

Decision 90 03 034 MAR 14 1990

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
CALIFORNIA-AMERICAN WATER COMPANY)
(U 210 W) for an order authorizing)
it to increase its rates for water)
service in its CORONADO DISTRICT.)

Application 89-07-001
(Filed July 3, 1989)

In the Matter of the Application of)
CALIFORNIA-AMERICAN WATER COMPANY)
(U 210 W) for an order authorizing)
it to increase its rates for water)
service in its VILLAGE DISTRICT.)

Application 89-07-002
(Filed July 3, 1989)

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O P I N I O N

Summary of Decision

This decision authorizes the following revenue increases to California-American Water Company (Cal-Am):

		<u>1990</u>		<u>1991</u>		<u>1992</u>
Coronado District	3.02%	\$216,500	2.70%	\$168,000	2.20%	\$167,000
Village District	2.28%	\$201,700	2.76%	\$252,000	2.48%	\$233,100

The increases are based on rates of return on rate base of 10.70%, 10.71%, and 10.74% for test years 1990, 1991, and attrition year 1992, yielding a constant rate of return on common equity of 12.0%.

Background

Cal-Am is a public utility corporation with headquarters in National City, California. It provides water service in six districts located throughout the state. ✓

On July 3, 1989 Cal-Am filed applications requesting rate increases for water service in its Coronado and Village Districts. The company requested increases for 1990, 1991, and 1992, respectively, of \$479,000, \$276,500, and \$178,700 in its Coronado District, and of \$1,026,800, \$238,700, and \$80,600 in the Village District. ✓

This decision addresses the two 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 1990 to 1992 is set forth as follows:

Coronado District

This district serves the Cities of Coronado and Imperial Beach, a portion of the City of San Diego and contiguous unincorporated areas in the County of San Diego. The district served 19,292 metered customers on December 31, 1988; 98% of these were in the residential/business class. All of the water supplied ✓

to customers in this district is purchased from the City of San Diego.

As of December 31, 1988 there were 914,580 feet of transmission and distribution mains in the district. Storage facilities consist of two steel tanks with a total capacity of 4.2 million gallons.

Major plant additions requested for the Coronado District during the period covered by this application consist of a River Crossing Main replacement during 1989, to relieve a chronic low-pressure area and provide adequate fire flows. Transmission and distribution main replacements in 1989, including the River Crossing Main, have totaled \$413,700. Cost of land in 1990 is budgeted at \$265,000; structures and improvements at \$437,900. During 1991 Cal-Am has budgeted \$410,000 in main additions; another \$303,900 in main additions is budgeted during 1992.

Village District

This district provided water service to about 16,382 metered customers at the end of 1988 in an area of approximately 20 square miles located in the Conejo Valley of southern Ventura County. Service is provided to the unincorporated community of Newbury Park, a portion of, and territory contiguous to the City of Thousand Oaks, and a small area adjacent to the City of Camarillo.

All of the district's water requirements are purchased from the Calleguas Municipal Water District (Calleguas), a member agency of the Metropolitan Water District of Southern California. The district receives water from Calleguas through 12 separate connections.

At the end of 1988 there were 982,815 feet of transmission and distribution mains within the district. Storage facilities consisted of 10 steel tanks with a total capacity of 15.3 million gallons, and four in-ground concrete reservoirs with a capacity of 6.2 million gallons.

Major plant additions for the period covered by this proceeding during 1989 consist of a 5.3-million gallon shopping center reservoir, required by the City of Thousand Oaks master plan for meeting minimum storage requirements, and a 6-million gallon Potrero II reservoir, also required by the City of Thousand Oaks master plan. Total cost of these additions amounts to \$4,487,000. A connection at Conejo Oaks is planned in 1991 to provide reliability and adequate pressure to the Conejo Oaks area. \$419,000 in transmission and distribution mains have been added to the district in 1989. \$995,200 is budgeted for mains in 1990, \$1,074,000 in 1991, and \$548,900 in 1992.

Public Meetings and Hearings

Duly noticed public participation hearings (PPHs) were conducted at locations within the service areas of each district. Each PPH was held at 7:00 p.m. Three customers attended the Coronado District PPH. None was dissatisfied with the water quality nor with present or proposed rates. One of these customers is city manager for the City of Coronado. No customers attended the PPH held in the Village District.

Evidentiary hearings were conducted in Los Angeles on November 6, 7, and 8 before Administrative Law Judge (ALJ) John Lemke. The applications were submitted subject to the filing of concurrent briefs on December 1, 1989.

Cost of Capital

The company has stipulated to the cost of capital recommendations presented by the Commission's Division of Ratepayer Advocates (DRA), based upon the high point of the common equity recommendation of 12.0%. These recommendations, consisting of capital ratios, cost factors, long-term debt and common equity are shown below. Pretax interest coverages are also shown. Cal-Am had originally requested allowance of a constant return on common equity of 13.50% during test years 1990 and 1991 and attrition year 1992.

Component	Capital Ratios	Cost Factor	Weighted Cost	Net To Gross Multiplier	Rate of Return With Tax Effect
	(a)	(b)	(c)	(d)	(e)

Test Year 1990

Long-Term Debt	57.0%	x	9.71%	=	5.54	x	1.00	=	5.54%
Common Equity	<u>43.0</u>	x	12.00 ^{1/}	=	<u>5.16</u>	x	1.67	=	<u>8.62</u>
TOTAL	100.0%				10.70%				14.16%
Pretax Interest Coverage									2.56x =====

TEST YEAR 1991

Long-Term Debt	57.0%	x	9.74%	=	5.55	x	1.00	=	5.55%
Common Equity	<u>43.0</u>	x	12.00 ^{1/}	=	<u>5.16</u>	x	1.67	=	<u>8.62</u>
TOTAL	100.0%				10.71%				14.17%
Pretax Interest Coverage									2.55x =====

ATTRITION YEAR 1992

Long-Term Debt	57.0%	x	9.78%	=	5.58	x	1.00	=	5.58%
Common Equity	<u>43.0</u>	x	12.00 ^{1/}	=	<u>5.16</u>	x	1.67	=	<u>8.62</u>
TOTAL	100.0%				10.74%				14.20%
Pretax Interest Coverage									2.55x =====

The allowance of 12% return on common equity is less than that of 12.25% authorized in Cal-Am's last general rate proceeding in July 1989. It is consistent with the return on common equity allowance granted in November 1989 to Southern California Water Company for seven of its districts during the same three-year period. DRA's cost of capital recommendations are reasonable and will be adopted at the high point of the common equity recommendation, or 12.0%.

Issues

During the proceedings Cal-Am and the Water Utilities Branch of the Commission Advisory and Compliance Division (Branch) consulted regarding their respective test year estimates. Cal-Am has agreed with a number of Branch's recommendations. A Comparison Exhibit, Exhibit 48, which summarizes the remaining disputed issues, was received from Cal-Am and Branch on November 21. The issues remaining for decision are divided into three sections-- General Office, Coronado District, and Village District.

The remaining disputed issues are discussed as follows:

I. GENERAL OFFICE

1. Office L: Service Company

There are four issues in the service company expenses:

- a. Cal-Am's addition of an assistant director of Engineering and a new secretary and the expenses associated with those two additions;
- b. Increased employee expenses, primarily air fare costs;
- c. Expenses associated with leasing and expensing rather than purchasing and capitalizing certain equipment; and
- d. Increased expenses associated with in-house training.

a. Two Additional Service Company Employees

Staff recommends disallowance of the two requested service company staff additions, relying upon the staffing levels allowed in the Monterey district decision (Decision (D.) 89-02-067). The dollar differences amount to about \$61,000 in 1990, and about \$64,000 in 1991. Cal-Am reduced its corporate office engineering staff in 1985 from three employees to one (the director of Engineering) due to permanent transfers of the former assistant director of Engineering and the former engineer to the Monterey and Los Angeles Districts, respectively. Thereafter, the company relied on contracted services to perform those functions. The corporate engineering office supervises and monitors outside engineering consultants. Cal-Am witness Modeer asserts the company has a substantial level of construction activity in its six districts requiring vigilant supervisory oversight; that this oversight is not possible with only a single engineer in the corporate office.

The position of assistant director of Engineering was filled in October 1988 because of the increased demand for these services. Most of the labor expenses of this position are charged to capital projects, with the remaining dollars being expensed. Branch's reliance on the staffing levels allowed in Cal-Am's Monterey decision ignores the fact that the Monterey rate case was based upon project activity data from 1987, data now two years old. Branch has not produced any factual evidence to overcome the company's showing of its need for the position. The company showing of need for this position is convincing.

Cal-Am also alleges that the need for a finance department secretary was so great that the company permanently filled the position in April 1988. Branch believes the position is unnecessary primarily because the company's outside service expenses have fluctuated widely, and demonstrate no

relationship to the number of Cal-Am's employees. Company witness Modeer explained that the unusually high temporary help expense in 1988 was due to extended employee absence and three gaps caused by employee turnover.

Modeer testified that the utility's finance department, which includes cash management, accounting, budgeting, and rates and revenues activities, is faced with increased tax reporting responsibilities, increased numbers of long-term financings and general increases in filing and reporting requirements; that the increased level of activity cannot be handled by the former staffing level. Modeer's argument is persuasive of the need for this permanent position. A permanent secretary will be more efficient and effective at performing these functions, and will reduce the need for temporary help. The position will be authorized.

b. Employee Expense: Increased Air Fares
Travel Expenses and Methodology Issues

Differences between Cal-Am and Branch are \$30,159 in 1990, and \$31,757 in 1991. Branch has used 1988 recorded data and adjusted for inflation. Branch used 1990 employee expenses directly from the Monterey decision (D.89-02-067), then inflated this amount by 4.88% to arrive at its 1991 figure. Company witness Stephenson testified that normal Branch methodology takes each recorded year expense and applies the corresponding nonlabor inflation factors to arrive at the recorded inflation-adjusted total for years 1984-1988. The individual adjusted figures are then summed and averaged by the number of recorded years used, thereby obtaining an adjusted 1988 total for employee expenses. Stephenson alleges that if staff had used this normal methodology, its 1990 employee expense would have been \$18,000 greater than the amount it recommended. Cal-Am used the normal methodology, then increased the adjusted 1988 total by 6.1% to reflect actual increases in air fare expenses. The 1989 base

year was then inflated by Branch's nonlabor inflation factor for 1990 and 1991 to arrive at the proposed Office L employee expenses of \$212,307 and \$222,497.

The 6.1% increase for air fares, Stephenson asserts, is due to a 45-50% increase in the cost of interstate airline tickets purchased for business travel, as well as a 20-25% increase in the cost of intrastate flights. He testified that air fares constitute approximately 43% of total employee expenses. Appendix A of Exhibit 5 is an analysis of air fares showing an increase of 14.2% in ticket prices in 1989 over 1988. Multiplying the 43% air fare portion of total employee expenses by the 14.2% increase in the cost of tickets results in the 6.1% air fare adjustment used to arrive at the 1989 base year recommendation.

Branch also took issue with Cal-Am's president's use of first class air transportation, and to the allowance of travel expenses of spouses and related child care expenses when senior management personnel travel to major national conferences such as NARUC, NAWC and AWWA, which are attended by senior utility and Commission personnel and their spouses.

It is not necessary for senior executives to travel first class in order to accomplish their work. Nor do we find it reasonable for senior executives to take along their spouses at ratepayer expense, nor is it reasonable to expect ratepayers to fund child care expenses while senior executives and their spouses travel. Child care expenses while parents travel, first class executive air fare, and air fare for spouses are therefore eliminated as legitimate travel expenses. The travel budget shall not be used to cover these costs.

c. Equipment Leasing vs. Purchase

There is a difference in 1990 of \$45,531, and in 1991 of \$53,540 between Branch and the utility in this expense category. Branch asserted that the company had not provided a thorough study concerning whether leasing rather than purchasing office furniture and equipment benefits the ratepayers. Witness

Stephenson has presented in Exhibit 7 an analysis demonstrating that in connection with a \$40,000 piece of equipment with a five-year life, by the end of the sixth year (after fully depreciated) ratepayers would save \$3,244 by leasing rather than purchasing the equipment.

Branch also objected to the company's leasing equipment because, it asserts, the Commission has no jurisdiction over Cal-Am's parent company, and therefore cannot ascertain the reasonableness of the lease amounts charged to Cal-Am. That argument is not persuasive. The Commission has no jurisdiction over most vendors of equipment purchased by utilities; however, it is not foreclosed from determining whether a utility is paying too much for goods and services.

Branch asserts that the Commission's Uniform System of Accounts does not permit deviation in the treatment of office furniture and equipment. But the Branch witness conceded that leasing of office equipment is commonplace, and is in fact permitted by Commission accounting procedures.

While the company lease/purchase study is not exhaustive, it is persuasive that leasing, when cost-effective, is beneficial for the ratepayers. Branch has not demonstrated that the leasing expenses urged by Cal-Am are not cost-effective. The lease procedures and expenses requested by the company will be authorized.

d. Education Expense: In-House Training Expenses

Cal-Am and Branch are \$9,000 apart in 1990, and \$9,500 in 1991 on this issue. Company witness Modeer testified that the American Water Works System, of which Cal-Am is a member, maintains a thorough and active educational and training program for its supervisory employees. Branch has based its suggestion on a level of expenses authorized in the Monterey decision, which was prepared and filed using data two years old. It is not reasonable

to expect that expense levels and requirements would not change within a two-year period. This proceeding involves data much more current. The company request appears reasonable and will be authorized.

2. Office F: Data Processing

There are three items at issue. The first concerns the lease versus purchase of equipment, which involves the same considerations addressed immediately above under Office L. The other two issues involve an additional data processing employee, and employee welfare.

a. Additional Data Processing Employee

Branch has rejected the company request for this new employee, asserting there is no showing of need, i.e., no showing of changed workload, since the Monterey decision and because equipment efficiencies should reduce personnel needs. Modeer has testified in Exhibit 4 that the need for the additional operator is primarily because of the conversion from a computerized snap out bill form to an envelope inserted billing system. This has required the purchase of bill inserting equipment and necessary operating personnel. The conversion allows the company to communicate with its customers without the need to make special separate mailings. Separate mailings result in substantial notice and mailing costs.

Modeer alleges that Cal-Am is required to communicate with customers several times annually; that under the old billing system it was necessary to have each communication printed and mailed separately. Under the new system, Cal-Am is able to insert such information along with its regular billing. Commission requirement of third party notices, a recently enacted State statute (California Health and Safety Code Section 64463.11(a)) requiring an annual statement of water quality to be sent to all customers, and water conservation materials are examples of such communications.

The new data processing employee was not requested in the recent Monterey rate case, Modeer alleges, because when the company prepared that filing it had no working experience with the new billing system and did not know the actual amount of employee time required to operate the equipment, acquired in May 1988. Branch accepted the equipment in a prior rate case as part of Cal-Am's 1988 budget; however, the new employee was not part of the 1988 budget, having been hired in July 1988, after Cal-Am had been through two months of experience with the equipment and determined the employee time demands required. Modeer estimated that prior special mailings cost approximately \$18,500 per mailing, compared with about \$5,000 now that the special information is sent with regular billings. The new system requires an additional employee to operate it, but that employee's salary, the witness contends, will be more than recouped in the approximately \$13,000 in savings per mailing by use of the new equipment. We concur with the company's request in this issue and will authorize inclusion of the cost for the new employee.

b. Employee Welfare: Data Processing Training Programs

Branch has recommended reductions of \$6,715 in 1990, and \$7,093 in 1991. (Cal-Am is requesting \$10,761 in 1990, and \$11,353 in 1991; Branch \$4,046 and \$4,260.) The reductions relate to training and education programs for the data processing department. The programs are sponsored principally by Data General Company, Cal-Am's main computer hardware and software supplier.

Modeer testified that computer business technology is ever changing; that it is essential for the data processing employees to remain current on the new developments in their field. Branch has used the 1990 adopted amount in D.89-02-067, and has further escalated the 1990 amount with a nonlabor escalation factor for the 1991 amount. Recorded expenses for this category were \$4,111 in 1987 and \$3,623 in 1988. Modeer

has included in his Exhibit 10 1989 actual expenses of \$8,703, and 1990 budgeted expense of \$10,850. But there has been no satisfactory explanation of the substantial increase over the 1988 expense level.

Cal-Am has not made a showing which would justify the significant increases sought. A utility should not be encouraged to spend substantial amounts over current budgets and expect the Commission to automatically endorse those increases without a probative demonstration of need. The Branch expense levels appear to reasonably consider normal inflation increases, and will be adopted.

3. Office R: Water Quality Laboratories' Expense

Branch's estimates for "other" expenses are lower than Cal-Am's for 1990 and 1991 by \$15,825 and \$16,695, respectively. Cal-Am would increase the Monterey Lab 1988 recorded costs by 10% for 1989, and further increase the 1989 cost by 5% for test year 1990, and another 5% for 1991. The five-year recorded expenses for the Monterey Lab, prior to construction of the Los Angeles Lab, are: \$24,323, \$23,021, \$25,139, \$30,543, and \$31,113 for years 1984 through 1988.

Branch notes that early in 1989 the Monterey Lab workload was reduced because all coliform and physical water tests done for Cal-Am's southern California districts are now performed at the Los Angeles Lab. The company in addition to its 1990 and 1991 estimated amounts, which were based on total northern and southern California laboratory costs, has included expenses estimated for the Los Angeles Lab costs. Branch recommends removal of the Los Angeles Lab costs which are included in Cal-Am's estimates for Monterey, since the Los Angeles Lab costs are accounted for separately. Total "other" expenses requested by Cal-Am for 1990 and 1991 are \$51,620 and \$54,280, respectively.

Cal-Am witness Modeer alleged that changes are taking place in the area of water quality compliance requirements. For example, Department of Health Services (DHS) requirements have changed, necessitating annual fees in order to receive DHS accreditation. Both the Monterey and Los Angeles Labs must pay between \$4,500 and \$5,000 annually, amounts not required prior to 1989. The witness also stated that other expected escalating governmental regulations concerning water quality testing will more than offset the cost reductions realized by shifting some of the prior Monterey workload to the new Los Angeles Lab.

The new annual fees testified to by Modeer should be provided for in this proceeding. However, there is no satisfactory record basis for increasing this expense by more than the normal inflation factor, plus the new annual costs for fees. Adding \$5,000 to the staff recommendations will provide adequately for these fees.

For the water quality compliance testing category, Branch's recommendations are lower than Cal-Am's by \$15,990 in 1990, and by \$16,382 in 1991. (Cal-Am requests \$91,000 in 1990 and \$95,368 in 1991; Branch recommends \$75,010 in 1990 and \$78,986 in 1991.)

Branch's premise is that the opening of the Los Angeles Lab will reduce costs incurred at Monterey, and will not increase costs incurred by Cal-Am at its Belleville, Illinois, Lab. Branch also suggests that because these districts, Coronado and Village, use all purchased water, testing requirements will be lessened. Modeer testified that this assumption is incorrect; that Branch is simply wrong in its view that testing by a wholesaler relieves a retailer of that task, citing California Code of Regulations, Sections 64421(e) and 64439. Modeer also stated that Cal-Am's costs to test its water are far less than those incurred at outside commercial laboratories. Further, the witness stated that Cal-Am quite intentionally exceeds minimum legal testing

requirements in an effort to do much more than the bare minimum and to anticipate future regulations.

Modeer testified that the State of California agrees with Cal-Am's position regarding the inadequacy of State and Federal minimum requirements. He cited Section 4010 (f) of the California Health and Safety Code: "It is the intent of the Legislature to improve laws governing drinking water quality to improve upon the minimum requirements of the Federal Safe Drinking Water Act of 1986...and to establish a program which is more protective of public health than the minimum Federal requirements."

It is clear that the State of California feels the Federal minimum drinking water standards are only minimums, and that the company believes that water quality monitoring should exceed bare minimum State and Federal requirements. We concur with the company position. The amounts requested by the utility are reasonable and will be adopted.

II. CORONADO DISTRICT

There are five unresolved issues in the Coronado District: (1) unaccounted for water allowance, (2) Cal-Am's request for two new employees, (3) general liability insurance expense, (4) regulatory Commission expenses, and 5) plant additions and retirements.

1. Unaccounted for Water

Cal-Am's unaccounted for water estimate is 3.8% for both test years. Branch suggests a factor of 2.8%. Branch witness Mogri stated that his five-year average would be increased to 3.3% if the 0.93% loss for 1987 was corrected to 3.63%, as company witness Rogers testified it should be. Rogers testified that prior to 1987 the Coronado District's statistics on this issue were unreliable because of poor maintenance of the six turnout meters owned and operated by the City of San Diego from which the Coronado District purchases all water. Branch did not contest this point. The utility witness noted that 3.8% is very low, both by

Cal-Am's standards (compare Village District, 5%) and by industry standards where the figure is commonly in double digits. For the last 12 months through September 1989 the Coronado District shows 5.4% unaccounted for water, and 8.2% for the first three quarters of 1989. Averaging the results of 1987 and 1988 - 3.63% and 3.83%, would result in a factor of 3.73%. The company's request for 3.8% is reasonable and will be adopted, since it will recognize the increasing trend over the last year.

2. New Employees: Two-Man Gate Valve Crew

Branch has urged rejection of Cal-Am's request to add a two man gate valve crew to its Coronado District staff. In Rogers' testimony (Exhibit 15) he demonstrates the multiple tasks demanded of his various employees and the difficulty of meeting all the ever increasing demands placed on the district's operating personnel. He explained that the utility's manpower is so stretched by added duties imposed by new water quality sampling requirements, by a newly mandated backflow prevention program, and by construction programs that the approximately 3,000 gate valves in the district cannot be exercised at the required two-year intervals. Thus, due to this lack of attention, gate valves become difficult to locate because of street resurfacing; and when needed they become stuck and cannot be closed and may break off. This extra work then impedes main break repairs, increases repair expense, and affects many customers when a break occurs. The gate valve crews will also inspect and test each hydrant every two years.

Branch argues that Cal-Am's capitalized payroll percentage of 17.93% for 1990 and 1991 was derived from a recorded two-year average, and is less than the previous factor of 25%. Therefore, Branch reasons, the reduced capitalized payroll indicates that less manpower will be needed for future projects, thus relieving excess manpower which may be used to maintain a gate valve crew, inspect and test hydrants periodically.

The company has already engaged the two employees constituting the gate valve maintenance crew; nevertheless, Rogers asserts, the district staffing level of 32 people is not adequate. He testified that recent Federal and State requirements have increased the company's sampling activity, and that impending requirements for the monitoring of lead at the tap will make the obtaining of these samples, from a time standpoint, very difficult. Further, Cal-Am has recently begun a program for monitoring the accuracy of meters to maintain quality control and ensure accuracy. Each meter in a control batch is tested every year for 20 years. Neither of these tests was performed prior to the utility's last rate case. The tests are now performed by one of the three meter readers. In 1977 the company had three meter readers, and still has three. 4,300 customers have been added to the district since 1977.

The Branch argument is essentially speculative. We find that the utility has adequately justified its need for this additional crew.

3. General Liability Insurance

This issue is involved in both districts. Cal-Am seeks a 5.3% increase in this expense for each test year. Branch used 1989 recorded costs, urging rejection of any increase because of the possible impact of Proposition 103. Branch's recommendations are lower than Cal-Am's by \$802 and \$2,000 for the test years. Modeer testified that it is the opinion of the company's vice president of Risk Management, and that of its insurance broker, that insurance costs during 1990 and 1991 will increase along the rates of general inflation, or about 5%. It is apparent to us, based upon news media reports, that any final resolution of the issues contained in Proposition 103 will not take place in the immediate future. The information received by Modeer from the company's insurance broker is the best evidence for the purposes of this proceeding. The utility's estimates for these

costs, both for the Coronado and the Village Districts, are appropriate and will be adopted.

4. Regulatory Commission Expenses

This issue is also involved in both districts. Three components of regulatory Commission expense are at issue. However, in its brief the company states it is willing to agree to Branch's slightly lower recommendations for the employee per diem (\$1,250 per year) and hearing notices (\$2,775 per year) in both districts. But Cal-Am strongly urges the Commission to adopt a more realistic figure for attorney's expenses. Branch's recommendation for attorney's fees is an allowance based on that authorized in D.88-12-082. That decision, in Application (A.) 88-12-082, involved a different attorney, and somewhat different circumstances. However, expense authorized was the actual fee charged by the attorney representing the applicant water company, the Santa Paula Water Works, Ltd.

The company's showing here is that the legal expense is at the lower end of a range for comparably skilled lawyers in San Francisco. Cal-Am argues that legal fees are a function of supply and demand, and only highly experienced counsel skilled in public utilities regulatory work can command such fees. The advantage, argues the utility, is that such counsels are highly efficient and can complete their specialized tasks much more quickly and effectively than less experienced, less skilled, and less expensive counsel. The company asserts that our judicial system has long appreciated those criteria and has awarded attorneys' fees at the sought level and greater, based upon the experience, skill and reputation of counsel.

The Santa Paula case was decided in light of the circumstances surrounding that proceeding. In this case, the evidence is unrefuted by Branch concerning the number of attorney's hours actually devoted to this proceeding. Branch has not challenged the expertise of the company's counsel, nor alleged that

excessive time was spent by counsel. To deprive Cal-Am of its actual legal expenses would be unfair, and without sound rationale. The actual attorney's fees will be allowed.

5. Utility Plant In Service

There are four issues under this heading:

(a) the Bay View commercial lot, (b) replacement of various transportation equipment, (c) reinstallation of tank ladders, and (d) installation of cathodic protection to pipes located under trolley lines.

a. The Bay View Commercial Lot

Cal-Am seeks no relief in this proceeding regarding this land and former tank site which is no longer used in the company's operations, and was removed from rate base in 1982. Branch in witness Garg's Exhibit 35 asks that the utility be ordered to transfer this land back to utility plant, and to sell it to the highest bidder and flow the gain back to its Coronado District ratepayers.

Branch notes that the approximately half-acre lot was once the site for an elevated water reservoir which was removed from service in 1978. Original book value of the land was \$4,774, however Branch estimates its present worth to be at least \$930,000. Branch recommends that the site, now considered not useful to the company's operations, be sold to the highest bidder and the gain, "one way or another," be flowed through to the ratepayers. Branch argues that Public Utilities (PU) Code § 851 states that "no public utility may sell, lease, assign, mortgage or otherwise dispose of or encumber the whole or any part of its plant necessary or useful in the performance of its duties without first having secured from the Commission an order authorizing it to do so." Branch maintains that Cal-Am, by its own volition, removed the site from the books of accounts and by doing so has forfeited the earnings of the site by removing it from rate base. Branch's theory relies on San Diego Gas & Electric Company D.84600, dated

June 24, 1975 in A.55596, where the utility was authorized to sell and lease back its main office building.

Cal-Am argues that nothing in PU Code § 851, or elsewhere, requires any order of the Commission to remove property from rate base which is no longer used and useful. The utility observes that PU Code § 851 requires authorization only when a utility wishes to sell, lease, assign, mortgage, or otherwise dispose of or encumber the whole or any part of its plant or system or property necessary or useful in the performance of its duties to the public.

The company cites several cases holding that property not put to utility use for a certain amount of time must be excluded from rate base, even when the utility desires to keep that property in rate base. Finally, Cal-Am contends that D.89-07-016 in Rulemaking proceeding R.88-11-041 held that any gain on the sale of a distribution system accrues to the utility and its shareholders to the extent that (1) the remaining ratepayers on the selling of the utility's system are not adversely affected, and (2) the ratepayers have not contributed capital to the distribution system. On this latter point, the company's argument may be somewhat off the mark. D.89-07-016 concerns gain-on-sale only when a utility is sold to a municipality or some other public or governmental entity, such as a special utility district. There is no record evidence here of any impending sale to a municipality or other governmental entity, nor to any other party.

We must concur with the company on this issue. While there is undoubtedly a significant appreciation in the value of the land in question, we are aware of no precedent which requires that we direct the company to sell the land. Indeed, to do so may be injudicious, whether the land is sold to a municipality or otherwise. The land, estimated to be worth "at least" \$930,000 today, may be worth much more than that next year, and the year thereafter, and so on. Business wisdom may indicate

that it would be better to lease the land, and sell it later when the value may be much greater.

At the time of the filing of the ALJ's proposed decision there was pending before the Commission a decision on A.87-07-041, the request of Southern California Gas Company to sell and lease back certain headquarters property, which decision will address the issue of gain on sale. Moreover, the decision cited by Branch, D.84600, involved a request by San Diego Gas & Electric Company to sell and lease back headquarters property. But neither case involves the question of whether a utility may be directed to sell property, or to put the profit which would be realized back into account ledgers so that it may be flowed through to the ratepayers, when that utility has not requested such authority.

We will not direct the sale of this land at this time. If Branch wishes to address this issue more thoroughly in a future Cal-Am rate case for the Coronado District, it should provide more up-to-date information regarding the Commission's responsibilities and duties on this issue.

b. Replacement of Transportation Equipment

Cal-Am proposes to retire several vehicles (autos, light trucks, heavy trucks, and backhoes) and to replace them with similar new equipment. Branch recommends allowance of one backhoe, but would disallow every other requested vehicle retirement and replacement based on the number of years the vehicles have been in the district's fleet, and absent a showing of special circumstances dictating early retirement. This issue overlaps the depreciation/service life issue discussed under Village District and in the Depreciation section of the decision.

Branch argues for a seven-year average service life (ASL) for all utility automobiles and light trucks, and ten years for heavy trucks; whereas Cal-Am urges adoption of a five-year ASL for utility automobiles and light trucks. As an

alternative, Cal-Am witness Rogers proposes a simple mileage test for automobiles and light trucks, i.e., that they be replaced at 65,000 miles, just beyond expiration of standard manufacturers' warranties. For heavy trucks which receive punishing use, Cal-Am proposes a five-year ASL in Coronado, and a seven-year ASL in Village. Branch proposes a ten-year life in both districts.

Rogers testified that automobiles and light trucks should be replaced based on miles driven, not on years of service. He noted that under the Branch recommendation, a consumer serviceman's truck would be kept in service just as long as a meter reader's truck even though the former logs 25% more miles over the same period of time.

Regarding dump trucks and one-ton crew trucks, Rogers submitted a worksheet noting every repair to the company's one and one-half yard dump truck, purchased in June 1984. Repair expenses through September 1989 total almost \$13,000. The truck has had 13 new tires, a new starter, new battery, four new clutches, two new mufflers, a new differential, two U-joints, two transmissions, three brake repairs, a new engine, and many other repairs. Yet, the mileage on the truck is only 36,000. The truck is not a lemon, Rogers stated; rather, it carries very heavy loads, tows trailers and backhoes, and experiences the driving styles of 16 different employees. Cal-Am does not have a full-time mechanic, nor a repair shop with tools, nor has the company sought to increase expenses in this proceeding to provide for such self-repairs.

With respect to Cal-Am's recommendation of a five-year useful life for its one-ton crew trucks, compared with Branch's ten-year useful life, Rogers testified that all four of the utility's crew trucks are equipped with hydraulic systems. This means the engine must be idling to run jackhammers, tampers, and any other types of power equipment carried on the truck. The virtues of a hydraulic system are that it is quieter than a pull

generator, and the system eliminates the necessity to tow another piece of equipment. Rogers also stated that within a few years, the utility bodies and truck beds reflect the heavy use, such as dents, broken hinges, rust, etc., because the company's vehicles are stored out of doors not far from the San Diego Bay and its corrosive salt air.

After consideration, we believe Cal-Am has adequately demonstrated the special circumstances thought to be required by Branch to justify replacement of the transportation equipment itemized, including the contested backhoe, and to utilize salvage values, in accordance with the company's request. The five-year lives for automobiles, light utility trucks and heavy trucks will give appropriate consideration to the operating characteristics experienced within this districts. We will authorize the five-year service lives, (seven years for heavy trucks in the Village District) rather than the alternate recommendation of 65,000 miles. The mileage approach may not give adequate consideration to conditions experienced in these districts.

c. Reinstallation of Tank Ladders

In 1984, Cal-Am removed the access ladders attached to its two Coronado District tanks. In management's judgment the removal was needed because vandals were using the ladders to damage the tanks. Since then, the company has used rental trucks to access the tanks. Such access is required once or twice annually at a cost of about \$900 for each lift truck rental, a cost allowed by the Commission in the past and in this case. Truck rental costs have increased, while the technology for insuring security for such ladders (locking devices, etc.) has now developed to the point where ladders may again be used, without serious concern about vandalism. Modeer testified it is cheaper to reinstall the ladders than to continue to incur the cost of renting lift trucks.

Branch believes the removal of the ladders several years ago was an overreaction, and recommends disallowance of the requested \$10,700 to reinstall them.

The \$10,700 capitalized expense to reinstall the ladders will be offset in about five years merely by the savings in rental expense for lift equipment. This savings, plus the constant, convenient access to the tanks afforded by the ladders justifies allowance of the utility's request.

d. Installation of Cathodic Protection

During the hearing, Branch concurred in Cal-Am's request for funds first to conduct a study and then, if needed, to install cathodic protection both for its main transbay pipeline located under San Diego Bay, and for its pipelines located under the San Diego Trolley rails. The only open issue is whether and to what extent the utility may be allowed to recover some of the latter expenditures from the San Diego Trolley Company. The proceeding was submitted subject partly to the receipt of late-filed Exhibit 23-A, which was to consist of an inquiry by Cal-Am to the trolley company, and a response, addressing the issue of the financial responsibility for corrosion investigations and corrective measures lying with Cal-Am. At the time of preparation of the ALJ's proposed decision the issue of liability for the expense involved had not been resolved. Modeer testified that the company proposed to conduct an in-depth analysis of the potential for and effects of corrosion on the pipelines under the trolley system in 1991, and correct any potential problems identified in 1992. The cost of the study for the pipelines under the trolley tracks is estimated at \$35,000. This amount should not be allowed based on the current record. However, the company should be allowed the monies requested to study the need for cathodic protection for the transbay pipeline located under San Diego Bay and should also be allowed to file an offset for the installation

of appropriate cathodic protection on that pipeline if the study indicates such protection is necessary.

III. VILLAGE DISTRICT

The unresolved issues applicable in connection with the Village District concern (1) the addition of three new employees, (2) expansion and increased rent for the district office, and (3) replacement of transportation equipment.

1. Three New Employees

Cal-Am has hired an additional accounting clerk, whose expenses it seeks to recover in this proceeding. Further, the company proposes to hire an additional pump operator in 1990 and a customer service clerk in 1991. Branch opposes all three additions. The dollar impact would be \$48,456 in 1990, and \$70,472 in 1991, if Cal-Am's request is authorized.

Branch witness Fann testified that the Village District has 16,587 customers and 23 employees, an employee to customer ratio of 1:721. In 1980, he stated, the Village District had been consolidated with three other Los Angeles districts. During the conduct of the former consolidated operation, the Village District had 12 employees and the Los Angeles general office 15 employees, equating to approximately 39% or 5.85 employees (17.83 employees for the Village District). Fann stated that, with a corresponding number of customers of 14,570 in 1980, this translated to an employee to customer ratio of 1:809, indicating more efficient operations. Further, Fann testified that the acquisition of more advanced and computerized office equipment in recent years should have increased the utility's efficiency. He maintains that allowing the utility more manpower is to condone inefficient utility operations. Finally, Fann testified that the company's Village District is under a strict slow growth moratorium.

Cal-Am witness Judith Almond testified that Branch has ignored the last Village District rate case

(D.87-03-030), where current staffing levels were recognized and adopted. The witness stated essentially as follows:

Prior accounting department staff consisted of an accounting superintendent and one accounting clerk, a level insufficient to handle increasing accounting, budget, and cash management requirements. The accounting superintendent and clerk were working considerable overtime to meet deadlines. The superintendent was unable to do essential accounting tasks and also supervise the accounting clerk's tasks. In addition to frequent daily overtime, the superintendent was spending an average of two to three Saturdays a month in report preparation. Changes in tax laws have made bookkeeping for refundable contracts and related account reconciliation more cumbersome. Customer growth has resulted in significant plant additions requiring continued update and reconciliation and attention to refund agreements. These latter functions are in addition to ongoing accounting tasks related to payroll and accounts payable, which account for significant portions of the day-to-day activities.

Almond further stated that increased production activities have necessitated an increase in the company's production staff from one employee to two. Since 1983, the district has added three above-ground reservoirs and three booster stations. Plant additions in 1990 include three buried reservoirs, one above-ground steel tank, and three booster stations. Currently, she testified, one employee is responsible for all production activities and related maintenance, and cannot effectively accomplish all present tasks. A year ago, the witness stated, a utilityman was assigned to assist in sampling and production reads, resulting in delays and postponement of small service leak repairs and a 16% overage in budgeted distribution dollars due to unscheduled overtime.

Almond maintains that the monitoring of turn-out stations is a high-priority cost control device in a system like the Village District where all water is purchased. Further, proposed changes in the operation of the Calleguas System will result in reduced turn-out pressures which in turn will lead to a greater fluctuation in reservoir levels. Moreover, the addition of new reservoirs to the system will require increased monitoring in order to insure acceptable water quality. Pump and booster stations should be inspected daily, at minimum, but are currently inspected only weekly. She noted information set forth in Branch Exhibit 36 (Chapter 13) which shows that efficiency tests for electric motor driven pumps conducted by Southern California Edison Company resulted in low or fair ratings for eight of the company's 16 pumps.

With respect to the proposed additional customer service clerk, Almond has shown the ratio per clerk to average customers for years 1985 through (projected) 1993. Average customers will have increased from 15,973 to 18,329, and the ratio per clerk from 5324:1 to 6110:1. Furthermore, walk-in customers in 1984 numbered 5,700, and increased to 10,608 in 1988. Many customer transactions, Almond maintained, especially those involving high-bill investigations, require multiple follow-up contacts. She testified that she would not anticipate requiring a fifth customer service clerk until the district customer base reaches 22,000.

Branch offered no evidence to support its recommendation other than its observations regarding former employee to customer ratios. The extensive showing by Almond is clear, direct, and fully documented. Furthermore, the Village District ratio of 1:721 is significantly better than the 1:503 cited as the industry average in the recent multiple district Southern California Water Company decision (D.89-11-017). And even with the addition of the three proposed employees, the Village

District ratio would drop from 721 to 638, still measurably better than the industry average. The company witness has provided a particularly thorough showing of specific justifications for the requested additions. Its request for the three positions will be authorized.

2. District Office Expansion and Rents

Cal-Am proposes to increase its office area by 4,750 square feet. Branch agrees some expansion is necessary, but recommends that only 1,750 square feet be allowed. The utility is presently housed in 3,504 square feet of office space. The old lease has expired; the company has negotiated a new 15-year lease with its landlord, who has agreed to build an additional 4,750 feet of office space. The proposed agreement will require Cal-Am to pay a new rent starting at \$14,000 per month, with annual increases as measured in the Consumer Price Index, not to exceed 5% per year.

Branch believes the district office expansion should be in proportion to customer growth; that since the company expects only 19% growth in the next 15 years, the request for over 100% additional office space is exorbitant. Branch's dollar estimates are lower than the utility's by \$48,000 in 1990 and by \$51,500 in 1991.

Company witness Almond testified that Cal-Am has occupied its present facilities since 1973, when it had 14 employees. Today there are 24 employees. In 1973 there were about 8,200 customers; today there are 16,587. In addition to additional employees, Almond stated, computers, FAX machines, and related hardware has been added to the present space, further contributing to the overcrowded condition of the office.

Several photographs (Exhibit 29) vividly demonstrate the difficult conditions under which the office must operate. Almond testified extensively concerning the alternatives the company considered, including possible purchase and construction as well as alternative locations for leasing. The

\$1.70 per square foot rental cost for the expanded premises is below the lowest comparable rent of about \$1.78 per square foot for sites with comparable tenant improvements.

Under the company proposal, there will be no moving costs, and badly needed improvements to air conditioning and electrical systems and independent spaces for various operating functions will be gained. Thus, accounting, engineering, and secretarial functions, now crammed into one small area, will each have its own space. Again, the company has adequately demonstrated the need for the new space. Its proposal will be authorized.

3. General Liability Insurance Expense

As discussed under Coronado District, the company's showing constitutes the best evidence for both Coronado and Village Districts and will be authorized.

4. Regulatory Commission Expenses

As discussed under Coronado District, Cal-Am has now concurred with Branch's employee per diem and notice cost recommendations. Attorney fees authorized for both districts are those urged by the company.

5. Miscellaneous General Expenses - Service Clubs

Branch has agreed to allowances for American Water Works Association dues, but recommends disallowance of all service club dues. Six service clubs are included in Cal-Am's request: Thousand Oaks Rotary, Zonta International of Conejo, Newbury Park Optimist Club, Service Club, Conejo Women In Business, and Professional Secretaries Association. Expenses total \$596 in 1990, and \$624 in 1991. Branch offered no particular rationale for its recommended exclusions, and offered no oral testimony on the subject.

Modeer testified that Cal-Am encourages its employees to be active in the community affairs of the districts served. The organizations here involved, he stated, are well known international service clubs, organized with the express purpose of

performing charitable and community service activities within the community. District employees are very active in the community through participation in these club activities, serving at various times as organizational officers. Modeer emphasized that company employees invest far more of their own time than the expense of the membership fees. Cal-Am urges that, as a matter of public policy, the Commission should encourage these types of expenditures which return much more to the community than their slight costs to the ratepayers.

While the service clubs are undoubtedly eleemosynary in purpose, and are involved in numerous charitable activities benefitting the local community, we do not think company employee membership dues and other expenses should be subsidized by the ratepayers. There may be customers located in the district who take exception to some of the activities conducted by the clubs. In these circumstances it is appropriate that the cost of company employee activities, however commendable, be borne by Cal-Am's shareholders.

6. Utility Plant

The two disputed issues here concern

(a) replacement of transportation equipment, and (b) project proposals during 1991 for the Conejo Oaks Connection and Borchard Loop and Michael Drive Loop.

a. Replacement of Transportation Equipment

Cal-Am and Branch disagree regarding average service lives of various utility vehicles. This subject was also discussed under the Coronado District.

Branch's estimate is lower than Cal-Am's by \$26,600. Branch's recommended service life for a light utility truck is seven years, which it notes is consistent with D.87-08-024 in A.85-11-041 (Apple Valley Ranchos Water Co.). It also refers us to D.88-12-082 in A.87-09-035 (Santa Paula Water Works, Ltd.).

Both decisions adopted service lives after consideration of special circumstances.

The company maintains that the two light trucks referenced in Branch Exhibit 36 with 72,000 miles and 66,000 miles on their odometers, if kept would have had over 120,000 miles on them by 1992 when the next rate filing for the district will be conducted. The vehicles were leased, and were turned over some time after the three-year lease period had run and replaced by purchased vehicles under the company's present vehicle purchasing program. Almond testified that the leased vehicles were in poor condition and unreliable, and had to be replaced.

Almond argues that Branch's recommended disallowance of replacement of the company's heavy trucks is based upon a formula which fails to account for the actual condition of the equipment and the uses to which the equipment is put. She stresses that the trucks are driven by a variety of drivers, and carry hydraulic systems (cranes, etc.) used for main repair work. The truck engines must be kept running while the hydraulic systems are used; thus, engine wear and tear are not reflected in vehicle mileage. Furthermore, the trucks travel over difficult, steep, rough, and often unpaved terrain which accelerates wear and tear. The district does not have its own vehicle repair and maintenance facility. Therefore, down time for the company's heavy equipment is a serious concern, and reliability very important.

Branch also opposes replacement of a 1983 one-ton dump truck. Almond stated that the 30,500 miles on this vehicle do not reflect its condition and inadequacy. The truck, she stated, is suffering escalating repair and maintenance costs, and will be eight years old when scheduled for replacement in 1990 (or, 10 years old in 1992 if Branch's position prevails). Moreover, she testified, the truck is too small; a larger truck with double the present truck's 3-yard capacity will cut waste removal trips in half, reduce costs incurred to hire outside

contractors for waste removal, reduce project costs, and enable Cal-Am to trailer its backhoe, thereby reducing wear and maintenance on the backhoe.

As in the Coronado District, the company has satisfied the Branch's "special circumstances" test on all of its proposed replacements of transportation equipment. Its requests will be authorized.

b. Conejo Oaks Connection, Borchard Loop,
and Michael Drive Loop - 1991 Projects ✓

There was an extensive showing on these two items by Cal-Am's expert witness Richard Bardin. Cal-Am and Branch stipulated that the projects are appropriate and that they would be allowed in rate base upon approval of advice letters to be filed upon completion of each project.

Conejo Oaks is a residential area located within the Village District. The proposed project is an interconnection between Cal-Am's system and the one operated by the City of Thousand Oaks. The connection will allow Conejo Oaks, during an outage by Cal-Am's wholesale water supplier, to utilize existing city storage facilities.

The Borchard Loop and Michael Drive Loop projects involve proposals to build two extensions: (1) between Borchard Road and Dickinson Avenue, and (2) between Nellie Court and Dickinson Avenue. The utility maintains that the loops will be needed in the future to meet construction by developers. Further, the loops are needed in conjunction with the 6-million gallon Potrero II Reservoir. Both projects will be useful and necessary when completed. The Branch/company stipulation is adopted. Cal-Am will be authorized to make advice letter filings upon completion of the projects.

c. Las Posas Reservoir

Staff's recommendation that the Los Posas Reservoir be included in test year 1990 is agreed to by the company and is reasonable.

d. Potrero II Reservoir and Shopping Center Reservoir

The company has agreed with the staff's recommendation that it file applications with supporting workpapers at the time that it completes its construction of the Potrero II Reservoir and the Shopping Center Reservoir which are mandated by the City of Thousand Oaks in order to provide adequate fire flow requirements under its master plan. This procedure is consistent with that which was ordered by the Commission in connection with the company's Janss Reservoir in its Village District.

(D.87-03-030, Ordering Paragraph 4 and D.89-05-045, issued May 26, 1989.)

7. Rate Base: Materials and Supplies

Cal-Am and Branch differ on the amount of materials and supplies that should be allowed for rate base purposes in the Village District. The company had requested \$70,300 for 1990 and \$74,200 for 1991; Branch recommends allowances of \$57,400 and \$60,900. During the hearing Cal-Am reduced its request to \$64,400 and \$68,000.

Cal-Am would ordinarily have no quarrel with Branch's use of a standard inflation-adjusted five-year average, acknowledging that it works well for the utility's Coronado District in this proceeding. However, company witness Stephenson testified that the approach fails to take into account special circumstances in the Village District. The Village District has switched to the use of PVC pipe rather than AC pipe, Stephenson stated, PVC being easier and cheaper to handle and install, and presenting no public relations problems. But now the district must inventory repair and replacement parts for both types of pipe. The PVC inventory is all new and therefore not accounted for in a five-

year average. Thus, Stephenson has used a nine-month average balance and has removed some \$5,283 of unnecessary inventory items left from an uncompleted job. There was no Branch oral testimony on this issue.

After consideration, we believe it is unrealistic to consider only the five-year inflation adjusted average, when the inventory has substantially increased very recently due to the need for new items to service the PVC pipe. The utility should be allowed to earn on necessary inventory items. Adoption of the company recommendation will allow such earnings.

IV. DEPRECIATION

Cal-Am and Branch differ with respect to depreciation in the areas of service lives, cost of removal, and related salvage values. Branch's depreciation rates, service lives, cost of removal, and salvage values are calculated in accordance with Standard Practice U-4 (U-4). While Cal-Am does not object to U-4 as a general service manual, it objects to conclusions drawn therefrom relating to service lives in the Coronado and Village Districts.

Branch argues that if the utility desires to depart from U-4 standards it ought to request commencement of a generic proceeding to achieve that end, rather than presenting an exhibit on the eve of hearings which cannot be analyzed owing to time constraints, and which contains service life subaccounts for structures which had not been previously provided by the company.

In a joint letter dated December 18, 1989 addressed to the ALJ, counsel for both Cal-Am and Branch refer to Branch's brief discussing depreciation, and particularly to the possible implication that Cal-Am presented its depreciation study, Exhibit 24-A "on the eve of the hearings." Counsel have agreed in their letter that Exhibit 24-A was part of the company's original workpapers. They also agree that the company witness did present to the Commission for the first time at the hearings his

alternative "subaccount" analysis for structural accounts. Thus, the reference in Branch's brief to "a very late-filed exhibit" is intended to refer only to the prepared testimony relating to subaccounts at the end of Question and Answer 11 of Exhibit 24.

The difficulty with Cal-Am's proposal is exacerbated, Branch maintains, by the fact that Cal-Am has been filing annual depreciation reports upon which Branch has relied, differing radically from Exhibit 24.

Branch has used beginning 1989 data as opposed to Cal-Am's beginning 1988 data. For structural accounts Branch has used a traditional single service life; whereas the utility used two different life estimates on the theory that structural accounts have two different types of plant. Cal-Am has split the structural accounts into subaccounts and assigned a shorter 20-year average service life to what its witness terms "ancillary facilities," such as roofing, carpeting, and materials other than actual structures. The effect of this approach, Branch alleges, is to increase the depreciation rate, with a resultant increase to ratepayers. Branch notes that the Commission considered and rejected this approach in a recent Cal-Am proceeding - D.89-07-061, in A.88-09-040. At nimeo. p. 27 the decision stated:

"There is a substantial difference between the ultimate amount of depreciation allowed by the two witnesses for other structures. Branch has adopted, for example, a 1.3% depreciation accrual rate for Source of Supply Structures whereas applicant's witness recommended a rate of 4.58%. It is not clear how much of such difference is attributable to the dispute over the full life methodology and how much is due to other factors.

"We have considered and rejected the applicant's recommendations to adopt the new methodology. The principal advantage of the new method is that it allows separate study of two elements which concededly need replacement with differing

frequencies. However, we are not convinced that the traditional method, properly applied, will distort results.

"Cal-Am's proposed new two-life system will apparently work only for utilities which have meticulous records. Thus, it may not be practical for other utilities to follow Cal-Am's lead. On the other hand, adopting it for one utility would make intercompany comparisons difficult and limit the benefits which would otherwise flow from adopting and enforcing a uniform system of accounts.

"Applicant has the burden of proof to justify the allowance it seeks. It should have provided a fall-back analysis applying the traditional methodology to the same facts and judgement factors. Since it chose not to do so, we will adopt the Branch's recommended figures for life and salvage on all structures."

The second issue with respect to depreciation is that of cost of removal-salvage value. Cal-Am states that its motivation to change salvage values arises from its wish to match the cost of recovery with associated revenues, in order that those receiving benefits pay for them, i.e., so that future ratepayers will not bear burdens which ought to be borne by present ratepayers. Branch notes that as a result of the study, in almost all instances (about 18 items) of salvage value changes, the advantage is to the company, and observes that the utility's incentive appears to be more than the protection of different ratepayer generations, "but rather includes a large dose of self enrichment."

Specific issues have been addressed here with respect to service lives on meters, vehicles, power operated equipment, and computer peripherals. In connection with meters, Branch has relied on U-4, using the midpoint of an average service life of 25 years. In the last case involving these districts, the ASL accorded meters

was 20 years. Branch asserts that the utility position on meters is based on company, rather than regulatory Commission guidelines. Company witness McKittrick testified that company policy regarding meters is that at the periodic testing interval, where the Commission requires the utility to pull the meters out and test them rather than testing them and putting them back in service, Cal-Am repairs them and replaces them with new meters.

With respect to service lives of computers and peripherals, Branch refers to McKittrick's testimony where he stated that at the present time, the company does not have a lot of retirement data upon which to base an actuarial analysis so as to formulate a statistical basis for this account, but that over time, such will develop. Branch has used the service life assigned this account in the Santa Paula Water Company proceeding - D.88-12-082. U-4 does not contain guidelines for computers.

McKittrick testified that he lacks adequate data to analyze service lives of power-operated equipment; however, based upon his experience in performing similar studies for other American System companies, and the fact that this equipment is subject to heavy use, recommends a 10-year ASL with a 15% salvage value. Branch has used the data and conclusions found by the Commission to be appropriate in D.87-08-024 (Apple Valley Ranchos Water Co.). In that decision Branch recommended a 16-year service life for power operated equipment. In this proceeding, Branch's recommendation is 15 years.

Cal-Am emphasizes that its witness, Thomas McKittrick, is an acknowledged expert on depreciation studies. This fact, the company maintains, was recognized by the Commission in its last two rate decisions for Cal-Am - D.89-02-067 (Monterey District) and D.89-07-061 (Baldwin Hills District). McKittrick performed a new depreciation study for each of those districts.

In the Monterey decision, in connection with meters the Commission found that a service life of 13 years reasonably

reflects the mix of types of meters in that district, and that the results of a new depreciation study completed by Cal-Am for the district are were reasonable for ratemaking purposes. In the Baldwin Hills decision the Commission found that U-4 was last revised in the 1960s; consequently, that the company's (i.e., McKittrick's) depreciation figures based upon his recent study resulted in reasonable figures for all plant items other than structures. The decision also found that Cal-Am's proposal for bifurcated service lives for structures causes difficulty in comparing utility costs, and that use of a single life for structures had not been shown to distort depreciation.

A summary of proposed salvage values, with cost of removal and average service lives, other than in connection with structures, is set forth as follows:

	Staff ASL/Salvage Years/%	Company ASL/Salvage Years/%	
Services	50/-10	50/-40 38/-40	Coronado Village
Meters	25/5	17/5 16/5	Coronado Village
Hydrants	50/-3	45/-3 50/-3	Coronado Village
Computers and Peripherals	6/10	5/10	
Automobiles	7/10	5/20	
Light Utility Trucks	7/10	5/30	
Heavy Trucks	10/20	5/30 7/20	Coronado Village
Power-Operated Equipment	15/15	10/15	

The ASLs and salvage values for transportation equipment operated within these districts have been discussed, supra.

Concerning structures, McKittrick has proposed adoption of a refinement to the Standard Practice U-4 provision for a single life for various structures. Under U-4, a single ASL covers both the basic structure, as well as more vulnerable elements such as doors, windows, and roofs. The witness added a further refinement to his dual service life analysis for structures. To better fit the apparent conceptual focus of U-4, he broke each structure into subaccounts, then provided a single blended figure for the subaccounts. However, there is no difference in the economic impact regardless of whether the blended figure, or subaccounts approach is used. The Branch witness conceded there is no dollar difference in the two approaches, provided the same ASL is used. The issue exists because Cal-Am and Branch are recommending different service lives.

The differences between the Branch's and Cal-Am's recommended ASLs for structures may be summarized as follows:

	<u>Branch</u>	<u>Cal-Am</u>	
			<u>Basic Structure/Components</u>
Pumping Structures	60	75	20
Distribution			
Reservoirs and Tanks	50	50	20
Office Structures	50	50	20

Cal-Am finds our prior rejection of McKittrick's composite remaining life approach mystifying, and urges that we reassess the subject in this proceeding. The utility points to our acknowledgment that the existence of meticulous records allows such analysis; that the fact of other utilities having less meticulous records penalizes Cal-Am by holding it to the standard of the lowest common denominator.

Cal-Am believes U-4 to be so antiquated as to be virtually meaningless. While U-4 was revised in 1960, the utility notes, the revision represented only minor changes from the

original 1952 edition. It refers us to several provisions set forth in U-4:

- "5. Depreciation charges even in the simplest projects should be re-examined from time to time." (P. 7.)

* * *

- "2. Proper accounting records of plant are therefore important." (P. 9.)

* * *

- "5. Inaccuracies in estimating unit costs or inaccuracies from other causes in pricing retirements, result in distortion of the gross plant and depreciation reserve accounts... (I)t is nevertheless important to obtain reasonable accuracy in the unit retirement costs applied to group accounts." (P. 9.)

The company refers to paragraph 7 on page 10 of U-4, specifically contemplating subaccounts "to separate certain classes of property:"

- "7.b. Classes of property are portions of an account having different physical or mortality characteristics... To the separate classes of property, different service life and salvage estimates may be applied and a composite value for the account may then be derived..."

Finally, Cal-Am maintains, U-4 directs the engineer to select a method designed to yield the greatest accuracy practicable. Cal-Am maintains that U-4 actually contemplates the more sophisticated approach taken by McKittrick.

McKittrick's study shows that the net salvage value experience for services has been a negative 91.68%. He proposes gradual movement toward that figure by adoption of a 40% negative salvage value in this proceeding. Branch's negative 10% salvage

factor is the same as that adopted in Cal-Am's last filing with the Commission based on Cal-Am's 1980 salvage value study.

McKittrick's study recommends a 17-year ASL for meters in Coronado, and 16 years in Village. Branch's 25-year ASL recommendation is consistent with U-4, but inconsistent with the Monterey and Baldwin Hills decisions, which addressed this issue and approved a 15-year meter change out program, and 13-16 year ASL based on the use of updated meter designs and costs.

McKittrick's study shows a 45-year ASL for hydrants in the Village District.

McKittrick's 5-year ASL for computers and peripherals is the same accepted by Branch and the Commission in the recent Monterey and Los Angeles proceedings.

In sum, Cal-Am has presented through McKittrick a new depreciation study, more sophisticated in its approach than the traditional U-4 guidelines. McKittrick's recommendations have been adopted in the Monterey and Baldwin Hills decisions, except on the issue of structures, where his analysis segregates longer-lived portions of structures from the "ancillary" portions, which are shorter-lived, such as roofs, windows, doors, carpeting, etc. That decision found that the lives and salvage values from the Monterey decision regarding services were the most recent values available. The Monterey decision also adopted McKittrick's recommendations regarding meters. There is no particular reason why the same approach regarding services and meters should not be adopted here, since the study performed by McKittrick employed the same technique we determined to be proper in the Monterey proceeding. Only the resultant years are slightly different.

With respect to structures, while it may seem to be but a short step from meters, services, and vehicles to buildings, we see other issues beginning to bear upon and influence our decision. It is a basic objective of depreciation to recover the original cost of fixed capital over the useful life of the

property. The stipulation between Cal-Am and Branch regarding rate of return takes into consideration such factors as risk in arriving at an adopted return on common equity, and in the resultant authorized rate of return. Cash flow is an integral consideration in the assessment of risk. By allowing Cal-Am to recover the cost of a roof, or other component with a lesser life sooner than the rest of a structure, it is indisputable that the company's cash flow is improved, and risk lessened. Before we authorize the sophisticated approach used by McKittrick on structures, we wish to examine carefully the impact of this improved cash flow upon the cost of capital in this case as well as others which may be presented. This may well involve a reassessment of equity allowances authorized by the Commission.

The dual life approach used in connection with structures may involve considerations which ought to be addressed as a generic matter, rather than proceeding on a piecemeal basis each time this company, or some other utility desires to implement this significant departure from U-4. For example, while parts of structures, notably foundations, floors, walls, etc. are longer-lived than roofs, etc., we may wish to investigate whether, if consideration is given to lessening the lives of the "ancillary" parts of structures, equal consideration ought to be given to lengthening the more permanent portions of these structures, such as the foundations, floors, and walls. These determinations have significant importance when considering whether they ought to be implemented in connection with other types of utilities. The Commission has not been informed by any other utility that the U-4 guidelines have not worked successfully. We are unaware of any particular financial hardship experienced by Cal-Am or any other utility because of those guidelines. For the time being we will continue to observe the U-4 guidelines in connection with structures. We will adopt the company requests on vehicles, services, meters, and hydrants. However we will adopt the Branch

recommendations on pumping structures, distribution reservoirs and tanks, and office structures, computers/peripherals, and power equipment. The company studies on computers and power equipment are not adequate to warrant adopting its requests.

V. RATE BASE: WORKING CASH: EXPENSE LAG DAYS

Cal-Am agrees with Branch's analysis of revenue lead days, but differs with its lead-lag day estimates for three categories of expense: (1) purchased water, (2) goods and services, and (3) postage.

1. Purchased Water - Coronado District

Branch has calculated 64 average lag days for purchased water in the Coronado District; Cal-Am calculated 60.85 days. Cal-Am's calculation is based upon a full analysis of its actual purchased water bills and payments, as set forth in Stephenson's Exhibit 25; Branch used a bill sample in performing its analysis. Stephenson testified that the company pays its bills only when they are due.

Branch witness Garg originally testified that he computed lag days by taking 15 days from the midpoint of the service period, plus 49 days until the payment becomes due, then subtracted 5 days, (the grace period) and then added back two more days for negotiating the check, for a total of 61 days. However, he later used 10 or 11 bills at random to perform a recalculation, and arrived at a figure of 64.5 days. Nevertheless, the Branch approach is based upon the date bills are due, while the company's method is based upon the dates bills were paid. Since the Branch's method provides the greatest saving to the customers, it will be adopted.

2. Goods and Services

Branch has used 37.5 days for goods and services in both districts; Cal-Am has used 25.93 days in Coronado and 20.40 days in Village. Branch has simply used the lag days agreed to by the parties in the recent Los Angeles District cases. By contrast,

Cal-Am performed a complete analysis of actual invoices and payments.

The reasons for variations in each district have to do with highly specific billing and collection practices of local merchants. Some vendors require very prompt payment for discounts, others require payment in advance or when the services are rendered, e.g. landscaping, janitorial, electrical, employee expense statements, etc. Stephenson's study (Exhibit 26) is a detailed analysis of goods and service lag days. He testified that while Cal-Am pays its invoices as late as possible, it must meet discount periods and other reasonable vendor demands. The Branch witness conceded that the study done by Stephenson is better than a sample, provided a person has the time to perform such a study. In the circumstances, the lag days for goods and services calculated by the utility is more complete and its accuracy is unrefuted. Therefore the company calculation will be adopted.

3. Depreciation Study

Branch recommends that expenses for the McKittrick depreciation studies be included in the goods and services category, and has allowed the full expense incurred. Cal-Am argues as follows:

This expense is like any other prepaid item, and is paid for at the time it is performed, meaning the company has had to borrow the funds and does not receive compensation from rates until the expense is actually charged by the amortization. Since the company has spent money for up to six years before they receive the funds back through rates, the utility is entitled to include in rate base the average yearly balance of the unamortized portion of the expense.

Cal-Am believes Branch's position to be the result of a simple misunderstanding. The Branch witness believed McKittrick to be an employee of Cal-Am, either directly or indirectly through its parent company. In fact, McKittrick works

for American Water Works Services Company, a related but different entity than Cal-Am or even Cal-Am's parent company, American Water Works, Inc.

Generally, prepaid expenses are allowed in rate base. When these funds are provided from investor sources, they are considered legitimate investments to provide service, provided the amounts allowed are not recognized elsewhere. Amounts allowed are normally based on an average level. The Branch witness conceded that he had no dispute with Cal-Am's methodology; rather, he believes McKittrick should be treated as an employee of Cal-Am, and the cost of the study expensed. However, Cal-Am had to pay for the McKittrick studies, exactly the same as if they were purchased from a totally independent entity. Branch in its brief refers us to Pacific Telephone and Telegraph Co. v. P.U.C. 62 Cal 2d 634 (1965), where it was held that transactions between a utility and its affiliates are subject to special scrutiny. But there was no special scrutiny performed by Branch in this proceeding, only the argument that McKittrick ought to be considered an employee of Cal-Am. There has been no showing, or even an allegation that the cost of the study was excessive, or that it was erroneous or inadequate. Branch also refers us to IT&T Corp. v. General Tel. & Elec. Corp., 351 F. Supp. 1153 (1972) where the court noted that certain state statutes grant Commission authority to void interaffiliate contracts which are contrary to the public interest. But in this connection, there is no evidence that the study performed by McKittrick was contrary to the public interest. It may be that this study was less costly than one performed by a different consultant. Branch's arguments do not include such a suggestion. We will allow in rate base the average yearly balance of the unamortized portion of the study expense.

4. Expense Lag Days: Postage

This issue emerged after hearing, in connection with the preparation of Joint Comparison Exhibit 48. The

difference between Branch and Cal-Am is noted in Joint Exhibit 48, showing that Branch assigned a minus 45 lag days to only \$3,200 of Cal-Am's \$35,000 postage expense in Coronado, and \$3,100 of the company's \$58,000 postage expense in Village. Branch has moved the balance of the postage expense into goods and services, where it calculates the expenses to be paid a positive 37.5 lag days later in both districts. However, Cal-Am argues that the entire postage expense is prepaid on the first of each month; that therefore the entire expense should be assigned a minus 15 lag days.

In Coronado, there is \$35,000 in annual postage expense, or approximately \$2,917 monthly. Cal-Am has assigned a negative 15 lag days to the entire \$35,000 because it purchases about one-twelfth of the \$35,000 total annual expense for its meter at the beginning of each month, then reduces that amount to zero as the month proceeds. Branch has used the same one month, apparently using \$3,200 in Coronado, and assigned a negative 45 days to that one amount, but then moves the other 11 months (\$31,800) of prepaid postage expense to goods and services. In Exhibit 35, the Branch witness states that postage expense is one with definite lead/lag days which can have zero lag days in the case of postage being used immediately after purchase; but that in the case of preloading a postage meter some amount is prepaid to the post office and used in lieu of a postage stamp. The witness recommended a postage meter recharge every three months, which corresponds to a minus 45 lag days. In its brief the Branch does not really address the differences in the area of postage, except to state that the Branch method encourages conservation of capital. The dollar amounts involved are not disputed. The company approach and explanation is convincing and will be adopted. Branch's method simply does not give the proper consideration to the fact that the entire postage expense is prepaid by Cal-Am on the first of each month.

VI. RATE DESIGN

Branch and Cal-Am are in agreement that rates should follow the guidelines set forth in D.86-05-064 in Order Instituting Investigation 84-11-041. Those guidelines are as follows:

1. Service charges shall be set to allow utilities 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.

Branch's estimated present service charge revenue for the Coronado District is 40.1%, and for the Village District, 45.5%. Cal-Am's present and proposed rates for both districts are composed of a meter charge and a single commodity block charge. Branch agrees with the company's proposed rate structure in Coronado, but calculates that the proposed service charge revenues for Village in 1990 will exceed 50% of fixed costs. Branch notes that the company's proposed increases on some of the larger meters are more than 300%. Branch recommends that service charge increases on individual meters should not increase beyond the recommendations contained in the Commission's Standard Practice U-25. We will authorize the rate design reflecting the goals set forth in our decision in Order Instituting Investigation 84-11-041, thereby avoiding the extreme increases in the service charges in the larger meters noted by Branch.

VII. 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 is projected by the Branch at 1.07% for the Coronado District and .91% for the Village District. The financial attrition is based on the estimated difference in the company's cost of capital between 1991 and 1992. The Branch's estimated financial attrition is 0.03%. Total attrition is the sum of operational and financial attrition. When applied against the 1991 estimated rate base and using the net-to-gross ratio, the additional revenue for 1992 is obtained.

VIII. SUMMARIES OF EARNINGS

The tables shown in the attached appendixes depict the adopted results of operations at present and proposed rates. Adopted quantities, tax calculations, and rate schedules are also shown.

Comments

In accordance with PU Code § 311, the ALJ's proposed decision was mailed to appearances on February 8, 1990. Cal-Am submitted its comments on February 27. Several comments addressed errors, omissions, or ambiguities in the text of the proposed decision.

The applicant recommended clarification of the decision regarding authority to recover monies requested to study the need for cathodic protection of the transbay pipeline located under San Diego Bay, and to file an advice letter offset for the protection if necessary.

Cal-Am pointed out that the staff had recommended allowance of the Las Posas Reservoir in the Village District during 1990, but that the decision was silent on this project. Further, that the staff had urged that the Potrero II Reservoir and Shopping Center Reservoir be the subject of applications, with supporting workpapers, when completed. The proposed decision omitted any reference to these projects.

Our decision here includes reference to these projects, and authorizes the staff-recommended treatments regarding offset recoveries. The appendixes attached hereto also contain several corrections in calculations printed out by Cal-Am and concurred in by Branch.

Findings of Fact

1. On July 3, 1989 Cal-Am filed applications requesting rate increases for water service provided during 1990, 1991, and 1992 in its Coronado and Village Districts.

2. Cal-Am has stipulated to the high point of the cost of capital recommendations developed by Branch. Those recommendations, using a common equity return of 12.0%, produce returns on rate base of 10.70%, 10.71%, and 10.74%, respectively, during 1990, 1991, and 1992.

3. Cal-Am has justified its request for two additional general office employees - the assistant director of Engineering, and the new secretary.

4. The company's request for a travel budget is adopted. However, travel expenses on first class air fare, travel expenses for spouses and related child care costs are not reasonable and are not adopted.

5. Cal-Am's lease/purchase study is persuasive that its proposal to lease, rather than purchase office equipment and furniture, is cost-effective and will benefit ratepayers.

6. The company's in-house training expense proposal contains data more current than that presented by Branch, and justifies Cal-Am's request for education expense.

7. Record evidence demonstrates that the company's request for a new data processing employee is justified.

8. Cal-Am has not satisfactorily demonstrated that its requested level of expenses for training and education programs for the data processing department are justified. Branch has shown that its proposed expense levels give sufficient consideration to normal inflation increases.

9. The levels requested by Cal-Am for water quality laboratories' expenses have not been justified. The staff recommendation, plus \$5,000 annually for DHS accreditation fees, will cover these expenses. Cal-Am's request for lab testing expenses has been justified.

10. A simple average of the two years of reliable data (1987 - 3.63%, 1988 - 3.83%) would result in an unaccounted for water factor of 3.73% in the Coronado District. For the last 12 months through September 1989 the district recorded unaccounted for water was 5.4%; it was 8.2% for the first three quarters of 1989. The increasing trend justifies the company's request for 3.8%.

11. The multiple tasks demanded of the various Coronado District employees, and the fact that 4,300 customers have been added to the district since 1977, indicate that the two man gate valve crew in the Coronado District is needed.

12. Cal-Am's information, coming from its insurance broker, constitutes the best evidence concerning the issue of general liability insurance in the Coronado and Village Districts. The Branch testimony concerning the possible impact of Proposition 103 upon insurance costs is essentially speculative.

13. The actual attorney costs billed by Cal-Am's counsel constitute a reasonable expense under the circumstances of this proceeding.

14. The Bay View commercial lot in the company's Coronado District was removed from rate base in 1982. There is no proper basis at this time for requiring Cal-Am to sell the lot to the highest bidder and flow the gain on sale back to ratepayers.

15. Cal-Am has adequately demonstrated the special circumstances deemed necessary by Branch to warrant replacement of the transportation equipment, including the contested backhoe, and to utilize the salvage values as requested by the company, in both the Coronado and Village Districts.

16. The savings in truck rental expenses, combined with the constant, convenient access to the tanks located in the Coronado District, warrant authorization of the expense for reinstallation of tank ladders.

17. Cal-Am has not justified its request for expenses for cathodic protection of the pipelines located under the San Diego trolley line. However, Cal-Am justified its request for expenses to study the need for cathodic protection of its transbay pipeline located under San Diego Bay and should be allowed to proceed with the installation of such protection if the study so indicates and to file an advice letter to cover those expenses once they are installed.

18. Increased overtime experienced by accounting department staff, changes in tax laws vis-a-vis refundable contracts and related account reconciliations, and customer growth resulting in significant plant additions necessitate the addition of the three Village District employees requested by Cal-Am.

19. Testimony concerning present crowded conditions in the Village District office, due to the increase in employees from 14 in 1973 to the present level of 24, in addition to the increases in numbers of computers, FAX machines, and related hardware, support Cal-Am's request for the expanded office space.

20. It is not in the interests of utility ratepayers to have company expenses associated with memberships in service clubs borne by the customers.

21. The Conejo Oaks Connection and Borchard Loop and Michael Drive Loop will be needed in the future to meet demands resulting from new construction by developers, and in connection with the 6-million gallon Potrero II Reservoir.

22. The Las Posas Reservoir, Potrero II Reservoir, and Shopping Center Reservoir are all mandated by the City of Thousand Oaks master plan in order to provide adequate fire flow requirements under its master plan.

23. Use of the company recommended nine-month average balance in connection with materials and supplies will give the proper consideration to the special circumstances currently experienced by Cal-Am in its Village District, i.e., the stocking of repair and replacement parts for both AC and PVC pipes.

24. The company depreciation study is current and specific, and is appropriate for use in connection with Cal-Am's request regarding ASLs and salvage values on vehicles, services, meters and hydrants.

25. It would not be appropriate to adopt ASLs and salvage values contained in the company depreciation study in connection with pumping structures, distribution reservoirs and tanks, and office structures, without consideration of other factors bearing on Cal-Am's financial viability, such as cash flow, risk, and return on common equity.

26. Cal-Am's request concerning ASL's and salvage values in connection with computers/peripherals and power operated equipment is not supported by adequate study of specific circumstances relating to the Coronado and Village Districts.

27. Branch's calculation of average lag days for purchased water in the Coronado District is based upon the date bills are paid; use thereof provides a financial benefit to ratepayers over the method utilized by the company.

28. Cal-Am's lead-lag day estimates in connection with goods and services give consideration to highly specific billing and collection practices experienced in transactions with local

merchants, and are based upon a complete analysis of actual invoices and payments.

29. Cal-Am's inclusion in rate base of the average yearly balance of the unamortized portion of the McKittrick depreciation study is appropriate, since McKittrick is not an employee of Cal-Am; therefore the study should be accorded the same treatment with regard to working cash as any other prepaid expense.

30. The Branch method of calculating expense lag days in connection with postage costs does not give consideration to the fact that the entire postage expense is prepaid by Cal-Am on the first day of each month. Cal-Am's request correctly calculates this prepaid expense together with associated lag days.

31. Cal-Am's proposed rate designs for water service are consistent with Commission policy, except for the service charges proposed in connection with large meters which would produce revenues significantly in excess of 50% of fixed costs. Branch's proposed rate structure correctly reflects Commission policy, and will avoid these extreme increases.

32. Cal-Am has agreed to all of Branch's recommendations not expressly contested.

Conclusions of Law

1. The adopted Summaries of Earnings set forth in this order summarize our decisions on the contested issues, as well as those not contested by Branch, and indicate the resultant revenues and expenses which would be experienced by Cal-Am at its present and authorized rates during test years 1990 and 1991.

2. Based upon our adopted Summaries of Earnings, Cal-Am should be authorized to increase rates for water service rendered in its Coronado and Village Districts, to levels necessary to earn a return on rate base of 10.70% in 1990, 10.71% in 1991, and 10.74% in 1992.

3. Branch's recommendation to sell Cal-Am's Bay View commercial lot to the highest bidder and flow the gain on sale to its Coronado customers should not be adopted.

4. Cal-Am should be authorized to file advice letters requesting rate base offset increases as each of the Conejo Oaks Connection, the Borchard Loop, the Michael Drive Loop, and the cathodic protection on its main transbay pipeline are completed.

5. Cal-Am should be allowed to include the Las Posas Reservoir in its rate base in 1990.

6. Cal-Am's request to recover the revenue requirement associated with the completion of its Potrero II Reservoir and Shopping Center Reservoir are of sufficient importance to warrant filing an application as to each of those reservoirs.

7. 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.

8. The applications should be granted to the extent provided in the following order. Because an immediate need for rate relief has been shown, the effective date of this order should be today.

O R D E R

IT IS ORDERED that:

1. California-American Water Company (Cal-Am) is authorized to file on or after the effective date of this order the revised rate schedules for 1990 shown in Appendixes B-1 and B-2 for its Coronado and Village Districts. This filing shall comply with General Order (GO) 96-A. The effective date of the revised rate schedule shall be 4 days after filing. The revised rate schedules shall apply only to service rendered on and after their effective date.

2. On or after November 5, 1990, Cal-Am is authorized to file an advice letter, with appropriate supporting workpapers, requesting the step rate increases for 1991 shown in Appendixes C-1 and C-2 attached to this order, or to file lesser increase in the event that the rate of return on rate base for its Coronado and Village Districts, adjusted to reflect the rates then in effect and

normal ratemaking adjustments for the months between the effective date of this order and September 30, 1990, annualized, exceeds the later of (a) the rate of return found reasonable by the Commission for Cal-Am for the corresponding period in the then most recent rate decision, or (b) 10.70%. This filing shall comply with GO 96-A. The requested step rates shall be reviewed by the staff to determine their conformity with this order and shall go into effect upon the staff's determination of conformity. Staff shall inform the Commission if it finds that the proposed rates are not in accord with this decision, and the Commission may then modify the increase. The effective date of the revised schedules shall be no earlier than January 1, 1991, or 40 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 5, 1991, Cal-Am is authorized to file an advice letter, with appropriate supporting workpapers, requesting the step rate increases for 1992 shown in Appendixes C-1 and C-2 attached to this order, or to file lesser increases in the event that the rate of return on rate base for its Coronado and Village Districts, adjusted to reflect the rates then in effect and normal ratemaking adjustments for the months between the effective date of the increase ordered in the previous paragraph and September 30, 1991, annualized, exceeds the later of (a) the rate of return found reasonable by the Commission for Cal-Am for the corresponding period in the then most recent rate decision, or (b) 10.71%. This filing shall comply with GO 96-A. The requested step rates shall be reviewed by the staff to determine their conformity with this order and shall go into effect upon the staff's determination of conformity. Staff shall inform the Commission if it finds that the proposed rates are not in accord with this decision, and the Commission may then modify the increase. The effective date of the revised schedules shall be no earlier than January 1, 1992, or 40 days after filing, whichever is

later. The revised schedules shall apply only to service rendered on and after their effective date.

4. Cal-Am is authorized to file advice letter(s) concerning the Conejo Oaks Connection, the Borchard Loop, the Michael Drive Loop, and the cathodic protection on its transbay pipeline as each of those projects are completed.

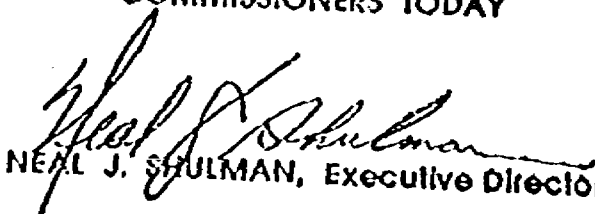
5. Cal-Am may file an application(s) reflecting the completion and placing in operation of its Potrero II Reservoir and Shopping Center Reservoir. With respect to the plant additions Cal-am shall file complete workpapers providing information on the cost of the plant and capitalized interest.

This order is effective today.

Dated MAR 14 1990, at San Francisco, California.

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

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


NEAL J. SHULMAN, Executive Director

JB

APPENDIX A-1
(Page 1)
CALIFORNIA-AMERICAN WATER CO.
(CORONADO)
1990
SUMMARY OF EARNINGS
(\$000)

Items	Utility		Branch		Adopted	
	Present	Proposed	Present	Proposed	Present	Authorized
Oper. Revenues	\$6,689.0	\$7,168.2	\$7,090.7	\$7,575.4	\$7,161.4	\$7,377.9
Rev. from Contr.	5.4	5.4	5.4	5.4	5.4	5.4
Total Revenues	6,694.4	7,173.6	7,061.1	7,580.8	7,166.8	7,383.3
Expenses						
O & M Expenses	4,142.4	4,142.4	4,328.4	4,328.4	4,485.1	4,485.1
Uncollectibles	20.5	21.9	21.7	23.2	21.9	22.6
Subtotal O & M	4,162.9	4,164.3	4,350.1	4,351.6	4,507.0	4,507.7
A & G Expenses	680.3	680.3	639.4	639.4	673.1	673.1
Franchise	0.0	0.0	0.0	0.0	0.0	0.0
Gen. Off. (W/o Dep)	429.2 1/	429.2 1/	364.5	364.5	401.8	401.8
Subtotal A & G	1,109.5	1,109.5	1,003.9	1,003.9	1,074.9	1,074.9
Ad Valorem Taxes	83.8	83.8	112.1	112.1	111.7	111.7
Payroll Taxes	69.5	69.5	68.7	68.7	69.5	69.5
Depreciation (+ G.O.)	403.6 1/	403.6 1/	336.4	336.4	377.7	377.7
Ca. Income Tax	31.7	76.1	71.6	116.6	51.9	72.0
Federal Income Taxes	89.8	237.1	226.0	375.0	158.0	224.5
Total Expenses	590.8	6,143.9	6,168.8	6,364.3	6,350.7	6,438.0
Net Revenues	743.6	1,029.7	927.3	1,216.5	816.1	945.3
Rate Base	9,118.9	9,118.9	8,625.8	8,625.8	8,833.7	8,833.7
Rate of Return	8.15%	11.29%	10.75%	14.10%	9.24%	10.70%

1/ Utility's G.O. Depr. Exp. Incl. in Gen. Off. Alloc.

APPENDIX A-1
(Page 2)
CALIFORNIA-AMERICAN WATER CO.
(CORONADO)
1991
SUMMARY OF EARNINGS
(\$000)

Items	Utility		Branch		Adopted	
	Present	Proposed	Present	Proposed	Present	Authorized
Oper. Revenues	\$6,719.9	\$7,477.7	\$7,126.5	\$7,886.5	\$7,195.1	\$7,581.2
Rev. from Contr.	<u>4.5</u>	<u>4.5</u>	<u>4.5</u>	<u>4.5</u>	<u>4.5</u>	<u>4.5</u>
Total Revenues	6,724.4	7,482.2	7,131.0	7,891.0	7,199.6	7,585.7
Expenses						
O & M Expenses	4,197.8	4,197.8	4,384.4	4,384.4	4,542.1	4,542.1
Uncollectibles	<u>20.6</u>	<u>22.9</u>	<u>21.8</u>	<u>24.1</u>	<u>22.0</u>	<u>23.2</u>
Subtotal O & M	4,218.4	4,220.7	4,406.2	4,408.5	4,564.1	4,565.3
A & G Expenses	728.7	728.7	677.6	677.6	716.4	716.4
Franchise	0.0	0.0	0.0	0.0	0.0	0.0
Gen. Off. (W/o Dep)	<u>468.0</u> 1/	<u>468.0</u> 1/	<u>384.2</u>	<u>384.2</u>	<u>429.5</u>	<u>429.5</u>
Subtotal A & G	1,196.7	1,196.7	1,061.8	1,061.8	1,145.9	1,145.9
Ad Valorem Taxes	87.4	87.4	115.0	115.0	115.1	115.1
Payroll Taxes	76.3	76.3	72.2	72.2	76.3	76.3
Depreciation (+ G.O.)	<u>429.8</u> 1/	<u>429.8</u> 1/	<u>349.8</u>	<u>349.8</u>	<u>393.6</u>	<u>393.6</u>
Ca. Income Tax	14.8	85.0	64.1	134.6	40.8	76.6
Federal Income Taxes	<u>37.7</u>	<u>270.7</u>	<u>206.4</u>	<u>440.0</u>	<u>124.3</u>	<u>243.0</u>
Total Expenses	6,061.1	6,366.6	6,275.5	6,581.9	6,460.1	6,615.8
Net Revenues	663.3	1,115.6	855.5	1,309.1	739.5	969.9
Rate Base	9,863.5	9,863.5	8,815.3	8,815.3	9,055.7	9,055.7
Rate of Return	6.73%	11.31%	9.7%	14.85%	8.17%	10.71%

1/ Utility's G.O. Depr. Exp. Incl. in Gen. Off. Alloc.

APPENDIX A-1
(Page 3)
CALIFORNIA-AMERICAN WATER CO.
(CORONADO)
1990
INCOME TAX
(\$000)

Items	Utility		Branch		Adopted	
	Present	Proposed	Present	Proposed	Present	Authorized
Total Revenues	\$6,689.0	\$7,168.1	\$7,090.7	\$7,575.4	\$7,161.4	\$7,377.9
Expenses						
Operations & Maint.	\$4,162.8	\$4,164.3	\$4,350.1	\$4,351.6	\$4,507.0	\$4,507.7
Admin. & General	680.0	680.3	639.4	639.4	673.1	673.1
Taxes O/T Income	153.3	153.3	180.8	180.8	181.2	181.2
Gen. Off	429.2	429.2	364.5	364.5	401.8	401.8
Subtotal	5,425.6	5,427.1	5,534.8	5,536.3	5,763.1	5,763.8
Deductions						
CA Tax Depreciation	361.2	361.2	358.8	358.8	347.5	347.5
Interest	561.1	561.1	427.0	427.0	492.3	492.3
CA Taxable Income	341.1	818.7	770.1	1,253.3	558.5	774.3
CCFT @ 9.3%	31.7	76.1	71.6	116.6	51.9	72.0
Deductions						
Fed. Tax Depreciation	380.6	380.6	366.6	366.6	363.6	363.6
Interest	561.1	561.1	427.0	427.0	492.3	492.3
FIT Taxable Income	290.0	723.2	690.6	1,128.9	490.5	686.2
FIT (Before Adjustment) @34%	98.6	245.9	234.8	383.8	166.8	233.3
Prorated Adjustment	0.0	0.0	0.0	0.0	0.0	0.0
Investment Tax Credit	(8.8)	(8.8)	(8.8)	(8.8)	(8.8)	(8.8)
Net Federal Income Tax	89.8	237.1	226.0	375.0	158.0	224.5

(Negative)

APPENDIX A-1
(Page 4)
CALIFORNIA-AMERICAN WATER CO.
(CORONADO)
1991
INCOME TAX
(\$000)

Items	Utility		Branch		Adopted	
	Present	Proposed	Present	Proposed	Present	Authorized
Total Revenues	\$6,719.9	\$7,477.7	\$7,126.5	\$7,886.5	\$7,195.1	\$7,581.2
Expenses						
Operations & Maint.	4,218.3	4,220.4	4,406.2	4,408.5	4,564.0	4,565.2
Admin. & General	728.7	728.7	677.6	677.6	716.4	716.4
Taxes O/T Income	163.7	163.7	187.2	187.2	191.4	191.4
Gen. Off.	468.0	468.0	384.2	384.3	429.5	429.5
Subtotal	5,578.7	5,581.1	5,655.2	5,657.5	5,901.3	5,902.5
Deductions						
CA Tax Depreciation	374.6	374.6	355.0	355.0	346.5	346.5
Interest	607.8	607.8	426.8	426.8	508.7	508.7
CA Taxable Income	158.8	914.2	689.5	1,447.2	438.6	823.5
CCFT @ 9.3%	14.8	85.0	64.1	134.6	40.8	76.6
Deductions						
Fed. Tax Depreciation	381.9	381.9	347.5	347.5	352.7	352.7
Interest	607.8	607.8	426.8	426.8	508.7	508.7
FIT Taxable Income	136.7	821.9	632.9	1,320.1	391.6	740.7
FIT (Before Adjustment) @34%	46.5	279.5	215.2	448.8	133.1	251.8
Prorated Adjustment	0.0	0.0	0.0	0.0	0.0	0.0
Investment Tax Credit	(8.8)	(8.8)	(8.8)	(8.8)	(8.8)	(8.8)
Net Federal Income Tax	37.7	270.7	206.4	440.0	124.3	243.0

(Negative)

APPENDIX A-1
(Page 5)
CALIFORNIA-AMERICAN WATER CO.
(CORONADO)
1990
RATE BASE
(\$000)

Items	Utility	Branch	Adopted
Utility Plant-in-Service	\$14,807.6	\$14,461.4	\$14,473.1
CWIP (incl. in Wtd. Plt.)	0.0	0.0	0.0
Add:			
Working Capital			
Materials and Supplies	73.1	68.2	68.2
Working Cash - Operational	127.7	30.5	84.3
Working Cash - Lead Lag	<u>178.5</u>	<u>176.8</u>	<u>275.2</u>
Total Working Capital	379.3	275.5	427.7
Add:			
GO. Alloc. to Rate Base	47.1	93.0	49.1
Less:			
Adjustments			
Customer Adv. for Contr.	586.9	586.9	586.9
Contribution	1,191.7	1,192.1	1,190.8
Deferred Taxes from Contr.	60.2	60.2	(60.2)
Deferred Fed. Tax Res.	528.2	514.8	514.9
Deferred State Tax Res.	<u>37.3</u>	<u>34.4</u>	<u>34.4</u>
Total Adjustments	2,404.3	2,388.3	2,266.8
Less:			
Depreciation Reserve	3,710.8	3,815.8	3,849.4
Avg. Depreciated Rate Base	9,119.0	8,625.8	8,833.7

(Negative)

APPENDIX A-1
 (Page 6)
 CALIFORNIA-AMERICAN WATER CO.
 (CORONADO)
 1991
 RATE BASE
 (\$000)

Items	Utility	Branch	Adopted
Utility Plant-in-Service	\$15,698.5	\$14,956.9	\$14,998.7
CWIP (incl. in Wtd. Plt.)	0.0	0.0	0.0
Add:			
Working Capital			
Materials and Supplies	77.1	71.9	71.9
Working Cash - Operational	118.0	16.2	73.0
Working Cash - Lead Lag	<u>287.9</u>	<u>188.9</u>	<u>302.7</u>
Total Working Capital	483.0	277.0	447.6
Add:			
GO. Alloc. to Rate Base	45.5	85.4	47.7
Less:			
Adjustments			
Customer Adv. for Contr.	516.8	516.8	516.8
Contribution	1,157.6	1,161.4	1,157.6
Deferred Taxes from Contr.	58.6	58.6	(58.6)
Deferred Fed. Tax Res.	652.8	610.7	611.6
Deferred State Tax Res.	<u>53.6</u>	<u>45.7</u>	<u>45.7</u>
Total Adjustments	2,439.4	2,393.2	2,273.1
Less:			
Depreciation Reserve	3,924.1	4,110.8	4,165.2
Avg. Depreciated Rate Base	9,863.5	8,815.3	9,055.7

(Negative)

(End of Appendix A-1)

APPENDIX B-1

Page 1

California-American Water Co.
Coronado District

SCHEDULE NO. CO-1

GENERAL METERED SERVICE

TERRITORY

Coronado, Imperial Beach, and portions of San Diego, and vicinity, San Diego County.

RATES

Service Charge:

Per Meter
Per Month

For 5/8 x 3/4-inch meter	\$ 4.05	(I)
For 3/4-inch meter	4.80	¶
For 1-inch meter	8.00	¶
For 1-1/2-inch meter	15.20	¶
For 2-inch meter	35.15	¶
For 3-inch meter	63.00	¶
For 4-inch meter	110.00	¶
For 6-inch meter	146.00	¶
For 8-inch meter	235.00	(I)

Quantity Rates:

For all water delivered, per 100 cu.ft. .. \$1.0321 (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 CONDITIONS

1. All rates are subject to the reimbursement fee set forth on Schedule No. UF.

APPENDIX B-1

Page 2

California-American Water Co.
Coronado District

SCHEDULE NO. CO-4

PRIVATE FIRE PROTECTION SERVICE

APPLICABILITY

Applicable to all water service furnished for privately owned fire protection systems.

TERRITORY

Coronado, Imperial Beach, and portions of San Diego, and vicinity, San Diego County, all as set forth on Service Area maps on file with the California Public Utilities Commission.

RATES

	<u>Per Month</u>	
Private Fire Protection Systems:		
For each 4-inch connection or smaller	\$ 15.06	(I)
For each 6-inch connection	31.57	¶
For each 8-inch connection	46.68	¶
For each 10-inch connection	69.44	¶
For each 12-inch connection	100.95	(I)

The rates for private fire service are based upon the size of the service and no additional charge will be made for fire hydrants, sprinklers, hose connections of standpipe connected to and supplied by such private fire service.

SPECIAL CONDITIONS

1. The fire protection service and connection shall be installed by the utility or under the utility's direction. Cost of the entire fire protection installation excluding the connection at the main shall be paid for by the applicant. Such payment shall not be subject to refund.
2. The installation housing the detector type check valve and meter and appurtenances thereto shall be in a location mutually agreeable to the applicant and the utility. Normally such installation shall be located on the premises of applicant, adjacent to the property line. The expense of maintaining the fire protection facilities on the applicant's premises (including the vault, meter, detector type check valves, backflow device and appurtenances) shall be paid for by the applicant.

(Continued)

APPENDIX B-1
Page 3California-American Water Co.
Coronado District

SCHEDULE NO. CO-4-H

APPLICABILITY

Applicable to all water service furnished for fire hydrant service.

TERRITORY

Coronado, Imperial Beach, and portions of San Diego, and vicinity, San Diego County, all as set forth on Service Area maps on file with the California Public Utilities Commission.

RATES

Private Fire Hydrant Service Installed at
Cost of Applicant.

Per Month

For each Fire Hydrant Installed \$ 8.89 (I)

SPECIAL CONDITIONS

1. The fire protection service and connection shall be installed by the utility or under the utility's direction. Cost of the entire fire protection installation excluding the connection at the main shall be paid for by the applicant. Such payment shall not be subject to refund.
2. The installation housing the detector type check valve and meter and appurtenances thereto shall be in a location mutually agreeable to the applicant and the utility. Normally such installation shall be located on the premises of applicant, adjacent to the property line. The expense of maintaining the fire protection facilities on the applicant's premises (including the vault, meter, detector type check valves, backflow device and appurtenances) shall be paid for by the applicant.
3. All facilities paid for by the applicant shall be the sole property of the applicant. The utility and its duly authorized agents shall have the right to ingress to and egress from the premises for all purposes relating to said facilities.
4. The minimum diameter will be 4 inches, and the maximum diameter will be the diameter of the main to which the service is connected.
5. If distribution main of adequate size to serve a private fire protection system in addition to all other normal services does not exist in the street or alley adjacent to the premises to be served, then a main from the nearest

(Continued)

APPENDIX B-1
Page 4

California-American Water Co.
Coronado District

SCHEDULE NO. CO-6

FLAT RATE SCHEDULE

APPLICABILITY

This rate is available only to a subdivider building a minimum of five (5) homes within a tract approved by the County of San Diego, the cities of Coronado, Imperial Beach and a portion of San Diego, in the area served by the Coronado District.

TERRITORY

This rate shall apply within the cities of Coronado, Imperial Beach and portion of San Diego and vicinity, San Diego County, all as set forth on Service Area maps on file with the California Public Utilities Commission.

RATES

Monthly Charge per Water Connection \$12.55 (I)

SPECIAL CONDITIONS

1. Service shall be furnished under the above charge at a flat rate per lot as soon as connection has been made to the water system by means of a service pipe or a jumper. Upon occupancy, service will be furnished only in accordance with filed Rules & Regulations and billed at General Metered Service rates.
2. Charges under this rate schedule shall be billed to subdividers only. The subdivider shall be liable of the charge until such time as the new owner or occupant signs an application for metered service, or until the subdivider requests the removal of the service connection or jumper.
3. Where the water usage, in the opinion of the Company, exceeds the amount which would be allowable for the sum of \$12.55 under its General Metered Service Quantity rates, the Water Company may install a meter. In such case, the General Metered Service Schedule No. CO-1 minimum and quantity rates will apply.

(End of B-1)

APPENDIX C-1

California-American Water Co.
Coronado 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.

<u>Schedule CO-1 General Metered Service</u>	<u>Effective Dates</u>	
	<u>1-1-91</u>	<u>1-1-92</u>
<u>Service Charge:</u>	<u>Per Meter Per Month</u>	
For 5/8 x 3/4-inch meter	\$ 0.40	\$ 0.45
For 3/4-inch meter	0.50	0.50
For 1-inch meter	0.80	0.80
For 1-1/2-inch meter	1.30	1.50
For 2-inch meter	3.85	4.00
For 3-inch meter	5.00	6.00
For 4-inch meter	10.00	12.00
For 6-inch meter	14.00	16.00
For 8-inch meter	24.00	26.00
<u>Quantity Rates:</u>		
For all water delivered, per 100 cu.ft.	0.0045	0.0027
<u>Schedule CO-4 Private Fire Protection Service</u>		
<u>Rates:</u>		
For each 4-inch connection or smaller ..	0.55	0.37
For each 6-inch connection	1.14	0.78
For each 8-inch connection	1.69	1.16
For each 10-inch connection	2.51	1.72
For each 12-inch connection	3.66	2.49
<u>Schedule CO-4H Private Fire Hydrant Service</u>		
For each Fire Hudrant installed	0.35	0.21
<u>Schedule CO-6 Flat Rate</u>		
Monthly Charge per Water Connection.....	0.45	0.31

(End of Appendix C-1)

APPENDIX D-1
Page 1California-American Water Company
Coronado DistrictADOPTED QUANTITIES

	<u>1990</u>	<u>1991</u>
Water Production: KCcf	6,016.6	6,043.3
Wells: KCcf	0	0
Purchased Water: KCcf	6,016.6	6,043.3
Purchased Water: AF	13,812.2	13,873.5
City San Diego 1-1-90		
Unit Cost \$/AF	\$265.35	\$265.35
Purch. Water Cost	\$3,665,067	\$3,681,333
Service Charge	\$5,761	\$5,761
Total Purch. Water Cost	\$3,670,828	\$3,687,094
 Purchased Power Cost	 \$0.0	 \$0.0

(Continued)

Appendix D-1

Page 2

California-American Water Company
Coronado DistrictADOPTED QUANTITIES

<u>Number of Service, Meter Size</u>	<u>1990</u>	<u>1991</u>
5/8 x 3/4	16,482	16,562
3/4	0	0
1	2,011	2,021
1-1/2	452	457
2	612	617
3	0	0
4	11	11
6	6	6
8	2	2
Total	19,576	19,676
Total Ccf	5,773,100	6,667,500

<u>Number of Service</u>	<u>No. of Service</u>		<u>Usage-KCcf</u>		<u>Avg. Usage Ccf/</u>	
	<u>1990</u>	<u>1991</u>	<u>1990</u>	<u>1991</u>	<u>1990</u>	<u>1991</u>
Residential	17,382	17,467	2,986.2	3,000.8	171.8	171
Business - Normal	1,902	1,914	1,266.0	1,274.0	665.6	665
Business - Large	78	78	833.8	833.8	10,689.3	10,689
Industrial - Normal	0	0	0	0	0	
Industrial - Large	0	0	0	0	0	
Public Auth.-Normal	185	188	180.8	183.9	977.5	977
Public Auth.-Large	24	24	371.9	371.9	15,495.0	15,495
Golf Course	5	5	134.4	134.4	26,886.6	26,886
Other			14.9	15.1		
Subtotal	19,576	19,676	5,788.0	5,813.7		
Private Fire Prot	154	154				
Total	19,730	19,830				
Water Loss:						
3.8%			228.6	229.6		
Total Water Produced			6,016.6	6,043.3		

(End of Appendix D-1)

APPENDIX E-1

CALIFORNIA AMERICAN WATER COMPANY
CORONADO DISTRICT

AT PRESENT AND ADOPTED RATES

FOR A 5/8 x 3/4-INCH METER

<u>Usage</u> <u>Ccf</u>	<u>Present</u> <u>Rates</u>	<u>1990</u>		
		<u>Adopted</u> <u>Rates</u>	<u>Amount</u> <u>Increase</u>	<u>Percent</u> <u>Increase</u>
0	\$ 3.82	\$ 4.05	\$0.23	6.02
3	6.86	7.15	0.29	4.23
5	8.88	9.21	0.33	3.72
10	13.93	14.37	0.44	3.16
14.3 Avg	18.28	18.81	0.53	2.90
20	24.04	24.69	0.65	2.70
40	44.27	45.33	1.06	2.39
100	104.95	107.26	2.31	2.20

<u>Usage</u> <u>Ccf</u>	<u>Present</u> <u>Rates</u>	<u>1991</u>		
		<u>Adopted</u> <u>Rates</u>	<u>Amount</u> <u>Increase</u>	<u>Percent</u> <u>Increase</u>
0	\$ 4.05	\$ 4.45	\$0.40	9.88
3	7.15	7.56	0.41	5.73
5	9.21	9.63	0.42	4.56
10	14.37	14.82	0.45	3.13
14.3 Avg	18.81	19.27	0.46	2.45
20	24.69	25.18	0.49	1.98
40	45.33	45.91	0.58	1.28
100	107.26	108.11	0.85	0.79

<u>Usage</u> <u>Ccf</u>	<u>Present</u> <u>Rates</u>	<u>1992</u>		
		<u>Adopted</u> <u>Rates</u>	<u>Amount</u> <u>Increase</u>	<u>Percent</u> <u>Increase</u>
0	\$ 4.45	\$ 4.90	\$0.45	10.11
3	7.56	8.02	0.46	6.08
5	9.63	10.10	0.47	4.88
10	14.82	15.29	0.47	3.17
14.3 Avg	19.27	19.76	0.49	2.54
20	25.18	25.69	0.51	2.03
40	45.91	46.47	0.56	1.22
100	108.11	108.83	0.72	0.67

(End of Appendix E-1)

APPENDIX A-2
(Page 1)
CALIFORNIA-AMERICAN WATER CO.
(VILLAGE)
1990
SUMMARY OF EARNINGS
(\$000)

Items	Utility		Branch		Adopted	
	Present	Proposed	Present	Proposed	Present	Authorized
Oper. Revenues	\$8,817.8	\$9,844.6	\$8,851.1	\$9,884.5	\$8,850.4	\$9,052.1
Rev. from Contr.	<u>45.6</u>	<u>45.6</u>	<u>45.6</u>	<u>45.6</u>	<u>34.6</u>	<u>34.6</u>
Total Revenues	8,863.4	9,890.2	8,896.7	9,930.1	8,885.0	9,086.7
Expenses						
O & M Expenses	5,330.0	5,330.0	5,443.8	5,243.8	5,325.2	5,325.4
Uncollectibles	<u>9.9</u>	<u>11.1</u>	<u>9.9</u>	<u>11.1</u>	<u>9.9</u>	<u>9.9</u>
Subtotal O & M	5,339.9	5,341.1	5,253.7	5,254.9	5,335.1	5,335.3
A & G Expenses	574.5	574.5	532.5	532.5	567.4	567.4
Franchise	123.6	138.4	124.1	138.6	124.1	126.9
Gen. (W/o Dep)	<u>429.9</u> 1/	<u>429.9</u> 1/	<u>364.9</u>	<u>364.9</u>	<u>401.1</u>	<u>401.1</u>
Subtotal A & G	1,128.0	1,142.8	1,021.5	1,036.0	1,092.6	1,095.4
Ad Valorem Taxes	197.6	197.6	171.9	171.9	177.0	177.0
Payroll Taxes	60.5	60.5	55.5	55.5	59.2	59.2
Depreciation (+ G.O.)	<u>728.6</u> 1/	<u>728.6</u> 1/	<u>532.5</u>	<u>532.5</u>	<u>573.3</u>	<u>573.3</u>
Ca. Income Tax	30.0	124.1	103.4	198.0	76.7	95.2
Federal Income Taxes	<u>103.3</u>	<u>415.2</u>	<u>340.0</u>	<u>653.9</u>	<u>246.0</u>	<u>307.2</u>
Total Expenses	7,587.9	8,009.9	7,478.5	7,902.7	7,559.9	7,642.6
Net Revenues	1,275.5	1,880.3	1,418.2	2,027.4	1,325.1	1,444.1
Rate Base	16,650.1	16,650.1	12,284.5	12,284.5	13,494.3	13,494.3
Rate of Return	7.66%	11.29%	11.54%	16.5%	9.82%	10.70%

1/ Utility's G.O. Depr. Exp. Incl. in Gen. Off. Alloc.

APPENDIX A-2
(Page 2)
CALIFORNIA-AMERICAN WATER CO.
(VILLAGE)
1991
SUMMARY OF EARNINGS
(\$000)

Items	Utility		Branch		Adopted	
	Present	Proposed	Present	Proposed	Present	Authorized
Oper. Revenues	\$8,924.7	\$10,202.6	\$8,958.6	\$10,246.1	\$ 8,958.1	\$9,405.5
Rev. from Contr.	<u>60.0</u>	<u>60.0</u>	<u>60.0</u>	<u>60.0</u>	<u>50.8</u>	<u>50.8</u>
Total Revenues	8,984.7	10,262.6	9,018.6	10,306.1	9,008.9	9,456.3
Expenses						
O & M Expenses	5,453.3	5,453.3	5,353.2	5,353.2	5,445.6	5,445.8
Uncollectibles	<u>10.1</u>	<u>11.5</u>	<u>10.0</u>	<u>11.5</u>	<u>10.0</u>	<u>10.0</u>
Subtotal O & M	5,463.4	5,414.8	5,363.2	5,364.7	5,455.6	5,455.8
A & G Expenses	620.7	620.7	561.1	561.1	612.1	612.1
Franchise	125.1	142.6	175.6	143.7	125.6	132.2
Gen. (W/o Dep)	<u>468.9</u> 1/	<u>468.9</u> 1/	<u>384.7</u>	<u>384.7</u>	<u>428.8</u>	<u>428.8</u>
Subtotal A & G	1,214.7	1,214.7	1,121.4	1,089.5	1,166.6	1,173.1
Ad Valorem Taxes	207.8	207.8	185.3	185.3	173.4	173.4
Payroll Taxes	68.0	68.0	59.7	68.0	65.1	65.1
Depreciation (+ G.O.)	<u>778.3</u> 1/	<u>778.3</u> 1/	<u>570.6</u>	<u>570.6</u>	<u>607.2</u>	<u>607.2</u>
Ca. Income Tax	5.6	122.6	86.5	204.5	59.0	99.9
Federal Income Taxes	<u>16.9</u>	<u>405.0</u>	<u>283.0</u>	<u>674.0</u>	<u>180.2</u>	<u>316.1</u>
Total Expenses	7,754.7	8,278.7	7,619.7	8,148.2	7,707.1	7,890.6
Net Revenues	1,230.0	1,983.9	1,398.9	2,157.9	1,301.8	1,565.7
Rate Base	17,534.9	17,534.9	13,851.1	13,451.1	14,618.4	14,618.5
Rate of Return	7.01%	11.31%	10.4%	16.04%	8.91%	10.71%

1/ Utility's G.O. Depr. Exp. Incl. in Gen. Off. Alloc.

APPENDIX A-2
(Page 3)
CALIFORNIA-AMERICAN WATER CO.
(VILLAGE)
1990
INCOME TAX
(\$000)

Items	Utility		Branch		Adopted	
	Present	Proposed	Present	Proposed	Present	Authorized
Total Revenues	\$8,817.8	\$9,844.6	\$8,851.1	\$9,884.5	\$8,850.4	\$9,050.4
Expenses						
Operations & Maint.	5,339.9	5,341.1	5,253.7	5,254.9	5,335.1	5,335.3
Admin. & General	698.1	712.9	656.6	671.1	691.5	694.3
Taxes O/T Income	258.1	258.1	227.4	227.4	236.2	236.2
Gen. Off	429.9	429.9	364.9	364.9	401.1	401.1
Subtotal	6,726.0	6,742.0	6,502.6	6,518.3	6,663.9	6,666.9
Deductions						
CA Tax Depreciation	692.1	692.1	616.3	616.3	600.4	600.4
Interest	1,075.9	1,075.9	620.4	620.4	761.3	761.3
CA Taxable Income	322.9	1,334.1	1,111.8	2,129.5	824.8	1,021.8
CCFT @ 9.3%	30.0	124.1	103.4	198.0	76.7	95.0
Deductions						
Fed. Tax Depreciation	643.7	643.7	587.2	587.2	587.6	587.6
Interest	1,075.9	1,075.9	620.4	620.4	761.3	761.3
FIT Taxable Income @ 34%	341.3	1,258.4	1,037.5	1,960.6	760.9	939.6
FIT (Before Adjustment)	116.0	427.9	352.7	666.6	258.7	319.4
Prorated Adjustment	0.0	0.0	0.0	0.0	0.0	0.0
Investment Tax Credit	(12.7)	(12.7)	(12.7)	(12.7)	(12.7)	(12.7)
Net Federal Income Tax	103.3	415.2	340.0	653.9	246.0	306.8

(Negative)

APPENDIX A-2
(Page 4)
CALIFORNIA-AMERICAN WATER CO.
(VILLAGE)
1991
INCOME TAX
(\$000)

Items	Utility		Branch		Adopted	
	Present	Proposed	Present	Proposed	Present	Authorized
Total Revenues	\$8,924.7	\$10,202.6	\$8,958.6	\$10,246.1	\$8,958.1	\$9,405.5
Expenses						
Operations & Maint.	5,463.3	5,464.7	5,363.2	5,364.7	5,455.6	5,455.8
Admin. & General	745.8	763.3	686.7	704.8	737.7	744.3
Taxes O/T Income	275.8	275.8	245.0	245.0	238.5	238.5
Gen. Off	468.9	468.9	384.7	384.7	428.8	428.8
Subtotal	6,954.2	6,972.7	6,679.6	6,699.1	6,860.6	6,867.4
Deductions						
CA Tax Depreciation	756.6	756.6	684.6	684.6	642.7	642.7
Interest	1,154.2	1,154.2	663.8	663.8	820.8	820.8
CA Taxable Income	59.8	1,318.3	930.6	2,198.6	634.0	1,074.6
CCFT @ 9.3%	5.6	122.6	86.5	204.5	59.0	99.9
Deductions						
Fed. Tax Depreciation	723.7	723.7	659.0	659.0	650.4	650.4
Interest	1,154.2	1,154.2	663.8	663.8	820.8	820.8
FIT Taxable Income	87.1	1,228.6	869.6	2,019.7	567.3	967.0
FIT (Before Adjustment) @34%	29.6	417.7	295.7	686.7	192.9	328.8
Prorated Adjustment	0.0	0.0	0.0	0.0	0.0	0.0
Investment Tax Credit	(12.7)	(12.7)	12.7	(12.7)	(12.7)	(12.7)
Net Federal Income Tax	22.5	527.6	283.0	674.0	180.2	316.1

(Negative)

APPENDIX A-2
(Page 5)
CALIFORNIA-AMERICAN WATER CO.
(VILLAGE)
1990
RATE BASE
(\$000)

Items	Utility	Branch	Adopted
Utility Plant-in-Service	\$25,233.2	\$20,229.9	\$20,842.5
CWIP (Incl. in Wtd. Plt.)	0.0	0.0	0.0
Add:			
Working Capital			
Materials and Supplies	70.3	57.4	64.4
Working Cash - Operational	104.3	43.9	99.2
Working Cash - Lead Lag	<u>90.7</u>	<u>12.8</u>	<u>50.0</u>
Total Working Capital	265.3	114.1	213.6
Add:			
GO. Alloc. to Rate Base	39.7	85.3	38.5
Less:			
Adjustments			
Customer Adv. for Constr.	1,408.6	1,408.6	1,408.6
Contribution	2,047.4	1,593.9	1,590.9
Deferred Taxes from Contrib.	302.4	302.4	(211.0)
Deferred Fed. Tax Res.	795.8	675.6	619.3
Deferred State Tax Res.	<u>68.7</u>	<u>51.1</u>	<u>52.4</u>
Total Adjustments	4,622.9	4,031.6	3,460.2
Less:			
Depreciation Reserve	4,265.2	4,113.2	4,140.1
Avg. Depreciated Rate Base	16,650.1	12,284.5	13,494.3

(Negative)

APPENDIX A-2
(Page 6)
CALIFORNIA-AMERICAN WATER CO.
(VILLAGE)
1991
RATE BASE
(\$000)

Items	Utility	Branch	Adopted
Utility Plant-in-Service	\$27,232.7	\$22,224.6	\$22,459.1
CWIP (Incl. in Wtd. Plt.)	0.0	0.0	0.0
Add:			
Working Capital			
Materials and Supplies	74.2	60.9	68.0
Working Cash - Operational	99.7	33.7	88.7
Working Cash - Lead Lag	120.8	76.9	66.6
Total Working Capital	294.7	171.5	223.3
Add:			
GO. Alloc. to Rate Base	38.4	77.7	37.4
Less:			
Adjustments			
Customer Adv. for Contr.	690.9	690.9	690.9
Contribution	2,702.4	2,269.6	2,259.1
Deferred Taxes from Contrib.	440.6	440.6	(427.0)
Deferred Fed. Tax Res.	1,027.9	852.6	733.0
Deferred State Tax Res.	119.7	86.5	88.1
Total Adjustments	4,981.5	4,340.4	3,344.1
Less:			
Depreciation Reserve	5,049.4	4,682.2	4,757.3
Avg. Depreciated Rate Base	\$17,534.9	\$13,451.1	14,618.4

(Negative)

(End of Appendix A-2)

APPENDIX B-2
Page 1

California-American Water Co.
Village District

SCHEDULE NO. V-1

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

Portions of Thousand Oaks, Newbury Park, an area adjacent to Camarillo, and vicinity, Ventura County.

RATES

Service Charge:		Per Meter Per Month*
For 5/8 x 3/4-inch meter		\$ 8.30 (R)
For 3/4-inch meter		10.00 (I)
For 1-inch meter		14.15 1
For 1-1/2-inch meter		20.75 1
For 2-inch meter		29.00 1
For 3-inch meter		45.65 1
For 4-inch meter		66.45 1
For 6-inch meter		125.00 1
For 8-inch meter		208.00 1
For 10-inch meter		290.00 1
For 12-inch meter		415.00 (I)

Quantity Rates:

For all water delivered, per 100 cu.ft. ... \$1.0547

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 B-2
Page 2

California-American Water Co.
Village District

SCHEDULE NO. V-4

PRIVATE FIRE PROTECTION SERVICE

APPLICABILITY

Applicable to all water service furnished to privately owned fire protection systems.

TERRITORY

Portions of Thousand Oaks, Newbury Park, and area adjacent to Camarillo, and vicinity, Ventura County.

RATE

PER MONTH

For each inch in diameter of
service connection \$5.10 (I)

The rates for private fire service are based upon the size of the service and no additional charges will be made for fire hydrants, sprinklers, hose connections or standpipes connected to and supplied by such private fire service.

SPECIAL CONDITIONS

1. The fire protection service and connection shall be installed by the utility or under the utility's direction. Cost of the entire fire protection installation excluding the connection at the main shall be paid for by the applicant. Such payment shall not be subject to refund.
2. The installation housing the detector type check valve and meter and appurtenances thereto shall be in a location mutually agreeable to the applicant and the utility. Normally such installation shall be located on the premises of applicant, adjacent to the property line. The expense of maintaining the fire protection facilities on the applicant's premises (including the vault, meter, detector type check valves, backflow device and appurtenances) shall be paid for by the applicant.
3. All facilities paid for by the applicant shall be the sole property of the applicant. The utility and its duly authorized agents shall have the right to ingress to and egress from the premises for all purposes relating to said facilities.

APPENDIX B-2
Page 3

California-American Water Co.
Village District

SCHEDULE NO. V-4

PRIVATE FIRE PROTECTION SERVICE

SPECIAL CONDITIONS (Continued)

4. The minimum diameter will be 4 inches, and the maximum diameter will be the diameter of the main to which the service is connected:

(a) The minimum diameter of connections for private fire hydrant will be six inches.

5. If distribution main of adequate size to serve a private fire protection system in addition to all other normal services does not exist in the street or alley adjacent to the premises to be served, then a main from the nearest existing main of adequate capacity shall be installed by the utility, or under the utility's direction, and the cost paid by the applicant. Such payment shall not be subject to refund.

6. Service hereunder is for private fire protection systems to which no connections for other than fire protection purposes are allowed and which are regularly inspected by the underwriters having jurisdiction. All facilities are to be installed according to the utility's specifications and maintained to the utility's satisfaction. The utility may require the installation of a backflow prevention device and a standard detector type meter approved by the Insurance Services Office for protection against theft, leakage or waste of water.

7. No structure shall be built over the fire protection service and the customer shall maintain and safeguard the area occupied by the service from traffic and other hazardous conditions. The customer will be responsible for any damage to the fire protection service facilities.

8. Subject to the approval of the utility, any change in the location or construction of the fire protection service as may be requested by public authority or the customer will be made by the utility following payment to the utility of the entire cost of such change.

9. Any unauthorized use of water other than fire protection purposes, charges shall be made therefor at the regular established rate for general metered service, and/or may be grounds for the utility discontinuing the fire protection service without liability to the utility.

APPENDIX B-2
Page 4

California-American Water Co.
Village District

SCHEDULE NO. V-9FL

FLAT RATE SCHEDULE

APPLICABILITY

This rate is available only to a subdivider building a minimum of fifteen (15) homes within a tract approved by the County of Ventura or City of Thousand Oaks in area serviced by the Village District.

TERRITORY

Portions of Thousand Oaks, Newbury Park, an area adjacent to Camarillo, and vicinity, Ventura County.

RATE

Monthly Charge per Water Connection \$6.57 (I)

SPECIAL CONDITIONS

1. Service shall be furnished under the above charge at a flat rate per lot as soon as connection has been made to the water system by means of a service pipe or a jumper. Upon occupancy, service will be furnished only in accordance with filed Rules and Regulations and billed at General Metered Service rates.
2. Charges under this rate schedule shall be billed to subdividers only. The subdivider shall be liable for the charge until such time as the new owner or occupant signs an application for metered service, or until the subdivider requests the removal of the service connection or jumper.
3. Where the water usage, in the opinion of the utility, exceeds the amount which would be allowable for the monthly sum under its General Metered Service Quantity Rates, the utility may install a meter. In such a case, the General Metered Service Schedule minimum and quantity rates will apply.

APPENDIX B-2
Page 5

California-American Water Co.
Village District

SCHEDULE NO. V-9MC

METERED CONSTRUCTION SCHEDULE

APPLICABILITY

Applicable to all water service furnished for construction purposes.

TERRITORY

Portions of Thousand Oaks, Newbury Park, an area adjacent to Camarillo, and vicinity, Ventura County.

RATES

QUANTITY RATE

PER METER
PER MONTH

For all water delivered, per 100 cu. ft. ... \$ 1.647 (I)

MINIMUM CHARGE

PER DAY

For all sizes of meters \$21.42 (I)

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

SPECIAL CONDITIONS

- (1) Construction water service under this schedule will be furnished only when surplus water is available over the requirements for domestic service and under conditions which will not adversely affect domestic service. The utility will be the sole judge as to the availability of such surplus water.
- (2) Applicants for metered construction service will be required to apply for the service at least 48 hours in advance of the time of delivery of water is requested and to pay the costs and charges as provided in Rule 13, Temporary Service.

(End of Appendix B-2)

*

APPENDIX C-2

California-American Water Co.
Village 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	
		<u>1-1-91</u>	<u>1-1-92</u>
<u>Schedule V-1 General Metered Service</u>			
Service Charge:		<u>Per Meter Per Month</u>	
For 5/8 x 3/4-inch meter	\$ 0.10	\$ 0.10	
For 3/4-inch meter	0.75	1.05	
For 1-inch meter	2.35	3.10	
For 1-1/2-inch meter	3.90	7.35	
For 2-inch meter	12.10	12.90	
For 3-inch meter	27.35	26.00	
For 4-inch meter	56.55	35.00	
For 6-inch meter	80.00	46.00	
For 8-inch meter	78.00	47.00	
For 10-inch meter	127.00	48.00	
For 12-inch meter	197.00	51.00	
Quantity Rates:			
For all water delivered, per 100 cu.ft.	0.0080	0.0034	
<u>Schedule V-4 Private Fire Protection Service</u>			
Rate:			
For each inch in diameter of service	0.14	0.13	
<u>Schedule V-9FL Flat Rate</u>			
Monthly Charge per Water Conenction.	0.18	0.17	
<u>Schedule V-9MC Metered Construction Service</u>			
Quantity Rate:			
For all water delivered, per 100 cu.ft.	0.0460	0.0422	
Minimum Charge:			
For all sizes of meters	0.60	0.55	

(End of Appendix C-2)

*
APPENDIX D-2
Page 1

California-American Water Company
Village District

ADOPTED QUANTITIES

	<u>1990</u>	<u>1991</u>
Water Production: KCcf	6,950.9	7,034.3
Wells: KCcf	0	0
Purchased Water: KCcf	6,950.9	7,034.3
Purchased Water: AF	15,957.1	16,148.6
Calleguas MWD, 7-89		
Unit Cost \$/AF	261.00	261.00
Purch. Water Cost	\$4,164,803	\$4,214,785
 Purchased Power		
Booster Stations		
PA-1 Kwh	625,768	632,369
PA-2 Kwh	234,451	237,261
GS-2 Kwh	120,761	120,761
GS-SP Kwh	42,817	43,330
 Power Cost: SCE 2-1-89		
PA-1 @ 0.09042 Kwh	56,582	57,179
PA-2 @ 0.09749 Kwh		
(first 300 Kwh)	12,386	12,534
@ 0.05212 Kwh (all others)		
GS-2 @ 0.08626 Kwh		
(first 300 Kwh)	6,540	6,540
@ 0.05212 Kwh (all others)		
GS-SP @ 0.10900 Kwh	4,667	4,728
 Service Charge	<u>\$16,062</u>	<u>\$16,062</u>
 Total Power Cost	 \$96,237	 \$97,043

(Continued)

Appendix D-2

Page 2

California-American Water Company
Village District

ADOPTED QUANTITIES

<u>Number of Service, Meter Size</u>	<u>1990</u>	<u>1991</u>
5/8 x 3/4	13,665	13,831
3/4	775	785
1	1,557	1,575
1-1/2	197	200
2	438	445
3	36	37
4	42	43
6	6	6
8	0	0
Total	16,716	16,922
Total Ccf	6,588,300	6,667,500

<u>Number of Service</u>	<u>No. of Service</u>		<u>Usage-KCcf</u>		<u>Avg. Usage Ccf/</u>	
	<u>1990</u>	<u>1991</u>	<u>1990</u>	<u>1991</u>	<u>1990</u>	<u>1991</u>
Residential	15,686	15,878	4,261.9	4,314.1	271.7	271
Business - Normal	626	631	624.9	629.9	998.3	998
Business - Large	61	61	551.7	551.7	9,043.9	9,043
Industrial - Normal	157	159	215.7	218.5	1,374.0	1,374
Industrial - Large	30	31	380.5	393.2	12,682.7	12,682
Public Auth.-Normal	127	133	137.7	144.2	1,084.0	1,084
Public Auth.-Large	27	27	317.3	317.3	11,751.0	11,751
Golf Course	2	2	98.6	98.6	49,280.0	49,280
Other			15.1	15.1		
Subtotal	16,716	16,922	6,603.4	6,682.6		
Private Fire Prot	146	146				
Total	16,862	17,068				
Water Loss:						
5%			347.5	351.7		
Total Water Produced			6,950.9	7,034.3		

(End of Appendix D-2)

APPENDIX E-2

CALIFORNIA AMERICAN WATER COMPANY
VILLAGE DISTRICT

AT PRESENT AND ADOPTED RATES

FOR A 5/8 X 3/4-INCH METER

<u>1990</u>				
<u>Usage</u> <u>Ccf</u>	<u>Present</u> <u>Rates</u>	<u>Adopted</u> <u>Rates</u>	<u>Amount</u> <u>Increase</u>	<u>Percent</u> <u>Increase</u>
0	\$ 8.60	\$ 8.30	\$(0.30)	-3.49
3	11.76	11.46	(0.30)	-2.55
5	13.87	13.57	(0.30)	-2.16
10	19.14	18.84	(0.30)	-1.57
20	29.69	29.29	(0.30)	-1.01
22.64 Avg.	32.48	32.18	(0.30)	-0.92
40	50.79	50.49	(0.30)	-0.59
100	114.07	113.77	(0.30)	-0.26

<u>1991</u>				
0	8.30	8.40	0.10	1.20
3	11.46	11.58	0.12	1.05
5	13.57	13.71	0.14	1.03
10	18.84	19.02	0.18	0.96
20	29.39	29.65	0.26	0.88
22.64 Avg.	32.18	32.46	0.28	0.87
40	50.49	50.91	0.42	0.83
100	113.77	114.67	0.90	0.79

<u>1992</u>				
0	8.40	8.50	0.10	1.19
3	11.58	11.69	0.11	0.95
5	13.71	13.83	0.12	0.88
10	19.02	19.15	0.13	0.68
20	29.65	29.82	0.17	0.57
22.64 Avg.	22.46	32.64	0.18	0.55
40	50.91	51.14	0.23	0.45
100	114.67	115.11	0.44	0.38

(Negative)

(END OF APPENDIX E-2)