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Decision 92-01-025 January 10, 1992

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

ORIGINAL

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 Desert District.

Application 91-02-096
(Filed February 25, 1991)

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 Metropolitan District.

Application 91-02-097
(Filed February 25, 1991)

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 Los Osos District.

Application 91-02-099
(Filed February 25, 1991)

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 Barstow District.

Application 91-02-101
(Filed February 25, 1991)

O'Melveny & Myers by James W. Colbert, III, and Carmen R. Luege, Attorneys at Law, and Susan L. Conway, for Southern California Water Company, applicant.
Vicki Brown, for Citizens for Better Water; Dennis de Cuir, Attorney at Law, for Town of Apple Valley; and Richard Gruzka, for himself, interested parties.
Laura J. Tudisco, Attorney at Law, and Richard Tom, for Commission Advisory and Compliance Division.

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INTERIM OPINIONSummary of Decision

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

<u>District</u>	<u>1992 (\$000)</u>		<u>1993 (\$000)</u>		<u>1994 (\$000)</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Desert	414.1	24.60%	43.3	2.06%	13.0	0.58%
Metropolitan	4,844.3	16.62	1,618.5	4.76	1,027.5	2.88
Los Osos	414.6	46.07	86.6	6.39	32.0	2.22
Barstow	1,135.4	37.15	136.9	3.22	67.8	1.55

These increases are based on rates of return on SoCalWater's rate base of 10.62%, 10.60%, and 10.60% for 1992, 1993, and 1994, respectively. The related return on common equity is a constant 11.75%.

Background

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

On February 25, 1991, SoCalWater filed applications requesting rate increases for water service in its Desert (Application (A.) 91-02-096), Metropolitan (A.91-02-097), Los Osos (A.91-02-099), and Barstow (A.91-02-101) Districts. SoCalWater is requesting rates which would produce rates of return on its rate base of 11.31% in 1992, 11.29% in 1993, and 11.29% in 1994 with a constant rate of return of 13.0% on common equity in each of the three years.

Specifically, SoCalWater requests the following rate increases:

<u>District</u>	<u>1992</u>		<u>1993</u>		<u>1994</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Desert	\$ 486,400	27.63	\$ 80,000	3.40	\$ 45,700	1.87
Metropolitan	8,260,500	31.09	1,631,200	4.67	775,300	2.12
Los Osos	500,600	55.66	91,900	6.37	26,400	1.72
Barstow	1,516,000	49.60	210,200	4.54	72,100	1.49

This decision addresses these applications which were filed simultaneously and consolidated for hearings. Following is a brief description of the four districts:

Desert District

The Desert District is divided into two main service areas known as Morongo Valley and Victorville which are further divided into separate systems. In the northerly area, Victorville, customers are served from five separate systems spread between Lucerne Valley on the east and Apple Valley-Victorville on the west. The Morongo Valley service area subdivided into two separate systems is located in the high desert of Southern California, northeast of Palm Springs and just southwest of Yucca Valley.

There were 905 customers in the Morongo Valley service area and 2,293 customers in the Victorville service area as of December 31, 1990. Approximately 99% of the customers in the District are in the commercial classification which consists of residential and business customers.

The water supply of both the Morongo Valley and Victorville service areas is obtained from water wells. The five systems in Victorville are not interconnected.

As of December 31, 1989, there were approximately 714,381 feet of distribution mains in the Desert District. Of this, approximately 590,815 feet are in the Victorville service area, and the remaining 123,566 feet are in the Morongo Valley service area.

Storage consists of 12 steel tanks. There are seven tanks in Victorville with a combined capacity of 999,000 gallons. The other five tanks, with a combined capacity of 497,000 gallons, are in Morongo Valley.

Metropolitan District

The Metropolitan District consists of four service areas: Central Basin East and West, Culver City, and Southwest areas serving all or part of 24 cities and adjacent communities in the southern portion of Los Angeles County. Five operating headquarters and five customer services offices serve the District's customers.

Water supply for the district is obtained from 169 company-owned wells and from 16 connections with member agencies of the Metropolitan Water District of Southern California. Some supplemental water is also purchased from other water purveyors.

The quantity of water that can be produced from the wells in the Metropolitan District is limited pursuant to a "Stipulation and Agreement for Judgement" approved by the California Public Utilities Commission in its Decision (D.) 68316 and pursuant to a "Judgement" dated August 18, 1961 in the Los Angeles Superior Court action entitled "California Water Service Company, et al, Plaintiffs, vs. City of Compton, et al, Defendants, No. 506806".

Storage facilities in the District consist of 42 tanks and reservoirs with a total capacity of 23,178,000 gallons and 4,451,256 feet of distribution main ranging in size up to 18 inches in diameter.

As of December 31, 1990, the District was providing water service to 90,455 customers of which 97% were in the commercial classification which consists of residential and business customers.

At December 31, 1990, the historical cost of the utility plant in service in the Metropolitan District was \$79,517,900, the

depreciation reserve was \$21,004,100 for a net depreciated cost of \$58,513,800.

Los Osos District

The Los Osos District, located in the unincorporated area of the County of San Luis Obispo, consists of two separate systems: the Los Osos System and the Country Club-Rolling Hills System.

The majority of the area is residential with a small commercial area. Of the 3,054 total metered customers served in the Los Osos District as of December 31, 1990, over 99% are in the commercial classification which consists of residential and business customers.

The water supply for the District is obtained from a total of 10 wells located within the service territory: six wells are in the Los Osos system, and four are in the Country Club-Rolling Hill system.

Storage facilities in the District consist of seven steel reservoirs or tanks with a total capacity of 1,093,000 gallons.

The water produced from the wells has historically been of good quality and required little treatment.

As of December 31, 1989, there were 176,571 feet of distribution mains in the Los Osos District, ranging in size up to 16 inches in diameter.

At December 31, 1990, the historical cost of the utility plant in service in the Los Osos District was \$4,301,700, the depreciation reserve was \$634,900 for a net depreciated cost of \$3,666,800.

Barstow District

The Barstow District is located in the City of Barstow, community of Lenwood and unincorporated territory in the County of San Bernardino.

The majority of the area is residential with some commercial establishments and a small number of industrial customers. Of the total customers that are served in the Barstow

District, approximately 98% are in the commercial classification which consists of residential and business customers.

As of December 31, 1990, the District was providing water service to 8,398 metered customers.

The entire water supply for the Barstow District is obtained from 24 company-owned producing wells located within the district near the Mojave River. The pumping capacity of the wells is dependent on the volume of groundwater in the Mojave River, which in turn is dependent on the volume of storm flow water that reaches the Barstow area.

As of December 31, 1989, there were 788,786 feet of distribution mains in the Barstow District, ranging in size up to 16 inches in diameter. Storage facilities in the District consist of 12 steel or concrete tanks and reservoirs with a total capacity of 4,224,600 gallons.

At December 31, 1990, the historical cost of the utility plant in service in the Barstow District was \$15,953,000, the depreciation reserve was \$3,051,300 for a net depreciated cost of \$12,901,700.

Public Meetings and Hearings

As part of its investigation, the Water Utilities Branch (Branch) of the Commission Advisory and Compliance Division conducted informal public meetings in each of the water service districts. In addition to the project manager from the Branch, the meetings were attended by SoCalWater's vice president, manager of operations, and local district managers.

Based on the comments received at the informal public meetings, the Branch project manager recommended that public participation hearings (PPHs) be held for the Desert (Morongo Valley and Victorville service areas), Barstow, Los Osos, and Metropolitan Districts. Accordingly, PPHs were held before Administrative Law Judge (ALJ) Gardé in Yucca Valley (for Morongo

Valley service area), Apple Valley (for Victorville service area), Los Osos, and Los Angeles (for the Metropolitan District).

Approximately 150 to 200 people attended the PPHs in Barstow, Yucca Valley, Apple Valley, and Los Osos. Customers complained about the magnitude of the requested rate increases. Customers in Apple Valley and Yucca Valley also complained about water leaks which were not fixed promptly. No members of the public were present at the PPH for the Metropolitan District.

The Division of Ratepayer Advocates (DRA) provided testimony regarding cost of capital and return on equity. However, since the same counsel represented Branch and DRA, there is no distinction made between Branch and DRA.

Evidentiary hearings were held in Los Angeles and San Francisco during the period July 24, 1991 and August 8, 1991. The proceedings were submitted upon the receipt of concurrent briefs on September 13, 1991.

Issues

SoCalWater, Branch, and the Town of Apple Valley (Apple Valley) filed briefs. SoCalWater and Branch have briefed all the disputed issues. Apple Valley contends that the application for the Desert District should be denied in toto. The only specific issue addressed by Apple Valley concerns a proposed management audit of SoCalWater. Apple Valley's recommendation has been adopted in this decision.

The disputed issues fall into two categories. The issues in the first category apply to all districts and the issues in the second category apply to a specific district.

The disputed issues common to all districts are:

1. Rate of return on common equity.
2. Proper weighting of plant additions.
3. Step rate increases.
4. Cost of preparing informational video tape.
5. Proposed changes to SoCalWater's tariff rules.

6. Treatment of income taxes as fixed or variable cost.
7. Inflation factors.
8. Switching from bi-monthly to monthly billing.

The disputed issues related to specific districts are:

1. Desert District - Water loss estimates.
2. Barstow District - Treatment of legal expenses.
3. Barstow District - Main replacement program.

Tables 1 through 8 show a comparison of SoCalWater's and Branch's estimates of results of operations for 1992 and 1993 for the four districts under consideration for rates increases. The tables also show the adopted and authorized results of operation for 1992 and 1993.

The adopted quantities, tax calculations, and comparison of rates are included in Appendices C, D, and E, respectively.

A discussion of the disputed follows the tables.

Table 1

Southern California Water Company
Desert District
Summary of Earnings Reconciliation
1992

(Dollars in Thousands)

<u>At Present Rates</u>	<u>SoCalWater</u>	<u>Dif.</u>	<u>Branch</u>	<u>Adopted at Pres. Rates</u>	<u>Adopted at Auth. Rates</u>
Operating Revenues	\$1,683.6	\$	\$1,683.6	\$1,683.6	\$2,097.7
<u>Oper & Maint Expenses</u>					
Purchased Power	138.8		138.8	143.3	143.3
Purchased Water					
Pump Taxes					
Chemicals	1.0		1.0	1.0	1.0
Common Cust Alloc	28.9	10.4	18.5	18.6	18.6
Postage					
Uncollectibles	6.4		6.4	6.4	8.0
Oper-Labor	180.5	1.3	179.2	179.2	179.2
Oper-Others	97.1	4.3	92.8	93.7	93.7
Maint-Labor	96.0	0.7	95.3	95.3	95.3
Maint-Others	133.6	4.4	129.2	130.4	130.4
<u>A&G Expenses</u>					
Office Supplies	12.7		12.7	12.7	1
Insurance					
Injuries & Damages					
Pension & Benefits	64.6		64.6	64.6	64.6
Business Meals	0.8		0.8	0.8	0.8
Regulatory Comm	9.0		9.0	9.0	9.0
Outside Services					
Misc	1.3		1.3	1.3	1.3
Alloc Gen Office	131.5	0.1	131.4	131.6	131.6
Maintenance	1.4		1.4	1.4	1.4
Rent	15.1	0.7	14.4	14.4	14.4
A&G Labor	27.3	0.1	27.2	27.2	27.2
<u>Other Taxes</u>					
Property Taxes	61.0		61.0	61.0	61.0
Payroll Taxes	23.8	0.1	23.7	23.7	23.7
Local Taxes	7.0		7.0	7.0	8.7
Income Taxes	61.7	(8.6)	70.3	64.6	243.0
Depreciation	198.0	1.4	196.6	196.6	196.6
Total Exp After Taxes	1,297.5	14.9	1,282.6	1,283.7	1,465.4
Net Operating Revenues	386.1	(14.9)	401.0	399.9	632.4
Rate Base	5,917.7	(22.7)	5,940.4	5,954.6	5,954.6
Rate of Return	6.52%		6.75%	6.72%	10.62%

Table 2

Southern California Water Company
Desert District
Summary of Earnings Reconciliation
1993
(Dollars in Thousands)

<u>At Present Rates</u>	<u>SoCalWater</u>	<u>Dif.</u>	<u>Branch</u>	<u>Adopted at Pres. Rates</u>	<u>Adopted at Auth. Rates</u>
Operating Revenues	\$1,771.8	\$	\$1,771.8	\$1,771.8	\$2,244.2
<u>Oper & Maint Expenses</u>					
Purchased Power	146.9		146.9	151.7	151.7
Purchased Water					
Pump Taxes					
Chemicals	1.0		1.0	1.0	1.0
Common Cust Alloc	30.0	10.9	19.1	19.1	19.1
Postage					
Uncollectibles	6.7		6.7	6.7	8.5
Oper-Labor	189.5	3.9	185.6	185.6	185.6
Oper-Others	111.0	5.3	105.7	106.0	106.0
Maint-Labor	100.8	2.1	98.7	98.7	98.7
Maint-Others	115.8	5.4	110.4	110.7	110.7
<u>A&G Expenses</u>					
Office Supplies	13.2		13.2	13.2	13.2
Insurance					
Injuries & Damages					
Pension & Benefits	73.4		73.4	73.4	73.4
Business Meals	0.8		0.8	0.8	0.8
Regulatory Comm	9.0		9.0	9.0	9.0
Outside Services					
Misc	1.4		1.4	1.4	1.4
Alloc Gen Office	139.8	0.1	139.7	139.9	139.9
Maintenance	1.4		1.4	1.4	1.4
Rent	15.7	0.7	15.0	15.0	15.0
A&G Labor	28.7	0.6	28.1	28.1	28.1
<u>Other Taxes</u>					
Property Taxes	69.6		69.6	69.6	69.6
Payroll Taxes	25.0	0.4	24.6	24.6	24.6
Local Taxes	7.3		7.3	7.3	9.3
Income Taxes	34.3	(11.1)	45.4	41.8	245.3
Depreciation	227.5		227.5	227.6	227.6
Total Exp After Taxes	1,348.8	18.3	1,330.5	1,332.6	1,539.8
Net Operating Revenues	423.0	(18.3)	441.3	439.2	704.4
Rate Base	6,591.9	(18.3)	6,630.6	6,645.2	6,645.2
Rate of Return	6.42%		6.66%	6.61	10.60%

Table 3

Southern California Water Company
Metropolitan District
Summary of Earnings Reconciliation
1992
(Dollars in Thousands)

<u>At Present Rates</u>	<u>SoCalWater</u>	<u>Dif.</u>	<u>Branch</u>	<u>Adopted at Pres. Rates</u>	<u>Adopted at Auth. Rate</u>
Operating Revenues	\$26,571.2	\$	\$26,571.2	\$29,141.2	\$33,985.5
<u>Oper & Maint Expenses</u>					
Purchased Power	1,005.7		1,005.7	1,005.7	1,005.7
Purchased Water	9,226.9		9,226.9	10,834.2	10,834.2
Pump Taxes	1,191.1		1,191.1	2,205.7	2,205.7
Chemicals	39.9		39.9	39.9	39.9
Common Cust Alloc	839.9	386.2	453.7	487.6	487.6
Postage	13.1		13.1	13.1	13.1
Uncollectibles	111.6		111.6	122.4	142.7
Oper-Labor	1,844.7	212.7	1,632.0	1,632.0	1,632.0
Oper-Others	1,194.3	81.4	1,112.9	1,123.3	1,123.3
Maint-Labor	908.8	104.8	804.0	804.0	804.0
Maint-Others	1,540.7	98.9	1,441.8	1,455.2	1,455.2
<u>A&G Expenses</u>					
Office Supplies	112.8	5.0	107.8	108.8	108.8
Insurance					
Injuries & Damages					
Pension & Benefits	520.8	18.0	502.8	502.8	502.8
Business Meals	3.4		3.4	3.4	3.4
Regulatory Comm	10.9		10.9	10.9	10.9
Outside Services					
Misc	28.5	9.0	19.5	19.6	19.6
Alloc Gen Office	1,898.3	0.6	1,897.7	1,900.0	1,900.0
Maintenance	17.5	0.8	16.7	16.9	16.9
Rent	114.6		114.6	114.6	114.6
A&G Labor	225.8	29.8	226.0	226.0	226.0
<u>Other Taxes</u>					
Property Taxes	1,055.2	10.0	1,045.2	1,045.2	1,045.2
Payroll Taxes	236.2	27.2	209.0	209.0	209.0
Local Taxes	370.1		370.1	405.9	473.4
Income Taxes	73.3	(419.6)	492.9	314.1	2,379.3
Depreciation	1,569.8	17.4	1,552.4	1,552.4	1,552.4
Total Exp After Taxes	24,183.9	582.2	23,601.7	26,152.6	28,305.7
Net Operating Revenues	2,387.3	(582.2)	2,969.5	2,988.6	5,679.8
Rate Base	53,235.4	1,241.8	51,993.6	53,483.3	53,483.3
Rate of Return	4.48%		5.71%	5.59%	10.62%

Table 4

Southern California Water Company
Metropolitan District
Summary of Earnings Reconciliation
1993

(Dollars in Thousands)

<u>At Present Rates</u>	<u>SoCalWater</u>	<u>Dif.</u>	<u>Branch</u>	<u>Adopted at Pres. Rates</u>	<u>Adopted at Auth. Rate</u>
Operating Revenues	\$26,643.9	\$	\$26,643.9	\$29,219.8	\$35,609.6
<u>Oper & Maint Expenses</u>					
Purchased Power	1,005.9		1,005.9	1,006.1	1,006.1
Purchased Water	9,260.2		9,260.2	10,873.2	10,873.2
Pump Taxes	1,191.1		1,191.1	2,205.7	2,205.7
Chemicals	42.1		42.1	42.1	42.1
Common Cust Alloc	870.4	403.5	466.9	506.8	506.8
Postage	13.1		13.1	13.1	13.1
Uncollectibles	111.9		111.9	122.7	149.9
Oper-Labor	2,077.5	288.0	1,789.5	1,789.5	1,789.5
Oper-Others	1,290.2	67.5	1,222.7	1,226.1	1,226.1
Maint-Labor	1,023.5	141.9	881.6	881.6	881.6
Maint-Others	1,664.0	80.7	1,583.3	1,587.8	1,587.8
<u>A&G Expenses</u>					
Office Supplies	117.8	5.6	112.2	112.5	112.5
Insurance					
Injuries & Damages					
Pension & Benefits	593.5	22.0	571.5	571.5	571.5
Business Meals	3.6		3.6	3.6	3.6
Regulatory Comm	10.9		10.9	10.9	10.9
Outside Services					
Misc	30.5	10.2	20.3	20.3	20.3
Alloc Gen Office	2,017.9	0.7	2,017.2	2,020.1	2,020.1
Maintenance	19.8	2.4	17.4	17.4	17.4
Rent	116.0		116.0	116.0	116.0
A&G Labor	288.1	40.0	248.1	248.1	248.1
<u>Other Taxes</u>					
Property Taxes	1,148.2	11.7	1,136.5	1,136.5	1,136.5
Payroll Taxes	266.0	36.8	229.2	229.2	229.2
Local Taxes	371.1		371.1	407.0	496.0
Income Taxes	(718.9)	(422.4)	(229.1)	(375.1)	2,349.1
Depreciation	1,713.9	20.5	1,693.4	1,693.4	1,693.4
Total Exp After Taxes	24,528.3	709.1	23,819.2	26,466.3	29,306.3
Net Operating Revenues	2,115.6	(709.1)	2,819.2	2,753.5	6,303.3
Rate Base	59,229.0	1,235.4	57,993.6	59,466.9	59,466.9
Rate of Return	3.57%		4.87%	4.63%	10.60%

Table 5

Southern California Water Company
Los Osos District
Summary of Earnings Reconciliation
1992
(Dollars in Thousands)

<u>At Present Rates</u>	<u>SoCalWater</u>	<u>Dif.</u>	<u>Branch</u>	<u>Adopted at Pres. Rates</u>	<u>Adopted at Auth. Rates</u>
Operating Revenues	\$ 899.9	\$	\$ 899.9	\$ 899.9	\$1,314.4
<u>Oper & Maint Expenses</u>					
Purchased Power	126.9		126.9	126.9	126.9
Purchased Water					
Pump Taxes					
Chemicals	1.1		1.1	1.1	1.1
Common Cust Alloc	27.7	12.5	15.2	16.8	16.8
Postage					
Uncollectibles	4.1		4.1	4.1	6.1
Oper-Labor	122.0		122.0	122.0	122.0
Oper-Others	68.4	3.2	65.2	65.7	65.7
Maint-Labor	43.4		43.4	43.4	43.4
Maint-Others	62.1	1.4	60.7	61.2	61.2
<u>A&G Expenses</u>					
Office Supplies	4.8		4.8	4.8	
Insurance					
Injuries & Damages					
Pension & Benefits	34.1		34.1	34.1	34.1
Business Meals	1.3		1.3	1.3	1.3
Regulatory Comm	2.9		2.9	2.9	2.9
Outside Services					
Misc	3.1		3.1	3.1	3.1
Alloc Gen Office	85.3		85.3	85.4	85.4
Maintenance	0.5		0.5	0.5	0.5
Rent					
A&G Labor	17.6		17.6	17.6	17.6
<u>Other Taxes</u>					
Property Taxes	31.9		31.9	31.9	31.9
Payroll Taxes	14.4		14.4	14.4	14.4
Local Taxes					
Income Taxes	(17.7)	(8.8)	(8.9)	(11.7)	167.5
Depreciation	126.2		126.2	126.2	126.2
Total Exp After Taxes	760.1	8.3	751.8	751.8	932.8
Net Operating Revenues	139.8	(8.3)	148.1	148.1	381.6
Rate Base	3,570.5	103.3	3,467.2	3,592.9	3,592.9
Rate of Return	3.92%		4.27%	4.12%	10.62%

Table 6

Southern California Water Company
Los Osos District
Summary of Earnings Reconciliation
1993
(Dollars in Thousands)

<u>At Present Rates</u>	<u>SoCalWater</u>	<u>Dif.</u>	<u>Branch</u>	<u>Adopted at Pres. Rates</u>	<u>Adopted at Auth. Rates</u>
Operating Revenues	\$ 926.9	\$	\$ 926.9	\$ 926.9	\$1,440.4
<u>Oper & Maint Expenses</u>					
Purchased Power	130.6		130.6	130.6	130.6
Purchased Water					
Pump Taxes					
Chemicals	1.2		1.2	1.2	1.2
Common Cust Alloc	28.7	13.0	15.7	17.4	17.4
Postage					
Uncollectibles	4.3		4.3	4.3	6.6
Oper-Labor	126.0		126.0	126.4	126.4
Oper-Others	75.6	3.6	72.0	72.2	72.2
Maint-Labor	44.9		44.9	44.9	44.9
Maint-Others	69.5	1.6	67.9	68.0	68.0
<u>A&G Expenses</u>					
Office Supplies	5.0		5.0	5.0	5.0
Insurance					
Injuries & Damages					
Pension & Benefits	38.8		38.8	38.8	38.8
Business Meals	1.3		1.3	1.3	1.3
Regulatory Comm	2.9		2.9	2.9	2.9
Outside Services					
Misc	3.3		3.3	3.3	3.3
Alloc Gen Office	90.7	0.1	90.6	90.8	90.8
Maintenance	0.5		0.5	0.5	0.5
Rent					
A&G Labor	18.2		18.2	18.2	18.2
<u>Other Taxes</u>					
Property Taxes	36.4		36.4	36.4	36.4
Payroll Taxes	14.9		14.9	14.9	14.9
Local Taxes					
Income Taxes	(58.4)	(8.6)	(49.8)	(50.0)	171.9
Depreciation	145.3		145.3	145.3	145.3
Total Exp After Taxes	780.1	9.7	770.4	772.3	996.6
Net Operating Revenues	146.8	(9.7)	156.5	154.6	443.8
Rate Base	4,175.5	115.9	4,059.6	4,184.9	4,184.9
Rate of Return	3.52%		3.86%	3.69%	10.60%

Table 7

Southern California Water Company
Barstow District
Summary of Earnings Reconciliation
1992
(Dollars in Thousands)

<u>At Present Rates</u>	<u>SoCalWater</u>	<u>Dif.</u>	<u>Branch</u>	<u>Adopted at Pres. Rates</u>	<u>Adopted at Auth. Rates</u>
Operating Revenues	\$3,056.3	\$	\$3,056.3	\$ 3,056.3	\$ 4,191.7
<u>Oper & Maint Expenses</u>					
Purchased Power	771.3		771.3	776.7	776.7
Purchased Water					
Pump Taxes					
Chemicals	2.6		2.6	2.6	2.6
Common Cust Alloc	76.3	34.3	42.0	46.3	46.3
Postage					
Uncollectibles	10.8		10.8	10.8	14.7
Oper-Labor	247.7	13.8	233.9	233.9	233.9
Oper-Others	191.6	14.9	176.7	178.3	178.3
Maint-Labor	98.8	5.5	93.3	93.3	93.3
Maint-Others	235.5	13.5	222.0	224.1	224.1
<u>A&G Expenses</u>					
Office Supplies	29.1		29.1	29.1	29.1
Insurance					
Injuries & Damages					
Pension & Benefits	82.4		82.4	82.4	82.4
Business Meals	1.6		1.6	1.6	1.6
Regulatory Comm	1.7		1.7	1.7	1.7
Outside Services					
Misc	2.5		2.5	2.5	2.5
Alloc Gen Office	260.0	0.1	259.9	260.3	260.3
Maintenance	1.5		1.5	1.5	1.5
Rent	26.0		26.0	26.0	26.0
A&G Labor	38.0	2.1	35.9	35.9	35.9
<u>Other Taxes</u>					
Property Taxes	104.6	1.2	103.4	103.4	103.4
Payroll Taxes	30.2	1.7	28.5	28.5	28.5
Local Taxes	35.2		35.2	35.2	48.1
Income Taxes	(28.1)	(42.8)	14.7	5.4	491.0
Depreciation	348.0	(0.6)	348.6	348.6	348.6
Total Exp After Taxes	2,567.3	43.7	2,523.6	2,528.1	3,030.6
Net Operating Revenues	489.0	(43.7)	532.7	528.2	1,161.1
Rate Base	11,259.2	408.0	10,851.2	10,933.0	10,933.0
Rate of Return	4.34%		4.91%	4.83%	10.62%

Table 8

Southern California Water Company
Barstow District
Summary of Earnings Reconciliation
1993

(Dollars in Thousands)

<u>At Present Rates</u>	<u>SoCalWater</u>	<u>Dif.</u>	<u>Branch</u>	<u>Adopted at Pres. Rates</u>	<u>Adopted at Auth. Rate</u>
Operating Revenues	\$3,092.6	\$(0.0)	\$3,092.6	\$ 3,092.6	\$ 4,381.8
<u>Oper & Maint Expenses</u>					
Purchased Power	780.6	(0.3)	780.9	786.3	786.3
Purchased Water					
Pump Taxes				2.8	2.8
Chemicals	2.8		2.8		
Common Cust Alloc	79.0	35.8	43.2	48.1	48.1
Postage					
Uncollectibles	10.9		10.9	10.9	15.4
Oper-Labor	260.1	17.8	242.3	242.3	242.3
Oper-Others	210.7	16.7	194.0	194.5	194.5
Maint-Labor	103.8	7.1	96.7	96.7	96.7
Maint-Others	256.5	15.3	241.2	241.9	241.9
<u>A&G Expenses</u>					
Office Supplies	30.3		30.3	30.3	30.3
Insurance					
Injuries & Damages					
Pension & Benefits	93.7		93.7	93.7	93.7
Business Meals	1.6		1.6	1.6	1.6
Regulatory Comm	1.7		1.7	1.7	1.7
Outside Services					
Misc	2.7		2.7	2.7	2.7
Alloc Gen Office	276.4	0.1	276.3	276.7	276.7
Maintenance	1.6		1.6	1.6	1.6
Rent	27.4	1.4	26.0	26.0	26.0
A&G Labor	39.9	2.7	37.2	37.2	37.2
<u>Other Taxes</u>					
Property Taxes	113.8	2.0	111.8	111.8	111.8
Payroll Taxes	31.7	2.2	29.5	29.5	29.5
Local Taxes	35.6		35.6	35.6	50.3
Income Taxes	(142.7)	(47.9)	(94.8)	(90.8)	460.5
Depreciation	378.7	1.0	377.7	377.7	377.7
Total Exp After Taxes	2,596.8	53.9	2,542.9	2,558.8	3,129.3
Net Operating Revenues	495.8	(53.9)	549.7	533.8	1,252.5
Rate Base	12,372.2	509.1	11,863.1	11,813.9	11,813.9
Rate of Return	4.01%		4.63%	4.52%	10.60%

Rate of Return

The capital structure of a firm generally consists of three components: long-term debt, preferred stock, and common equity. The ratio of the three components to total capital are known as the capital ratios. Rate of return is a composite value of capital costs expressed as the total weighted cost of long-term debt, preferred stock, and common equity. The determination of the cost of long-term debt and preferred stock is based primarily on recorded costs; however, estimates must be made for the costs associated with future debt or preferred stock financing. Determination of the cost of common equity is more difficult because of the need for consideration of additional factors, such as business and financial risks, investor expectations, ratepayer interest, and capital ratios.

SoCalWater agrees with Branch's proposed capital structure, cost of long-term debt, and preferred stock costs. The only dispute involves the appropriate return on common equity (ROE). SoCalWater is requesting a constant ROE of 13% for the years 1992, 1993, and 1994. Branch recommends 11.75% ROE for the three years.

SoCalWater and Branch relied on two market based financial models, the discounted cash flow model (DCF) and risk premium analysis model (RP). These models provide a range of appropriate ROE for a utility. In addition to applying DCF and RP analyses to SoCalWater (company specific), each party also performed the analyses for a comparable group of water companies. Both SoCalWater and Branch claim that its analyses were superior and that the other parties analyses were flawed.

The DCF model estimates an equity investment expected market rate of return or ROE. The RP model is based on the premise that holders of long-term debt carry lower levels of risk than do investors in common equity. In light of the nature of the two investments, common equity of a company will always bear a higher

level of risk than long-term debt. The projected ROE in RP analysis is determined by adding the long-term debt cost factor to a derived RP factor.

The results of the DCF and RP analysis are shown on Tables 9 and 10.

TABLE 9

Results of DCF and RP Analysis for
SoCalWater (Company Specific)

	<u>SoCalWater's Analysis</u>		<u>Branch's Analysis</u>
DCF Analysis	13.5%	3-month yield	11.16% - 11.69%
		6-month yield	11.38% - 11.92%
RP Analysis	12.0%		12.05% - 12.34%

TABLE 10

Results of DCF and RP Analysis for
Comparable Groups of Companies

	<u>SoCalWater's Analysis</u>		<u>Branch's Analysis</u>
DCF Analysis	14.50%	3-month yield	11.51% - 12.04%
		6-month yield	11.79% - 12.32%
RP Analysis	12.25%		11.49% - 11.97%

While SoCalWater and Branch relied on the financial models to obtain basic data, their final recommendations were developed by interpreting the results of the DCF and RP analysis in light of the risks faced by SoCalWater. Specifically, both assessed SoCalWater's business and financial risk as well as the risks faced by the water utility industry.

The positions of parties regarding perceived risks are discussed in the following sections:

SoCalWater

SoCalWater perceives four main risks:

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

SoCalWater notes that water supply is a critical concern for most of the state's water utilities in this fifth drought year. Yet prices cannot rise as they would for a scarce commodity in a free marketplace. Therefore, improving water systems and assessing new supplies entails risk for the utility. SoCalWater cites the recent water supply problems in Barstow District (discussed later in this decision) as an example of problems being faced by water utilities.

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 the potential of contamination-related lawsuits is even more significant.

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.

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 developments, 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 risky and that an ROE of 13% is justified of setting rates in this proceeding.

Branch

Branch agrees that diminishing water supply due to continuing drought and the corresponding need for rationing and conservation may impact a utility's revenues and profits. However, Branch insists that the Commission in its recent decisions (D.90-07-067 and D.90-08-055) has provided complete revenue protection to water utilities against sales fluctuations due to the

drought. These decisions compensate water utilities, through memorandum accounts, for any loss of revenues due to conservation or rationing. This protection undoubtedly reduces the risk faced by water utilities.

Branch believes that higher standards for water quality will require water utilities to spend additional monies for testing and capital improvements. However, Branch contends that the Commission has always allowed 100% recovery of costs related to improving water quality to mandated standards. Branch opines that SoCalWater has exaggerated the estimated costs and the risk of meeting improved water quality standards.

Branch argues that the threat of condemnation and bypass will not impact SoCalWater's business risk because any resulting revenue loss will be insignificant (less than 0.10% of SoCalWater's gross revenues).

Branch believes that water utilities are recession proof because water consumption is relatively inelastic. Consequently, the opportunity to earn the authorized rate of return is good. Branch contends that SoCalWater has weathered the latest recession comfortably with a good return on equity.

Based on the above, Branch believes that in the past year, issues related to water supply, water quality, bypass, and condemnation have not significantly impacted SoCalWater's earnings. Accordingly, Branch recommends an ROE of 11.75% for SoCalWater.

Discussion

Both Branch and SoCalWater relied on financial models in arriving at their recommendations. SoCalWater and Branch agree that the results of various financial models are good starting points as well as analytical guides for establishing ROE and that the actual determination of a reasonable ROE should be tempered by judgement and examination of particular circumstances surrounding the utility.

Because these models are used only to establish a range for ROE, we do not repeat the detailed descriptions of each model contained in this record. Additionally, both parties have advanced arguments in support of their analyses and a criticism of the input assumptions used by the other party. These arguments are not addressed in this decision, given our assessment that they do not alter the model results. These models provide a reasonable range from which to choose, and we will use them as a rough guidepost in selecting SoCalWater's ROE. Nonetheless, in the final analysis, it is the application of judgement, not the precision of these models, which is the key to our decision.

In applying this judgement, we assess the arguments presented by SoCalWater that it faces increased risk during the period covered by this general rate proceeding. SoCalWater asserts that water utilities face a greater volatility of earnings than electric utilities and thus are riskier than electric utilities.

We acknowledge that water utilities may in future years experience some increased risk due to more stringent state and federal water quality requirements. We also recognize that SoCalWater's risk may be affected by the need to borrow money for its capital improvements. But we doubt that these specific risks make water utilities riskier than energy and telecommunications utilities. We also question whether these kinds of risk justify an increase in the ROE. Due to the revenue recovery mechanisms in place for water utilities, we find that water utilities do not face the same overall risks as energy and telecommunications utilities.

The problems associated with drought, water quality, bypass, and condemnation are not new to the water industry. Informed investors are fully aware of these business risks and the fact that water utilities are allowed to recover all reasonable costs associated with doing business. SoCalWater has performed well. Table 11 shows that SoCalWater's financial performance would clearly qualify it for a "AA" rating according to benchmark

definitions used by Standards & Poors. In addition, Table 11 shows that rating agencies apply more relaxed standards to water utilities than to energy and communication utilities.

Based on the above, we conclude that an ROE of 11.75% is reasonable and is sufficient to allow SoCalWater to maintain its current financial condition. It is also fair to SoCalWater's ratepayers because it is the minimum necessary to do so. We will adopt an ROE of 11.75%. This adopted ROE produces overall rates of return of 10.62%, 10.60%, and 10.60% for 1992, 1993, and 1994, respectively. Table 12 shows the adopted capital ratio cost factors and weighted costs (rate of return) for 1992, 1993, and 1994, respectively.

Table No. 11

SOUTHERN CALIFORNIA WATER COMPANY

Standard & Poor's Benchmarks (1991)

	AA	A	BBB	BB	SoCal Water
WATER UTILITIES					
Pretax interest coverage	over 3.0	2.0-3.25	1.0-2.5	under 1.0	3.33
Total debt/total capital	under 54%	52%-60%	58%-66%	over 65%	53.55%
Funds flow interest coverage(x)	over 3.25	2.25-3.5	1.25-2.75	under 1.25	5.36
Funds from operations/total debt	over 23%	15%-27%	10%-20%	under 10%	20.59%
Net cash flow/capital expenditures	over 70%	55%-85%	30%-65%	under 35%	36.45%
ELECTRIC UTILITIES					
Pretax interest coverage	over 3.5	2.5-4.0	1.5-3.0	under 2.0	
Total debt/total capital	under 46%	44%-54%	50%-62%	over 60%	
Funds flow interest coverage(x)	over 3.75	2.75-4.25	1.5-3.0	under 1.5	
Funds from operations/total debt	over 27%	17%-30%	12%-22%	under 15%	
Net cash flow/capital expenditures	over 80%	65%-95%	40%-70%	under 45%	

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TABLE 12

SOUTHERN CALIFORNIA WATER COMPANY

Adopted Capital Ratio and
Rates of Return for 1992, 1993, and 1994

Test Year 1992

Long-Term Debt	48.40%	9.58%	4.64%
Preferred Stock	1.10%	4.42%	0.05%
Common Equity	<u>50.50%</u>	11.75%	<u>5.93%</u>
	100.00%		10.62%

Test Year 1993

Long-Term Debt	48.40%	9.55%	4.62%
Preferred Stock	1.10%	4.41%	0.05%
Common Equity	<u>50.50%</u>	11.75%	<u>5.93%</u>
	100.00%		10.60%

Attrition Year 1994

Long-Term Debt	48.40%	9.55%	4.62%
Preferred Stock	1.10%	4.40%	0.05%
Common Equity	<u>50.50%</u>	11.75%	<u>5.93%</u>
	100.00%		10.60%

Weighting of Plant Addition

Utility plant additions go into service at various times during the test year. Some projects are completed earlier during the year and some projects are completed later in the year. To account for this variation, plant additions are assumed to be in service for a portion of the year for ratemaking purposes. SoCalWater believes that 50% of the plant additions should be considered plant in service for the test year and, accordingly, has applied a 50% weighting factor to all its plant additions. Branch recommends that a 31% weighting factor be used for the Barstow and Metropolitan Districts, a 32% weighting factor for the Los Osos District and a 48% weighting factor for the Desert District.

SoCalWater contends that plant additions for a water utility are uniform throughout the test year, and approximately one-half of the plant additions are in service by the middle of the year. According to SoCalWater, in water utility rate cases, a 50% weighting for plant additions has been accepted by the Commission as a standard practice.

In making its recommendation, Branch relied on its analysis of five years of plant additions. Branch asserts that SoCalWater's plant additions historically are centered closer towards the end of the years and that its proposed weighting factors reflect SoCalWater's operations more closely.

Discussion

According to accepted practice, water utilities, unlike energy utilities, are not allowed to capitalize interest on plant additions. However, water utilities are allowed to include construction work in progress (CWIP) in rate base. Inclusion of CWIP in rate base allows a water utility to earn a return on funds used to finance the construction of its plant additions. Historically, the Commission has allowed water utilities to include 50% of CWIP and 50% of plant additions in rate base. This practice

simplifies the procedure for computing the test year plant estimates.

Branch proposes a deviation from this procedure, contending that plant additions for SoCalWater occur towards the end of the year. While Branch's analysis of five-year plant additions may be accurate, it fails to recognize that before a specific plant addition is considered to be in service, it would be part of CWIP and thus would be included in the rate base. Therefore, the precise date of a plant addition being in service has no bearing on the test year estimate of weighted average plant and ultimately on rates. The practice of including 50% of CWIP as well as plant additions eliminates the need for computing a precise breakdown between CWIP and plant addition in service at any time during the test year. We believe that this practice is simple and fair to ratepayers as well as shareholders and should be continued. We will not adopt Branch's recommendation.

Step Rate Increases

Water utility general rate cases (GRCs) are filed on a three-year cycle using two test years. The rates for the two test years are based on the authorized results of operation. The rates for the third or attrition year in the rate case cycle are based on the attrition of rate of return from the first test year to the second test year. The rates for the attrition year also recognize financial attrition resulting from expected changes in the utility's capital structure.

The increase in rates from the one test year to the next test year is referred to as a step rate increase. The authorized amounts of the step increases for the second and third years are decided in the GRC decision. However, if a utility earns a higher rate of return than the authorized rate of return during the first and/or second test year, the step rate increases for the second test year and/or the attrition year are reduced proportionately from the authorized amount. A utility receives the maximum step

rate increase only if its earned rate of return is at or below the authorized rate of return.

The above procedure for step rate increases is simple to apply in single-district water companies because the authorized rates of return for the GRC cycle are set forth in the GRC decision and are not modified during the cycle. However, since the GRC procedure for a multi-district water company is slightly different, the procedure for computing step rate increases is more complicated.

A multi-district water company files separate GRC applications for each district. Generally, applications are filed for three or four districts each year. Water rates in each district are based on cost of providing service and plant investment in that district. While the water rates are set on a district-by-district basis, the return on capital and rate of return are determined for the entire utility. Since a new set of GRC applications is filed each year, the overall authorized rate of return for a multi-district water utility is most likely to be revised each year. This raises the question about which authorized rate of return should be used as a basis for determining step rate increases for a particular district. The Commission, in its recent decision, has used the latest authorized rate of return for the multi-district water utility, as the basis for determining step rate increases. The Commission has used the following language in its ordering paragraph:

"On or after November 1, 1992, the utility is authorized to file an advice letter, with appropriate workpapers, requesting the step rate increases for 1993 included in Appendix ___, or to file a proportionate lesser increase for those rates in Appendix ___ for its A, B, and C 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 the utility during the corresponding period in the then most recent decision or (b) the rate of return found reasonable for A, B and C Districts ..."

The issue now before us is the Branch recommendation that rather than using the latest authorized rate of return for the utility, the "lower" of the latest authorized rate of return for the utility and the specific authorized rate of return for the district in question be used as a basis for calculating step rate increases.

Branch contends that before 1986, the Commission always used the term "lower" rather than "later" in its ordering paragraphs. Branch argues that its proposal will provide ratepayers protection against unanticipated rate increases if it should happen that the most recently authorized rate of return is higher than the authorized rate of return for the districts. Branch also opines that the policy of using the most recent rate of return could result in higher rates and create notice problems for customers of affected districts.

SoCalWater believes that the present Commission practice of using the latest authorized rate of return for computing step rate increases is equitable and should be continued. According to SoCalWater, as economic conditions change, rates as originally set will become either too high or too low to reflect current conditions. SoCalWater opines that in multi-district utilities, this result can be corrected by adjusting rates set in earlier years to reflect the economic conditions as determined in the utility's most recent rate case.

Discussion

The current Commission practice of testing a utility's earnings against the latest authorized rate of return is fair. If this practice were to be modified according to Branch's recommendation, multi-district water utilities will be treated inequitably compared to a single district water utility. The

current practice allows a utility to receive a higher step rate increase, up to the maximum authorized amount in the GRC for the district(s) involved, when economic conditions justify a higher rate of return and a lower step rate increase when economic conditions are reversed.

Next, we will consider Branch's concern regarding notifying a district's ratepayers that a higher rate of return is used to calculate step increase. The maximum amount of step increases are specified in the GRC decision. The problem of notice to ratepayers would arise only if the step increase exceeds the amount authorized in the GRC decision. The earnings test is only used to lower the step increase if the utility earns in excess of the authorized rate of return. Under no circumstances would the step increase exceed the maximum amount authorized in the GRC decision. Branch's perceived notice problems would not arise. We will not adopt Branch's recommendation.

Cost of Preparing Informational Video Tape

SoCalWater is seeking to include in rates, as part of the general office expense, \$25,000 in costs incurred in producing an information video tape entitled "Mission: Excellence." The video tape was viewed by the ALJ during the hearings. According to SoCalWater, the video tape will be used by its field managers to become active in communities they serve by educating the customers about the company and instilling confidence in the quality of water provided by SoCalWater. SoCalWater also proposes to use the video as an introduction to the company at informal meetings on drought, water quality, rates, and other service matters.

Branch believes that the video tape provides no benefits to ratepayers and that the cost of producing it should be borne entirely by the shareholders. According to Branch, while the self-serving nature of the video may be of some benefit to the management as it tries to project an improved image to the

shareholders, the information contained in it is so general in nature as to be practically useless to ratepayers.

While Branch concedes that the video tape could be used as a prelude to the number of worthwhile topics, Branch believes it would be the information on those topics which would be of use to ratepayers. Branch opines that the presentation of "Mission: Excellence" at a public participation hearing would not be well received by the ratepayers who are burdened by high rates.

Discussion

During the PPHs in Barstow, Yucca Valley, Apple Valley, and Los Osos, it became evident that ratepayers would not be in favor of any item which would increase, even by a fraction, their water rates. The video tape attempts to enhance SoCalWater's image but does not provide any beneficial information to ratepayers. We believe that presentation of the video at a public meeting would have an adverse effect on customer relations. Customers would be infuriated rather than educated or entertained by this public relations presentation, especially if the cost of preparing the tape was included in the rates. We will not allow the cost of preparing the tape in rates.

Proposed Changes to SoCalWater's Tariff Rules

SoCalWater proposes two revisions to its tariff rules: 1) inclusion of language that would allow SoCalWater to charge parties requesting copies of the complete tariff book or large sections of the book for the duplication and processing costs incurred in complying with the request and 2) increase the service charge for bad checks from \$5 to \$10. We will consider each proposed change separately.

Charge for Tariff Sheets

The specific language SoCalWater seeks to include in its tariff rules which will enable it to charge for making copies of tariff sheets is as follows:

"Copies of each sheet of each schedule accepted and approved by the California Public Utilities

Commission may be obtained at a charge by writing Manager, Regulatory Affairs, Southern California Water Company, 630 East Foothill Boulevard, San Dimas, California 91773."

SoCalWater asserts that its proposed language is similar to the language in Pacific Bell's tariff rules, which was approved by the Commission on September 23, 1985.

While Branch is not opposed to a charge for duplicating tariff sheets, it has certain concerns about the means by which SoCalWater proposes to effect these changes. First, Branch is concerned that while the notice of this proposed change was only provided to ratepayers in the district's which are the subjects of these proceedings, the proposed change will affect ratepayers of all districts of SoCalWater. Branch believes that such notice is inadequate.

Second, Branch is concerned about the discretionary language proposed for tariff sheet charges. According to Branch, the language suggested does not clearly state when no charge will be made for providing copies of tariff sheets, such as copies of tariff sheets made in connection with a customer complaint.

Discussion

It is reasonable for a utility to recover actual costs of providing copies of tariff sheets. However, charges for recovering the costs should be "reasonable and nondiscriminatory". SoCalWater's proposed changes to its tariff rules leaves the discretion of charging for tariff sheets to SoCalWater. In fact, SoCalWater's witness Conway testified that in certain cases no charges would be made for tariff sheets, which is evident from her statement:

". . . I forgot to mention one thing about the intentions of the request. It's not the intent of the company -- the language says "may." It's not the intent of the company to charge any customer for the current rate schedule that they're on. We're certainly willing to give that to any customer.

"It's not the intent of the company to charge for a copy of an advice letter, if they're an interested party.

"We would certainly not charge for tariff sheets that are involved in customer complaints."
(Tr. 338.)

We believe that SoCalWater's tariff rule should clearly state under what circumstances and to whom the charges for tariff sheet would be made. The proposed language does not specify all the exceptions stated by witness Conway.

In addition, we share Branch's concern about inadequate notice regarding the proposed change to customers. We will not adopt the rule as proposed.

Service Charge for Bad Checks

SoCalWater proposes to increase its service charge for bad checks from \$5 to \$10. SoCalWater contends that its costs for processing a returned check exceeds \$14 and that the requested increase would cover most of the costs.

While Branch does not disagree with the amount of proposed increase, Branch is concerned about notice to customers of SoCalWater's other districts which are not the subject of these proceedings. Branch believes that this issue should be addressed in a generic proceeding.

Discussion

Water utilities requested authority to charge \$5 for processing bad checks by filing an advice letter. The Commission approved the \$5 charge by Resolution W-2638 dated May 20, 1980.

We believe that SoCalWater should follow a similar procedure to seek authority to increase charges for bad checks. Accordingly, while we deny SoCalWater's request to charge \$10 for processing bad checks, we will allow SoCalWater to seek such authorization for all its districts through an advice letter filing provided SoCalWater notifies customers of all its districts about the proposed change.

Treatment of Income Taxes as Fixed or Variable Cost

On November 21, 1984, the Commission issued Order Instituting Investigation (I.) 84-11-041 to establish a rate design policy for water utilities. D.86-05-064 in I.84-11-041, among other things, established that service charges shall be set to allow a utility to recover up to 50% of its fixed costs. To ensure that a common definition of "fixed cost" existed, the Commission defined it, as it related to the service charge, to be those direct costs that are necessary to provide a customer's access to water, and such fixed costs should include (1) maintenance expense; (2) transmission and distribution expense; (3) customer account expenses, excluding uncollectibles; (4) administrative and general expense; (5) rent expense; (6) depreciation expense; (7) property tax expense; and (8) gross return on investment.

The Commission did not include income taxes in fixed costs. SoCalWater requests that income taxes be considered as "fixed costs" for rate design purposes. SoCalWater contends that variable costs are essentially those costs that vary directly with sales and include items such as electricity for pumps, pump taxes, purchased water, etc. SoCalWater defines fixed costs as costs which do not vary with sales and have to be paid whether or not any water is sold to customers. SoCalWater considers depreciation, property taxes, interest on debt, labor, and the cost of equity capital as fixed costs.

SoCalWater argues that for ratemaking purposes, income taxes behave like fixed costs. According to SoCalWater, the computation of income taxes is based upon the return on common equity, company's capital structure, rate base, rate of return on rate base, and the net-to-gross multiplier. SoCalWater maintains that since all of the foregoing are fixed costs, income taxes must also be fixed.

Branch disagrees with SoCalWater. Branch opines that historically income taxes have been and should continue to be treated as variable costs.

Discussion

Income taxes do not qualify as "fixed costs" as defined in D.86-05-064, i.e., they are not "those direct costs that are necessary to provide a customer's access to water." In fact, income taxes do not qualify as fixed costs under SoCalWater's own definition. SoCalWater defines fixed costs as those costs which do not vary with sales and have to be paid whether or not any water is sold to customers. In general, a utility has to pay higher than estimated taxes if its sales exceed the estimated sales. On the other hand, if there is no water sold to the customers or the amount sold is only a fraction of the estimated sales, the utility ends up with a loss and thus pays no income tax. Income taxes clearly are not fixed costs that a utility has to pay regardless of the quantity of water sold.

Finally, we believe that, as a participant in I.84-11-041, SoCalWater had the opportunity to file for rehearing of D.86-05-064 if it disagreed with the Commission's conclusion regarding the treatment of income taxes. SoCalWater did not take the opportunity. It should not relitigate this generic issue in a GRC.

Switching from Bi-monthly to Monthly Billing

SoCalWater seeks approval to convert from bi-monthly to monthly billing, and to recover in rates the costs of conversion to monthly billing by filing an advice letter at a later date. Branch believes that such conversion would be an unnecessary expense.

SoCalWater contends that it will allow its customers to better budget their expenses. SoCalWater opines that monthly billing will provide customers with up-to-date information on their water usage during mandatory rationing and conservation. According

to SoCalWater, the benefits of conversion to monthly billing outweigh the costs to customers of \$.20 to \$.65 per month.

Discussion

While conversion to monthly billing may have some benefits during drought related rationing, they do not justify the additional expense to customers. Water purveyors like the Marin Municipal Water District and the City of San Francisco Water Department were successful in implementing stringent rationing programs without finding it necessary to convert to monthly billing.

In addition, the proposal to convert to monthly billing was overwhelmingly opposed by the customers during public hearings.¹ Faced with rate increases between 27.66% to 55.66% in 1992, customers strongly favored any possible reduction in expenses. We will not adopt SoCalWater's proposal.

Inflation Factors

During the hearings, parties agreed to use inflation factors developed in accordance with the procedure recommended in DRA's Exhibit 39. Inflation factors for these proceedings will be developed in accordance with the procedure described in Exhibit 39 and shall be based on the most recent forecasts for various indices such as wage rates and consumer price index.

Water Loss for Desert District

A portion of the total amount of produced and purchased water is not registered on the customers' meters. The portion not registered on the customers' meters consists of: 1) water used for utility operations such as flushing of mains, testing of fire hydrants, and developing wells and 2) water unaccounted for. The

¹ Approximately 200 customers attended the PPH in Los Osos. When asked for an informal vote by the ALJ, they unanimously voted against the conversion from bi-monthly to monthly billing.

water used for operations and water unaccounted for is referred to as water loss.

SoCalWater projects its water loss for the Desert District to be 15.59%, which is composed of 8.41% of water used for operations and 7.18% of water unaccounted for. SoCalWater contends that its high projection of water losses is due to the need for an extensive main replacement program in the Desert District, which, in turn, requires large quantities of water for flushing.

Branch recommends that the total projected water loss should be limited to 10% to make water losses for the Desert District approximate the water losses for other Class A water utilities. Branch contends that if major main replacement program is really occurring in the district, then water lost through leaks should decrease bringing the entire water loss to within the 10% range established by the Commission in various GRC decisions for water utilities.

Discussion

SoCalWater is conducting a major main replacement program in the Desert District and thus requires more than normal water for operations.

SoCalWater's projected water loss for the test years is based on the actual water loss experienced in 1990. As more mains are replaced, the water lost through leaks should decrease. A reasonable estimate of water loss for this rate case cycle would most likely be the average of SoCalWater's and Branch's projection, or 12.8%. We will use a water loss estimate of 12.8% for the district.

Barstow Litigation Cost

On February 27, 1990, SoCalWater filed A.90-02-070 seeking authority to construct and place in service specific water supply projects and system improvements. The additions were intended to help alleviate the declining supply and deliverability of water in the Barstow District.

In addition to the cost recovery for the water supply projects, SoCalWater also requested recovery of litigation costs associated with its lawsuit seeking adjudication of water rights in the three basins of the Mojave River water system. The lawsuit alleges that overdrafting of the system by upstream users in the more developed areas caused a precipitous decline in groundwater levels in the Barstow District.

SoCalWater filed the lawsuit jointly with the City of Barstow (Barstow). SoCalWater and Barstow entered into an agreement to share the costs of litigation on a 50/50 basis, with SoCalWater's costs limited to \$150,000 per year. Under the agreement, Barstow will pay the attorney's fees, costs, and expenses monthly upon receipt of invoices. SoCalWater, in turn, will reimburse Barstow for 50% of the litigation costs up to the annual limit.

SoCalWater proposed to recover its share of the litigation costs by including the costs in Barstow District's rate base. However, in D.90-11-002 the Commission denied SoCalWater's request to include the litigation costs in rate base, instead it authorized SoCalWater to record the litigation costs in a memorandum account. In order to recover its litigation costs SoCalWater was required to show:

- 1) that a cost benefit analysis was conducted prior to further embarking on such litigation and
- 2) the benefits derived by its ratepayers and its stockholders from incurring such costs. (Ordering Paragraph 3, D.90-11-002.)

Further, SoCalWater was required to "provide a proposal to seek recovery of reasonable litigation costs from its ratepayers and from its stockholders." (Ordering Paragraph 3, D.90-11-002.) (Emphasis added.)

As directed by the Commission, SoCalWater prepared a cost benefit analysis of obtaining a long-term supply of water for the Barstow District by either prosecuting the Barstow litigation or by constructing a 44-mile pipeline from Barstow to the California Aqueduct.

SoCalWater contends and Branch agrees that the Barstow litigation was the least cost solution to assure Barstow's long-term water supply. However, there is disagreement as to the allocation of benefits derived by the ratepayers and the shareholders from the Barstow litigation. SoCalWater argues that 98% of the benefits of the litigation flowed to the ratepayers and 2% flowed to the shareholders. In support of its position, SoCalWater provided Exhibit 38 which is shown in Table 13. Branch argues that both ratepayers and shareholders benefit equally from the litigation.

TABLE 13

Cost Benefit Analysis
of
Barstow Litigation Costs

	<u>Dollars</u>	<u>%</u>
Present value benefit to Ratepayers ²	\$49,574,000	98.29
Present value benefit to Shareholders ³	<u>861,000</u>	<u>1.71</u>
	\$50,435,000	100.00
Yearly Litigation Costs	\$150,000	
Ratepayers share	147,000	
Stockholders share	<u>3,000</u>	
	\$150,000	

2 The Ratepayers Benefit is a present value savings of \$49,574,000 achieved by not having Barstow Ratepayers have to build the pipeline.

3 The shareholders benefit is the present value revenue they receive by allowing 100% of litigation costs in rate base.

Discussion

SoCalWater's analysis regarding the allocation of benefits received by ratepayers and shareholders is flawed. As shown in Table 13, SoCalWater assumes that only the ratepayers benefit by not having to build the pipeline connecting Barstow to the California Aqueduct. However, the shareholders also benefit from not having to build the pipeline. In particular, the shareholders avoid the risk associated with investing \$50 million dollars to build a pipeline for a district with a \$10 million rate base. Such an increase in debt may affect SoCalWater's ability to earn the authorized the rate of return because of the burden of having to service an increased debt load.

Given the fact SoCalWater has not met its burden of demonstrating the benefits flowing to shareholders and ratepayers, the Commission will apportion costs on an equitable basis in this particular case. The Commission notes that both shareholders and ratepayers benefit from the Barstow litigation. Further, the ratepayers as taxpayers are already paying a large share of the litigation costs through the City of Barstow's contribution. In addition, attributing a portion of the litigation costs to the shareholders will create an incentive for SoCalWater to control and minimize litigation costs. Consequently, the Commission concludes that of the litigation costs allocated to SoCalWater, both shareholders and ratepayers benefit equally from the Barstow litigation and should be responsible for an equal share of the costs.

Next, we consider the method of recovery for the litigation costs. SoCalWater proposes to include the costs in rate base which would allow it to earn a return on the unamortized portion of the costs. This treatment might be appropriate if SoCalWater was required to pay its entire share of the litigation costs at the outset, assuming of course that all the costs were

prudent and that the litigation was pursued in good faith and not to harass. However, this particular case is different.

In this particular case, under the terms of SoCalWater's agreement with Barstow, SoCalWater is not directly paying the litigation costs. It would be inequitable for the shareholders to earn a return on equity on expenses initially paid for by the taxpayers of Barstow who are synonymous with ratepayers for the purpose of this case. For this situation, a dollar-for-dollar recovery of the costs by including them as part of the water supply expenses would be the most equitable and least expensive way for ratepayers to pay their share of the cost. Since we are requiring ratepayers to pay 50% of the litigation costs, their share of costs would be limited to \$75,000 per year which would be less than \$0.75 per customer per month. This method of recovery will also allow the shareholders to recover their expenses as they occur.

Finally, to ensure that SoCalWater recovers only the authorized amount of the litigation costs, we will allow SoCalWater to apply a limited-term surcharge on the quantity of water sold in the Barstow District. The surcharge will terminate when SoCalWater has recovered 50% of its share of the Barstow litigation costs. In addition, recovery of the litigation costs through a surcharge on the quantity of water used will also ensure that each customer pays its proportionate share of the costs associated with procuring water supply.

Barstow Heights Main Replacement

SoCalWater seeks authority to replace 2,600 feet of water mains on Rimrock Road in Barstow Heights area of the Barstow District at an approximate cost of \$100,000. According to SoCalWater, this main replacement is the first step in an improvement program for the Barstow Heights area. SoCalWater contends that the main replacement will benefit the area through improved fire flow, improved availability of service, and a reduction in leaks.

Branch recommends disapproval of this plant improvement item. According to Branch, SoCalWater had not provided specific engineering data and cost breakdown for this \$100,000 program, when the application was filed. Branch agrees that SoCalWater has since provided the necessary information. Branch is also concerned that SoCalWater is requesting the Commission for a blank check for \$100,000, which would allow it to decide what to do with the money later.

Discussion

The Barstow Heights main improvement program is needed. Branch witness Novak conceded this during his cross-examination. Novak also conceded that he has received the necessary engineering and cost information about the project. By denying SoCalWater the authority to proceed with the improvements, we will be denying the Barstow Heights area residents the benefit of this needed improvement. We will authorize SoCalWater to undertake the \$100,000 main replacement program on Rimrock Road.

While we agree with the need for the main replacement program, we share Branch's concern regarding SoCalWater's failure to provide timely detailed information regarding the project. Branch should have been furnished the necessary information on capital improvements in time to allow Branch an opportunity to review it. If SoCalWater is allowed to recover the cost for the program through an advice letter, Branch will have an opportunity to ensure that the funds were spent properly. Accordingly, upon completion of the main replacement program, we will allow SoCalWater to recover the associated costs up to a maximum of \$100,000 through an advice letter filing.

Management Audit

Citing several deficiencies in SoCalWater's management practices, Branch recommended a management audit of the company. While initially opposed to Branch's proposal, SoCalWater agreed to a management audit of the company. SoCalWater and Branch reached

the following agreement regarding the procedure for conducting the audit:

1. The management audit of SoCalWater will be conducted in 1993.
2. The consultant for the audit will be cooperatively selected by Branch and SoCalWater. If there is a disagreement regarding selection of the consultant, Branch's view will prevail.
3. The scope of the audit will be jointly developed by Branch and SoCalWater. If there is a disagreement regarding the scope of the audit, Branch's view will prevail.
4. The audit will cover not only SoCalWater's general office, but will also include various district offices and other areas of SoCalWater's activities. The audit will review the interrelationship of the general office and district offices.
5. SoCalWater will establish a memorandum account to book the costs associated with the audit. The question of recovery of the costs in rates, in whole or in part, shall be addressed after the report on the audit is available.

Discussion

The agreed upon proposal for the management audit appears reasonable. We will adopt it. We expect Branch and SoCalWater to cooperate in conducting the audit. We will authorize SoCalWater to establish a memorandum account to book costs associated with the audit.

Attrition

Rates for 1994 are calculated using an operational and financial attrition allowance. Since there is no expected change in capital ratio and weighted average cost of debt, there will be no financial attrition. Operational attrition is the result of the additional cost of providing service including operating expenses, depreciation, taxes, and return on investment increasing at a

faster rate than revenues at a given rate level. The following table shows the attrition allowance for each of the four districts:

<u>District</u>	<u>Operational</u>	<u>Financial</u>	<u>Total</u>
Barstow	0.31%	0	0.31%
Desert	0.11%	0	0.11%
Los Osos	0.43%	0	0.43%
Metropolitan	0.96%	0	0.96%

Comments on ALJ Proposed Decision

The ALJ's proposed decision was filed and mailed to the parties on October 21, 1991. SoCalWater, Branch, and Apple Valley filed comments on the proposed decision. After reviewing the comments, we have corrected clerical and technical errors. Other than correcting the errors, we will address the following two issues:

1. Attrition year calculations.
2. Apple Valley's petition to set aside submission.

Attrition Year Calculations

During the hearings, SoCalWater proposed a revised method of calculating revenue requirements for the attrition year. SoCalWater's revised method resulted in a substantial increase in attrition year revenue requirements. Due to limited notice of this revision, Branch was unable to verify the validity of SoCalWater's calculations. However, Branch and SoCalWater agreed to defer the issue of attrition year rate increase to the next phase (Phase II) of the proceeding. Branch and SoCalWater also agreed that SoCalWater will file amended applications addressed solely to this issue. The amended applications will be noticed to all ratepayers in the affected districts.

We believe that the agreement is reasonable. Accordingly, this proceeding will remain open for the limited purpose of addressing the issue of attrition year revenue requirement calculations.

Apple Valley's Petition to Set Aside Submission

In response to Apple Valley's oral motion (RT 166:14 - 167:20), the ALJ instituted a special ex parte rule in these proceedings on July 24, 1991, effective at the conclusion of hearings. The ex parte rule did not prevent ex parte communication between parties and decisionmakers, but required the party initiating ex parte contact to inform all parties, within 24 hours, of the ex parte contact and of the discussion that took place.

On October 16, 1991, SoCalWater contacted the Executive Director to discuss an issue being addressed in this proceeding. SoCalWater did not inform other parties regarding its communication with the Executive Director until October 25, 1991.

Along with its comments on the ALJ's proposed decision, Apple Valley petitions to set aside submission and reopen these proceedings for further evidence on the ex parte contact pursuant to Rule 84 of the Commission's Rules of Practice and Procedure. In the alternative, Apple Valley requests that the applications be denied because of SoCalWater's violation of the ex parte rule.

SoCalWater and Branch filed responses to Apple Valley's petition.

SoCalWater contends that since the ALJ's ex parte rule applies only to contacts with "decisionmakers," it does not restrict communication with the Executive Director. SoCalWater insists that it did not violate the adopted ex parte rule in these proceedings.

Branch supports Apple Valley's petition and contends that SoCalWater violated the spirit of the ex parte order before the ALJ's proposed decision was even issued. Branch requests that the proceedings be reopened.

We will deny Apple Valley's petition. As Branch notes, SoCalWater did not violate the explicit terms of this special ex parte rule, which did not require disclosure of communications with the Executive Director. Furthermore, SoCalWater's contact with the

Executive Director does not materially affect the outcome of these proceedings.

Findings of Fact

1. On February 25, 1991, SoCalWater filed applications requesting rate increases for water service in its Barstow, Desert, Los Osos, and Metropolitan Districts.

2. SoCalWater requests rates which would produce rates of return on its rate base of 11.31% in 1992, 11.29% in 1993, and 11.29% in 1994 with a constant ROE of 13.0% in each of the three years.

3. Branch recommends an ROE of 11.75% for SoCalWater for the three years.

4. Both SoCalWater and Branch relied on DCF and RP financial models in developing their recommendations for an appropriate ROE.

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

6. Water utilities do not face the same business risk as energy and communications utilities.

7. Bond rating agencies apply more relaxed standards to water utilities than energy and communications utilities.

8. SoCalWater currently meets Standard & Poors benchmarks for an "AA" rating.

9. An ROE of 11.75% will allow SoCalWater to maintain its current financial condition and will be fair to ratepayers because it is the minimum necessary to do so.

10. An ROE of 11.75% will produce overall rates of return of 10.62%, 10.60%, and 10.60% for 1992, 1993, and 1994, respectively.

11. Utility plant additions go into service at various times during the test year.

12. For ratemaking purposes, it is assumed that plant additions are uniform throughout the year and 50% of the plant additions are considered as plant in service for the test year.

13. Branch recommends that 31% weighting factor be used for plant additions for the Barstow and Metropolitan Districts, 32% weighting factor for the Los Osos District, and a 48% weighting factor for the Desert District.

14. Branch's recommendation regarding weighting of plant additions is based on its analysis of five years of plant additions.

15. Water utilities unlike energy utilities are not allowed to capitalize interest on plant additions.

16. Water utilities are allowed to include CWIP in rate base.

17. Historically, the Commission has allowed water utilities to include 50% of plant additions and 50% of CWIP in rate base.

18. Before a specific plant addition is considered to be in service, it would be part of the CWIP and thus would be included in the rate base.

19. The practice of weighting 50% plant additions, as well as CWIP eliminates the need to determine the precise in service date for plant additions and simplifies the procedure for computing the test year plant estimates.

20. Water utility GRCs are filed on a three-year cycle using two test years and an attrition year.

21. Water utilities are allowed step rate increases for the second test year and the attrition year.

22. The maximum allowable step rate increases are specified in the GRC decision.

23. A utility's step rate increases are reduced below the specified amount if the utility's earned rate of return exceeds the authorized rate of return.

24. The authorized rate of return for a multi-district utility is most likely to be revised during the rate case cycle.

25. The Commission uses the latest authorized rate of return for the utility as the basis for computing step rate increases.

26. Branch recommends that rather than using the latest authorized rate of return for the utility, the "lower" of the latest authorized rate of return for the utility and the specific authorized rate of return for the district in question be used to compute the step rate increases.

27. SoCalWater recommends that the latest authorized rate of return, whether it is higher or lower than the rate of return authorized for the specific district, be used to compute the step rate increases.

28. The current practice of using the latest authorized rate of return allows a utility to receive a higher step rate increase when economic conditions justify a higher rate of return and a lower step rate increase when economic conditions are reversed.

29. If Branch's proposal regarding step rate increases were adopted, multi-district water utilities will be treated inequitably compared to single district water utilities.

30. SoCalWater is seeking to include in rates, as part of the general office expense, \$25,000 in costs associated with an informational video tape.

31. The video tape enhances SoCalWater's image but does not provide any beneficial information to ratepayers.

32. SoCalWater proposes to include language in its tariff rules that would allow it to charge parties requesting copies of tariff sheets for the duplication and processing costs incurred in complying with the request.

33. SoCalWater's suggested language for changing its tariff rule leaves the discretion of charging for tariff sheets to SoCalWater.

34. Charges for providing copies of tariff sheets should be "reasonable and nondiscriminatory".

35. SoCalWater proposes changes to its tariff rules which would allow it to increase its service charge for processing bad checks from \$5 to \$10.

36. The cost for processing bad checks exceeds \$10.
37. Customers of SoCalWater's other districts which are not the subject of these proceedings have not been notified about the proposed increase in service charge for bad checks.
38. Customers of all districts of SoCalWater could be notified about the proposed increase in service charge for bad checks if SoCalWater was allowed to request the increase through an advice letter.
39. D.86-05-064 in I.84-11-041 established that service charges shall be set to allow a utility to recover up to 50% of its fixed cost.
40. SoCalWater recommends that income taxes be considered as fixed costs for ratemaking purposes.
41. D.86-05-064 defined fixed costs as those costs that are necessary to provide a customer's access to water.
42. Income taxes are not part of the direct costs that are necessary to provide a customer's access to water.
43. Income taxes are not fixed costs that a utility has to pay regardless of the quantity of water sold.
44. SoCalWater proposes to convert from bi-monthly billing to monthly billing.
45. The conversion from bi-monthly to monthly billing will increase customer billing from \$.20 to \$.65 per month.
46. The benefits of conversion from bi-monthly to monthly billing are minor.
47. During the PPHs customers expressed a very strong opposition to conversion from bi-monthly to monthly billing.
48. SoCalWater projects a 15.5% water loss for its Desert District.
49. Branch recommends that water loss for the Desert District should be limited to 10%.

50. The most likely water loss for the Desert District will at the mid-point (or 12.8%) of water loss figures used by SoCalWater and Branch.

51. SoCalWater and Barstow have jointly filed a lawsuit seeking adjudication of water rights in the three basins of the Mojave River water system.

52. SoCalWater and Barstow entered into an agreement to share the costs of litigation on a 50/50 basis.

53. SoCalWater's costs for the litigation are limited to \$150,000 per year.

54. SoCalWater seeks to recover the entire portion of its share of the litigation costs from ratepayers by including the costs in Barstow District's rate base.

55. Both shareholders and ratepayers benefit equally from the Barstow litigation, making them responsible for equal shares of the cost.

56. A direct or dollar-for-dollar recovery of the litigation costs will be the least expensive way for ratepayers to pay their share of the costs which would be limited to \$75,000 per year.

57. Recovery of the litigation costs through a surcharge on the quantity of water used will ensure that each customer pays its share of the costs which are associated with the supply of water.

58. SoCalWater seeks authority to replace 2,600 feet of water mains in the Barstow District.

59. SoCalWater did not provide Branch the necessary engineering and cost information regarding the main replacement program in a timely manner.

60. The main replacement program is needed in the Barstow District.

61. Recovery of costs associated with the Barstow District main replacement program through an advice letter would provide Branch an opportunity to verify that the funds for the program were properly expended.

62. Citing several deficiencies in SoCalWater's management practices, Branch recommended a management audit of the company.

63. Branch and SoCalWater have agreed on the procedure for conducting SoCalWater's management audit.

64. Branch and SoCalWater have agreed that the costs of the management audit should be booked into a memorandum account and that the procedure for recovery of the costs should be determined after the audit report is available.

65. During the hearings, SoCalWater revised the method of calculating attrition year revenue requirements.

66. Branch did not have adequate time to review SoCalWater's revisions to attrition year revenue requirements.

67. Branch and SoCalWater agreed to address the issue of attrition year revenue requirement calculations in a separate phase (Phase II) of the proceeding.

68. SoCalWater agreed to file amended applications for the four districts under review in these proceedings which would address the issue of revised calculations for attrition year revenue requirements.

69. In response to Apple Valley's oral motion, the ALJ instituted a special ex parte rule in these proceedings.

70. The special ex parte rule did not prevent ex parte communication between parties and decisionmakers, but required the party initiating ex parte contact to inform all parties, within 24 hours, of the ex parte contact and of the discussion that took place.

71. On October 16, 1991, SoCalWater contacted the Executive Director to discuss an issue being addressed in these proceedings.

72. SoCalWater did not inform other parties regarding its communication with the Executive Director until October 25, 1991.

73. Along with its comments on the ALJ's proposed decision, Apple Valley petitions to set aside submission and reopen these proceedings for further evidence on the ex parte contact pursuant

to Rule 84 of the Commission's Rules of Practice and Procedure. In the alternative, Apple Valley requests that the applications be denied because of SoCalWater's violation of the ex parte rule.

74. SoCalWater and Branch filed responses to Apple Valley's petition.

75. SoCalWater contends that since the ALJ's ex parte rule applies only to contacts with "decisionmakers," it does not restrict communication with the Executive Director.

76. Branch supports Apple Valley's petition and contends that SoCalWater violated the spirit of the ex parte order before the ALJ's proposed decision was issued.

77. Since the special ex parte rule did not require disclosure of communication with the Executive Director, SoCalWater did not violate the terms of the ex parte rule.

Conclusions of Law

1. An ROE of 11.75% is just and reasonable for SoCalWater for 1992, 1993, and 1994.

2. 50% of the plant additions during the test year should be included in rate base.

3. SoCalWater's allowable step rate increase should be determined by comparing its earned rate of return with the latest authorized rate of return for the utility.

4. Cost of preparing the informational video tape should not be included in rates.

5. SoCalWater's proposed changes to its tariff rules should not be adopted.

6. SoCalWater should be allowed to seek authorization to increase the service charge for processing bad checks by filing an advice letter.

7. Income taxes should not be treated as fixed costs for ratemaking purposes.

8. SoCalWater's request to convert from bi-monthly to monthly billing should be denied.

9. A 12.8% water loss for the Desert District is reasonable and should be adopted.

10. The Barstow litigation costs should be shared equally by shareholders and ratepayers and the ratepayers' share should be recovered through a surcharge on the quantity of water sold.

11. The surcharge for the Barstow litigation cost should be terminated after the ratepayer's share of the cost is reimbursed.

12. Costs for the main replacement program in the Barstow District should not be included in rate base.

13. After the completion of the main replacement program in the Barstow District, SoCalWater should be allowed to recover the costs of the program by an advice letter filing.

14. The agreed upon procedure for SoCalWater's management audit should be adopted.

15. SoCalWater should be allowed to establish a memorandum account to book the costs associated with the management audit.

16. These proceedings should remain open for the limited purpose of considering attrition year revenue requirements.

17. SoCalWater should file amended applications which would address the issue of revised calculations for attrition year revenue requirements.

18. Apple Valley's petition to set aside submission and to reopen these proceedings or in the alternative to deny these applications should be denied.

INTERIM ORDER

IT IS ORDERED that:

1. Southern California Water Company (SoCalWater) is authorized to file revised schedules for its Barstow, Desert, Los Osos, and Metropolitan Districts attached to this decision as Appendix A. This filing shall comply with General Order (GO) 96.

The effective date of the revised schedules shall be 5 days after the date of filing. The revised schedules shall apply only to service rendered on and after their effective date.

2. 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 Appendix B, or to file a proportionate lesser increase for those rates in Appendix B for Barstow, Desert, Los Osos, and Metropolitan 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) 10.62%. This filing shall comply with GO 96. The requested step rates shall be reviewed by the Commission Advisory and Compliance Division (CACD) to determine their conformity with this order and shall go into effect upon CACD's determination of conformity. CACD shall inform the Commission if 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 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, 1993, SoCalWater is authorized to file an advice letter, with appropriate workpapers, requesting the step rate increases for 1994 included in Appendix B, or to file a proportionate lesser increase for those rates in Appendix B for Barstow, Desert, Los Osos, and Metropolitan 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, 1993, exceeds the later of (a) the rate of return found reasonable for SoCalWater during the corresponding period in the then most recent

decision or (b) 10.60%. This filing shall comply with GO 96. The requested step rates shall be reviewed by the staff to determine their conformity with this order and shall go into effect upon CACD's determination of conformity. CACD shall inform the Commission if it finds that the proposed step rates are not in accord with this decision. The effective date of the revised schedules shall be no earlier than January 1, 1994, 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. SoCalWater may file an advice letter seeking authorization to increase its service charge for processing bad checks from \$5 to \$10.

5. SoCalWater shall terminate the surcharge for the Barstow District litigation costs after the ratepayer's share of the costs had been fully reimbursed.

6. After the implementation of the main replacement program in the Barstow District, SoCalWater may file an advice letter to recover in rates the costs associated with the program. No recovery for the cost of the program in excess of \$100,000 shall be allowed.

7. SoCalWater may establish a memorandum account to record costs associated with the management audit which shall be conducted in accordance with the agreement outlined in the body of the decision. The recovery of the costs, in whole or in part, recorded in the memorandum account shall be addressed after the report on the management audit is made available.

8. The proceedings in A.91-02-096, A.91-02-097, A.91-02-099, and A.91-02-101 shall remain open for the limited purpose of addressing the issue of attrition year revenue requirement calculations.

9. SoCalWater shall file amended applications requesting revisions to attrition year revenue requirement calculations. If

the amended applications are not filed within 180 days of the effective date of this order, this order shall become final.

10. The Town of Apple Valley's petition to set aside submission and to reopen these proceedings or in the alternative to deny these applications is denied.

This order is effective today.

Dated January 10, 1992, at San Francisco, California.

DANIEL Wm. FESSLER
President
JOHN B. OHANIAN
PATRICIA M. ECKERT
NORMAN D. SHUMWAY
Commissioners

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


NEAL J. SHULMAN, Executive Director

APPENDIX A-1
Page 1

Southern California Water Co.
Desert District

Morongo Valley Tariff Area

Schedule No. DEM-1

General Metered Service

Applicability

Applicable to all metered water service.

Territory

Morongo Valley and vicinity, San Bernardino County.

Rates

Quantity Rates	Per Meter Per Month
For all water delivered, per 100 cu.	\$3.1020 (I)

Service Charge

For 5/8 X 3/4-inch meter	\$31.00 (I)	| | | | | | | | | |	* * * * * * * * * *
For 3/4-inch meter	36.00		
For 1-inch meter	46.00		
For 1-1/2-inch meter	55.00		
For 2-inch meter	78.00		
For 3-inch meter	155.00		
For 4-inch meter	220.00		
For 6-inch meter	390.00		
For 8-inch meter	450.00		
For 10-inch meter	590.00 (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 an undercollection in the Balancing Account, an amount of \$0.1314 per Ccf is to be added to the quantity rates above for the thirty-six month period ending February 13, 1993 to amortize the undercollection.
2. All bills are subject to the reimbursement fee set forth on Schedule No. UP.

APPENDIX A-1
Page 2

Southern California Water Co.
Desert District
Victorville Tariff Area

Schedule No. DEV-1

General Metered Service

Applicability

Applicable to all metered water service.

Territory

The Vicinity of Victorville and Lucerne, San Bernardino County.

Rates

Quantity Rates

Per Meter
Per Month

For all water delivered, per 100 cu. \$2.2990 (I) *

Service Charge

For 5/8 X 3/4-inch meter	\$13.00	(I)
For 3/4-inch meter	19.30	†
For 1-inch meter	24.00	†
For 1-1/2-inch meter	30.00	†
For 2-inch meter	44.00	†
For 3-inch meter	80.00	†
For 4-inch meter	127.00	†
For 6-inch meter	210.00	†
For 8-inch meter	270.00	† *
For 10-inch meter	400.00	(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. Water supplied in the territory comprising a portion of Section 16, Township 4 North, Range 2 West, San Bernardino Base and Meridian, located 15 miles southeasterly of Victorville, San Bernardino County, is of high fluoride content.
2. Due to an undercollection in the Balancing Account, an amount of \$0.1314 per Ccf is to be added to the quantity rates above for the thirty-six month period ending February 13, 1993 to amortize the undercollection.
3. All bills are subject to the reimbursement fee set forth on Schedule No. UP.

APPENDIX A-1

Page 3

Southern California Water Co.
Desert District

Morongo Valley Tariff Area

Schedule No. DEM-2H

General Metered Service

Applicability

Applicable to all metered water service.

Territory

Morongo Valley and vicinity, San Bernardino County.

Rates

	Per Month
For water delivered for domestic use only and when hauled by the customer	\$29.40 (I)

SPECIAL CONDITIONS

1. Each customer desiring to obtain water under this schedule must make an application for service to the utility .
2. Service under this schedule will be furnished only from Company-designated outlets specified for haulage service consisting of 3/4-inch hose bib with garden hose fitting located in Morongo Valley as follows:

West side of Bella Vista Drive 400 feet north of Canyon Road.

Northwest corner of Park Avenue and Cholla Avenue.

East side of Hess Boulevard 100 feet north of paradise Avenue.
3. Due to an undercollection in the Balancing Account, an amount of \$0.1314 per Ccf is to be added to the quantity rates above for the thirty-six month period ending February 13, 1993 to amortize the undercollection.
4. All bills are subject to the reimbursement fee set forth on Schedule No. UF.

APPENDIX A-1
Page 4

Southern California Water Co.
All Districts

Schedule No. AA-4

Private Fire Service

Applicability

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

Territory

Rate A - Applicable within the Bay Calipatria-Niland, Clearlake, Orange County, San Dimas, Santa Maria and Simi Valley Districts.

Rate B - Applicable within the Arden Cordova, Barstow, Desert, Los Osos, Metropolitan, Ojai, Pomona Valley, San Gabriel Valley and Wrightwood Districts.

(C)

(C)

Rates

	Per Connection	
	A	B
For each inch of diameter of service connection	\$4.00	\$5.00

(End of Appendix A-1)

APPENDIX B-1
 Page 1
 Southern California Water Co.

Desert District
 Morongo System

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		
		1-1-93	1-1-94	
Schedule No. DEM-1				
Service Charge		Per Meter Per Month		
For 5/8 X 3/4-inch meter	. . . . .	0.40	0.00	*
For 3/4-inch meter	. . . . .	0.50	0.50	
For 1-inch meter	. . . . .	2.00	0.00	
For 1-1/2-inch meter	. . . . .	18.15	0.00	
For 2-inch meter	. . . . .	27.00	0.00	
For 3-inch meter	. . . . .	23.00	74.00	
For 4-inch meter	. . . . .	63.00	127.00	
For 6-inch meter	. . . . .	154.00	259.00	
For 8-inch meter	. . . . .	408.00	417.00	
For 10-inch meter	. . . . .	635.00	602.00	
Quantity Rates				
For all water delivered, per 100 cu. ft. ..		0.0960	0.0000	*
Schedule No. DEM-2H				
For water delivered for domestic use only and when hauled by the customer		\$0.90	\$0.60	

APPENDIX B-1

Page 2

Southern California Water Co.
Desert District
Victorville System

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		
	1-1-93	1-1-94	
Schedule No. DEV-1			
	Per Meter Per Month		
Service Charge			
For 5/8 X 3/4-inch meter	0.45	0.25	* | *
For 3/4-inch meter	1.00	1.00	
For 1-inch meter	1.00	0.00	
For 1-1/2-inch meter	1.00	10.00	
For 2-inch meter	2.00	15.60	
For 3-inch meter	5.00	25.00	
For 4-inch meter	10.00	41.00	
For 6-inch meter	23.00	116.00	
For 8-inch meter	98.00	187.00	
For 10-inch meter	125.00	270.00	

Quantity Rates

For all water delivered, per 100 cu. ft. . .	0.0000	0.0010	*
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(End of Appendix B-1)

APPENDIX C-1
Page 1Southern California Water Co.
Desert District
Morongo System
Adopted Quantities

	1992	1993
PURCHASED POWER		
SCE 8/90		
WELLS:		
Total Production (Ccf)	104552	107501
Kwh per Ccf	1.2642	1.2642
Total Kwh (000)	132.17	135.90
Unit cost \$/Kwh	0.08528	0.08528
Energy Cost (wells)	\$11,272	\$11,590
BOOSTERS		
Total Production (Ccf)	104552	107501
Kwh per Ccf	1.1312	1.1312
Total Kwh (000)	118.27	121.61
Unit cost \$/Kwh	0.08528	0.08528
Energy Cost (boosters)	\$10,086	\$10,370
TOTAL Purchased Power	\$21,358	\$21,960
Total Chemical Cost	\$300	\$300

APPENDIX C-1

Page 2

Southern California Water Co.
Desert District
Morongo System
Adopted Quantities

Schedule DEM-1 Number of Services, Meter Size	1992	1993
5/8 X 3/4-inch meter	920	945
3/4-inch meter	0	0
1-inch meter	5	6
1 -1/2-inch meter	4	4
2-inch meter	10	11
3-inch meter	0	0
4-inch meter	0	0
6-inch meter	0	0
8-inch meter	0	0
10-inch meter	0	0
TOTAL	939	966
Total Sales, KCcf	91.2	93.7

Number of Services	No. of Svcs.		Usage KCcf		Avg usage CCF/yr.	
	1992	1993	1992	1993	1992	1993
Commercial	930	957	88.6	91.1	95.2	95.2
Industrial	0	0	0.0	0.0	0.0	0.0
Pub. Auth.	9	9	2.6	2.6	288.4	288.4
Other	0	0	0.0	0.0		
Contract	0	0	0.0	0.0		
Subtotal	939	966	91.2	93.7		
Priv. Fire Prot	0	0				
Comm flat	21	21				
Total	960	987	91.2	93.7		
Water Loss 12.80¢			13.4	13.8		
Total water Produced			104.6	107.5		
Purchased			0.0	0.0		
Well Water			104.6	107.5		

Note: Normal Usage (Cof/svo) Commercial 95.24,
Public Authority 288.42

APPENDIX C-1

Page 3

Southern California Water Co.
Desert District
Morongo System
Utility Plant, Depreciation Reserve and Rate Base

	1992	1993
(Thousands of Dollars)		
Utility Plant	3,110.0	3,274.4
Plant BOY	121.3	198.8
Utility Add	42.0	24.0
Advances	16.4	30.4
Contributions	179.7	253.2
Total additions		
Retirements	15.3	21.6
Plant EOY	3,274.4	3,506.0
CWIP	50.0	50.0
Wtd Add 50.0%	82.2	115.8
Wtd. Avg Plant	3,242.2	3,440.2
Depreciation Reserve		
Reserve BOY	654.0	732.6
Contrib.	3.5	3.9
Depr Expense 2.87	86.1	90.7
Clearing	4.3	4.3
Total Accrual	93.9	98.9
Retirement	15.3	21.6
Reserve EOY	732.6	809.9
Wtd. Accr 50.0%	39.3	38.7
Wtd. Avg. Depr. Res.	693.3	771.1
Rate Base		
Utility Plant	3,242.2	3,440.2
Mat. & supply	9.3	9.3
Working Cash	32.1	32.1
Deprac Reserve	693.2	771.1
Advances for Constr.	55.2	73.8
Contributions	121.6	141.4
Gen Office Alloc.	56.8	56.2
Unamort. Def. Taxes	(175.2)	(201.6)
Unamort. ITC	(29.0)	(28.0)
Prepd taxes CIAC	31.8	41.0
Capitalized items	18.2	21.8
Wtd Avg. Rate Base	2,316.2	2,385.2

APPENDIX C-1
Page 4Southern California Water Co.
Desert District
Victorville Area
Adopted Quantities

	1992	1993
PURCHASED POWER		
SCE 8/90		
WELLS:		
Total Production (Ccf)	502468	534611
Kwh per Ccf	2.2272	2.2272
Total Kwh (000)	1119.10	1190.69
Unit cost \$/Kwh	0.09969	0.09969
Energy Cost (wells)	\$111,563	\$118,699
BOOSTERS		
Total Production (Ccf)	502468.0	534611.0
Kwh per Ccf	0.20576	0.20576
Total Kwh (000)	103.39	110.00
Unit cost \$/Kwh	0.09969	0.09969
Energy Cost (boosters)	\$10,307	\$10,966
TOTAL Purchased Power	\$121,869	\$129,666
Total Chemical Cost	\$700	\$700

APPENDIX C-1
Page 5

Southern California Water Co.
Desert District
Victorville System
Adopted Quantities

Schedule DEV-1

Number of Services, Meter Size	1992	1993
5/8 X 3/4-inch meter	2521	2676
3/4-inch meter	0	0
1-inch meter	113	120
1 -1/2-inch meter	5	5
2-inch meter	10	12
3-inch meter	3	3
4-inch meter	1	1
6-inch meter	0	0
8-inch meter	0	0
10-inch meter	0	0
TOTAL	2653	2817
Total Sales, KCcf	438.2	466.2

Number of Services	No. of Svcs.		Usage KCcf		Avg usage CCF/yr.	
	1992	1993	1992	1993	1992	1993
Commercial	2649	2812	433.9	460.6	162.6	162.6
Resale	3	4	0.3	0.3	1328.8	1328.8
Pub. Auth.	1	1	4.0	5.3	259.6	259.6
Other	0	0	0.0	0.0		
Contract	0	0	0.0	0.0		
Subtotal	2653	2817	438.2	466.2		
Priv. Fire Prot	3	3				
Comm flat	0	0				
Total	2656	2820	438.2	466.2		
Water Loss 12.80%			64.3	68.4		
Total water Produced			502.5	534.6		
Purchased			0.0	0.0		
Well Water			502.5	534.6		

Note: Normal Usage (Cof/svo) Commercial 182.0
Public Authority 288.42, Resale 1476.47, Conservation 10%

APPENDIX C-1

Page 6

Southern California Water Co.
Desert District
Victorville System
Utility Plant, Depreciation Reserve and Rate Base

	1992	1993
	(Thousands of Dollars)	
Utility Plant		
Plant BOY	4,222.2	5,097.3
Utility Add	869.2	642.2
Advances	63.0	36.0
Contributions	24.6	45.6
Total additions	956.8	723.8
Retirements	81.7	61.8
Plant EOY	5,097.3	5,759.3
CWIP	50.0	50.0
Wtd Add 50.0%	437.6	331.0
Wtd. Avg Plant	4,709.8	5,478.3
Depreciation Reserve		
Reserve BOY	502.9	548.9
Contrib.	10.6	11.0
Depr Expense 2.22	110.5	136.9
Clearing	6.6	6.6
Total Accrual	127.7	154.5
Retirement	81.7	61.8
Reserve EOY	548.9	641.6
Wtd. Accr 50.0%	23.0	46.4
Wtd. Avg. Depr. Res.	525.9	595.3
Rate Base		
Utility Plant	4,709.8	5,478.3
Mat. & supply	26.1	26.1
Working Cash	63.8	63.8 *
Deprec Reserve	525.9	595.3
Advances for Constr.	167.1	201.8 *
Contributions	353.3	377.6
Gen Office Alloc.	106.0	105.6 *
Unamort. Def. Taxes	(262.8)	(302.3)
Unamort. ITC	(43.5)	(42.0)
Prepd taxes CIAC	57.1	71.2
Capitalized items	28.4	34.2
Wtd Avg. Rate Base	3,638.6	4,260.3 *

(End of Appendix C-1)

APPENDIX D-1

Page 1

Southern California Water Co.
Desert District
Morongo SystemIncome Tax Calculation
(Thousands of Dollars)

	1992 Authorized -----	1993 Authorized -----	
Total Rev	649.0	686.7	
Purch. Power	21.4	22.0	*
Purch. Water	0.0	0.0	
Pump Tax	0.0	0.0	
Purch. Chem	0.3	0.3	
Payroll	95.4	98.8	
OM Other	73.5	81.7	*
AG Other	13.5	14.1	
Pension	22.0	25.0	
Insurance	0.0	0.0	
Inj. Damage	0.0	0.0	
GO. Alloc.	45.5	47.9	
Payroll Tax	7.5	7.8	
AdValTax .83	25.8	27.2	*
Uncolle. 00381	2.5	2.6	
LocFr. 00416	2.7	2.8	
subtotal	310.1	330.2	*
Captz. Items	0.0	0.0	
Sch. M	9.8	9.8	
Interest	107.9	111.6	*
Total Ded.	427.8	451.6	*
State TaxDep	115.2	133.0	*
State Tax	9.9	9.5	*
Fed Tax Depr	77.4	84.5	
Def. Contrib.	(2.0)	(2.6)	
Fed Tax 34.12%	48.9	48.9	*
ITC	0.0	0.0	
Total FedTax	48.9	48.9	*
Fed Tax Rate	0.34120		
Uncoll Rate	0.00381		
Franch Rate	0.00416		
State Tax Rate	0.09300		
Net/Gross	1.7816		

APPENDIX D-1

Page 2

Southern California Water Co.
Desert District
Victorville SystemIncome Tax Calculation
(Thousands of Dollars)

	1992 Authorized -----	1993 Authorized -----	
Total Rev	1,448.7	1,557.5	*
Purch. Power	121.9	129.7	
Purch. Water	0.0	0.0	
Pump Tax	0.0	0.0	
Purch. Chem	0.7	0.7	
Payroll	206.3	213.6	
OM Other	132.5	146.4	
AG Other	25.3	30.5	
Pension	42.6	73.4	
Insurance	0.0	0.0	
Inj. Damage	0.0	0.0	
GO Alloc.	80.1	85.1	
Payroll Tax	16.2	16.8	
AdValTax .83	35.0	42.3	
Uncolle. 00381	5.5	5.9	*
LocFr. 00416	6.0	6.5	*
subtotal	672.1	750.9	*
Captz. Items	0.0	0.0	
Sch. M	19.1	19.1	
Interest	169.5	199.3	
Total Ded.	860.7	969.3	*
State TaxDep	172.8	199.4	
State Tax	38.6	36.2	*
Fed Tax Depr	94.9	122.4	
Def. Contrib.	(3.1)	(3.9)	
Fed Tax 34.12%	166.6	147.1	*
ITC	0.0	0.0	
Total FedTax	166.6	147.1	*
Fed Tax Rate	0.34120		
Uncoll Rate	0.00381		
Franch Rate	0.00416		
State Tax Rate	0.09300		
Net/Gross	1.7816		

(End of Appendix D-1)

APPENDIX E-1

Page 1

Desert District
Morongo System

Comparison of typical bills for commercial metered customers of various usage levels and average usage level at present and authorized rates for the year 1992.

General Metered Service (5/8 x 3/4) inch meter

Monthly Usage: (Cubic Feet)	At Present Rates	At Authorized: Rates	Percent Increase
500	\$40.21	\$46.51	15.7%
794 (avg)	49.00	55.63	13.5%
1,000	55.16	62.02	12.4%
2,000	85.07	93.04	9.4%
3,000	114.98	124.06	7.9%
5,000	174.80	186.10	6.5%
10,000	324.35	341.20	5.2%

APPENDIX E-1
Page 2Desert District
Victorville System

Comparison of typical bills for commercial metered customers of various usage levels and average usage level at present and authorized rates for the year 1992.

General Metered Service (5/8 x 3/4) inch meter

Monthly Usage: (Cubic Feet)	At Present Rates	At Authorized: Rates	Percent Increase	
500	\$19.18	\$24.50	27.7%	*
1,000	27.87	35.99	29.1%	*
1,365 (avg)	34.21	44.38	29.7%	*
2,000	45.24	58.98	30.4%	*
3,000	62.61	81.97	30.9%	*
5,000	97.35	127.95	31.4%	*
10,000	184.19	242.90	31.9%	*

(End of Appendix E-1)

APPENDIX A-2

Page 1

Southern California Water Co.
Metropolitan District

Schedule No. ME-1

General Metered Service

Applicability

Applicable to all metered water service.

Territory

Portions of the Cities of Artesia, Bell, Bell Gardens, Carson, Cerritos, Compton, Cudahy, Culver City, Downey, El Segundo, Gardena, Hawaiian Gardens, Hawthorne, Huntington Park, Inglewood, Lakewood, La Mirada, Lawndale, Long Beach, Norwalk, Paramount, Santa Fe Springs, South Gate, and the communities of Athens, Lennox and Moneta and vicinity, Los Angeles County, and portions of the City of Los Alamitos, Orange County.

Rates

Quantity Rates	Per Meter Per Month
For all water delivered, per 100 cu.	\$1.0073 (I) *

Service Charge

For 5/8 X 3/4-inch meter	\$4.90 (I)
For 3/4-inch meter	7.75
For 1-inch meter	11.50
For 1-1/2-inch meter	19.00
For 2-inch meter	33.00
For 3-inch meter	42.00
For 4-inch meter	75.00
For 6-inch meter	110.00
For 8-inch meter	175.00
For 10-inch meter	280.00 (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. UP.

APPENDIX A-2
Page 2

Southern California Water Co.
Metropolitan District

Schedule No. ME-2

Flat Rate Service

Applicability

Applicable to all flat rate water service.

Territory

The area formerly served by the Monterey Acres Mutual Water Company in the City of Lakewood.

Rates

Per Service

Connection
Per Month

- | | |
|--|-------------|
| 1. For each single unit of occupancy on a lot 50 feet by 170 feet, or smaller | \$10.00 (I) |
| 2. For each single unit of occupancy on a lot larger than 50 feet by 170 feet | 11.10 (I) |
| 3. For each additional unit of occupancy served by the same service connection of 1. or 2. above | 9.40 (I) |
| 4. For each vacant lot larger than 50 feet by 170 feet | 3.50 (I) |
| 5. For each vacant lot 50 feet by 170 feet or smaller | 2.40 (I) |

SPECIAL CONDITIONS

1. This service is limited to existing customers as of December 18, 1981.
2. For service covered by the above classifications 1 through 3, if either the utility or the customer so elects, a meter shall be installed and service provided under Schedule No. ME-1, General Metered Service.

(End of Appendix A-2)

APPENDIX B-2

Southern California Water Co.

Metropolitan 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	
	1-1-93	1-1-94
Schedule No. ME-1	Per Meter Per Month	
Service Charge		
For 5/8 X 3/4-inch meter	1.00	0.60
For 3/4-inch meter	1.05	0.60
For 1-inch meter	1.50	1.00
For 1-1/2-inch meter	2.00	1.50
For 2-inch meter	3.00	2.00
For 3-inch meter	4.00	6.00
For 4-inch meter	5.00	5.00
For 6-inch meter	20.00	36.00
For 8-inch meter	20.00	68.00
For 10-inch meter	30.00	67.00

Quantity Rates	1-1-93	1-1-94
For all water delivered, per 100 cu. ft.	0.0074	0.0057 *

Flat Rate	1-1-93	1-1-94
1. For each single unit of occupancy on a lot 50 feet by 170 feet, or smaller	\$0.50	\$0.30
2. For each single unit of occupancy on a lot larger than 50 feet by 170 feet	0.55	0.35
3. For each additional unit of occupancy served by the same service connection of 1, or 2.	0.45	0.30
4. For each vacant lot larger than 50 feet by 170 feet	0.15	0.10
5. For each vacant lot 50 feet by 170 feet or smaller	0.10	0.10

APPENDIX C-2
Page 1Southern California Water Co.
Metropolitan District

Adopted Quantities

PURCHASED POWER		1992	1993
WELLS:			
Total Production (KCof)		9606.7	9606.7
Kwh per Cof		1.3606	1.3606
Total Kwh (000)		13070.88	13070.88
Unit cost \$/Kwh SCE 8/90		0.07093	0.07093
Energy Cost (wells)		\$927,117	\$927,117
BOOSTERS			
Total Production (KCof)		26952.0	27013.3
Kwh per Cof		0.02965	0.02965
Total Kwh (000)		799.13	800.94
Unit cost \$/Kwh SCE 8/90		0.07093	0.07093
Energy Cost (boosters)		\$56,682	\$56,811
DWP Electric:			
Total Kwh (000)		87.4	87.4
Unit cost \$/Kwh		0.09397	0.09397
Energy Cost (DWP)		8211	8212
TOTAL ELECTRIC		\$992,010	\$992,140
GAS (Therms)		19992	19994
SoCal Gas (\$/Therm) 1/90		0.69959	0.69959
Total Gas Cost		\$13,986	\$13,988
TOTAL Purchased Power		\$1,005,997	\$1,006,128
PURCHASED WATER	\$/A.F.	KCof	KCof
Cent. Ba MWD 7.91	276.00	5101.59	5119.63
West Bas MWD 7.91	276.00	11500.78	11541.45
Cerritos 7.91	279.75	695.4	697.8
Inglewood 10.90+sc	710.90	34.34	34.47
Downey 7.91	273.30	13.01	13.05
Suburban Wtr 5.87	326.70	0	0
MWD Cred. Intr Wtr 7.87	-50.00	0	0
Tot. KCof		17345.09	17406.43
Cent. Ba MWD 7.91		3232.858	3244.288
West Bas MWD 7.91		7287.999	7313.768
Cerritos 7.91		446.642	448.221
Inglewood 10.90+sc		57.294	57.492
Downey 7.91		8.163	8.192
Suburban Wtr 5.87		1.281	1.281
MWD Cred. Intr Wtr 7.87		-200	-200
Total Purchased Water Cost (\$000)		10,834.24	10,873.24
REPLENISHMENT Tax Cost			
Total Well Water AF		22056.98	22056.98
Cost @ \$100.AF (\$000)		2205.698	2205.698
Total Chemical Cost		\$39,900	\$42,100

APPENDIX C-2
Page 2

Southern California Water Co.
Metropolitan District

Adopted Quantities

Schedule ME-1 Number of Services, Meter Size	1992	1993
5/8 X 3/4-inch meter	78752	78927
3/4-inch meter	193	193
1-inch meter	9267	9288
1 -1/2-inch meter	3027	3034
2-inch meter	3409	3417
3-inch meter	288	289
4-inch meter	133	133
6-inch meter	31	31
8-inch meter	24	24
10-inch meter	6	6
TOTAL	95130	95342
Total Water usage (KCcf)	24701.5	24757.8

Number of Services	No. of Svcs.		Usage KCcf		Avg usage CCF/yr.	
	1992	1993	1992	1993	1992	1993
Commercial	94048	94257	22290.9	22340.4	237.0	237.0
Industrial	745	747	1588.9	1593.2	2132.7	2132.7
Pub. Auth.	336	337	820.6	823	2442.2	2442.2
Other	1	1	60.5	60.5		
Subtotal	95130	95342	24760.9	24817.1		
Comm Flat Rate	149	149				
Priv. Fire Prot	1444	1447				
Pub. Fire Prot.						
Total	96723	96938	24760.9	24817.1		
Water Loss 8.13%			2191.2	2196.2		
Total water Produced			26952.1	27013.3		
Purchased			17345.3	17406.6		
Well Water			9606.7	9606.7		

Note: Normal Usage (Ccf/svc) Commercial 296.27, Public Authority 2665.9
Industrial 3052.7 Conservation 20%

APPENDIX C-2
Page 3Southern California Water Co.
Metropolitan District

Utility Plant, Depreciation Reserve and Rate Base

	1992	1993
	(Thousands of Dollars)	
Utility Plant		
Plant EOY	97,829.1	106,372.5
Utility Add	6,974.9	6,880.7
Advances	1,103.3	1,103.3
Contributions	1,200.0	1,200.0
Total additions	9,278.2	9,184.0
Retirements	734.8	727.4
Plant EOY	106,372.5	114,829.1
CWIP	500.0	500.0
Wtd Add 50.0%	4,271.7	4,228.3
Wtd. Avg Plant	102,600.8	111,100.8
Depreciation Reserve		
Reserve EOY	24,001.4	25,032.1
Contrib.	199.8	218.5
Depr Expense	1,552.3	1,693.4
Clearing	13.4	13.4
Total Accrual	1,765.5	1,925.3
Retirement	734.8	727.4
Reserve EOY	25,032.1	26,230.0
Wtd. Accr 50.0%	515.4	599.0
Wtd. Avg. Depr. Res.	24,516.8	25,631.1
Rate Base		
Utility Plant	102,600.8	111,100.8
Mat. & supply	159.2	159.2
Working Cash	576.6	576.6
Deprec Reserve	24,516.8	25,631.1
Advances for Constr.	6,519.0	7,017.5
Contributions	11,182.4	12,173.3
Gen Office Alloc.	2,350.4	2,335.4
Unamort. Def. Taxes	(667.7)	(661.7)
Unamort. ITC	(3,089.2)	(3,663.4)
Prepd taxes CIAC	2,145.3	2,614.5
Capitalized items	166.7	243.3
Depr. Acqt. Adj.	(6,408.0)	(6,283.5)
Non-Depr. Acqt. Adj.	(2,132.6)	(2,132.6)
Wtd Avg. Rate Base	53,483.4	59,466.8

(End of Appendix C-2)

APPENDIX D-2

Southern California Water Co.
Metropolitan DistrictIncome Tax Calculation
(Thousands of Dollars)

	1992 Authorized -----	1993 Authorized -----	
Total Rev	33,985.5	35,609.6	*
Purch. Power	1,005.7	1,006.1	
Purch. Water	10,834.2	10,873.2	
Pump Tax	2,205.7	2,205.7	
Purch. Chem	39.9	42.1	
Payroll	2,662.0	2,919.2	
OM Other	3,079.2	3,333.8	
AG Other	274.2	280.8	*
Pension	502.8	571.5	
Insurance	0.0	0.0	
Inj. Damage	0.0	0.0	
GO. Alloc.	1,900.0	2,020.1	
Payroll Tax	209.0	229.2	
AdValTax 1.07	1,045.2	1,136.5	
Uncolle. 0042	142.7	149.6	
LocFr. 01393	473.4	496.0	*
subtotal	24,374.0	25,263.8	*
Captz. Items	0.0	0.0	
Sch. M	51.4	51.4	
Interest	2,508.4	2,777.1	
Total Ded.	26,933.8	28,092.3	*
State TaxDep	2,013.3	2,357.2	
State Tax	468.6	479.9	*
Fed Tax Depr	1,298.7	1,430.0	
Def. Contrib.	(126.6)	(140.4)	
Fed Tax 34.12%	1,910.8	1,869.2	*
ITC	0.0	0.0	
Total FedTax	1,910.8	1,869.2	*
Fed Tax Rate	0.34120		
Uncoll Rate	0.00420		
Franch Rate	0.01393		
State Tax Rate	0.09300		
Net/Gross	1.7999		

APPENDIX E-2
Metropolitan 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 1992.

General Metered Service (5/8 x 3/4) inch meter

: Monthly Usage: : (Cubic Feet) :	At Present Rates	: At Authorized: : Rates	Percent : Increase :	:
500	\$8.39	\$9.94	18.5%	*
1,000	12.82	14.97	16.8%	*
1,975 (avg)	21.47	24.79	15.5%	*
2,000	21.69	25.05	15.5%	*
3,000	30.57	35.12	14.9%	*
5,000	48.31	55.27	14.4%	*
10,000	92.67	105.63	14.0%	*

APPENDIX A-3

Southern California Water Co.
Los Osos District

Schedule No. LO-1

General Metered Service

Applicability

Applicable to all metered water service.

Territory

Unincorporated areas south of the city of San Luis Obispo in the vicinity of Los Osos, San Luis Obispo County.

Rates

Quantity Rates	Per Meter Per Month
For all water delivered, per 100 cu. ft.	\$1.3950 (I)

Service Charge

For 5/8 X 3/4-inch meter	\$11.90 (I)
For 3/4-inch meter	14.00
For 1-inch meter	21.00
For 1-1/2-inch meter	30.00
For 2-inch meter	38.00
For 3-inch meter	65.00
For 4-inch meter	91.00
For 6-inch meter	150.00
For 8-inch meter	178.00
For 10-inch meter	210.00 (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 an undercollection in the Balancing Account, a surcharge of \$0.05 per Cof is to be added to the quantity rates for the 12 month period from July 1, 1991, the effective date of tariff sheet no. 3406-W. (C)
2. Due to the overcollection associated with the Calle Cordoniz reservoir, a rebate of \$0.105 per Cof is to be subtracted from the quantity rates for the 12 month period from July 1, 1991, the effective date of tariff sheet no. 3406-W. (C)
3. All bills are subject to the reimbursement fee set forth on Schedule No. UF. (C)

APPENDIX B-3

Southern California Water Co.

Los Osos 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		*
	1-1-93	1-1-94	
Schedule No. LO-1	Per Meter Per Month		*
Service Charge			
For 5/8 X 3/4-inch meter	1.00	0.35	|
For 3/4-inch meter	2.00	1.00	
For 1-inch meter	3.00	1.50	
For 1-1/2-inch meter	4.00	5.80	
For 2-inch meter	5.00	16.60	
For 3-inch meter	10.00	31.00	
For 4-inch meter	25.00	56.00	
For 6-inch meter	74.00	114.00	
For 8-inch meter	175.00	183.00	
For 10-inch meter	293.00	266.00	*
Quantity Rates			
For all water delivered, per 100 cu. ft. . .	0.0550	0.0000	*

APPENDIX C-3

Page 1

Southern California Water Co.
Los Osos District

Adopted Quantities

	1992	1993
PURCHASED POWER		
PG&E 1/90		
SoCal Gas 1/90		
WELLS:		
Total Production (KCcf)	634.2	653.1
Kwh per Ccf	1.6447	1.6447
Total Kwh (000)	1043.13	1074.12
Unit cost \$/Kwh SCE 8/90	0.10401	0.10401
Energy Cost (wells)	\$108,496	\$111,719
BOOSTERS		
Total Production (KCcf)	634.2	653.1
Kwh per Ccf	0.26385	0.26385
Total Kwh (000)	167.34	172.32
Unit cost \$/Kwh SCE 8/90	0.10401	0.10401
Energy Cost (boosters)	\$17,405	\$17,923
GAS (Therms)	646	665
SoCal Gas \$/Therm	\$1.50247	\$1.50247
Total Gas Cost	971	999
TOTAL Purchased Power	\$126,872	\$130,641
Total Chemical Cost	\$1,100	\$1,200

APPENDIX C-3

Page 2

Southern California Water Co.
Los Osos District

Adopted Quantities

Schedule IO-1

Number of Services, Meter Size	1992	1993
5/8 X 3/4-inch meter	2484	2562
3/4-inch meter	404	417
1-inch meter	269	277
1 -1/2-inch meter	13	13
2-inch meter	35	36
3-inch meter	2	2
4-inch meter	0	0
6-inch meter	1	1
8-inch meter	0	0
10-inch meter	0	0
TOTAL	3208	3308
Total Sales, KCoF	570.8	587.8

Number of Services	No. of Svcs.		Usage KCoF		Avg usage CCF/yr.	
	1992	1993	1992	1993	1992	1993
Commercial	3199	3299	542.5	559.4	169.6	169.6
Industrial	0	0	0.0	0.0	0.0	0.0
Pub. Auth.	5	5	15.3	15.3	3060.0	3060.0
Other	4	4	13.1	13.1		
Contract	0	0	0.0	0.0		
Subtotal	3208	3308	570.9	587.8		
Priv. Fire Prot	8	8				
Pub. Fire Prot.						
Total	3216	3316	570.9	587.8		
Water Loss 10.00%			63.4	65.3		
Total water Produced			634.3	653.1		
Purchased			0.0	0.0		
Well Water			634.3	653.1		

Note: Normal Usage (Cof/svc) Commercial 188.41
Public Authority 3400.0, Conservation 10%

APPENDIX C-3

Page 3

Southern California Water Co.
Los Osos District

Utility Plant, Depreciation Reserve and Rate Base

	1992	1993	
	(Thousands of Dollars)		
Utility Plant			
Plant BOY	4,957.9	5,652.2	
Utility Add	699.8	678.4	*
Advances	30.0	30.0	*
Contributions	10.0	10.0	
Total additions	739.8	718.4	
Retirements	45.5	26.7	
Plant EOY	5,652.2	6,343.9	
CWIP	100.0	100.0	
Wtd Add 50.0%	347.2	345.9	
Wtd. Avg Plant	5,405.1	6,098.1	
Depreciation Reserve			
Reserve BOY	718.4	806.9	
Contrib.	6.8	6.9	
Depr Expense 2.87	126.2	145.3	
Clearing	1.0	1.0	
Total Accrual	134.0	153.2	
Retirement	45.5	26.7	
Reserve EOY	806.9	933.4	
Wtd. Accr 50.0%	44.3	63.3	
Wtd. Avg. Depr. Res.	762.7	870.2	
Rate Base			
Utility Plant	5,405.1	6,098.1	
Mat. & supply	12.1	12.1	
Working Cash	61.8	61.8	
Deprec Reserve	762.7	870.2	
Advances for Constr.	967.4	919.8	
Contributions	237.5	240.7	
Gen Office Alloc.	105.6	104.9	
Unamort. Def. Taxes	(195.4)	(241.5)	
Unamort. ITC	(17.0)	(16.7)	
Prepd taxes CIAC	171.3	175.4	
Capitalized items	17.0	21.4	
Wtd Avg. Rate Base	3,592.9	4,184.8	

(End of Appendix C-3)

APPENDIX D-3

Southern California Water Co.
Los Osos DistrictIncome Tax Calculation
(Thousands of Dollars)

	1992 Authorized -----	1993 Authorized -----
Total Rev	1,314.4	1,440.4
Purch. Power	126.9	130.6
Purch. Water	0.0	0.0
Pump Tax	0.0	0.0
Purch. Chem	1.1	1.2
Payroll	183.0	189.5
OM Other	143.7	157.6
AG Other	12.6	13.0
Pension	34.1	38.8
Insurance	0.0	0.0
Inj. Damage	0.0	0.0
GO Alloc.	85.4	90.8
Payroll Tax	14.4	14.9
AdValTax .65	31.9	36.4
Uncolle. 00461	6.1	6.6
LocFr. 000	0.0	0.0
subtotal	639.2	679.4
Captz. Items	0.0	0.0
Sch. M	2.8	2.8
Interest	163.8	191.7
Total Ded.	805.8	873.9
State TaxDep	167.7	185.6
State Tax	31.7	35.4
Fed Tax Depr	115.6	133.0
Def. Contrib.	(1.7)	(1.7)
Fed Tax 34.12%	135.8	136.5
ITC	0.0	0.0
Total FedTax	135.8	136.5
Fed Tax Rate	0.34120	
Uncoll Rate	0.00461	
Franch Rate	0.00000	
State Tax Rate	0.09300	
Net/Gross	1.7756	

APPENDIX E-3
Los Osos 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 1992.

General Metered Service (5/8 x 3/4) inch meter

Monthly Usage: (Cubic Feet)	At Present Rates	At Authorized: Rates	Percent Increase
500	\$13.86	\$18.88	36.2%
1,000	18.21	25.85	42.0%
1,413 (avg)	21.81	31.61	45.0%
2,000	26.92	39.80	47.8%
3,000	35.63	53.75	50.9%
5,000	53.05	81.65	53.9%
10,000	96.60	151.40	56.7%

APPENDIX A-4

Southern California Water Co.
Barstow District

Schedule No. BA-1

General Metered Service

Applicability

Applicable to all metered water service.

Territory

Barstow and vicinity, San Bernardino County.

Rates

Quantity Rates	Per Meter Per Month
First 10,000 cu. ft., per 100 cu. ft.	\$0.7837 (I)
Over 10,000 cu. ft., per 100 cu. ft.	0.7337 (I)

Service Charge

For 5/8 X 3/4-inch meter	\$10.55 (I)
For 3/4-inch meter	14.00
For 1-inch meter	17.50
For 1-1/2-inch meter	23.00
For 2-inch meter	38.00
For 3-inch meter	55.00
For 4-inch meter	90.00
For 6-inch meter	140.00
For 8-inch meter	195.00
For 10-inch meter	350.00 (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. To amortize litigation costs for the Barstow District a surcharge of \$0.023 per Cof is to be added to the quantity rates above until the ratepayer's share has been fully reimbursed.

(N) *
|
(N) *

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

APPENDIX B-4

Southern California Water Co.

Barstow 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	
	1-1-93	1-1-94
Schedule No. BA-1		
Service Charge	Per Meter Per Month	
For 5/8 X 3/4-inch meter	0.50	0.10
For 3/4-inch meter	2.00	0.50
For 1-inch meter	2.00	2.00
For 1-1/2-inch meter	7.00	4.00
For 2-inch meter	12.00	5.00
For 3-inch meter	30.00	20.00
For 4-inch meter	30.00	20.00
For 6-inch meter	90.00	50.00
For 8-inch meter	95.00	160.00 *
For 10-inch meter	100.00	200.00 *

Quantity Rates

First 10,000 cu. ft., per 100 cu. ft.	0.0000	0.0000
Over 10,000 cu. ft., per 100 cu. ft.	0.0000	0.0000

APPENDIX C-4
Page 1Southern California Water Co.
Barstow District

Adopted Quantities

	1992	1993
PURCHASED POWER		
WELLS:		
Total Production (KCcf)	4180.1	4232.21
Kwh per Ccf	1.32626	1.32626
Total Kwh (000)	5543.88	5613.01
Unit cost \$/Kwh SCE 8/90	0.09353	0.09353
Energy Cost (wells)	\$518,519	\$524,985
BOOSTERS		
Total Production (KCcf)	4180.1	4232.2
Kwh per Ccf	0.660066	0.660066
Total Kwh (000)	2759.13	2793.54
Unit cost \$/Kwh SCE 8/90	0.09353	0.09353
Energy Cost (boosters)	\$258,061	\$261,280
TOTAL Purchased Power	\$776,581	\$786,265
Total Chemical Cost	\$2,600	\$2,800

APPENDIX C-4

Page 2

Southern California Water Co.
Barstow District

Adopted Quantities

Schedule BA-1 Number of Services, Meter Size	1992	1993
5/8 X x3/4-inch meter	7303	7398
3/4-inch meter	3	3
1-inch meter	837	848
1 -1/2-inch meter	63	63
2-inch meter	289	294
3-inch meter	28	29
4-inch meter	10	10
6-inch meter	8	8
8-inch meter	2	2
10-inch meter	0	0
TOTAL	8543	8655

First 100 Ccf, KCcf	2332.3	2363.1
Over 100 Ccf, KCcf	977.1	993.1
Total Water Sales	3309.4	3356.2

Number of Services	No. of Svcs.		Usage KCcf		Avg usage CCF/yr.	
	1992	1993	1992	1993	1992	1993
Commercial	8451	8561	2802.4	2838.9	331.6	331.6
Industrial	77	79	396.0	406.3	5143.4	5143.4 *
Pub. Auth.	7	7	96.4	96.4	13768.3	13768.3 *
Other	8	8	14.6	14.6		
Contract	1	1	440.5	440.5		
Subtotal	8544	8656	3749.9	3796.7		
Priv. Fire Prot						
Pub. Fire Prot.						
Total	8544	8656	3749.9	3796.7		
Water Loss 10.29%			430.1	435.5		
Total water Produced			4180.0	4232.2		
Purchased			0.0	0.0		
Well Water			4180.0	4232.2		

Note: Normal Usage (Ccf/svc) Commercial 390.13
Public Authority 6051.0, Industrial 16198, Conservation 15%

APPENDIX C-4
Page 3Southern California Water Co.
Barstow District

Utility Plant, Dépreciation Réserve and Rate Base

	1992	1993	
	(Thousands of Dollars)		
Utility Plant			
Plant EOY	17,838.6	19,215.9	
Utility Add	1,352.4	1,072.7	*
Advances	130.0	130.0	*
Contributions	10.0	10.0	
Total additions	1,492.4	1,212.7	
Retirements	115.1	93.5	
Plant EOY	19,215.9	20,335.1	
CWIP	100.0	100.0	
Wtd Add 50.0%	688.7	559.6	
Wtd. Avg Plant	18,627.3	19,875.5	
Dépreciation Réserve			
Réserve EOY	3,306.0	3,565.1	
Contrib.	15.7	15.6	
Depr Expensé 2.11	348.6	377.7	
Clearing	9.9	9.9	
Total Accrual	374.2	403.2	
Rétirement	115.1	93.5	
Réserve EOY	3,565.1	3,874.8	
Wtd. Accr 50.0%	129.6	154.9	
Wtd. Avg. Depr. Res.	3,435.6	3,720.0	
Rate Base			
Utility Plant	18,627.3	19,875.5	
Mat. & supply	97.5	97.5	
Working Cash	149.2	149.2	
Depero Réserve	3,435.6	3,720.0	
Advances for Constr.	3,498.1	3,450.0	
Contributions	742.0	736.3	
Gen Office Alloc.	321.9	319.9	
Unamort. Def. Taxes	(132.5)	(130.3)	
Unamort. ITC	(804.9)	(974.3)	
Prepd taxes CIAC	291.9	312.8	
Capitalized items	59.0	70.4	
Wtd Avg. Rate Base	10,933.7	11,814.5	

(End of Appendix C-4)

APPENDIX D-4

Southern California Water Co.
Barstow DistrictIncome Tax Calculation
(Thousands of Dollars)

	1992 Authorized -----	1993 Authorized -----
Total Rev	4,191.7	4,381.8
Purch. Power	776.7	786.3
Purch. Water	0.0	0.0
Pump Tax	0.0	0.0
Purch. Chem	2.6	2.8
Payroll	363.1	376.2
OM Other	448.7	484.5
AG Other	62.4	63.9
Pension	82.4	93.7
Insurance	0.0	0.0
Inj. Damage	0.0	0.0
GO Alloc.	260.3	276.7
Payroll Tax	28.5	29.5
AdValTax .65	103.4	111.8
Uncolle. 00352	14.8	15.4
LocFr. 0115	48.1	50.4
subtotal	2,191.0	2,291.2
Captz. Items	0.0	0.0
Sch. M	13.7	13.7
Interest	509.5	552.9
Total Ded.	2,714.2	2,857.8
State TaxDep	481.7	539.9
State Tax	92.6	91.5
Fed Tax Depr	316.1	345.1
Def. Contrib.	(5.2)	(4.7)
Fed Tax 34.12%	398.4	369.0
ITC	0.0	0.0
Total FedTax	398.4	369.0
Fed Tax Rate	0.34120	
Uncoll Rate	0.00352	
Franch Rate	0.01150	
State Tax Rate	0.09300	
Net/Gross	1.7943	

APPENDIX E-4
Barstow 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 1992.

General Metered Service (5/8 x 3/4) inch meter

: Monthly Usage: : (Cubic Feet) :	At Present Rates	At Authorized Rates	Percent Increase
500	\$11.60	\$14.47	24.8%
1,000	14.49	18.39	26.9%
2,000	20.28	26.22	29.3%
2,764 (avg)	24.70	32.21	30.4%
3,000	26.07	34.06	30.7%
5,000	37.65	49.74	32.1%
10,000	66.60	88.92	33.5%