ALJ/BRS/tcg *

Mailed

DEC 2 8 1990

Decision 90-12-118 December 27, 1990

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the matter of the Application of the SOUTHERN CALIFORNIA WATER COMPANY (U 133 W) for an order authorizing it to increase rates for water service in its San Gabriel Valley District.	Application 90-02-055 (Filed February 21, 1990)
In the matter of the Application of the SOUTHERN CALIFORNIA WATER COMPANY (U 133 W) for an order authorizing it to increase rates for water service in its Pomona Valley District.	Application 90-02-056 (Filed February 21, 1990)
In the matter of the Application of the SOUTHERN CALIFORNIA WATER COMPANY (U 133 W) for an order authorizing it to increase rates for water service in its Arden-Cordova District.	Application 90-02-057 (Filed February 21, 1990)
In the matter of the Application of the SOUTHERN CALIFORNIA WATER COMPANY (U 133 W) for an order authorizing it to increase rates for water service in its Wrightwood District.	Application 90-02-058 (Filed February 21, 1990)
In the matter of the Application of the SOUTHERN CALIFORNIA WATER COMPANY (U 133 W) for an order authorizing it to increase rates for water service in its Ojai District.	Application 90-02-059 (Filed February 21, 1990)

Thomas N. Harding, Attorney at Law, and Susan L. Conway, for Southern California Water Company, applicants.
Lawrence Q. Garcia, Attorney at Law, and Richard Tom, for the Commission Advisory and Compliance Division.

INDEX

INDEX

OPINION

Summary of Decision

Southern California Water Company (SoCalWater) is authorized to increase its rates as follows:

	1991		1992		1993	
District	Amount	Percent	Amount	Percent	Amount	Percent
San Gabriel	$796,300	28.55	$196,900	5.49	$111,900	2.96
Pomona Valley	779,300	14.09	282,200	4.47	161,000	2.44
Arden-Cordova	652,800	33.68	207,600	8.01	72,500	2.61
Wrightwood	241,500	22.98	84,800	6.56	34,100	2.48
Ojai	317,600	30.50	97,200	7.15	64,000	4.40

A rate of return on rate base (ROR) of 10.77% for 1991, 10.79% for 1992, and 10.76% for 1993 is found to be reasonable. The authorized return on common equity (ROE) is 12.00% for each of the three years.

Tables 1 through 5, following, show for each district the adopted summary of earnings at present and authorized rates for test years 1991 and 1992. Table 6 shows the adopted capital ratios and corresponding rates of return on rate base.

SoCalWater's request for interest on balancing accounts is a generic issue that was not considered in these individual applications.

TABLE 1
SOUTHERN CALIFORNIA WATER COMPANY
San Gabriel Valley District
Adopted Summary of Earnings

	1991 Present	1991 Authorized
	(Thousands of Dollars)	
Total Revenues	$ 2,788.7	$ 3,585.0
Operating Expenses		
Oper.& Maint.	1,420.5	1,424.6
Adm.& Gen.	158.0	158.0
Gen.Off.Alloc.	155.9	155.9
Depreciation	262.8	262.8
Other Taxes	280.1	291.8
State Franch.Tax	3.0	75.6
Federal Inc.Tax	33.2	299.6
Total	2,313.5	2,668.3
Net Income	475.2	916.7
Rate Base	8,513.0	8,513.0
Rate of Return	5.58	10.77

	1992 Present	1992 Authorized
	(Thousands of Dollars)	
Total Revenues	$ 2,798.5	$ 3,781.9
Operating Expenses		
Oper.& Maint.	1,450.0	1,455.0
Adm.& Gen.	175.9	175.9
Gen.Off.Alloc.	170.7	170.7
Depreciation	297.5	297.5
Other Taxes	307.4	321.8
State Franch.Tax	(14.9)	74.7
Federal Inc.Tax	(42.2)	286.7
Total	2,344.4	2,782.3
Net Oper. Revenue	454.1	999.6
Rate Base	9,264.8	9,264.8
Rate of Return	4.90	10.79

TABLE 2

SOUTHERN CALIFORNIA WATER COMPANY

Pomona Valley District

Adopted Summary of Earnings

	1991 Present	1991 Authorized
	(Thousands of Dollars)	
Total Revenues	$ 5,530.0	$ 6,309.3
Operating Expenses		
Oper.& Maint.	2,665.3	2,669.1
Adm.& Gen.	208.3	208.3
Gen.Off.Alloc.	242.2	242.2
Depreciation	586.4	586.4
Other Taxes	131.0	132.1
State Franch.Tax	102.7	174.8
Federal Inc.Tax	268.7	533.0
Total	4,204.6	4,545.9
Net Income	1,325.4	1,763,4
Rate Base	16,380.9	16,380.9
Rate of Return	8.09	10.77

	1992 Present	1992 Authorized
	(Thousands of Dollars)	
Total Revenues	$ 5,597.0	$ 6,591.5
Operating Expenses		
Oper.& Maint.	2,721.8	2,726.5
Adm.& Gen.	234.5	234.5
Gen.Off.Alloc.	265.2	265.2
Depreciation	640.2	640.2
Other Taxes	140.4	141.8
State Franch.Tax	86.2	178.2
Federal Inc.Tax	190.3	527.8
Total	4,278.6	4,714.2
Net Oper. Revenue	1,318.4	1,877.3
Rate Base	17,406.1	17,406.1
Rate of Return	7.57	10.79

TABLE 3

SOUTHERN CALIFORNIA WATER COMPANY

Arden-Cordova District

Adopted Summary of Earnings

	1991 Present	1991 Authorized
	(Thousands of Dollars)	
Total Revenues	$ 1,938.3	$ 2,591.1
Operating Expenses		
Oper.& Maint.	959.5	962.6
Adm.& Gen.	162.5	162.5
Gen.Off.Alloc.	160.4	160.4
Depreciation	355.7	355.7
Other Taxes	120.3	123.3
State Franch.Tax	(16.0)	44.1
Federal Inc.Tax	(42.7)	177.9
Total	1,699.7	1,986.5
Net Income	238.6	604.6
Rate Base	5,613.6	5,613.6
Rate of Return	4.25	10.77

	1992 Present	1992 Authorized
	(Thousands of Dollars)	
Total Revenues	$ 1,996.3	$ 2,798.7
Operating Expenses		
Oper.& Maint.	999.0	1,002.8
Adm.& Gen.	183.0	183.0
Gen.Off.Alloc.	175.6	175.6
Depreciation	391.6	391.6
Other Taxes	129.6	133.3
State Franch.Tax	(27.5)	46.4
Federal Inc.Tax	(97.2)	174.0
Total	1,754.1	2,106.7
Net Oper. Revenue	242.2	692.0
Rate Base	6,412.6	6,412.6
Rate of Return	3.78	10.79

TABLE 4

SOUTHERN CALIFORNIA WATER COMPANY

Wrightwood District

Adopted Summary of Earnings

	1991 Present	1991 Authorized
	(Thousands of Dollars)	
Total Revenues	$ 1,050.9	$ 1,292.4
Operating Expenses		
Oper.& Maint.	339.5	340.8
Adm.& Gen.	100.9	100.9
Gen.Off.Alloc.	57.4	57.4
Depreciation	106.2	106.2
Other Taxes	70.5	72.1
State Franch.Tax	13.3	35.5
Federal Inc.Tax	53.6	135.0
Total	741.4	847.9
Net Income	309.5	444.5
Rate Base	4,127.9	4,127.9
Rate of Return	7.50	10.77

	1992 Present	1992 Authorized
	(Thousands of Dollars)	
Total Revenues	$ 1,068.9	$ 1,377.2
Operating Expenses		
Oper.& Maint.	354.1	355.7
Adm.& Gen.	111.9	111.9
Gen.Off.Alloc.	62.9	62.9
Depreciation	116.2	116.2
Other Taxes	75.0	77.1
State Franch.Tax	7.1	35.8
Federal Inc.Tax	29.3	134.6
Total	756.5	894.2
Net Oper. Revenue	312.4	483.0
Rate Base	4,476.6	4,476.6
Rate of Return	6.98	10.79

TABLE 5

SOUTHERN CALIFORNIA WATER COMPANY

Ojai District

Adopted Summary of Earnings

	1991 Present	1991 Authorized
	(Thousands of Dollars)	
Total Revenues	$ 1,041.3	$ 1,358.9
Operating Expenses		
Oper.& Maint.	592.2	593.8
Adm.& Gen.	101.2	101.2
Gen.Off.Alloc.	63.1	63.1
Depreciation	73.5	73.5
Other Taxes	61.3	66.3
State Franch.Tax	(2.9)	26.0
Federal Inc.Tax	(6.2)	105.2
Total	882.2	1,029.1
Net Income	159.1	329.8
Rate Base	3,062.3	3,062.3
Rate of Return	5.20	10.77

	1992 Present	1992 Authorized
	(Thousands of Dollars)	
Total Revenues	$ 1,041.1	$ 1,456.1
Operating Expenses		
Oper.& Maint.	609.7	611.7
Adm.& Gen.	112.3	112.3
Gen.Off.Alloc.	69.1	69.1
Depreciation	84.5	84.5
Other Taxes	65.6	72.2
State Franch.Tax	(10.6)	27.1
Federal Inc.Tax	(34.8)	103.5
Total	895.8	1,080.4
Net Oper. Revenue	145.3	375.7
Rate Base	3,481.8	3,481.8
Rate of Return	4.17	10.79

TABLE 6

SOUTHERN CALIFORNIA WATER COMPANY
Rate of Return on Rate Base
for
Test Years 1991-92 and Attrition Year 1993

Component	Capital Ratios %	Cost Factors %	Weighted Cost %
	(a)	(b)	(c=a*b)
Test Year 1991			
Long-Term Debt	48.30	9.65	4.66
Preferred Stock	1.20	4.43	0.05
Common Equity	50.50	12.00	6.06
Total	100.00		10.77
Test Year 1992			
Long-Term Debt	48.30	9.69	4.68
Preferred Stock	1.20	4.42	0.05
Common Equity	50.50	12.00	6.06
Total	100.00		10.79
Attrition Year 1993			
Long-Term Debt	48.30	9.63	4.65
Preferred Stock	1.20	4.41	0.05
Common Equity	50.50	12.00	6.06
Total	100.00		10.76

Background

SoCalWater is an operating public utility corporation with headquarters in San Dimas, California. It provides water service in 17 operating districts and electric service in Big Bear Lake, California.

On February 21, 1990 SoCalWater filed applications requesting rate increases for water service in its San Gabriel (Application (A.) 90-02-055), Pomona Valley (A.90-02-056), Arden-Cordova (A.90-02-057), Wrightwood (A.90-02-058), and Ojai (A.90-02-059) Districts. On May 31, 1990 SoCalWater filed an amendment to A.90-02-056 to correct certain omissions in the original application. On June 25, 1990, the Water Utilities Branch (Branch) of the Commission Advisory and Compliance Division (CACD) received a letter from SoCalWater requesting a reduction of 20% in sales volume, and consequently, in its estimated revenue, citing its current volatile water supply situation and the bleak future water supply in Southern California.

The applications for these five districts were filed simultaneously and consolidated for hearings.

SoCalWater is requesting rates which would produce rates of return on rate base of 11.27% in 1991, 11.29% in 1992, and 11.26% in 1993 with a constant rate of return on common equity of 13.00% in each of the three years.

Following revisions due to the June 25th letter, the rate increase requests resulted in the following:

	1991		1992		1993	
District	Amount	Percent	Amount	Percent	Amount	Percent
San Gabriel	$ 794,300	30.89	$292,000	8.66	$240,000	6.54
Pomona	1,150,000	21.81	344,100	5.34	323,700	4.73
Arden-Cordova	697,200	37.66	281,610	10.72	165,020	5.67
Wrightwood	325,600	33.32	83,300	6.29	62,900	4.47
Ojai	324,500	33.64	147,400	11.46	87,000	6.06

Following is a brief description of the five districts.

San Gabriel Valley District

The San Gabriel Valley District is located in Los Angeles County, and consists of two systems that are not interconnected. The South San Gabriel system serves portions of the cities of Monterey Park, Rosemead, and San Gabriel; the South Arcadia system serves portions of the cities of Arcadia, El Monte, Irwindale, Monrovia, Temple City, and adjacent vicinity. The area served is primarily residential with small industrial and commercial areas. The district served 11,414 customers at the end of 1989, over 96% of which were in the commercial classification consisting of residential and business customers.

The district office is located in Arcadia and employs nine full time employees headed by the Foothills District Manager.

South San Gabriel System

The water supply for the South San Gabriel system is obtained from seven wells plus an interconnection with the Metropolitan Water District (MWD). While the supply is capable of meeting normal demands, the production of the Garvey wells is uncertain due to the proximity of a large well of the City of Monterey Park. SoCalWater plans to drill a deeper well at the Garvey site in 1991 in order to obtain a more reliable supply both in quality and quantity.

There are low pressure problems in several areas of the system; recent and proposed new mains are expected to improve this condition.

Trichloroethylene (TCE) exists at levels exceeding the Department of Health Services (DHS) standard of 5 parts per billion (ppb). This water may be used with TCE concentrations up to 50 ppb when blended with other water to achieve a level of 5 ppb or less to the customer.

There are 191,500 feet of main in the system, of which 95,000 feet needs replacement due either to inadequate size, or to deterioration resulting in leaking or potential leaking.

South Arcadia System

The water supply for the South Arcadia system is obtained from 14 wells owned by SoCalWater plus two purchased water interconnections with the City of Arcadia.

Water quality has been a major problem in the system; More than half the company's wells have been shut down due to high levels of nitrates or other impurities. A recently drilled deeper well, Jeffries #4, resulted in higher quality water. SoCalWater plans to drill another new deeper well to meet 1992 demands.

Pomona Valley District

The Pomona Valley District is located in Los Angeles and San Bernardino Counties. It is a part of the Foothills Division, as is the San Gabriel Valley District. The district serves the City of Claremont, portions of the cities of Montclair, Pomona, and Upland, and the adjacent unincorporated territory in Los Angeles and San Bernardino Counties.

The district office is located in Claremont and employs 11 full time people headed by the District Superintendent.

The water supply is obtained from 25 wells owned by SoCalWater, plus water purchased from Pomona College and the MWD through the Three Valleys Municipal Water District. Because of declining production from the company wells, SoCalWater is considering drilling several new wells, or alternatively purchasing water from neighboring water districts.

Some of the well water must be blended with purchased water in order to comply with nitrate standards for drinking water.

As of December 31, 1988, there were 688,724 feet of distribution mains in service, ranging in size up to 14 inches. Storage facilities consist of 17 steel and concrete tanks and reservoirs, with a combined capacity of 8,294,000 gallons, also as

of December 31, 1988. Additional storage facilities are planned for construction beginning in 1991.

The district served 10,210 customers as of December 31, 1989, of which 96.6% were in the commercial classification.

Arden-Cordova District

The Arden-Cordova District is located in Sacramento County, and consists of two systems that are not interconnected, the Arden system and the Cordova system.

The district office is located in Rancho Cordova and employs seven full time employees headed by a District Superintendent. Additional staff are planned for the district due to its rapid growth.

The district served 11,670 customers as of December 31, 1989, of which 97.2% were in the commercial classification.

Arden System

The Arden system is totally supplied by eight wells. It has no storage and cannot meet peak day demand with fire flow. System improvements including a reservoir, booster station, an interconnection with Citizen Utilities, and new mains are planned.

Cordova System

The Cordova system is supplied by 18 wells and a full treatment plant which treats surface water from the Natomas Dam via the Folsom-South Canal. Since the well water frequently has contamination problems, treatment plant water is used to provide base flow up to its capacity.

Wrightwood District

The Wrightwood District is a part of SoCalWater's High Desert Division. The district serves the community of Wrightwood on the north slope of the San Gabriel Mountains. Most of the district is located in San Bernardino County, with a small portion extending into Los Angeles County.

The District office is located in Wrightwood and employs five full time employees headed by a District Superintendent.

The water supply comes from eight company wells; water from three of the wells is chlorinated and treated to remove iron. While the water served to district customers meets all primary health standards set by DHS, certain secondary standards are exceeded. DHS characterizes secondary standards as aesthetic and not health related.

There were approximately 240,000 feet of main in the system which served 2,357 customers as of December 31, 1988.

Ojai District

The Ojai District is a part of SoCalWater's Coastal Division. The district serves substantially all of the City of Ojai and some adjacent territory of Ventura County.

The district office is located in Ojai and employs four full time persons headed by a District Superintendent. An additional service person is planned for 1991, with a District Engineer planned for 1992.

The water supply is obtained from four company wells and purchases from Casitas Municipal Water District. The well water is aerated and chlorinated, but the quality has been deteriorating causing some wells to be abandoned. Manganese has been a problem and although it is only a secondary standard, customers find it highly objectionable. SoCalWater plans to drill and equip a new well with a manganese filter in 1991.

Low pressure problems experienced in three areas of the Ojai District are expected to be corrected by system improvements in 1990 and 1991.

As of December 31, 1988, the district had 229,114 feet of distribution mains ranging in size to 12 inches. Storage facilities consist of six tanks and reservoirs with a combined capacity of 1,536,000 gallons.

The district served 2,688 customers as of December 31, 1989, of which 97.8% were commercial.

Public Meetings and Hearings

Branch conducted informal meetings in each of the water service districts, except Wrightwood. The four informal meetings were attended by the Branch's project manager and SoCalWater officials from the main office and from the district.

Branch also requested a public participation hearing (PPH) be held in Wrightwood and Ojai.

While the Ojai PPH was sparsely attended, the Wrightwood PPH had approximately 40 customers at each session, afternoon and evening. Customers in both districts complained about further rate increases especially for retired people on fixed income. Declining water quality was also noted due in part to the drought and resulting drop in the water table.

Customers in Wrightwood felt that they were being asked to pay rates substantially higher than those in metropolitan areas. Some customers noted that an increase in rates to pay for a new reservoir had only recently been approved by the Commission, and now a significant further increase in rates is sought by SoCalWater. In addition, Wrightwood has been experiencing hundreds of water main leaks each year, and SoCalWater's progress in replacing old, deteriorated mains has been too slow in many customers' views.

Evidentiary hearings before Administrative Law Judge Stalder were held in Los Angeles on July 16 and 17, 1990 in Los Angeles and in San Francisco on August 13, 1990. The delay in hearings between July 17 and August 13 resulted from Branch's request for additional time to consider SoCalWater's conservation sales reduction, which was a change from the original filings. The proceeding was submitted upon receipt of briefs on September 17, 1990.

Customer Service and Conservation

As part of its investigations, Branch evaluated SoCalWater's water quality and overall levels of service in the five districts. Branch found that in general the service is good and the company responds quickly to customer complaints. Typical complaints deal with high bills due to misread meters or unusually high use, low pressure complaints caused by unusually high demand on the system, equipment failure, or problems within the customers pipes. Quality complaints include colored or dirty water, sand, air, or unusual taste or odor in the water. Many of the quality complaints occur when SoCalWater is performing maintenance or repairs on the system.

Branch considers service in the five districts to be satisfactory.

In D.86-05-064 (May 28, 1986) in Order Instituting Investigation (I.) 84-11-041, we took official notice of Assembly Bill (AB) 797, signed into law on September 21, 1983. AB 797 requires every urban water supplier providing water to 3,000 or more customers to prepare and adopt a water management plan to achieve conservation and efficient use of water.

Since SoCalWater serves water to more than 3,000 customers in some of its districts, it has submitted a water management plan and has an extensive company-wide conservation program which includes the following:

1. Furnishing conservation kits free of charge;

2. Suggesting ways to reduce water waste;

3. Issuing publicity releases and purchasing advertising to promote customer awareness of water conservation; and

4. Implementing a leak detection program.

D.90-07-067 (July 18, 1990) in I.89-03-005 authorized establishment of memorandum accounts for all water utilities. The

memorandum accounts allow utilities to keep track of revenue fluctuations and conservation expenses due to the present drought conditions. No procedure for handling the memorandum accounts was yet established.

D.90-08-055 (August 8, 1990) in the same proceeding determined that disposition of the memorandum accounts tracked after the effective date of the order, August 8, 1990, are contingent on Commission approval of the utility's Water Management Program. The decision also determined that the amounts in the memorandum accounts are subject to decrease or refund due to the reduced business risk resulting from the memorandum account, since a lower allowed rate of return would usually be appropriate considering the reduced business risk that results from implementing the memorandum account.

We also note that D.90-08-055 orders SoCalWater and other Class A water utilities to file a Water Management Program for consideration in Phase II of I.89-03-005.

Branch takes no issue with the company's conservation program, but recommends that it be ordered to file a Tariff Rule 14.1 water conservation plan for the five districts. Branch also recommends that if SoCalWater files an application for recovery of memorandum account amounts, it provide the Commission with a reduced rate of return it believes appropriate in consideration of the reduced risk.

Issues

Branch and SoCalWater conferred throughout the proceedings regarding their differences in test year estimates. As a result, SoCalWater stipulated to many of Branch's estimates, which substantially reduced the number of issues to be litigated in the evidentiary hearings. It is not necessary to discuss the details of the stipulated items. Rather, we will include tables that summarize the stipulated values.

The remaining issues fall in two categories: those common to all districts and those that are district specific. The issues common to all districts are:

1. Rate of return; return on common equity necessary to attract reasonable investment.
2. Propriety of balancing account interest.
3. Limitation on Advice Letter project amounts.
4. General Office
   Recruitment fees for outside services.

The disputed issues for individual districts are:

5. San Gabriel District
   a. Stucco at the Encinitas pump station
   b. Paving at the Saxon plant
   c. Staffing and vehicles
6. Ojai District
   Staffing and vehicle.
7. Arden, Pomona, and Wrightwood Districts
   Method of recovery of tank painting expenses
8. Ojai, Pomona, and San Gabriel Districts
   Purchased water mix and water supply cost due to conservation reduction.

The adopted rates for 1991 are shown in Appendices A-1 through A-5, followed by the authorized increases for 1992 and 1993 in Appendices B-1 through B-5, the adopted quantities and income tax calculations in Appendices C-1 through C-5, and the bill comparison at present and adopted 1991 rates in Appendices D-1 through D-5, for the five districts.

1. Rate of Return

The capital structure of a firm typically consists of three components: long-term debt, preferred stock, and common equity. Rate of return (ROR) is determined using a composite value of capital costs based on the capital structure, which is the weighting of long-term debt, preferred stock, and common equity.

The parties agree on the capital structure, the cost of long-term debt, and the effective cost of preferred stock for the test period. The disagreement centers on the appropriate return on common equity (ROE) that should be allowed.

SoCalWater requests rates of return of 11.27% in 1991, 11.29% in 1992, and 11.26% in 1993, in order to earn a constant ROE of 13.00% for each of the three years. SoCalWater argues that this is the minimum necessary to allow it access to reasonable financing.

The Financial and Economic Analysis Branch of the the Division of Ratepayer Advocates (DRA) recommends an ROE in the middle of the range of 11.75% to 12.25%, or 12.00%. The corresponding RORs based on 12.00% ROE are 10.77% in 1991, 10.79% in 1992, and 10.76% in 1993. DRA believes that these returns are commensurate with returns required by investors in other water utilities of comparable risk, and that they will enable SoCalWater to attract needed capital and maintain its financial integrity.

The detailed positions of the parties are described in the following sections.

SoCalWater

SoCalWater determined its requested ROE through the use of two financial analysis models, discounted cash flow (DCF), and risk/premium (RP). For each model, SoCalWater calculated the value for itself, as well as for a group of 11 comparable companies indicated in Table 7:

TABLE 7

SOUTHERN CALIFORNIA WATER COMPANY
Return on Common Equity
Comparable Companies

American Water Works
California Water Service
Connecticut Water Service
Consumers Water
Dominguez Water
E'town Corporation
Hydraulic Company
IWC Resources
SJW Corporation
Southwest Water
United Water Resources

The DCF model represents that the current market price of a share of common stock equals the present value of the expected future stream of dividends and the future sale price of the stock, discounted at the investor's discount rate. The discount rate is the investor's opportunity cost, or the ROR that could be earned on an investment of comparable risk.

The RP model assumes that the expected return for a security can be derived by adding an appropriate premium to the return to reflect the asset's additional risk when compared with another security, such as utility bonds or government issues.

The results of the two models are summarized in Table 8 below.

TABLE 8

SOUTHERN CALIFORNIA WATER COMPANY
Return on Common Equity
Summary

Method	Range of Result
Discounted Cash Flow:	
Company Specific	13.00%
Comparable Companies	13.50%
Risk/Premium:	
Company Specific	12.00%
Comparable Companies	12.75%
Composite Range	12.00% - 13.50%
Requested Return on Common Equity	13.00%

SoCalWater's request for return on common equity of 13% is based on its judgement concerning the business and financial risks faced by SoCalWater and the water utility industry.

SoCalWater perceives four main risks:

1. Water supply
2. Water quality
3. Capital construction
4. Financing needs

SoCalWater notes that water supply is presently a critical concern for most of the state's water utilities in this fourth drought year. Yet prices cannot rise as they would for a scarce commodity in a free marketplace. Therefore, improving water systems and accessing new supplies entails risk for the utility.

With regard to water quality, SoCalWater notes that drinking water is the only utility product that is ingested by its customers, and because of that the perception of quality is often more important than the technical quality. Secondary standards

that are not health related nevertheless have become important to customers.

SoCalWater observes that the Clean Water Act, the Safe Drinking Water Act, and similar legislation have created a plethora of water quality standards that are continually growing. The cost of testing and correcting contaminant problems is also growing. Water utilities as a group face the risks of lost supply due to contamination especially as the water table drops in older wells. The cost of drilling new wells increases as they must be drilled deeper, and with less certainty that a satisfactory supply will be found. SoCalWater believes that even more significant is the potential of contamination-related lawsuits.

Capital construction is a significant risk to SoCalWater since it projects annual additions to plant in the range of 9% to 10% of the company's gross utility plant for 1990, 1991 and 1992. SoCalWater argues that this level of expenditure is much greater than for other large investor-owned water utilities in California, and is equivalent percentage-wise to the capital commitments of Southern California Edison Company (Edison) during construction of the San Onofre Nuclear Generating Station Units 2 and 3. This points to the fact that water utilities are not necessarily less risky than energy utilities.

Increased financing needs result from the capital construction needs, and there is a greater financial risk associated with each incremental offering.

SoCalWater also argues that other risks are associated with water utilities including bypass and condemnation. Examples of bypass are large customers within the company's service territory that secure their own water supply. These customers include industrial and commercial, golf courses, colleges, municipal parks, and even individual residential customers who drill their own wells. Another example is pending legislation that would require the California Department of Transportation to

construct parallel lines to use reclaimed water for irrigation of highway landscaping.

SoCalWater believes that the threat of condemnation is very real, as evidenced by the fact that it has lost three water systems serving 18,000 customers through condemnation in the past five years. Other portions of its system may well be lost in the future.

For all these reasons, SoCalWater concludes that water utilities are as risky today as energy utilities.

In reaching its recommendation that 13.00% ROE is appropriate, SoCalWater notes that it has lagged behind comparable companies' earnings, which supports an ROE above the mid-point that might otherwise be appropriate.

SoCalWater further argues that returns recently allowed large water utilities support the requested 13.00%. As shown in Table 9, D.90-02-042 granted California Water Service 12.25% on a 52.13% equity, D.89-10-038 allowed San Jose Water 11.75% on a 56% equity base, and D.89-09-048 allowed San Gabriel Water Company 11.90% on a 60% equity base. As shown in the far right column of Table 9, SoCalWater calculates that on a 50.5% equity base these returns would be 12.69%, 13.03%, and 14.14% respectively. Apple Valley would be even higher. SoCalWater believes this supports the requested ROE of 13.00%.

TABLE 9

SOUTHERN CALIFORNIA WATER COMPANY
Comparison of Equity Return/Ratios

Company	Latest Authorized Decision Number	Equity Ratio	Rate of Return	Rate of Return At 50.5%
California Water	90-02-042	52.3%-50.7%	12.25%	12.69%-12.30%
San Jose Water	89-10-038	56.0%-53.0%	11.75%-12.25%	13.03%-12.85%
San Gabriel Valley	89-09-048	60.0%	11.90%	14.14%
Apple Valley (Park)	90-02-045	76.0%-69.0%	11.90%	17.90%-16.26%

SoCalWater bases its equivalent returns using different equity bases on the premise that ROE is inversely related to equity ratio. However, SoCalWater provided no explanation of the formula used for the calculations.

Finally, SoCalWater argues that "other income", which includes gain on sale of properties and other unusual income should not be considered, since the financial community would normally exclude such income. The major portion of other income is from gains on sale of operating properties taken through condemnation.

DRA

DRA witness Tang cites two landmark cases that lead to the guidelines it uses in arriving at recommendations for ROE: (Bluefield Waterworks and Improvement Company v West Virginia Public Service Commission (1923) 262 US 679; 67 L ed 1176, 43 S. Ct. 675 and Federal Power Commission v Hope Natural Gas Company (1944) 320 US 591; 88 L ed 333, 64 S. Ct. 281.)

Tang states that the essence of the first case is that regulated firms should be allowed to earn returns on common equity sufficient to attract investors in the capital markets. The essence of the second case is that authorized returns on common equity should be comparable to returns that investors would expect from companies of comparable risk.

DRA used a group of 13 comparable water utilities, which includes the only water utilites, excluding SoCalWater, that are publicly traded in the United States. The group is shown in Table 10 below.

TABLE 10
SOUTHERN CALIFORNIA WATER COMPANY
Selected Financial Data
Comparable Group of Water Utilities

Company	S&P Bond Rating	% Water Revenues	Operating Revenues	Com Eq Ratio	Div Payout Ratio	Mkt to Bk Ratio	Return on Com Eq
		%	$Mill	%	%	%	%
American Water Works	A-	97	527.5	35.6	47.4	113.0	10.0
California Water Service	AA+	100	117.5	55.1	70.0	144.9	12.4
Connecticut Water Service	NA	100	28.8	36.0	90.9	132.7	11.3
Consumers Water	NA	75	87.1	35.0	92.8	122.0	9.7
Dominguez Water	NA	100	19.8	72.3	61.5	140.0	14.1
E'town Corporation	A+	100	71.2	30.0	120.1	138.0	7.3
The Hydraulic Company	A+	84	78.3	55.8	75.2	129.0	11.3
IWC Resources	A+	100	50.1	33.5	133.8	187.0	10.9
Middlesex Water	NA	100	23.5	42.9	97.4	135.0	9.6
Philadelphia Suburban	BBB	71	133.9	34.5	89.0	121.9	9.3
San Jose Water	NA	100	56.0	64.4	121.3	110.0	5.9
Southwest Water	NA	70	37.8	64.3	74.3	124.0	9.7
United Water Resources	A	98	133.4	34.6	102.0	182.0	9.7
Group Average				45.7	90.4	136.9	10.1
Southern California Water	NA	87	85.6	49.5	75.0	139.0	12.8

Sources: Shareholders' 1989 Annual Reports
C.A. Turner Utility Reports, April 1990

DRA used the same two financial models as SoCalWater, DCF and RP, and similarly calculated the value for SoCalWater as well as for the comparable group.

The DCF results are shown in Table 11.

DRA explains that the expected ROEs for the comparable group vary from 11.68% to 12.32% and average 12.00%. For SoCalWater the DCF analysis results in expected ROEs of 11.56% to 12.12%, with an average of 11.84%.

DRA's RP analyses results in projected ROEs of from 12.04% to 12.11% for the comparable companies, as shown in Table 12.

DRA's RP for SoCalWater results in projected ROEs ranging from 12.17% to 12.20% for SoCalWater, as shown in Table 13.

DRA then considers risk and expected economic conditions along with the results of the DCF and RP analyses in reaching its recommendations on the proper level of ROE to allow. DRA's assessment of risk and economic conditions follows.

Risk

DRA believes that a firm should avoid either too high debt ratios or too high equity ratios. DRA explains that risk increases as the debt ratio increases, making the cost of marginal debt more expensive. On the other hand, debt financing is less expensive than equity financing, since debt interest is tax deductible, while returns on common equity are not. Therefore, too high an equity ratio may be more costly to ratepayers.

In addition to the capital structure, the bond rating of the company must be considered. Table 14 shows Standard & Poor's recommended coverage and capitalization standards for investment grade water utility bond ratings.

Table 15 summarizes SoCalWater's capital structure in recent years: for 1989 the 48.8% debt falls within the S&P AA-bond rating. The pre-tax interest coverage of 2.8x falls within S&P's A-rating. The net cash flow to total capital ratio at 2.5% falls within S&P's BBB-rating.

TABLE 11

SOUTHERN CALIFORNIA WATER COMPANY

Discounted Cash Flow Model Summary

Component		Comparable Group		SoCal Water	
		%		%	
3-Month					
Current Yield	1/	6.72		7.30	
Growth Rate	2/	4.75	5.25	4.00	4.50
Exp Yield	3/	7.04	7.07	7.59	7.62
ROE	4/	11.79	12.32	11.59	12.12
6-Month					
Current Yield	1/	6.61		7.27	
Growth Rate	2/	4.75	5.25	4.00	4.50
Exp Yield	3/	6.93	6.96	7.56	7.60
ROE	4/	11.68	12.21	11.56	12.10

1/ Current Yield = Do/Po
3-Mo Yield from 2/90 to 4/90, 6-Mo Yield from 11/89 to 4/90

2/ Growth Rate = g

3/ Expected Yield = D1/Po = Do/Po * (1 + g)

4/ ROE = D1/Po + g

TABLE 12

SOUTHERN CALIFORNIA WATER COMPANY

Risk Premium Analysis

Comparable Water Companies

Year	Avg Group Yield	Avg Group Growth	Expected ROE	Avg Yearly Yields 30-Yr T-Bond	Avg Yearly Yields AA Uty Bond	Risk Premium 30-Yr T-Bond	Risk Premium AA Uty Bond
	%	%	%	%	%	%	%
1980	5.96	7.80	13.76	11.30	13.00	2.46	0.76
1981	6.22	8.25	14.47	13.44	15.30	1.03	-0.83
1982	5.96	8.52	14.47	12.76	14.79	1.71	-0.32
1983	5.00	7.90	12.90	11.18	12.83	1.72	0.07
1984	5.73	9.03	14.76	12.39	13.66	2.37	1.10
1985	4.52	9.24	13.76	10.79	12.06	2.97	1.70
1986	4.70	8.29	12.99	7.80	9.30	5.19	3.69
1987	5.45	8.56	14.02	8.59	9.77	5.43	4.25
1988	5.99	8.38	14.37	8.96	10.26	5.41	4.11
1989	6.46	5.53	11.99	8.45	9.56	3.54	2.43
			10-Yr Average Premium			3.14	1.62
			Avg Forecasted Rates for 1991-93 (DRI/McGraw Hill)			8.97	10.42
			Projected Avg ROE for 1991-93			12.11	12.04

g = Combined 10-Year Average EPS and DPS Growth

TABLE 13

SOUTHERN CALIFORNIA WATER COMPANY

Risk Premium Analysis

Southern California Water

Year	Avg SoCal Yield	Avg SoCal Growth	Expected ROE	Avg Yearly Yields 30-Yr T-Bond	Avg Yearly Yields AA Uty Bond	Risk Premium 30-Yr T-Bond	Risk Premium AA Uty Bond
	%	%	%	%	%	%	%
1980	11.87	2.95	14.82	11.30	13.00	3.52	1.82
1981	13.36	2.84	16.20	13.44	15.30	2.76	0.90
1982	12.53	3.60	16.13	12.76	14.79	3.37	1.34
1983	10.83	3.83	14.65	11.18	12.83	3.47	1.82
1984	10.31	4.50	14.82	12.39	13.66	2.43	1.16
1985	8.60	5.58	14.18	10.79	12.06	3.39	2.12
1986	6.31	5.11	11.41	7.80	9.30	3.61	2.11
1987	7.68	4.64	12.33	8.59	9.77	3.74	2.56
1988	7.73	3.06	10.79	8.96	10.26	1.83	0.53
1989	7.67	4.97	12.64	8.45	9.56	4.19	3.08
					10-Yr Average Premium	3.23	1.74
					Avg Forecasted Rates for 1991-93 (DRI/McGraw Hill)	8.97	10.42
					Projected Avg ROE for 1991-93	12.20	12.17

9 = Combined 10-Year Average EPS and DPS Growth

TABLE 14

SOUTHERN CALIFORNIA WATER COMPANY

Standard & Poor's Benchmarks for
Water, Energy, and Telecommunications Companies

Criteria	Debt Rating		
	AAA	AA	A
WATER			
Total Debt / Capital	Less than 48%	46% - 54%	52% - 60%
Pre-tax Interest Coverage	More than 3.75x	3x - 4.25x	2x - 3.25x
Net Cash Flow / Capital	More than 7%	5% - 8%	3% - 6%
ENERGY			
Total Debt / Capital	Less than 41%	39% - 46%	44% - 52%
Pre-tax Interest Coverage	More than 4.5x	3.5x - 5x	2.5x - 4x
Net Cash Flow / Capital	More than 10%	7% - 11%	5% - 8%
TELECOMMUNICATIONS - "LOW" RISK			
Total Debt / Capital	-	Less than 47%	45% - 57%
Pre-tax Interest Coverage	-	More than 4x	3.0x - 4.5x
Net Cash Flow / Capital	-	More than 25%	20% - 30%

SOURCE: Standard & Poor's Corporation, May 1988

TABLE 15

SOUTHERN CALIFORNIA WATER COMPANY

Debt and Coverage Ratios for 1985-89

Description	1985	1986	1987	1988	1989	1985-89 Average
Pretax Coverage (x)	3.26	3.58	3.60	2.61	2.83	3.18
LTD Ratio (%)	49.9	46.6	45.5	51.8	48.8	48.5
Net CF/Capital (%)	7.2	6.4	8.3	2.1	2.5	5.3
Net CF/Cap Exp (%)	55.4	47.0	57.6	14.4	14.3	37.8
Market-to-Book (%)	118.7	154.5	121.5	122.8	139.0	131.3

Sources: C.A. Turner Utility Reports
SoCal Water Shareholders' Reports

DRA notes that in SoCalWater's recent GRC D.89-11-017, dated November 3, 1989 in A.89-02-027, we concluded that the company's new debt securities would probably be considered A-rated. In 1988 SoCalWater's recorded results were similar to the 1989 comparable figures, at 51.8% debt, 2.6x pretax interest coverage, and 2.1% net cash flow to total capital. DRA concludes that the level of risk now is similar to that in the last GRC.

In the 1985 to 1989 period, the company has maintained an overall level of performance consistent with S&P's A-rating standards for water utilities. In some years it could even be considered equivalent to an AA-rated water utility.

DRA disagrees with SoCalWater's conclusion that water utilities are as risky as energy utilities, citing S&P's comparative benchmarks in Table 14 above. The table demonstrates that the requirements for an A-bond rating are more stringent for energy and low risk telecommunications utilities than for water utilities in all three categories.

DRA also notes that in D.89-11-017 we stated at p. 31:

> "We have traditionally allowed returns on common equity for large water companies in amounts something less than those authorized for energy utilities. In that connection, our allowance here of 12.00% will give the proper recognition to the following considerations:
>
> "1. Water utilities are not as capital intensive as energy utilities. Construction programs are much smaller and are financed often by advances for construction and contributions in aid of construction.
>
> "2. Water utilities do not capitalize interest on construction projects. Construction work in progress is included in rate base which results in a better quality of earnings and better cash flow.
>
> "3. Water utilities are allowed offset increases in costs such as purchased water and power by advice letter filings concurrent with such increases. Energy companies face a lag

between the time fuel cost increases are experienced and offsetting rates are authorized.

"Water utilities are not faced with risks such as fuel costs, sources of supply, nuclear generation, technological changes, competition, etc."

DRA believes that the unusual risks cited by SoCalWater are not necessarily unusual or unique, but rather are normal business risks that vary depending on other conditions such as the drought. DRA points out that I.89-03-055 (discussed above in the Customer Service and Conservation section) was opened to address drought related issues such as water supply, conservation, and sales and revenue losses due to conservation. Since the Commission recognizes these problems, the utilities' interests are expected to be balanced with ratepayers' interests.

DRA concludes that SoCalWater does not face unique risks as compared to comparable water utilites in California.

Although D.90-08-055 indicates that a lower rate of return may be appropriate due to the lower risk resulting from the memorandum account, DRA recommends no reduction in allowed ROE at this time, since SoCalWater has not yet exercised that option.

Economic Conditions

DRA believes that the current and forecasted economic conditions must be considered in determining an appropriate ROE.

DRA compares recent DRI/McGraw Hill (DRI) and Federal Reserve data with 1989 data and concludes that the average interest rates are comparable. For example, 30-year Treasury bonds averaged 8.45% in 1989 and 8.56% for the first five months of 1990. AA-rated utility bonds averaged 9.56% in 1989 and 9.64% for the first five months of 1990. However, DRA notes that interest rates have fluctuated significantly over the past year, with 30-year Treasury Bonds ranging from 9.17% in March 1989 to 7.90% in

November and December 1989; the recent June 1990 rate was about 8.50%. Similarly, AA-rated utility bonds reached 10.05% in March 1989, declined to 9.23% in July 1989, and rose to 9.83% in May 1990. Table 16 summarizes the trends in utility and government bond prices.

DRA believes that despite the swings in recent interest rates, the current levels are not significantly different than those existing in 1989 when we authorized an ROE of 12.00% for SoCalWater.

Furthermore, DRA notes that recent economic data seems to indicate that the domestic economy is sluggish and is not poised for either a rebound or a recession. Graph A demonstrates that DRI forecasts a slight increase in 1991 interest rates, followed by a decline in 1992-1993. DRA concludes that interest rates are expected to be in the same range as existed in 1988 and 1989, and therefore the same ROE allowed in the last SoCalWater GRC, 12.00% is appropriate.

DRA's Conclusion

The results of the DCF and RP analyses are summarized below.

	Comparable Group	SoCalWater
DCF Analysis	11.68% - 12.32%	11.56% - 12.12%
RP Analysis	12.04% - 12.11%	12.17% - 12.20%

DRA concludes that an ROE in the range of 11.75% to 12.25% is reasonable, and that the mid-point of 12.00% should be allowed. The corresponding rates of return are 10.77% for 1991, 10.79% for 1992, and 10.76% for 1993.

TABLE 16

SOUTHERN CALIFORNIA WATER COMPANY

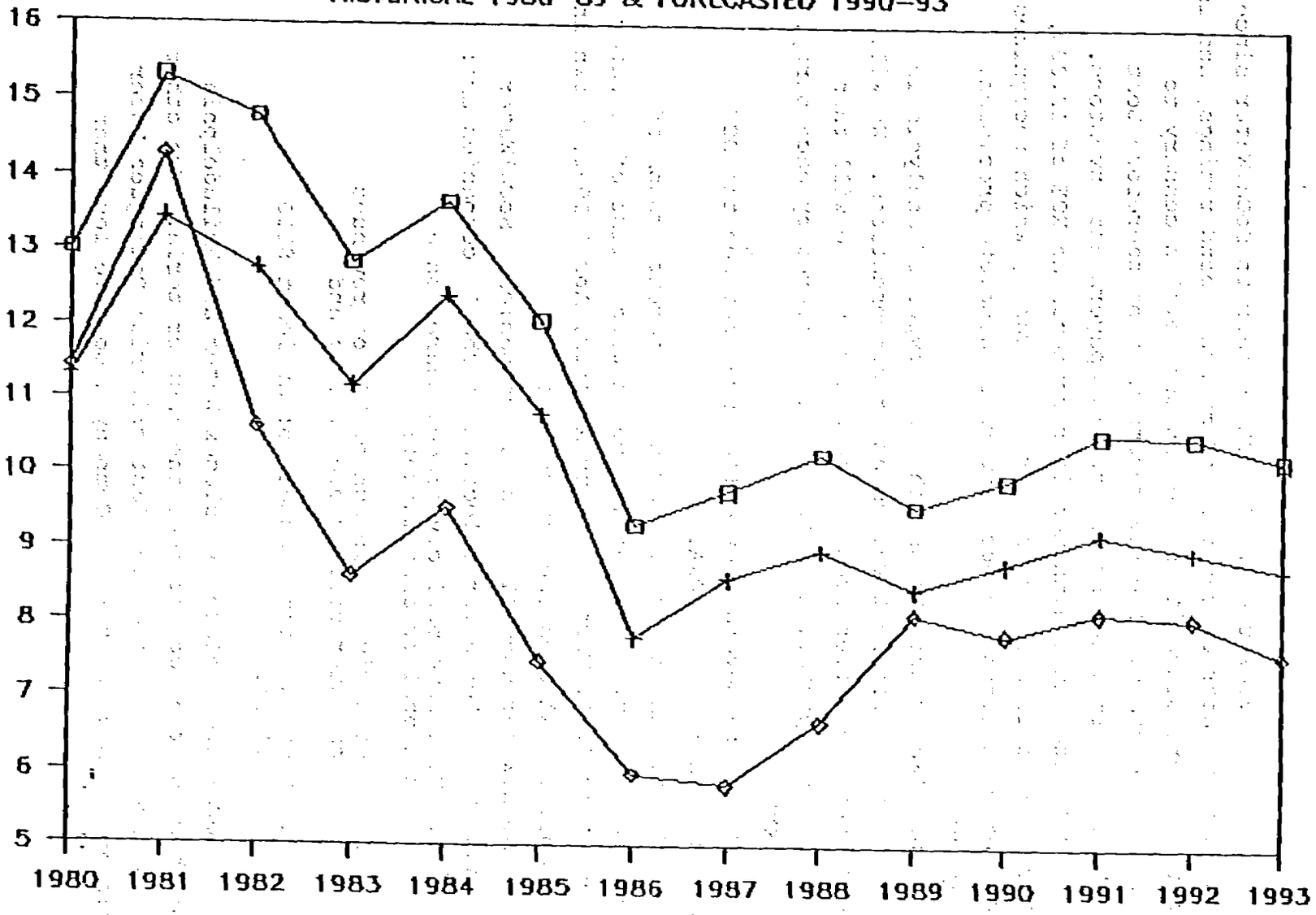
Trends in Interest Rates

Period	Utility Bond Yields : Aa	A	U.S. Government 30-Year Bonds	3-Month Bills
	%	%	%	%
1980 Avg	13.00	13.34	11.30	11.43
1981 Avg	15.30	15.95	13.44	14.28
1982 Avg	14.79	15.86	12.76	10.61
1983 Avg	12.83	13.65	11.18	8.61
1984 Avg	13.66	14.03	12.39	9.52
1985 Avg	12.06	12.47	10.79	7.48
1986 Avg	9.30	9.58	7.80	5.97
1987 Avg	9.77	10.10	8.59	5.82
1988 Avg	10.26	10.49	8.95	6.67
1989 Avg	9.56	9.77	8.45	8.11
1988 Jun	10.52	10.79	9.00	6.50
Jul	10.76	11.04	9.14	6.73
Aug	10.85	11.17	9.32	7.02
Sep	10.34	10.61	9.06	7.23
Oct	9.79	9.97	8.89	7.35
Nov	9.80	9.90	9.02	7.68
Dec	9.90	10.06	9.01	8.09
1989 Jan	9.89	10.08	8.93	8.29
Feb	9.93	10.07	9.01	8.48
Mar	10.05	10.23	9.17	8.83
Apr	10.02	10.18	9.03	8.70
May	9.79	9.99	8.83	8.40
Jun	9.37	9.64	8.27	8.22
Jul	9.23	9.50	8.08	7.92
Aug	9.27	9.52	8.12	7.91
Sep	9.35	9.58	8.15	7.72
Oct	9.28	9.54	8.00	7.59
Nov	9.25	9.51	7.90	7.65
Dec	9.26	9.44	7.90	7.64
1990 Jan	9.39	9.56	8.26	7.64
Feb	9.57	9.76	8.50	7.76
Mar	9.60	9.85	8.56	7.87
Apr	9.81	10.09	8.76	7.78
May	9.83	10.04	8.73	7.78

Sources: Federal Reserve Bulletins and Moody's Bond Survey

Trends in Interest Rates

HISTORICAL 1980–89 & FORECASTED 1990–93



GRAPH A

In DRA's view the 12.00% ROE is fair to SoCalWater since it is adequate to attract capital and maintain bond ratings, and is fair to ratepayers since it is the minimum level necessary to accomplish those goals. The ROE recommendation therefore best serves the long-term interest of both ratepayers and investors.

DRA notes that although it recommends an ROE of 12.00%, its ROE recommendation is in the form of a range, which recognizes that ROE determinations are not matters of absolute precision.

Discussion

SoCalWater and DRA use the same types of analysis in arriving at their different values and recommendations. We will first consider the differences in the analyses. We will then consider the interpretation of the results offered by each party.

DCF

There are several key differences between the DCF analysis of SoCalWater and DRA.

First, DRA and SoCalWater use different groups of comparable companies. Both parties began with a list of 13 water utilities, from C. A. Turner Utility Reports, April 1990, shown in Table 10 above. DRA uses the entire list.

SoCalWater uses 11 of the 13 companies. SoCalWater states that its criteria for selection of the 11 companies are:

1. Must have publicly traded shares on a national trading market;

2. Must derive a minimun of 70% of revenues from water utility operations; and

3. Must have total assets of at least $100 million.

SoCalWater deleted Middlesex Water and Philadelphia Suburban because they do not meet the last criteria. Two other companies also fail to meet the last criteria; Dominguez Water Corporation and Southwest Water Company also have less than

$100 million in assets, but were nevertheless used, ostensibly because they are California companies, which are of value in the analysis. We find that DRA's selection of comparable companies appears more impartial and valid. Although SoCalWater sets out criteria, it did not consistently apply the criteria to select comparable companies.

The second difference in analyses is the past period used. SoCalWater uses eight years, since it believes that the company's operations changed significantly eight years ago, with regard to investment. DRA uses ten years as a broader period that better dampens variations and leads to a more consistent result.

We find that the 10-year period used by DRA is more valid than the eight years of SoCalWater because the longer period tends to more effectively dampen unusual economic variations that may skew a shorter period.

Finally, the third major difference is the method of calculating growth rate. SoCalWater averages the historic growth rates of three elements:

1. Dividends per share (DPS)
2. Earnings per share (EPS)
3. Book value per share (BVS)

DRA uses the first two elements, plus the sustainable growth rate (SGR). SGR is the product of the percent of retained earnings by the ROE; it is based on the premise that future growth in earnings can be sustained only if a portion of the earnings or return is reinvested in the company, rather than being paid out as dividends.

We find that the SGR premise is reasonable over the long-term. A utility cannot maintain growth if it does not reinvest a portion of its earnings; without reinvestment the rate base will decline due to depreciation.

The results of the analyses lead to a difference in ROE of less than one percentage point; SoCalWater at 13.0%, DRA at 12.1%.

Based on the DCF analyses alone, we would likely allow an ROE near DRA's mid-point recommendation of 12%. However, before we can determine the ROE there are a number of other factors we should consider.

RP

SoCalWater characterizes risk premium as a secondary check of the primary analysis, DCF. DRA presents its RP analysis as a means of verifying the DCF results. SoCalWater concludes that the RP is 12.00%; DRA concludes the RP is 12.17 to 12.20%. Since both parties conclude that the RP is near 12%, we will not examine the minor differences between the analyses. However, we note that the RP analyses also suggest an ROE near DRA's mid-point recommendation.

Other Factors

SoCalWater attempts to formulate differences in ROE based on equity/debt ratios, as we discussed above.

SoCalWater also argues that it is at unusual risk for a number of reasons, including water quality and cost of testing and treatment, bypass, condemnation, and litigation by customers. For these reasons, SoCalWater argues that it should be allowed an ROE approaching that of electric utilities, since the risks are comparable.

As shown in Table 17 below, we have recently allowed ROEs from 11.75% to 12.25%. In these cases, equity ratios varied from 43.0% to 76.0%.

TABLE 17

SOUTHERN CALIFORNIA WATER COMPANY
Comparison of Equity Return/Ratios

Company	Decision Number	Latest Authorized Equity Ratio	Latest Authorized Rate of Return	Rate of Return At 50.5%
California Water	90-02-042	52.3%-50.7%	12.25%	12.69%-12.30%
San Jose Water	89-10-038	56.0%-53.0%	11.75%-12.25%	13.03%-12.85%
San Gabriel Valley	89-09-048	60.0%	11.90%	14.14%
Apple Valley (Park)	90-02-045	76.0%-69.0%	11.90%	17.90%-16.26%
Cal-American	90-03-034	43.0%	12.00%	--
Del-Este	89-11-063	51.6%	11.9%	--

The RP analyses and DRA's DCF analysis suggest that an ROE of about 12% is reasonable. SoCalWater argues that its declining equity ratio and increased risk justify an increased ROE.

We note that the ROE we have allowed those water companies is in a relatively narrow range of 11.75% to 12.25%. We also note that the Commission has opened an Order Instituting Investigation, I.90-11-033 to consider risks of water utilities and whether regulatory revisions are needed.

While declining equity ratios are associated with increased risk, other factors must also be considered. We agree with DRA that the current economic and financial outlook appears to be similar to the outlook when we issued D.89-11-017. No trend is apparent that would lead us to a significantly different conclusion than we reached earlier in allowing a 12.00% ROE. In that decision we concluded that our final determination was based on judgement, not on the precision of financial models. DRA properly notes that financial models do not offer the precision necessary to allow selection of a reasonable ROE without applying judgement.

SoCalWater argues that its capital commitments make it as risky an operation as Edison during construction of SONGS 2&3. SoCalWater's stated risks are water quality and costs of testing and treatment, bypass, and litigation by customers. However, we believe the comparison is severely flawed; the risk of nuclear construction was in large part due to factors that do not exist in the water utility industry. Some of those risk factors follow:

- Nuclear construction such as for SONGS 2&3 extended over many years including a period of rapid inflation, which resulted in significant cost escalation.

- Nuclear technology is risky due to the potential of "incidents" in other nuclear powerplants. There is a possibility that nuclear powerplants, especially of a particular design, could be shut down temporarily or for indeterminate periods due to generic or durability problems relating to safety. Recovery of investment during such periods may not be allowed by regulatory commissions.

- The requirements of the Nuclear Regulatory Commission (NRC) are subject to continual change and update based on new information and studies. As a result, the cost of construction is very uncertain and volatile. It cannot be estimated with a high degree of confidence. There is a significant risk that in some instances regulatory commissions will not allow the utilities to recover all costs incurred.

Despite SoCalWater's claims of great risk, we believe that water utilities continue to be safer investments than energy utilities. This belief is supported by the financial community, as shown in Table 14. Water utilities are not exposed to similar risks that energy utilities encountered during nuclear powerplant construction. SoCalWater argues that increasingly stringent water quality standards, testing and treatment are high risks; we disagree. Complying with these standards does not entail risks of

long-term commitment to uncertain technologies. There is no apparent public opposition to water quality standards, although cost is always a consideration. The risk of regulatory commissions not allowing costs of treatment and quality testing is minimal. The requirements for treatment of water for various substances are not usually subject to continual change. There are usually no public safety issues involved with constructing and operating water testing and treatment facilities. While there are alternates to nuclear power for generating electricity, there are no alternates to water.

Bypass is a risk to water utilities as well as to energy utilities. However, SoCalWater has not presented evidence that bypass is a problem of significant proportions. Similarly, although condemnation has occurred in the past, we have not been made aware that the magnitude of condemnation has been a significant problem.

Litigation by customers is a potential risk, but we believe the risk is not high, especially compared to the risk of litigation for energy utilities involved in nuclear generation, with the attendant problems of disposal of hazardous waste.

We conclude that water utilities operate in a less risky environment than the energy utilities. The financial community apparently agrees.

Based on the above considerations, we conclude that 12.00% ROE, the mid-point of DRA's recommendation, and the same we allowed SoCalWater in D.89-11-017, is appropriate. This ROE is sufficient to allow SoCalWater to maintain its current financial condition, and it is fair to the ratepayers because it is the minimum necessary to do so.

2. Balancing Account Interest

The balancing account was established for water utilities to assure them of repayment of incurred purchased water expenses. The Commission's "Procedure for Maintaining Balancing Accounts for

Water Utilities" dated May 31, 1983 provides that balancing account balances that exceed two percent of the water company's most recently adopted test year gross annual revenues will be disposed of in the GRC order. No interest on the balancing accounts is allowed.

SoCalWater

SoCalWater notes that the balancing account allowed for the cost of purchased water is in the public interest, benefitting both the company and the ratepayer. SoCalWater believes current Commission policy is to allow interest whenever there is a delay between the time the expense is paid and the time it is recovered, such as on the balancing account. SoCalwater notes that when the balance is due and will not be paid for some time, it is forced into short-term borrowing. The interest on this short-term borrowing is not included in the cost of capital in these applications. For the 12 months ending May 1990, SoCalWater calculates the balancing account interest at $107,674 based on one-year Treasury Bill interest.

SoCalWater argues that the balancing account for water utilities is essentially the same as for energy utilities when they were allowed interest on balancing accounts, i.e., water utilities now also face supply risks and upward pressure on supply expenses.

Branch

Branch argues that it is not appropriate to change the current procedure in this proceeding. If a change is to be considered by the Commission, Branch argues that it should be done in a generic proceeding, rather than in an individual GRC.

Branch believes that if a company has a problem regarding balancing account interest, it is due to lack of timely requests to amortize the balances.

Discussion

We observe that the balancing account was established for water utilities to assure them of repayment of incurred purchased

water expenses. At the time the procedure was adopted in 1983, interest on the balancing accounts was not allowed. If conditions have changed sufficiently to now justify a change in the procedure, the company or companies should request reconsideration of the policy. We agree with Branch that this is a generic issue. We will not address it on a piece-meal basis in individual water utility GRCs.

3. Limitation on Advice Letter Project Amounts

SoCalWater and Branch agree that the costs of certain capital projects planned in several of the districts should be included in rate base. However, Branch recommends that the amount allowed for these projects be limited or "capped" at the amount currently budgeted for the projects. The details of the parties' positions follow.

SoCalWater

SoCalWater argues that it is inappropriate to impose such a limitation or cap on the project amounts. Sufficient incentives exist for the company to control costs; overruns limit availability of funds for other uses, and Branch scrutinizes overruns and may recommend disallowances. The effect of a cap would be to penalize the company for cost overruns that are beyond its control. The cap would also delay needed projects, since the company would hesitate proceeding with projects if the competitive bids exceeded the cap.

Branch

Branch recommends that each project be capped at the amount budgeted by SoCalWater, which is the amount SoCalWater estimates it to cost. Branch believes that the cap would protect ratepayers from the risk of additional expenses for projects that cost more than the budgeted amount. The cap would also encourage SoCalWater to exercise utmost care in preparing the estimate, and in construction.

Discussion

We addressed this issue recently in D.88-01-025 (January 13, 1988):

> "We agree with SCWC [SoCalWater] on this issue. No valid reason was offered by the staff for imposition of the caps except that they are necessary to place "an upper limit on the cost of the reservoir in order to ensure...that the cost would not skyrocket for some reason." Tr., p. 657.) While the costs discussed are the utility's estimates, they are only estimates. It would be unreasonable to impose a cap on a necessary project if some condition beyond the control of the company should arise affecting the cost. We will not impose the caps; however, we will place SCWC on notice that we expect its estimates to represent sincere appraisals of the actual expected costs for these projects, and that work papers submitted with the advice letter filings must fully support whatever final costs are incurred." (D.88-01-025, mimeo. at pp. 11-12.)

Branch made no allegations of inaccurate or insincere estimates by SoCalWater. SoCalWater states that when bids have substantially exceeded estimated costs, it has worked with contractors to redesign the projects where feasible, to reduce the costs of construction. We encourage the company to continue to do this in such instances.

Branch has offered no reason for us to change our position on this issue. We believe that a cap would unreasonably restrict SoCalWater's planned construction. It is not always possible to accurately estimate the cost of all projects. Until competitive bids are received, one cannot be assured of costs. We don't wish to cause needed projects to be delayed because of a cap. We note that Branch reviews the costs as the Advice Letters are filed after project completion, and may recommend disallowances at that time.

We conclude that imposing a cap on construction costs is not warranted at this time. We expect SoCalWater to fully justify cost overruns.

4. General Office

At issue is the reasonableness of $20,000 for outside recruitment expenses in 1991. Branch recommends disallowing this amount since the company did not request funding for any new positions that would apparently be filled by the services.

SoCalWater presented Exhibit 21 which indicates recorded recruiting expenses in excess of $50,000 total, and in excess of $20,000 for outside executive recruiting both for 1989, and for 1990 year to date as of July. SoCalWater witness Romines testified that it is not always possible to predict the positions that will need to be filled in a future year. Romines also noted that since the company has not been successful in recruiting engineers through newspaper or professional journal advertising, it has been necessary to use outside services.

Since SoCalWater has limited in-house personnel recruiting capability, it is reasonable to expect it to rely on outside recruitment at times, especially when response to advertisements is limited. We conclude that the estimated $20,000 is reasonable for 1991 and should be allowed.

5. San Gabriel District

Encinitas Pump Station Stucco

SoCalWater proposes to stucco the walls at the Encinitas pump station at an estimated cost of $1,300. SoCalWater argues that the stucco will upgrade the appearance of the pump station, and eliminate the need for more frequent painting.

Branch notes that the facility is remote from any houses and is only visible if one looks over the fences from the homes across the drainage culvert. Regarding the alleged benefits of reduced painting, Branch witness Hirsch notes that the existing block wall at the pump station is not painted, and that stucco is

frequently painted, so there may be no savings from reduced painting.

We conclude that Branch is correct. This expense, although small, does not appear necessary. The visual improvement from placing stucco on block walls which are marginally visible is not justified. The alleged savings over painting may be illusory. We will not allow the $1,300 estimated cost of the stucco in rates.

Saxon Plant Paving

SoCalWater plans to pave the Saxon plant yard at an estimated cost of $60,000, because of the deteriorated condition of the yard, and because it is visible to the public. SoCalWater also argues that the current dust, mud, and rough condition increase wear and tear on its vehicles.

While Branch originally recommended disallowing the entire cost, Hirsch concedes that a portion of the yard is in dire need of repaving, with a likely cost of one-fourth to one-third of the $60,000 total cost.

We agree with Branch that it is not appropriate to repave the entire yard, since only a small portion of it is in disrepair, where traffic is heaviest. Branch also points out that the areas needing repair apparently have base failure problems, so merely resurfacing may not correct the problems. Considering Branch's estimates of the cost at $15,000 to $20,000, we will allow the larger amount of $20,000, which should allow funds for base repair prior to resurfacing the deteriorated areas.

Staffing

SoCalWater requests authority for two additional service persons in the San Gabriel District. Branch recommends one of the additional persons and associated vehicle be disallowed, based primarily on comparisons with customer ratios of other water utilities. Branch believes the customer ratio is adequate without new personnel considering the low growth rate. However, Branch

recommends that one additional person be allowed to address contamination and water testing problems.

SoCalWater argues that the second additional person is also needed for functions such as gate valve turning, fire hydrant maintenance, cross connection inspection, and main flushing. At the present time, these functions are carried out only sporadically. Gate valve turning insures that valves are operable and properly positioned. Improperly positioned valves can prevent proper flow to fire hydrants. Fire hydrant maintenance involves operating and flushing the hydrants to insure they will be operable if needed. Cross connection inspection verifies that customers who have other water sources, such as wells, have the required devices installed and operating to prevent back-flow of the other water into SoCalWater's system. This is a public health requirement. Finally, main flushing is done to keep the mains clear and sediment-free.

We find SoCalWater's arguments to be convincing. Skimping on maintenance which potentially compromises firefighting effectiveness is not prudent. The gate valve turning program also insures that when leaks occur, the leaking section of main can be isolated quickly to minimize water loss. This is especially important for customer perception during the current drought.

Similarly, cross-connection contamination should not be ignored or deferred. We believe SoCalWater should institute the regular programs which require the additional service person and vehicle at issue. We will grant authority for both additional service persons.

6. Ojai District

SoCalWater requests one additional service person and associated vehicle in the Ojai District. The additional person would be involved in a water audit program, in addition to the duties cited for the San Gabriel District person. The water audit program has been requested by the Casitas Municipal Water District,

which sells water to SoCalWater for the Ojai District. The audit involves on a customer-by-customer basis leak survey and detection and a survey of landscaping related to water requirements.

Branch recommends that the additional service person and associated vehicle be disallowed. Branch bases its recommendation on the customer ratio and the low growth rate of the Ojai District.

We are convinced that the additional service person is justified. Considering the current drought, we cannot afford to disregard actions that are conservation oriented. We also believe it is prudent for SoCalWater to heed Casitas Municipal Water District's recommendation.

Finally, as we indicated regarding the San Gabriel District, we do not wish to jeopardize fire protection by disallowing needed staffing. We will allow the additional person and vehicle.

7. Arden-Cordova, Pomona, and Wrightwood Districts

At issue is the treatment of tank painting expenses; Branch and SoCalWater agree that the costs should be amortized over the cycle of tank painting, which is about three years. SoCalWater seeks ratebase treatment as a working cash adjustment, while Branch argues that ratebase treatment is not appropriate, since this is an expense item and the Uniform System of Accounts does not allow such treatment.

We agree with Branch that this is an expense item that cannot be ratebased and treated as a working cash adjustment under the Uniform System of Accounts. It should be expensed over the three year cycle of these applications and no interest will apply.

8. Ojai, Pomona, and San Gabriel Districts

At issue is the water mix and corresponding water supply cost resulting from the stipulated conservation sales reductions of 10% in the Ojai and San Gabriel Divisions, and 17% in the Pomona

Division. The dispute arose after the hearings concluded, when SoCalWater and Branch collaborated to prepare the late-filed reconciliation Exhibit 24. Neither party realized earlier that there was a dispute over the supply mix for the reduced sales.

SoCalWater recommends reducing the supply expense for each district by the average cost of water to the district. This maintains the same relative mix as used before the conservation sales reduction.

Branch believes that the supply mix can be altered on an economic basis, reducing the higher priced purchase sources first, which reduces the average cost of water.

SoCalWater believes that it is not operationally feasible to disproportionately reduce purchased water, since some of the higher priced water that Branch assumes to be deferred will be needed to meet system peaks.

Lacking details of and testimony on Branch's proposal, we cannot determine whether it is operationally feasible. Since SoCalWater's recommended mix appears feasible, we will adopt it for supply mix and expense.

Comments

Comments on the proposed decision of the administrative law judge were filed by SoCalWater and Branch. The comments noted a number of minor typographical errors and inconsistencies, which have been corrected. New Table 6 was added to show the adopted capital structure.

Findings of Fact

1. On February 21, 1990, SoCalWater filed applications requesting rate increases for water service in its San Gabriel, Pomona Valley, Arden-Cordova, Wrightwood, and Ojai Districts.

2. SoCalWater obtains its water from wells and from purchases from various public entities in certain of the districts.

3. Service provided by SoCalWater in the five districts is satisfactory, and the water furnished meets current state drinking water standards.

4. SoCalWater has complied with our directives in D.86-05-064 to promote water conservation and to prepare and adopt a water management plan to achieve the efficient use of water.

5. SoCalWater has not filed a Tariff Rule 14.1 water conservation plan for the five districts.

6. Water utilities are authorized by D.90-07-067 to establish memorandum accounts to track revenue fluctuations and conservation expenses due to the present drought conditions. The resulting reduced business risk may affect the allowed rate of return, or the amount of the memorandum account allowed recovery.

7. SoCalWater and Branch agree on capital structure, cost of long-term debt, and the effective cost of preferred stock for the test period.

8. SoCalWater requests rates which would produce rates of return on rate base of 11.27% in 1991, 11.29% in 1992, and 11.26% in 1993 with a constant ROE of 13.00% in each of the three years.

9. DRA recommends 12.00%, the mid-point of the range of 11.75% to 12.25%, as the proper ROE for SoCalWater for the three years. The corresponding rates of return on rate base are 10.77% in 1991, 10.79% in 1992, and 10.76% in 1993.

10. SoCalWater used a group of 11 comparable companies in its DCF and RP analyses.

11. SoCalWater's DCF analysis results in ROEs of 13.00% for itself, and 13.50% for the comparable companies.

12. SoCalWater's RP analysis results in ROEs of 12.00% for itself, and 13.50% for the comparable companies.

13. SoCalWater has lost three water systems in the last five years due to condemnation, demonstrating that the threat of condemnation is real.

14. DRA used a group of 13 comparable water utilities in its analyses; the group includes the 11 used by SoCalWater plus the two SoCalWater excluded.

15. DRA's DCF analysis results in ROEs of 11.68% to 12.32% for the comparable group, and 11.56% to 12.12% with an average of 11.84% for SoCalWater.

16. DRA's RP analysis results in ROEs of 12.04% to 12.11% for the comparable group, and 12.17% to 12.20% for SoCal Water.

17. SoCalWater's 1989 long-term debt ratio of 48.8% falls within S&P's AA-bond rating.

18. SoCalWater's 1989 pre-tax interest coverage of 2.8x falls within S&P's A-bond rating.

19. SoCalWater's net cash flow to total capital ratio at 2.5% falls within S&P's BBB-bond rating.

20. In D.89-11-017, we concluded that SoCalWater's new debt securities would probably be considered A-bond rated. The comparable recorded 1988 figures were: long-term debt ratio of 51.8%, pre-tax interest coverage of 2.6x, and net cash flow to total capital ratio of 2.1%. The financial indices are similar to the current financial indices.

21. S&P's benchmarks for bond ratings are more stringent for energy and low risk telecommunications utilities than for water utilities.

22. Determination of a reasonable return on equity is based on factors in addition to equity ratio.

23. The Commission has concluded that water utilities do not face the same business risks as energy and communications utilities.

24. The Commission opened I.89-03-055 to address drought related issues, and balance utilities' interests with ratepayers' interests.

25. Economic conditions have not changed significantly since November 3, 1989 when D.89-11-017 was issued.

26. Financial models do not offer adequate precision to determine a reasonable ROE without applying judgement.

27. An ROE of 12% will allow SoCalWater to maintain its current financial condition.

28. The Commission does not currently allow interest on balancing accounts for water utilities. Whether such interest should be allowed is a generic question affecting all water utilities.

29. The accuracy of estimates of project costs is not known until bids have been received.

30. Placing a cap on planned capital projects would restrict completion of needed projects in some instances.

31. Outside recruitment expenses of $20,000 per year are reasonable, considering the difficulty SoCalWater has experienced in recruiting qualified personnel.

32. The unpainted block walls at the Encinitas Pump Station are not readily visible from nearby homes.

33. It is not reasonable to stucco the outside walls at the Encinitas Pump Station for aesthetic or maintenance reasons.

34. Portions of the pavement and base at the Saxon Plant yard are in severe need of repair. It is not reasonable to repave the entire yard at a cost of $60,000.

35. It is reasonable to repave the deteriorated portion of the Saxon Plant yard.

36. Deleting or deferring maintenance and operation of fire hydrants and gate valves may compromise firefighting effectiveness.

37. Two additional persons and vehicles are needed to implement necessary programs in the San Gabriel District, which include fire protection and cross-connection contamination inspection.

38. The Casitas Municipal Water District has requested SoCalWater to implement a water audit program in the Ojai District, including a leak survey and detection and a survey of landscaping.

39. One additional person and vehicle are needed to implement the water audit program in the Ojai District.

40. Tank painting is an expense item that cannot be ratebased under the Uniform System of Accounts.

41. Branch has not demonstrated that the water supply mix can operationally be reduced on an economic basis, considering system requirements.

42. The water mix and supply cost resulting from the conservation sales reductions in the Ojai, San Gabriel, and Pomona Divisions, as estimated by SoCalWater, are operationally feasible.

Conclusions of Law

1. An ROE of 12% is just and reasonable for SoCalWater for 1991, 1992, and 1993 and should be adopted.

2. SoCalWater should be ordered to file Tariff Rule 14.1 water conservation plan for the five districts.

3. The propriety of balancing account interest for water utilities is a generic issue that should not be considered in individual water company rate cases.

4. It is not reasonable to impose caps on SoCalWater's planned capital projects.

5. SoCalWater's estimate of $20,000 for 1991 outside recruitment expenses is reasonable and should be adopted.

6. It is not reasonable to allow SoCalWater funds to stucco the outside walls at the Encinitas Pump Station.

7. An allowance for paving repair in the amount of $20,000 at the Saxon Plant is reasonable and should be adopted.

8. It is reasonable to allow two additional service persons and vehicles for the San Gabriel District.

9. It is reasonable to allow one additional service person and vehicle for the Ojai District.

10. SoCalWater should not be allowed to ratebase tank painting expenses.

11. SoCalWater's estimates of water mix and supply cost are reasonable and should be adopted.

12. The applications should be granted to the extent provided in the following order.

O R D E R

IT IS ORDERED that:

1. Southern California Water Company (SoCalWater) is authorized to file the revised schedules attached as Appendices A-1 through A-5. This filing shall comply with General Order (GO) 96-A. The effective date of the revised schedules shall be no earlier than January 1, 1991, or 5 days after the date of filing, whichever is later. The revised schedules shall apply to service rendered on and after their effective date.

2. On or after November 15, 1991, SoCalWater is authorized to file an advice letter, with appropriate workpapers, requesting the step rate increases for 1992 included in Appendices B-1 through B-5, or to file a proportionate lesser increase for those rates in Appendices B-1 through B-5 for San Gabriel, Pomona Valley, Arden-Cordova, Wrightwood, and Ojai Districts, respectively, in the event that district's rate of return on rate base, adjusted to reflect the rates then in effect and normal ratemaking adjustments for the 12 months ended September 30, 1991, exceeds the later of (a) the rate of return found reasonable for SoCalWater during the corresponding period in the then most recent rate decision or (b) 10.77%. This filing shall comply with GO 96-A. The requested step rates shall be reviewed by the Commission Advisory and Compliance Division (CACD) to determine their conformity with this order and shall go into effect upon CACD's determination of conformity. CACD shall inform the Commission if it finds that the proposed step rates are not in accord with this decision. The effective date of the revised schedules shall be no earlier than

January 1, 1992, or 30 days after filing, whichever is later. The revised schedules shall apply only to service rendered on and after their effective date.

3. On or after November 15, 1992, SoCalWater is authorized to file an advice letter, with appropriate workpapers, requesting the step rate increases for 1993 included in Appendices B-1 through B-5, or to file a proportionate lesser increase for those rates in Appendix B-1 through B-5 for San Gabriel, Pomona Valley, Arden-Cordova, Wrightwood, and Ojai Districts, respectively, in the event that district's rate of return on rate base, adjusted to reflect the rates then in effect and normal ratemaking adjustments for the 12 months ended September 30, 1992, exceeds the later of (a) the rate of return found reasonable for SoCalWater during the corresponding period in the then most recent rate decision or (b) 10.79%. This filing shall comply with GO 96-A. The requested step rates shall be reviewed by the staff to determine their conformity with this order and shall go into effect upon CACD's determination of conformity. CACD shall inform the Commission if it finds that the proposed step rates are not in accord with this decision. The effective date of the revised schedules shall be no earlier than January 1, 1993, or 30 days after the filing of the step rate, whichever is later. The revised schedules shall apply only to service rendered on or after their effective date.

4. Within 60 days of the effective date of this order, SoCalWater shall file a Tariff Rule 14.1 water conservation plan for each of the San Gabriel, Pomona Valley, Arden-Cordova, Wrightwood, and Ojai Districts.

This order is effective today.

Dated December 27, 1990, at San Francisco, California.

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

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

NEAL J. SHULMAN, Executive Director

Southern-California Water Co.
San Gabriel Valley District

Schedule No. SG-1

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all general metered water service.

TERRITORY

Portions of the Cities of Arcadia, El Monted, Irwindale, Monrovia, Monterey Partk, Roseméad, San Gabriel, Temple City and vicinity, Los Angeles County.

RATES

	Per Meter Per Month	
Quantity Rates:		
For all water delivered, per 100 cu. ft	$ 0.870	(I)
Service Charge:		
For 5/8 x 3/4-inch meter	$ 7.10	(I)
For 3/4-inch meter	7.50	|
For 1-inch meter	12.00	|
For 1-1/2-inch meter	14.00	|
For 2-inch meter	21.00	|
For 3-inch meter	40.00	|
For 4-inch meter	50.00	|
For 6-inch meter	99.00	|
For 8-inch meter	134.00	(I)

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

SPECIAL CONDITIONS

(D)

1. All bills are subject to the reimbursement fee set forth in Schedule NO. UF. (T)

Southern California Water Co.
San Gabriel Valley District

Schedule No. AA-4

PRIVATE FIRE SERVICE

APPLICABILITY

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

TERRITORY

Rate A - Applicable within the Barstow, Bay, Calipatria-Niland, Clearlake, Desert, Los Osos, Metropolitan, Orange County, San Dimas, Santa Maria, and Simi Valley districts. (C)

Rate B - Applicable within the Arden-Cordova, Ojai, Pomona Valley, San Gabriel Valley, and Wrightwood districts. (C)

RATES

Quantity Rates:	Per Month A	Per Month B	
For each inch of diameter of service connection	$4.00	$5.00	(C)

SPECIAL CONDITIONS

(continued)

(End of Appendix A-1)

Southern California Water Co.
Pomona Valley District

Schedule No. PV-1

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

The City of Claremont, portions of Montclair, Pomona, Upland and adjacent unincorporated territory in Los Angeles and San Bernardino Counties excluding that area described in Schedule PCVC-1.

RATES

	Per Meter Per Month	
Quantity Rates:		
For all water delivered, per 100 cu. ft.	$ 1.1035	(I)
Service Charge:		
For 5/8 x 3/4-inch meter	$ 9.00	(I)
For 3/4-inch meter	9.95	|
For 1-inch meter	12.10	|
For 1-1/2-inch meter	24.60	|
For 2-inch meter	40.00	|
For 3-inch meter	66.00	|
For 4-inch meter	98.00	|
For 6-inch meter	179.00	|
For 8-inch meter	308.00	|
For 10-inch meter	429.00	(I)

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

SPECIAL CONDITIONS

1. All bills are subject to the reimbursement fee set forth in Schedule NO. UF. (T)

Southern California Water Company
Pomona Valley District

Schedule No. PVC-1

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

Within the area north of Thompson Creek and the Padua Hills service area, Los Angeles County.

RATES

Quantity Rates:	Per Meter Per Month	
For all water delivered, per 100 cu. ft	$1.234	(I)

Service Charge:

For 5/8 x 3/4-inch meter	$9.00	(I)
For 3/4-inch meter	9.95	|
For 1-inch meter	12.10	|
For 1 1/2-inch meter	24.60	|
For 2-inch meter	40.00	|
For 3-inch meter	66.00	|
For 4-inch meter	98.00	|
For 6-inch meter	179.00	|
For 8-inch meter	308.00	|
For 10-inch meter	429.00	(I)

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

SPECIAL CONDITIONS

1. All bills are subject to the reimbursement fee set forth on Schedule No. UF. (L)

Southern California Water Company
Pomona Valley District

Schedule No. PVH-3M

MEASURED IRRIGATION SERVICE

APPLICABILITY

Applicable to all measured irrigation service.

TERRITORY

Within the City of Claremont, in Los Angeles County, bounded on the east by the County Line, on the south by Bluefield Drive and its easterly extension, on the west by the Bonnie Brae Avenue and its northerly extention, on the north by the westerly extension of 21st Street.

RATES

	Per Meter Per Month	
Quantity Rates:		
For all water delivered, per 100 cu. ft	$0.200	(I)
Turn-on Charge:		
For each turn-on	$3.00	(I)

SPECIAL CONDITIONS

(continued)

Southern California Water Company
Pomona Valley District

Schedule No. PVP-3M

MEASURED IRRIGATION SERVICE

APPLICABILITY

Limited to irrigation service provided to Seyfarth Nursery, Severin Garth (or 4153 Mr. Baldy Road) and Larry Sloan only.

TERRITORY

Padua Hills and vicinity, located approximately 3 miles northeast of Claremont, Los Angeles County.

RATES

Quantity Rates:	Per Meter Per Month	
For all water delivered, per 100 cu. ft	$0.330	(I)
Service Charge	90.00	(I)

SPECIAL CONDITIONS

1. Service under this schedule is for Commercial usage only and may be provided through more than one meter combined for monthly billing.

2. Residential service will be provided only through a separate meter and billed under Schedule No. PVC-1, General Metered Service.

3. All bills are subject to the reimbursement fee set forth on Schedule No. UF. (T)

Southern California Water Company
Pomona Valley District

Schedule No. PV-7ML

LIMITED METERED SERVICE

APPLICABILITY

Applicable to metered water service to the City of Claremont

TERRITORY

The City of Claremont, Los Angeles County.

RATES

Quantity Rates:	Per Meter Per Month	
For all water delivered, per 100 cu. ft	$0.990	(I)
Service Charge:		
For 5/8 x 3/4-inch meter	$9.00	(I)
For 3/4-inch meter	9.95	|
For 1-inch meter	12.10	|
For 1 1/2-inch meter	24.60	|
For 2-inch meter	40.00	|
For 3-inch meter	66.00	|
For 4-inch meter	98.00	|
For 6-inch meter	179.00	|
For 8-inch meter	308.00	|
For 10-inch meter	429.00	(I)

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

SPECIAL CONDITIONS

1. This tariff is limited to off-peak parkway irrigation service provided to the City of Claremont between the hours of 7:00 p.m. and 6:00 a.m.

2. All bills are subject to the reimbursement fee set forth on Schedule No. UF.

(End of Appendix A-2)

Southern California Water Co.
Arden-Cordova District

Schedule No. AC-1

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all general metered water service.

TERRITORY

Arden Manor area located approximately six miles northeast of Sacramento and Rancho Cordova and vicinity, Sacramento County.

RATES

Quantity Rates:	Per Meter Per Month	
For all water delivered, per 100 cu. ft	$0.291	(I)
Service Charge:		
For 5/8 x 3/4-inch meter	$7.95	(I)
For 3/4-inch meter	8.70	|
For 1-inch meter	9.80	|
For 1-1/2-inch meter	13.80	|
For 2-inch meter	17.50	|
For 3-inch meter	25.00	|
For 4-inch meter	53.00	|
For 6-inch meter	96.00	|
For 8-inch meter	122.00	(I)

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

SPECIAL CONDITIONS

1. Due to the undercollection in the balancing account, an amount of $0.0117 per Ccf is to be added to the quantity rates as for 24 months starting with the effective date of Jan. 24, 1990 of Advice Letter 810-W to amortize the undercollection.

2. All bills are subject to the reimbursement fee set forth on Schedule No. UF.

Southern-California Water Co.
Arden-Cordova District

Schedule No. AC-2

FLAT RATE SERVICE

APPLICABILITY

Applicable to all flat water service.

TERRITORY

Arden Manor area located approximately six miles northeast of Sacramento and Rancho Cordova and vicinity, Sacramento County.

RATES	Per Service Connection Per Month	
1. For each single unit of occupancy including premises not exceeding 12,000 sq. ft. in area	$12.45	(I)
2. For a duplex including premises not exceeding 12,000 sq. ft. in area	24.90	(I)
3. For each additional detached unit of occupancy on the same premises and served from the same service connection	12.45	(I)
4. For each swimming pool equipped with recirculating filter system, on the same premises and served from the same service connection	2.20	(I)

SPECIAL CONDITIONS

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

2. For service covered by the above classification, if either the utility or the customer so elects, a meter shall be installed and service provided under Schedule No. AC-1, General Metered Service.

3. Due to the undercollection in the balancing account, an amount of $0.45 and $0.90 is to be added to the monthly rate for single units (including detachments) and the duplexes, respectively, as shown above for 24 months from the effective date of Jan. 24, 1990 of Advice Letter 810-W to amortize the undercollection.

4. All bills are subject to the reimbursement fee set forth on Schedule No. UF.

(End of Appendix A-3)

Southern-California Water Co.
Wrightwood District

Schedule No. WW-1

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

Wrightwood and vicinity, San Bernardino and Los Angeles Counties.

RATES

Quantity Rates:	Per Meter Per Month	
For all water delivered, per 100 cu. ft	$2.316	(I)
Service Charge:		
For 5/8 x 3/4-inch meter	$26.00	(I)
For 3/4-inch meter	28.70	|
For 1-inch meter	38.00	|
For 1 1/2-inch meter	53.00	|
For 2-inch meter	71.00	|
For 3-inch meter	132.00	|
For 4-inch meter	192.00	(I)

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

SPECIAL CONDITIONS

1. A new applicant for service shall advance an amount equal to the service charge for a period of twelve months. this advance will be credited to applicant's account against which charges for water service will be debited until the advance is depleted. When no credit remains, applicant will be billed at the monthly rate above. No refund will be made upon disconnection of service if less than twelve continuous months.

2. All bills are subject to the reimbursement fee set forth on Schedule No. UF.

(End of Appendix A-4)

Southern California Water Co.
Ojai District

Schedule No. OJ-1

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all general metered water service except public parks.

TERRITORY

Ojai and vicinity, Ventura County.

RATES

	Per Meter Per Month	
Quantity Rates:		
First 500 cu. ft.	$ 1.090	(I)
Next 1500 cu. ft.	1.193	|
Over 2000 cu. ft.	1.465	(I)
Service Charge:		
For 5/8 x 3/4-inch meter	$ 8.65	(I)
For 3/4-inch meter	12.60	|
For 1-inch meter	17.30	|
For 1-1/2-inch meter	23.00	|
For 2-inch meter	30.00	|
For 3-inch meter	60.00	|
For 4-inch meter	80.00	|
For 6-inch meter	126.00	|
For 8-inch meter	194.00	(I)

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

SPECIAL CONDITIONS

1. All bills are subject to the reimbursement fee set forth in Schedule NO. UF. (T)

Southern California Water Co.
Ojai District

Schedule No. OJ-7ML

PUBLIC PARK METERED SERVICE

APPLICABILITY

Applicable to all general metered water service furnished to public parks.

TERRITORY

Ojai and vicinity, Ventura County.

RATES

	Per Meter Per Month	
Quantity Rates:		
For all water delivered, per 100 cu. ft	$ 0.900	(I)
Service Charge:		
For 5/8 x 3/4-inch meter	$ 8.65	(I)
For 3/4-inch meter	12.60	|
For 1-inch meter	17.30	|
For 1-1/2-inch meter	23.00	|
For 2-inch meter	30.00	(I)

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

SPECIAL CONDITIONS

1. Service under this schedule shall be limited to the City of Ojai, the County of Ventura and the Civic Center Park (Ojai Civic Association, Trustee).

2. The above rates apply to service connections not larger than two inches in diameter.

3. The cost of installation of service pipes and meters shall be borne by the utility. Relocation of such facilities shall be at the expense of the party requesting relocation.

4. All bills are subject to the reimbursement fee set forth on Schedule No. UF.

Southern California Water Co.
Ojai District

Schedule No. OJ-3M

SPECIAL IRRIGATION METERED SERVICE

APPLICABILITY

Applicable to ten specific parcels of land identified on Special Irrigation Metered Service Tariff Area Map.

TERRITORY

Ojai and vicinity, Ventura County.

RATES

Quantity Rates:

Casitas Municipal Water District agricultural non-prime rates as amended from time to time.

Wheeling Surcharge:

	Per Meter Per Month	
For 2-inch meter	$ 70.00	(I)
For 4-inch meter	80.00	(I)

The Wheeling Surcharge is a Southern California Water Company charge for transporting Casitas irrigation water to said ten specific parcels of land, which charge is to be added to the quantity charge computed at Casitas MWD rates

SPECIAL CONDITIONS

(continued)

(End of Appendix A-5)

APPENDIX B-1
San Gabriel Valley District

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

	Effective Dates 1-1-92	1-1-93
Schedule SG-1 General Metered Service		
Service Charge:	Per Meter Per Month	
For 5/8 x 3/4-inch meter.....	$ 0.35	$ 0.25
For 3/4-inch meter.....	0.40	0.25
For 1-inch meter.....	0.60	0.40
For 1 1/2-inch meter.....	0.70	0.40
For 2-inch meter.....	1.00	1.00
For 3-inch meter.....	2.00	1.00
For 4-inch meter.....	3.00	2.00
For 6-inch meter.....	5.00	3.00
For 8-inch meter.....	7.00	4.00
Quantity Rates:		
For all water delivered, per 100 cu.ft	0.046	0.025

(End of Appendix B-1)

APPENDIX B-2
Pomona Valley District

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

METERED RATES

	Effective Dates 1-1-92	1-1-93
Schedules PV-1, PVC-1, PV-7ML		
Service Charge:	Per Meter Per Month	
For 5/8 x 3/4-inch meter.....	$ 0.50	$ 0.40
For 3/4-inch meter.....	0.55	0.50
For 1-inch meter.....	0.90	0.70
For 1 1/2-inch meter.....	1.40	1.20
For 2-inch meter.....	2.00	1.00
For 3-inch meter.....	3.00	2.00
For 4-inch meter.....	4.00	2.00
For 6-inch meter.....	8.00	4.00
For 8-inch meter.....	13.00	7.00
For 10-inch meter.....	19.00	10.00
Quantity Rates:		
For all water delivered, per 100 cu.ft.		
Schedule PV-1.....	0.0237	0.0208
Schedule PVC-1.....	0.016	0.008
Schedule PV-7ML.....	0.030	0.015
Schedules PVH-3M		
Quantity Rates...Per 100 cu.ft.....	0.008	0.004
Schedules PVP-3M		
Service charge.....	0.000	5.00
Quantity Rates...Per 100 cu.ft.....	0.010	0.005

(End of Appendix B-2)

APPENDIX B-3

Arden-Cordova District

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

	Effective Dates 1-1-92	1-1-93
Schedule AC-1 General Metered Service		
Service Charge:	Per Meter Per Month	
For 5/8 x 3/4-inch meter.....	$ 0.15	$ 0.20
For 3/4-inch meter.....	0.20	0.25
For 1-inch meter.....	0.20	0.30
For 1 1/2-inch meter.....	0.20	0.50
For 2-inch meter.....	0.50	1.00
For 3-inch meter.....	0.50	1.00
For 4-inch meter.....	1.00	1.00
For 6-inch meter.....	2.00	2.00
For 8-inch meter.....	3.00	3.00
Quantity Rates:		
For all water delivered, per 100 cu.ft	0.007	0.007
Schedule AC-2 General Flat Rate Service		
1. For each single unit of occupancy, including premises not exceeding 12,000 sq. ft. in area.....	0.80	0.35
2. For a duplex including premises not exceeding 12,000 sq. ft. in area.....	1.60	0.70
3. For each additional detached unit of occupancy on the same premises and served from the same service connection	0.80	0.35
4. For each swimming pool equipped with recirculating filter system, on the same premises and served from the same service connection.....	0.10	0.20

(End of Appendix B-3)

APPENDIX B-4
Wrightwood District

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

	Effective Dates 1-1-92	1-1-93
Schedule WW-1 General Metered Service		
Service Charge:	Per Meter Per Month	
For 5/8 x 3/4-inch meter.....	$ 1.20	$ 0.50
For 3/4-inch meter.....	1.40	0.50
For 1-inch meter.....	2.00	1.00
For 1 1/2-inch meter.....	2.00	1.00
For 2-inch meter.....	3.00	1.00
For 3-inch meter.....	6.00	2.00
For 4-inch meter.....	9.00	3.00
Quantity Rates:		
For all water delivered, per 100 cu.ft	0.115	0.085

(End of Appendix B-4)

APPENDIX B-5
Ojai 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.

Schedule OJ-1 General Metered Service

Service Charge:	Effective Dates Per Meter Per Month 1-1-92	1-1-93
For 5/8 x 3/4-inch meter.....	$ 0.60	$ 0.45
For 3/4-inch meter.....	0.90	0.60
For 1-inch meter.....	1.20	0.80
For 1 1/2-inch meter.....	2.00	1.00
For 2-inch meter.....	2.00	1.00
For 3-inch meter.....	4.00	3.00
For 4-inch meter.....	5.00	4.00
For 6-inch meter.....	9.00	6.00
For 8-inch meter.....	14.00	9.00
Quantity Rates:		
For the first 5 cu.ft., per 100 cu.ft.	0.070	0.051
For the next 15 cu.ft. per 100 cu.ft.	0.067	0.055
For all over 20 cu.ft. per 100 cu.ft.	0.075	0.068

Schedule OJ-7ML Public Park Metered Service

Service Charge:	Per Meter Per Month	
For 5/8 x 3/4-inch meter.....	$ 0.60	0.45
For 3/4-inch meter.....	0.90	0.60
For 1-inch meter.....	1.20	0.80
For 1 1/2-inch meter.....	2.00	1.00
For 2-inch meter.....	2.00	1.00
Quantity Rates:		
For all water delivered, per 100 cu.ft.	0.050	0.030

Schedule OJ-3M Special Irrigation Metered Service

Wheeling Surcharge:	Per Meter Per Month	
For 2-inch meter.....	$ 15.00	5.00
For 4-inch meter.....	17.00	6.00

(End of Appendix B-5)

Southern California Water Company
San Gabriel Valley District

Adopted Quantities

	1991	1992
PURCHASED POWER		
SoCal Ed. 8/90		
SoCal Gas 1/90		
WELLS:		
Total Production (KCcf)	2353.4	2362.3
Kwh per CCF	1.383	1.383
Total Kwh (1000)	3254.79	3267.06
Unit Cost $/Kwh	0.08144	0.08144
Energy Cost	$265,070	$266,069
BOOSTERS:		
Total Production (KCcf)	2901.5	2912.3
Kwh per CCF	0.0384	0.0384
Total Kwh (1000)	111.42	111.83
Unit Cost $/Kwh	0.08144	0.08144
Energy Cost	$9,074	$9,108
GAS (Therms)	59731	59955
SoCal Gas $/Therm	0.45891	0.45891
Total Gas Cost	$27,411	$27,514
TOTAL Purchased Power	$301,555	$302,691
PURCHASED WATER		
City of Arcadia 7/90		
Upper San Gabriel Val.MWD 7/90		
Arcadia AF."inside" rate	28.8	28.89
$/AF	287.5	287.5
Total cost	$8,280	$8,306
Arcadia AF."outside" rate	334.1	335.4
$/AF	434.29	434.29
Total cost	$145,546	$146,111
Upper SGVMWD AF	104.4	104.4
$/AF	232.3	232.3
Total cost	$24,252	$24,252
Total Purchased Water	$178,078	$178,669
PUMP TAX: Main SG Watermaster 7/90		
Total Well Water (AF)	6192.939	6216.293
Admin.Assessm. $/AF	6	6
Total Adm.Assm.Cost	$37,158	$37,298
Prescriptive Rights (AF)	4673.68	4673.68
Long Beach Make-up, $/AF	3	3
Total Long Beach Make-up	$14,021	$14,021
Excess Pumping (AF)	1519.26	1542.61
Water Replenishment, $/AF	158	158
Total Water Replen.	$240,043	$243,733
TOTAL Pump Tax	$291,222	$295,052
TOTAL Chemical Cost	$1,800	$1,800

Southern-California Water Co.
San Gabriel Valley District

Adopted Quantities

Number of Service, Meter Size	1991	1992
SG-1		
5/8 X 3/4	9,894	9,929
3/4	42	42
1	1,112	1,116
1 1/2	106	107
2	196	197
3	19	19
4	9	9
6	3	3
8	0	0
total	11,381	11,422
All Ccf	2,844,300	2,854,900

Number of Service	No.of Service 1991	No.of Service 1992	Usage-KCcf 1991	Usage-KCcf 1992	Avg.Usage Ccf/Yr. 1991	Avg.Usage Ccf/Yr. 1992
Commercial	11,266	11,306	2,733.6	2,743.3	242.6	242.6
Public Authority	104	105	89.9	90.8	864.8	864.8
Industrial	9	9	19.5	19.5	2,163.7	2,163.7
Other	2	2	1.3	1.3		
subtotal	11,381	11,422	2,844.3	2,854.9		
Private Fire Prot	42	42				
Total	11,423	11,464				
Water Loss			57.2	57.4		
Total Water Produced			2,901.5	2,912.3		
Purc.Water			203.9	204.5		
Well			2,697.6	2,707.8		

Southern California Water Co.
San Gabriel District

Income Tax Calculations

	1991	1992
	(Thousands of Dollars)	
Total Revenues	$3,585.0	$3,781.9
Purchased Power	301.6	302.7
Purchased Water	178.1	178.7
Pump Tax	291.2	295.1
Chemical	1.8	1.8
Payroll	381.6	397.6
O&M Others	281.4	290.4
A&G Others	126.8	143.5
Gen.Office	155.9	170.7
Ad Valorem Taxes	208.7	234.6
Payroll Taxes	30.6	31.8
Uncoll. .00511	18.3	19.3
Loc.Fran..01467	52.5	55.4
subtotal	2,028.5	2121.6
Sched.M	23.2	23.2
Interest	396.7	433.6
Total Deductions	2,448.4	2578.4
State Tax Depr.	323.9	400.2
State Tax 9.3	75.6	74.7
Fed.Tax Depr.	255.7	287.8
Fed.Tax 34.12	299.6	286.7

Net/Gross 1.8029

(End of Appendix C-1)

Southern California Water Company
Pomona Valley District

Adopted Quantities

	1991	1992
PURCHASED POWER		
SoCal Ed. 8/90		
WELLS:		
Total Production (KCcf)	2535.4	2564.3
Kwh per CCF	2.6667	2.6667
Total Kwh (1000)	6761.14	6838.31
Unit Cost $/kwh	0.09292	0.09292
Energy Cost	$628,245	$635,416
BOOSTERS:		
Total Production (KCcf)	4756.8	4811.1
Kwh per CCF	0.380228	0.380228
Total Kwh (1000)	1808.68	1829.33
Unit Cost $/kwh	0.09292	0.09292
Energy Cost	$168,063	$169,981
TOTAL Purchased Power	$796,308	$805,397
PURCHASED WATER		
Three Val.MWD 7/90	3582.7	3632.2
$/AF	228	228
Total Cost	$816,864	$828,135
West End Con.Water	159.4	161.2
$/AF	121	121
Total Cost	$19,287	$19,507
College Well 7/89	264673	267702
$/Ccf	0.0417	0.0417
Total Cost	$11,037	$11,163
Monte Vista	750	750
$/AF	305	305
Total Cost	$228,750	$228,750
TOTAL Purchased Water	1075938	1087555
PUMP TAX		
Chino Basin Watermaster 9/89		
Margarita Well (AF)	622.0	629.3
Adm.Assessm.($/AF)	0.7467	0.7467
Replenm. rate ($/AF)	3.5549	3.5549
AG Pool Tr.assm.($/AF)	0.0683	0.0683
Cost: Adm. Assm.	$464	$470
Replem.	$2,211	$2,237
AG Pool Tr.assm.	$39	$40
TOTAL Pump Tax	$2,715	$2,747
CHEMICAL (CCF)	4756.8	4811.1
Cost 0.0007	$3,330	$3,368

Southern-California Water Co.
Pomona Valley District

Adopted Quantities

No.of Service,Meter Size	1991	1992	1991	1992
	PV-1		PVC-1	
5/8 x 3/4	3,098	3,138	106	107
3/4	144	145	341	345
1	5,747	5,820	261	264
1 1/2	81	82	11	11
2	290	294	9	9
3	31	32	1	1
4	8	8	0	0
6	11	11	0	0
8	3	3	0	0
10	0	0	0	0
total	9,413	9,533	729	737
All Ccf	3807000	3852200	274400	277400

Number of Service	No.of Service 1991	No.of Service 1992	Usage-KCcf 1991	Usage-KCcf 1992	Avg.Usage Ccf/Yr. 1991	Avg.Usage Ccf/Yr. 1992
Commercial	10,104	10,232	3,803.3	3,851.5	376.4	376.4
Public Authority	29	29	161.7	161.7	5,575.1	5,575.1
Industrial	6	6	44.0	44.0	7,331.6	7,331.6
Irrigation	32	32	145.4	145.4	4,543.9	4,543.9
Contract	170	172	180.9	183.0	1,063.9	1,063.9
Others	32	32	72.4	72.4	2,262.4	2,262.4
subtotal	10,373	10,503	4,407.7	4,458.0		
Private Fire Prot	87	88				
Total	10,460	10,591				
Water Loss:7.34%			349.2	353.1		
Total Water Produced			4,756.9	4,811.1		
Purch.Water			2,221.4	2,246.8		
Well .533			2,535.5	2,564.3		

Southern-California Water Co.
Pomona District

Income Tax Calculations

	1991	1992
	(Thousands of Dollars)	
Total Revenues	$6,309.3	$6,591.5
Purchased Power	796.3	805.4
Purchased Water	1075.9	1087.6
Pump Tax	2.7	2.7
Chemical	3.3	3.4
Payroll	400.8	417.6
O&M Others	387.8	407.3
A&G Others	178.7	203.7
Gen.Office	242.2	265.2
Ad Valorem Taxes	91.3	99.2
Payroll Taxes	32.1	33.5
Uncoll. .00482	30.4	31.7
Loc.Fr. .00138	8.7	9.1
subtotal	3,250.2	3366.4
Sch.M	23.0	22.8
Interest	763.3	814.6
Total Deductions	4,036.5	4203.8
State Tax Depr.	393.5	472.0
State Tax 9.3	174.8	178.2
Fed.Tax Depr.	608.0	666.7
Fed.Tax 34.12	533.0	527.8

Net/Gross 1.7784

(End of Appendix C-2)

Southern-California Water Co.
Arden-Cordova District

Adopted Quantities

PURCHASED POWER	1991	1992
SMUD 1/90		
PGE 4/90		
WELLS:		
Production (KCcf)	5,194.7	5,351.2
Kwh per Ccf	0.9276	0.9276
Wells Kwh(1000)	4,818.6	4,963.8
Unit Cost $/kwh	0.06140	0.06140
Energy Cost	$295,858	$304,776
Boosters		
Total Prod. KCcf	5,899.6	6,077.4
Kwh per Ccf	0.1124	0.1124
Kwh, 1000	663.1	683.1
Unit Cost $/kwh	0.0614	0.0614
Energy Cost	$40,715	$41,942
Therms	10827	11153
Unit Cost $/thm.	0.45026	0.45026
Gas Cost	$4,875	$5,022
Pyrites,Citrus,1000 Kwh	740.4	762.7
Cost	$0	$0
Total Power Cost	$341,448	$351,740
Chemical Cost	$40,200	$43,300

Southern-California Water Co.
Arden-Cordova District

Adopted Quantities

Number of Service, Meter Size	1991	1992
AC-1		
5/8 x 3/4	12	13
3/4	85	87
1	261	269
1 1/2	69	71
2	544	561
3	63	65
4	12	13
6	16	17
8	10	11
total	1,072	1,107
Total Ccf	1,942,900	2,001,600

Number of Service	No.of Service 1991	No.of Service 1992	Usage-KCcf 1991	Usage-KCcf 1992	Avg.Usage Ccf/Yr. 1991	Avg.Usage Ccf/Yr. 1992
Commercial	1,046	1,080	1,805.2	1,858.5	1,720.8	1,720.8
Public Authority	26	27	137.8	143.1	5,298.4	5,298.4
subtotal	1,072	1,107				
Flat Rate	10662	10983	3,428.0	3,531.3		
Private Fire Prot	307	316				
Total	12,041	12,406	5,371.0	5,532.9		
Water Loss: 8.96%			528.6	544.5		
Total Water Produced			5,899.6	6,077.4		
Surf.Water			704.9	726.2		
Well			5,194.7	5,351.2		
Flat Rate Service						
Single Unit	10,375	10,687				
Duplex	287	296				
Single+Add.Unit	0	0				
Single + pool	918	946				

Southern California Water Co.
Arden-Cordova District

Income Tax Calculations

	1991	1992
	(Thousands of Dollars)	
Total Revenues	$2,591.1	$2,798.7
Purchased Power	341.4	351.7
Purchased Chem.	40.2	43.3
Payroll	344.6	359.0
O&M Others	238.6	250.6
A&G Others	148.0	167.9
Gen.Office	160.4	175.6
Ad Val.Taxes	83.9	91.8
Payroll Taxes	27.6	28.8
Uncoll. .00479	12.3	13.3
Loc.Fr. .00457	11.8	12.7
subtotal	1,408.8	1494.7
Sch.M	35.5	35.1
Interest	261.6	300.1
Total Deductions	1,705.9	1829.9
State Tax Depr.	411.0	469.8
State Tax 9.3	44.1	46.4
Fed.Tax Depr.	379.8	414.6
Fed.Tax 34.12	177.9	174.0

Net/Gross 1.7841

(End of Appendix C-3)

Appendix C-4
Page 1

Southern-California Water Co.
Wrightwood District

Adopted Quantities

PURCHASED POWER	1991	1992
SoCal Ed. 8/90		
Well Stations		
Production: KCcf	271.3	275.8
Kwh per Ccf	1.736	1.736
Wells Kwh(1000)	471.0	478.8
Unit Cost $/kwh	0.10236	0.10236
Energy Cost	$48,212	$49,012
Boosters		
Total Prod. KCcf	271.3	275.8
Kwh per Ccf	0.08584	0.08584
Kwh, 1000	23.3	23.7
Unit Cost $/kwh	0.10236	0.10236
Energy Cost	$2,384	$2,423
Total Power Cost	$50,596	$51,435
Chemical Cost	$2,800	$3,000

Southern-California Water Co.
Wrightwood District

Adopted Quantities

Number of Service, Meter Size	1991	1992
WW-1		
5/8 x 3/4	2,123	2,159
3/4	302	307
1	39	40
1 1/2	12	13
2	1	1
3	1	1
4	0	0
total	2,478	2,521
All Ccf	214700	218300

Number of Service	No.of Service 1991	No.of Service 1992	Usage-KCcf 1991	Usage-KCcf 1992	Avg.Usage Ccf/Yr. 1991	Avg.Usage Ccf/Yr. 1992
Commercial	2,474	2,517	209.6	213.2	84.7	84.7
Public Authority	4	4	5.1	5.1	1,263.0	1263.0
subtotal	2,478	2,521	214.7	218.3		
Private Fire Prot	4	4				
Total	4	4				
Water Loss			56.6	57.5		
Total Water Produced Well			271.3	275.8		

Southern-California Water Co.
Wrightwood District

Income Tax Calculations

	1991	1992
	(Thousands of Dollars)	
Total Revenues	$1,292.4	$1,377.2
Purchased Power	50.6	51.4
Chemical	2.8	3.0
Payroll	180.0	187.5
O&M Others	119.0	125.7
A&G Others	82.7	93.0
Gen.Office	57.4	62.9
Ad Val.Taxes 1.11	49.0	53.2
Payroll Taxes	14.3	14.5
Uncoll. .00515	6.7	7.1
Loc.Fr. .00682	8.8	9.4
subtotal	571.3	607.7
Sch.M	8.2	8.4
Interest	192.4	209.5
Total deductions	771.9	825.6
State Tax Depr.	139.2	167.3
State Tax 9.3	35.5	35.7
Fed.Tax Depr.	111.8	121.6
Fed.Tax 34.12	135.0	134.6

Net/Gross 1.7888

(End of Appendix C-4)

APPENDIX C-5
Page 1

Southern California Water Company
Ojai District

Adopted Quantities

	1991	1992
PURCHASED POWER		
SoCal Ed. 8/90		
WELLS:		
Total Production (KCcf)	656047.8	662845.5
Kwh per CCF	2.10526	2.10526
Total Kwh (1000)	1381151	1395462
Unit Cost $/kwh	0.0782	0.0782
Energy Cost	$108,006	$109,125
BOOSTERS:		
Total Production (KCcf)	884161.5	893322.8
Kwh per CCF	0.1593	0.1593
Total Kwh (1000)	140846.9	142306.3
Unit Cost $/kwh	0.0782	0.0782
Energy Cost	$11,014	$11,128
TOTAL Purchased Power	$119,020	$120,253
PURCHASED WATER		
Casitas MWD 7/90	228113.7	230477.3
$/ccf	0.658	0.658
Cost	150099	151654
Servive charge	4332	4332
TOTAL Purchased Water	$154,431	$155,986
Chemical (Ccf)	884161.5	893322.8
Cost 0.001928	$1,705	$1,722

Appendix C-5
Page 2

Southern-California Water Co.
Ojai District

Adopted Quantities

Number of Service, Meter Size	1987	1988
OJ-1		
5/8 x 3/4	1,805	1,819
3/4	200	201
1	381	384
1 1/2	62	62
2	91	92
3	1	1
4	1	1
6	2	2
8	0	0
total	2,543	2,562
Total Ccf	717,000	722,200

Number of Service	No.of Service 1987	No.of Service 1988	Usage-KCcf 1987	Usage-KCcf 1988	Avg.Usage Ccf/Yr. 1987	Avg.Usage Ccf/Yr. 1988
Commercial	2,660	2,690	706.9	714.9	265.77	265.8
Public Authority	18	18	18.9	18.9	1,050.6	1,050.6
Irrigation	4	4	31.0	31.0	7,738.2	7,738.2
Other	17	17	12.7	12.7		
subtotal	2,699	2,729	769.5	777.5		
Private Fire Prot	22	23				
Total	2,721	2,752				
Water Loss:12.97%			114.7	115.9		
Total Water Produced			884.2	893.4		
Well .742			656.1	662.9		
Purch.Water			228.1	230.5		

Southern-California Water Co.
Ojai District

Income Tax Calculations

	1991	1992
	(Thousands of Dollars)	
Total Revenues	$1,358.9	$1,456.1
Purchased Power	119.0	120.3
Purchased Water	154.4	156.0
Chemical	1.7	1.7
Payroll	210.2	219.0
O&M Others	123.8	130.5
A&G Others	79.3	89.5
Gen.Office	63.1	70.1
Ad Val.Taxes 1.2	30.2	33.9
Payroll Taxes	14.7	15.3
Uncoll. .00446	6.6	7.0
Loc.Fr. 1.254	21.4	23.0
subtotal	824.4	866.3
Sch.M	12.1	11.9
Interest	142.7	162.9
Total Deductions	979.2	1041.1
State Tax Depr.	100.1	123.2
State Tax 9.3	26.0	27.1
Fed.Tax Depr.	74.4	85.5
Fed.Tax 34.12	105.2	103.5

Net/Gross 1.8046

(End of Appendix C-5)

APPENDIX D-1
San Gabriel Valley District

Comparison of typical bills for commercial metered customers of various usage levels and average usage level at present and authorized rates for the year 1991.

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

Monthly Usage (Cubic Feet)	At Present Rates	At Authorized Rates	Percent Increase
500	$ 8.91	$ 11.45	28.5 %
1,000	12.31	15.80	28.4
2,000	19.09	24.50	28.3
2,250 (Avg.)	19.24	24.69	28.3
3,000	25.88	33.20	28.3
5,000	39.45	50.60	28.3
10,000	73.38	94.10	28.2

(End of Appendix D-1)

APPENDIX D-2
Pomona Valley District

Comparison of typical bills for residential metered customers of various usage level and average usage level at present and authorized rates for the year 1991.

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

Monthly Usage (Cubic Feet)	At Present Rates	At Authorized Rates	Percent Increase
500	11.83	14.52	22.7
1,000	16.76	20.04	19.5
2,000	26.62	31.07	16.7
3,000	36.48	42.11	15.4
3,140 (Avg.)	37.83	43.62	15.3
5,000	56.20	64.18	14.2
10,000	105.50	119.35	13.1

(End of Appendix D-2)

APPENDIX D-3
Page 1

Arden-Cordova District

Comparison of typical bills for commercial metered customers of various usage level and average usage level at present and authorized rates for the year 1991.

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

Monthly Usage (Cubic Feet)	At Present Rates	At Authorized Rates	Percent Increase
500	$ 6.27	$ 9.41	50.1 %
1,000	7.24	10.86	50.1
2,000	9.17	13.77	50.2
3,000	11.11	16.68	50.2
5,000	14.98	22.50	50.3
10,000	24.65	37.05	50.3
13,784 (Avg.)	31.97	48.06	50.3
20,000	44.00	66.15	50.3

APPENDIX D-3
Page 2

Arden-Cordova District

Comparison of typical bills for residential flat rate customers of various classes at present and authorized rates for the year 1991.

Flat Rate Service

	Present Rates	Authorized Rates	Percent Increas
1. For each single unit of occupancy including premises not exceeding 12,000 sq.ft. in area.	$9.70	$12.45	28.4%
2. For a duplex including premises not exceeding 12,000 sq.ft. in area.	19.40	24.90	28.4
3. For each additional detached unit of occupancy on the same premises and served from the same service connection.....	9.70	12.45	28.4
4. For each swimming pool equipped with recirculating filter system, on the same premises and served from the same service connection.....	2.00	2.20	10.0

(End of Appendix D-3)

APPENDIX D-4
Wrightwood District

Comparison of typical bills for commercial metered customers of various usage levels and average usage level at present and authorized rates for the year 1991.

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

Monthly Usage (Cubic Feet)		At Present Rates	At Authorized Rates	Percent Increase
300		$ 27.40	$ 32.95	20.3 %
500		30.86	37.58	21.8
638	(Avg.)	33.24	40.76	22.6
1,000		39.52	49.16	24.4
2,000		56.84	72.32	27.2
3,000		74.16	95.48	28.7
5,000		108.80	141.80	30.3

(End of Appendix D-4)

APPENDIX D-5
Ojai District

Comparison of typical bills for residential metered customers of various usage level and average usage level at present and authorized rates for the year 1991.

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

Monthly Usage (Cubic Feet)	At Present Rates	At Authorized Rates	Percent Increase
500	10.94	14.10	28.9
1,000	16.12	20.07	24.4
2,000	26.50	32.00	20.8
2,210 (Avg.)	28.72	35.14	22.3
3,000	36.87	46.65	26.5
4,000	47.24	61.30	29.7
5,000	57.62	75.95	31.8

(End of Appendix D-5)