-Niland, San Dimas and Orange County Districts.

2. On April 19, 1989 SCWC amended A.89-02-030, its request regarding the Clearlake District, seeking now to include 75% of the cost for a treatment plant in rate base over the two-year test period 1990-1991, and to recover the remaining 25% through an advice letter filing when the plant is completed and in use.

3. SCWC requests rates which would produce rates of return on rate base of 11.49% in 1990, 11.47% in 1991, and 11.49% in 1992 with a constant return on common equity of 13.0% in each of the three years.

4. DRA proposed a range of return on common equity from 11.75% to 12.25%, and recommends adoption of the midpoint of its range, or 12.00%.

5. SCWC proposes adoption of a constant 10.00% cost for long-term new debt. DRA recommends adoption of a cost for new debt between 9.7% and 9.75%.

6. SCWC and DRA estimates for the cost of preferred stock are virtually identical.

7. SCWC originally recommended a floating capital ratio with return on common equity varying annually. Its secondary recommendation is for authorization of a constant 50.5% common equity ratio, being rounded up to 51%. DRA suggests adoption of a constant 50.5% common equity ratio, rounded down to 50%.

8. Adoption of a constant return on common equity of 12.00%, constant new debt cost of 10.00%, and a capital ratio reflecting a constant common equity ratio of 50.5% for each of the three years covered by this proceeding will result in rates of return as follows: 10.92% for 1990; 10.96% for 1991; and 10.90% for 1992.

9. A constant return on common equity of 12.00% will cover SCWC's debt risk and will allow the company to attract new capital as needed in order to carry on its capital expansion programs.

10. The record does not support authorization at this time of four division engineers and four division business managers. The record does support authorization of one division engineer and one division business manager.

11. The record supports authorization of SCWC's request for approximately \$1,100,000 in general office capital budget items.

12. SCWC has justified its request for additional outside service expenses.

13. SCWC's estimate concerning the projected number of customers in its Orange County District is based upon more recent, reliable data than that relied upon by Branch.

14. The arguments presented by SCWC concerning its requested staffing ratios are reasonable. Authorization of its request concerning staffing ratios will allow the company to improve its customer service and maintenance programs.

15. SCWC has in recent years engaged new senior management level personnel. It is reasonable to have these new management personnel attend informal district meetings and PPHs while becoming thoroughly familiar with operational and service problems encountered in its various service districts.

16. SCWC's proposed rate designs for water service are consistent with Commission policy, and should be adopted, except for our adopted levelized rate increase for the company's Orange County District during the three-year period, and the continued authorization of recovery of 68% of fixed expenses from the service charge in the company's Clearlake District.

17. The amended request by SCWC concerning the proposed treatment plant in the Clearlake District will provide for a smoother, less drastic rate impact on its customers.

Conclusions of Law

1. A cost of 10.00% for SCWC's long-term new debt is reasonable and should be adopted.

2. A return on common equity of 12.00% is just and reasonable for SCWC during 1990, 1991, and 1992.

3. Authorization of a capital ratio for SCWC reflecting a constant 50.5% common equity ratio is reasonable and should be adopted.

4. SCWC should be authorized to immediately employ one new division engineer and one new division business manager.

5. SCWC's requests concerning capital budget items, additional outside services expenses, number of customers in Orange County District, and staffing ratios are reasonable and should be adopted.

6. SCWC should not be restricted at this time regarding the number of general office personnel traveling to informal meetings and PPHs held in its various service districts in connection with general rate case proceedings.

7. SCWC should be authorized to file an advice letter concerning the new treatment plant to be constructed in its Clearlake District, in accordance with its Amended A.89-02-030.

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

9. The applications should be granted to the extent provided by the following order.

ORDER

IT IS ORDERED that:

1. Southern California Water Company (SCWC) is authorized to file the revised schedules for its Bay, Simi Valley, Santa Maria, Clearlake, Calipatria-Niland, San Dimas, and Orange County Districts attached to this decision as Appendix A. This filing shall comply with GO 96. The effective date of the revised schedules shall be on January 1, 1990. The revised schedules shall apply only to service rendered on and after their effective dates.

2. On or after November 15, 1990, SCWC is authorized to file an advice letter, with appropriate workpapers, requesting the step increases for 1991 included in Appendix B, or to file proportionate lesser increases than those rates in Appendix B for its Bay, Simi Valley, Santa Maria, Clearlake, Calipatria-Niland, and San Dimas Districts, respectively, in the event that these districts' rates of return on rate base, adjusted to reflect the rates then in effect and normal ratemaking adjustments for the 12 months ended September 30, 1990, exceeds the later of (a) the rate of return

found reasonable for SCWC during the corresponding period in the then most recent rate decision or (b) 10.92%. This filing shall comply with GO 96. The requested step rates shall be reviewed by the Commission Advisory and Compliance Division (CACD) to determine their conformity with this order and shall go into effect upon CACD's determination of conformity. CACD shall inform the Commission if its finds that the proposed step rates are not in accord with this decision. The effective date of the revised schedules shall be no earlier than January 1, 1991, or 30 days after filing, whichever is later. The revised schedules shall apply only to service rendered on and after their effective date.

3. On or after November 15, 1991, SCWC is authorized to file an advice letter, with appropriate workpapers, requesting the step rate increases for 1992 included in Appendix B, or to file proportionate lesser increases for those rates in Appendix B for its Bay, Simi Valley, Santa Maria, Clearlake, Calipatria-Niland, and San Dimas Districts, respectively, in the event that these districts' rates of return on rate base, adjusted to reflect the rates then in effect and normal ratemaking adjustments for the 12 months ended September 30, 1991, exceeds the later of (a) the rate of return found reasonable for SCWC during the corresponding period in the then most recent decision or (b) 10.96%. This filing shall comply with GO 96. The requested step rates shall be reviewed by the staff to determine their conformity with this order and shall go into effect upon CACD's determination of conformity. CACD shall inform the Commission if it finds that the proposed step rates are not in accord with this decision. The effective date of the revised schedules shall be no earlier than January 1, 1992, or 30 days after the filing of the step rate, whichever is later. The revised schedules shall apply only to service rendered on or after their effective date.

A.89-02-027 et al. ALJ/LEM/vdl

4. SCWC is authorized to file an advice letter concerning the new treatment plant to be constructed in its Clearlake District, in accordance with its amended Application 89-02-030.

This order becomes effective 30 days from today.

Dated _____, at San Francisco, California.

APPENDIX A-1

Page 1

Southern-California Water Co.
Bay District

SCHEDULE NO. BY-1

GENERAL METERED SERVICE

Applicability

Applicable to all metered water service.

Territory

Portion of the City of Pittsburg and vicinity, Contra Costa County.

Rates

Service Charge:

Per Meter
Per Month*

For 5/8 x 3/4-inch meter.....	\$ 8.20 I
For 3/4-inch meter.....	11.20 :
For 1-inch meter.....	16.50 :
For 1 1/2-inch meter.....	19.20 :
For 2-inch meter.....	28.00 :
For 3-inch meter.....	58.00 :
For 4-inch meter.....	72.00 :
For 6-inch meter.....	142.00 :
For 8-inch meter.....	204.00 I

Quantity Rates:

Per 100 cu.ft..... 1.2680 I

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

Special Condition

1. Due to the undercollection in the balance account, an amount of \$0.0616 per Ccf is to be added to the quantity rates as shown above until forty-eight months from the effective date of Advice Letter No. 798-W to amortize the undercollection.

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

APPENDIX A-1

Page 1

Southern-California Water Co.
Bay District

SCHEDULE NO. BY-1

GENERAL METERED SERVICE

Applicability

Applicable to all metered water service.

Territory

Portion of the City of Pittsburg and vicinity Contra Costa County.

Rates

Service Charge:

Per Meter
Per Month*

For 5/8 x 3/4-inch meter.....	\$	8.20 I
For 3/4-inch meter.....		11.20 :
For 1-inch meter.....		16.50 :
For 1 1/2-inch meter.....		19.20 :
For 2-inch meter.....		28.00 :
For 3-inch meter.....		58.00 :
For 4-inch meter.....		72.00 :
For 6-inch meter.....		142.00 :
For 8-inch meter.....		204.00 I

Quantity Rates:

Per 100 cu.ft..... 1.1520 I

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

Special Condition

1. Due to the undercollection in the balance account, an amount of \$0.0616 per Ccf is to be added to the quantity rates as shown above until forty-eight months from the effective date of Advice Letter No. 798-W to amortize the undercollection.

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

APPENDIX A-2

Southern-California Water Co.
Simi Valley District

SCHEDULE NO. SI-1

GENERAL METERED SERVICE

Applicability

Applicable to all metered water service.

Territory

Portion of the City of Simi Valley and vicinity, Ventura County.

Rates

Service Charge:

Per Meter
Per Month*

For 5/8 x 3/4-inch meter.....	\$	3.75	I
For 3/4-inch meter.....		4.40	:
For 1-inch meter.....		6.35	:
For 1 1/2-inch meter.....		10.40	:
For 2-inch meter.....		15.50	:
For 3-inch meter.....		20.00	:
For 4-inch meter.....		40.00	:
For 6-inch meter.....		70.00	:
For 8-inch meter.....		102.00	:
For 10-inch meter.....		122.00	I

Quantity Rates:

Per 100 cu.ft..... .959 I

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

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

(End of Appendix A-2)

APPENDIX A-4

Page 1

Southern-California Water Co.
Clearlake District

SCHEDULE NO. CL-1

GENERAL METERED SERVICE

Applicability

Applicable to all metered water service.

Territory

Clearlake Park and Parkwoods Areas, Lake County.

Rates

Service Charge:

Per Meter
Per Month*

For 5/8 x 3/4-inch meter.....	\$	21.60	I
For 3/4-inch meter.....		25.10	:
For 1-inch meter.....		32.70	:
For 1 1/2-inch meter.....		37.20	:
For 2-inch meter.....		47.00	:
For 3-inch meter.....		94.00	:
For 4-inch meter.....		136.00	:
For 6-inch meter.....		236.00	:
For 8-inch meter.....		314.00	I

Quantity Rates:

For all water delivered, per 100 cu.ft..... 2.042 I

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 overcollection in the Balancing Account, an amount of \$0.114 per Ccf is to be deducted from the quantity rates as shown above for 36 months from the effective date of this decision to amortize the overcollection. (N)

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

(End of Appendix A-4)

Southern-California Water Co.
San Dimas District

SCHEDULE NO. SD-1

GENERAL METERED SERVICE

Applicability

Applicable to all metered water service.

Territory

San Dimas, Charter Oaks and vicinity, Los Angeles County.

Rates

Service Charge:

Per Meter
Per Month*

For 5/8 x 3/4-inch meter.....	\$	6.50	I
For 3/4-inch meter.....		6.90	:
For 1-inch meter.....		10.00	:
For 1 1/2-inch meter.....		14.60	:
For 2-inch meter.....		24.00	:
For 3-inch meter.....		37.00	:
For 4-inch meter.....		55.00	:
For 6-inch meter.....		92.00	:
For 8-inch meter.....		147.00	:
For 10-inch meter.....		221.00	I

Quantity Rates:

Per 100 cu.ft..... .948 I

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

Special Condition

1. Due to the undercollection in the Balancing Account, an amount of \$0.036 per Ccf is to be added to the quantity rates as shown above for 12 months from the effective date of this decision to amortize the undercollection. (N)
:
:
:
(N)

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

(End of Appendix A-6)

APPENDIX A-7
Page 1

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 to all water within the Arden-Cordova, Barstow, Bay, Calipatria-Niland, Clearlake, Desert, Los Osos, Metropolitan, Ojai, Orange County, Pomona Valley, San Dimas, San Gabriel Valley, Santa Maria, Simi Valley, and Wrightwood Districts.

Rates

Per Month

For each inch of diameter of service connection

A
\$ 4.00

(End of Appendix A-7)

APPENDIX B-1
Bay 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
1-1-91 1-1-92

Schedule BY-1 General Metered Service

Service Charge:

		Per Meter Per Month	
		-----	-----
For	5/8 x 3/4-inch meter.....	\$ 1.23	\$.47
For	3/4-inch meter.....	1.68	.64
For	1-inch meter.....	2.48	.95
For	1 1/2-inch meter.....	2.88	1.10
For	2-inch meter.....	4.20	1.61
For	3-inch meter.....	8.70	3.34
For	4-inch meter.....	10.80	4.14
For	6-inch meter.....	21.30	8.17
For	8-inch meter.....	30.60	11.73

Quantity Rates:

Per 100 cu.ft.....	.0180	.0210
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(End of Appendix B-1)

APPENDIX D-1
Bay District

Comparison of typical bills for residential metered customers of various usage level and average usage level at present and authorized rates for the year 1990.

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

: Monthly Usage:	At Present	:At Authorized :	Percent
: (Cubic Feet):	Rates	: Rates :	Increase :
500	\$ 8.16	\$ 14.54	78.2 %
1,000	12.48	20.88	67.3
1,680 (Avg.)	18.34	29.47	60.7
2,000	21.13	33.56	58.8
3,000	29.78	46.24	55.3
5,000	47.07	71.60	52.1
10,000	90.31	135.00	49.5

(End of Appendix D-1)

APPENDIX A-4
Page 1Southern-California Water Co.
Clearlake District

SCHEDULE NO. CL-1

GENERAL METERED SERVICE

Applicability

Applicable to all metered water service.

Territory

Clearlake Park and Parkwoods Areas, Lake County

Rates

Service Charge:

Per Meter
Per Month*

For 5/8 x 3/4-inch meter.....	\$	21.60	I
For 3/4-inch meter.....		25.10	:
For 1-inch meter.....		32.70	:
For 1 1/2-inch meter.....		37.20	:
For 2-inch meter.....		47.00	:
For 3-inch meter.....		94.00	:
For 4-inch meter.....		136.00	:
For 6-inch meter.....		236.00	:
For 8-inch meter.....		314.00	I

Quantity Rates:

For all water delivered, per 100 cu.ft..... 2.042 I

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.

* All rates are subject to the reimbursement fee set forth on schedule No. UF.
(End of Appendix A-4)

APPENDIX A-6

Southern-California Water Co.
San Dimas District

SCHEDULE NO. SD-1

GENERAL METERED SERVICE

Applicability

Applicable to all metered water service.

Territory

San Dimas, Charter Oaks and vicinity, Los Angeles County.

Rates

Service Charge:

Per Meter
Per Month*

For 5/8 x 3/4-inch meter.....	\$	6.50	I
For 3/4-inch meter.....		6.90	:
For 1-inch meter.....		10.00	:
For 1 1/2-inch meter.....		14.60	:
For 2-inch meter.....		24.00	:
For 3-inch meter.....		37.00	:
For 4-inch meter.....		55.00	:
For 6-inch meter.....		92.00	:
For 8-inch meter.....		147.00	:
For 10-inch meter.....		221.00	I

Quantity Rates:

Per 100 cu.ft..... .948 I

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

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

(End of Appendix A-6)