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Decision 92-12-055 December 16, 1992

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

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

ORIGINAL
Application 92-03-030
(Filed March 16, 1992)

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

Application 92-03-031
(Filed March 16, 1992)

Messrs. Steefel, Levitt & Weiss, by
Lenard Weiss, Attorney at Law, for
California-American Water Company,
applicant.

Pamela Nataloni, Attorney at Law, for the
Commission Advisory and Compliance
Division.

Sacedur Rahman, Project Manager, for the Division
of Ratepayer Advocates.

O P I N I O NSummary of Decision

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

	1993	1994	1995
Coronado District	\$ 576,100 7.3%	\$283,300 3.3%	\$125,900 1.4%
Village District	\$1,626,100 14.2%	\$743,400 5.8%	\$358,900 2.6%

The increases are based on rates of return on rate base of 10.28% for test years 1993, 1994, and attrition year 1995, yielding a constant rate of return on common equity of 11.50%.

Background

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

On March 16, 1992 Cal-Am filed applications requesting rate increases for water service in its Coronado and Village Districts. The company requested increases for 1993, 1994, and 1995, respectively, of \$763,200 (10.21%), \$78,300 (0.95%), and \$103,500 (1.02%) in the Coronado District. It requested increases of \$2,760,600 (27.87%), -\$199,500 (-1.49%), and \$73,800 (0.54%) in the Village District.

The last general rate increase involving other districts of Cal-Am authorized, in D.91-11-069, a return on equity of 12.0%, with return on rate base of 10.79%.

Informal public meetings were conducted by Commission staff (staff) in both Thousand Oaks and Coronado in May. Nine customers attended the meeting held in Thousand Oaks, only one in Coronado. A public participation hearing was held in Thousand Oaks in July before Administrative Law Judge (ALJ) Lemke. Six customers spoke during the public participation hearing. All commented on the considerable magnitude of the requested 1993 increase in the Village District. None took issue with the quality either of the service or water delivered by Cal-Am.

Three days of evidentiary hearing were conducted in July and August before ALJ Lemke. The proceeding was submitted with the filing of concurrent briefs on September 21, 1992.

Issues

During the proceedings Cal-Am and Division of Ratepayer Advocates (DRA) consulted regarding their respective test year estimates. They have agreed upon a settlement of many of the issues and have jointly filed Exhibit 12, a Stipulation For Settlement. The settlement covers cost of capital, general office and laboratory expenses, and various administrative and general expenses for each of the districts, including payroll and pension/benefit, water management plans, water consumption and operating revenues, and operation and maintenance expenses. Cal-Am has agreed to revenue reductions, and DRA to increases, from the

amounts originally sought. The parties have agreed within the settlement to urge inclusion of certain specific wording concerning the treatment of costs associated with Statement of Financial Accounting Standards (SFAS) 87 and 106, relating to accounting practices for pensions and for postretirement benefits other than pensions (PBOP). This wording, as set forth below, appears reasonable, and will be adopted.

CALIFORNIA-AMERICAN WATER COMPANY
SPECIFIC LANGUAGE FOR RATEMAKING PURPOSES

As agreed to by both Staff and Utility, certain wording relating to treatment of costs associated with SFAS 87 and 106 is desired in the Decision. A copy of such wording is shown below.

PROPOSED LANGUAGE ON PENSIONS:

The CPUC hereby authorizes the utility to apply the Generally Accepted Accounting Practice, Statement of Financial Accounting Standard No. 71, Accounting for Regulated Industries, to reflect the differences in time between when pension costs are reported pursuant to Statement of Financial Accounting Standards No. 87, Employers' Accounting for Pensions, and when pension expense amounts adopted by this Commission are charged to utility customers. In CPUC Decision No.'s 88-03-072 and D.89-12-057, (pp. 83-85), the CPUC rejected SFAS 87 and authorized rate recovery using the Internal Revenue Service, Employee Retirement Income Security Act methods. By rejecting SFAS 87 but not rejecting ratemaking for pensions on an accrual basis, this Commission, in principle, is not disallowing pensions costs. Therefore, any differences between SFAS 87 cost amounts and amounts charged to ratepayers are the result of timing differences. Mathematically, these differences should not be material over the long term. In permitting this utility to record regulatory assets and liabilities to offset the SFAS 87 obligation, this Commission is not adopting any party's proposed revenue requirement or actuarial calculation.

PROPOSED LANGUAGE ON SFAS 106:

This Commission will not address the issue of accrual ratemaking treatment of PBOP costs in this proceeding. The entire matter of SFAS 106 and rate recovery for PBOP's has been addressed in I.90-07-037. This generic proceeding was initiated on July 18, 1990 and was open to all utilities regulated by the CPUC. The final decision for I.90-07-037 (Phase II Decision) is anticipated before December 1992. Accordingly, the Commissioners have decided that the level of PBOP's rate recovery in 1993 Test Year rates should be governed by the final Phase II Decision. Further, the Commissioners have decided that if the Phase II Decision authorizes accrual funding of PBOP's for ratemaking purposes, then any attendant proposal to increase Administrative and General revenue requirements, before it can be authorized in the final revenue requirements decision setting January 1, 1993 rate levels, must be found to be in complete compliance with the Phase II Decision. Before rendering this finding this Commission will scrutinize all testimony, exhibits, and arguments submitted in this proceeding and in I.90-07-037.

Cost of Capital

The cost of capital agreed to by Cal-Am and DRA, consisting of capital ratios, cost factors, long-term and short-term debt, common equity, and rate of return is shown as follows:

EXHIBIT JB-1
COST OF CAPITAL STIPULATION AGREEMENT

The Staff and Utility have agreed to stipulate to a constant rate of return on rate base of 10.28%. The debt equity ratios and cost in the capital structure are shown in the table below.

The agreement was accepted by both parties for purposes of stipulation and was based on both parties review of current economic trends and the Utility's need for new capitalization in the test year periods.

COST OF CAPITAL TABLE

<u>Component</u>	<u>Capital Structure</u>	<u>Cost Factor</u>	<u>Weighted Cost</u>
1993			
Long Term Debt	53%	9.56%	5.07%
Short Term Debt	4%	6.50%	.26%
Common Equity	<u>43%</u>	11.50%	<u>4.95%</u>
Total	100%		10.28%
1994			
Long Term Debt	53%	9.56%	5.07%
Short Term Debt	4%	6.50%	.26%
Common Equity	<u>43%</u>	11.50%	<u>4.95%</u>
Total	100%		10.28%
1995			
Long Term Debt	53%	9.56%	5.07%
Short Term Debt	4%	6.50%	.26%
Common Equity	<u>43%</u>	11.50%	<u>4.95%</u>
Total	100%		10.28%

The 11.50% return on common equity is consistent with the return authorized San Gabriel Valley Water Company by Decision (D.) 92-04-032, and with that stipulated to by California Water Service Company and DRA in A.91-09-016, et al., (submitted upon the filing of briefs in October of this year).

Cal-Am and DRA have stipulated to all issues in both districts except those related to utility plant, depreciation, and working cash.

Utility Plant

The principal issue remaining unresolved concerns the method of forecasting costs to estimate 1993 and 1994 plant additions for both districts. DRA does not dispute the prudence of the utility's proposed plant additions, and is aware that the City of Thousand Oaks is mandating that Cal-Am conform to more expensive concrete tank design criteria in allocating its construction budget. But DRA is less optimistic than Cal-Am about projections for growth within the Village District.

Cal-Am has based individual project costs on estimates of the costs of materials and labor. DRA has used a trending method based on historical costs, adjusted with labor and non-labor inflation ratios recommended by its Energy and Economics Branch. The 1993/1994 plant addition estimates were based on two- or five-year trend of plant balances from 1987 to 1991, considered by the staff witness to be a macro-economic evaluation of the company's average cost of operations. DRA's estimated costs are about 22% less than those of the company for the Village District additions, and 1.6% less for the additions in the Coronado District.

Staff believes that project costs and the timing of actual cost incurrences cannot be predicted with complete accuracy by any forecasting method; that future costs may be impacted by various considerations, such as materials and labor costs. Furthermore, staff notes that the company's Village District costs are difficult to predict because its construction program is

experiencing delays in completion, e.g., the Shopping Center II Reservoir, Rancho Conejo Intertie, and Lawrence Drive Turnout projects, which Cal-Am's witness testified will be completed in early 1993 rather than in 1992. Thus, staff maintains, neither the utility nor staff have used cost estimates which reflect the precise actual needs of Cal-Am in the two test years; and trends may be the most reliable way of estimating the future. However, staff's witness conceded that his method is not the only usable one, and that the utility's method is not necessarily a wrong one.

The depreciation expense and working cash figures developed by Cal-Am and staff also conflict as a result of these methodological differences. Staff has again used a 5-year historical trend, compared with the Standard Practice 25 frequently used to determine depreciation expense, and Standard Practice U-16 generally used to determine working cash. The staff witness chose to use a consistent methodology in developing figures for all rate base items.

The staff witness also testified that the only way to control utility costs is "by disallowing cost overruns forcing the utility to cut costs on their own. Without this tool the utility may be negligent in controlling contractor costs. Based on this concept and on historical trends, the staff has reduced the plant beginning-of-year balance by 21.9%." But the witness conceded he had no evidence of any Cal-Am cost overrun, nor is there evidence that Cal-Am had ever been negligent in controlling contractor costs.

The Cal-Am witness stated that the company develops cost estimates for each project "based on careful study of past similar projects, and discussions with contractors and engineers who have worked with similar projects." Moreover, the company obtains competitive bids for all projects.

The staff witness suggested that the company could send its Coronado District construction crews to the Village District to

perform Village District construction. Cal-Am comments in its brief that the Coronado crew is one which does pipeline replacement, service connections and meter changes; that the crew is not trained to construct the large reservoirs and tanks involved in the Village District. Further, since the districts are 180 miles apart, the problems of transporting, lodging, and feeding such crews over prolonged construction periods are evident.

Staff Exhibit 8, paragraph 8-4 contains a comparison of actual plant costs with budgeted amounts and those allowed in rate case decisions for the Village District: (The Total column is not shown in the exhibit.)

Additions	1987	1988	1989	1990	1991	Total
Actual	487.2	185.4	168.6	981.7	1185.7	\$3,008.06
Budget	573.0	243.3	249.2	1015.2	1215.9	3,296.60
Rate Case Allowed	718.2	341.9	-	1414.7	227.7	2,702.50

Thus, during the five-year period 1987-1991, Cal-Am underspent in its Village District by only \$288,000, or 8.7%. This result appears to reflect reasonable estimating practices.

Cal-Am refers us to D.89-02-067 (31 CPUC 2d 163), where a similar trending analysis of projected rate base was employed by staff, but rejected by the Commission, stating that reliance on earlier expenditures did not make any allowance for expanded levels of plant additions.

The company also makes the point that the trend analysis methodology fails to provide satisfactory projections when new plant investment drops in the test years. For example, if in years 1995-1996, plant investment drops below historical averages, trending would result in allowing excessive utility plant costs.

After consideration of all arguments on this issue, we conclude that the plant additions projected by the company for both districts are reasonable, and should be adopted.

Depreciation Reserve and
Rate Base (Working cash)

For both districts staff has taken exception to the company's calculations with respect to depreciation reserve and rate base. Staff approaches are different, and produce significant dollar differences with respect to both categories.

Staff asserts that during the past few years, wholesale water rates increased greatly because of the drought and resultant revenue loss due to conservation and/or rationing. Thus, Cal-Am has had to pay dearly each month until it received enough revenue when tariff rates were raised through advice letter offsets. Staff maintains that the drought has officially ended, so the costs incurred are not recurring costs, and thus should not be in rate base permanently where the cash will earn a rate of return. The utility has already been reimbursed by offset rates on a dollar for dollar basis; to include it once again in working cash would be to double collect for those non-recurring costs, staff argues. And to be fair to ratepayers, only long-term recurring cashflow dollars should be in rate base.

Staff used a two-year average to determine operational working cash, and a five-year average to determine lead working cash.

Cal-Am maintains that it has followed Standard Practice U-4 for these calculations with respect to depreciation, and Standard Practice U-16 for calculations regarding working cash.

Cal-Am contends, with respect to depreciation:

1. As with plant additions, staff improperly used a five-year historical trend to estimate depreciation expense.
2. In estimating depreciation accrual, staff improperly calculated its estimate based on historical depreciation expense.
3. Staff improperly used Cal-Am's beginning of year balances, ignoring its end of year balances, in the Coronado District.

4. Staff has used the company's projected retirement levels, giving no consideration to projects being eliminated.

5. Staff has improperly trended retirements in the Village District.

The company also insists that depreciation expense must be calculated based on current Commission authorized accrual rates determined in compliance with the last applications, new estimated lives and net salvage factors having been established there for each plant account. Such authorized factors determine yearly accrual percentages. Historical trends, as used by staff, will not consider new additions, changes in depreciation rates, or other factors such as plant reclassification or retirements, the company witness insists. Depreciation accrual, the witness explained, is the yearly amount to be added to depreciation reserve, and will include the depreciation allowance or contributed property. Depreciation expense is the yearly amount to be charged to the income statement, and excludes depreciation on contributed plant and depreciation which gets capitalized.

Staff has calculated annual depreciation accrual by trending the company's recorded depreciation expense levels, then subtracting the company's projection of depreciation on contributions and depreciation charged to capital projects to estimate depreciation expense. Thus, Cal-Am asserts, staff has underestimated both depreciation accruals and expense by the depreciation on contributions and depreciation charged to capital projects.

In connection with working cash calculations, the company agrees with staff that the drought has ended, but states that it is still in voluntary conservation and spending great amounts to inform and educate the public of conservation methods. Regardless, it insists, drought costs and rationing have no effect on working cash, because the expenses incurred and revenues lost were never allowed to earn a return. The witness also agrees with staff that

only long-term recurring cash flow dollars should be in rate base, and maintains that this is precisely what Cal-Am has done, calculating both operational and lead-lag working cash requirements in compliance with the Commission's Standard Practice U-16.

Average projected balances have been calculated for all operational accounts, and a detailed lead-lag study performed for all expenses. Attachment "H" of Exhibit 6 contains workpapers submitted to staff with the applications for both districts.

The company has utilized Standard Practices U-4 and U-16 in these two categories, and has demonstrated reasonable justification for doing so. Its witness has thoroughly explained, with significant detail, the reasons for applying the Standard Practices, in particular the use of current depreciation accrual percentages on an individual account basis with respect to depreciation reserve. Furthermore, purchased water costs are increasing significantly, and costs therefore have shorter lead time than the lag in accounts receivable, requiring an increase in working cash to provide the utility enough to cover short-term interest costs. Staff does not object to estimated lead lag days, or any of the items included in working cash. The utility's arguments on these issues are persuasive. In the circumstances, the company's calculations in these two categories will be adopted.

**Commission's Rate Case Plan:
Timing of Rebuttal Testimony**

Staff argues that its ability to evaluate these applications and proceed with an expedient and efficient evidentiary hearing was hampered by the utility's strategy in presenting its case.

Staff maintains that it is a basic procedural rule that the party requesting relief must affirmatively demonstrate that it is entitled to that relief. Staff asserts that Cal-Am waited for the rebuttal phase to submit most of its real presentation, submitting several rebuttal exhibits pertaining to cost of capital,

general office and payroll, O&M and A&G expenses, customer consumption, utility plant in service, plant additions, depreciation reserve, pensions and benefits, and rate base. In each case, staff states, Cal-Am relied on staff's testimony to make its own case.

While staff's reports were distributed three weeks prior to the start of evidentiary hearings, the company did not provide staff with much of its rebuttal testimony until the commencement of evidentiary hearings. Completion of hearings was delayed beyond the Rate Case Plan schedule in order that staff could have adequate opportunity to respond to the company's rebuttal evidence concerning pensions and benefits.

Staff is agreeable to a more accommodating schedule, one which will provide adequate time for applicants to furnish staff with rebuttal testimony prior to hearing, although it notes that a time factor argument is not persuasive in this case, nor does it address the issue of content and burden of proof. Staff urges that we acknowledge the employment of such strategy by a utility to be burdensome, unfair, and wasteful.

On the other hand, Cal-Am states that even if an applicant receives staff reports 20 days prior to hearings, the reality is that those reports always show wide differences with the utility on virtually every item in the case. The issues remaining to be litigated are not really known, Cal-Am insists, until after the parties meet and confer in an effort to settle issues, such settlement conferences becoming, quite appropriately, the norm in recent years. To prepare rebuttal to matters thereafter settled is expensive, and an idle exercise in time and energy better spent in the settlement effort and in narrowing the issues to be tried.

Cal-Am recommends that the Rate Case Plan schedule be modified specifically to provide additional time to hold an informal settlement conference with a subsequent deadline prior to the formal hearings for filing prepared rebuttal evidence in

response to unresolved issues raised in staff reports and not settled, as follows:

1. Add ten additional days to the entire schedule after the entry "Branch submits exhibits" to accommodate settlement discussions.

2. Settlement conferences should commence no later than seven days after issuance of staff reports.

3. Any written rebuttal testimony should be filed and served by applicant no later than seven days prior to the start of the hearings.

Some of the data included in Cal-Am's rebuttal exhibit, e.g., as to plant additions, was deemed argument and therefore properly included in briefs. There was sufficient time, under the circumstances of this proceeding, to evaluate the late-submitted rebuttal testimony, and to afford the ALJ and the Commission adequate time for preparation of a proposed decision, and issuance of a decision authorizing rate adjustments before the end of the calendar year. But this is largely because almost all disputed issues were included in the Settlement.

We concur with staff that the presentation of extensive rebuttal testimony on the first day of hearing is an unreasonable practice.

If these circumstances represent a generic problem, we invite any party to request modification of the Rate Case Plan so as to build into it adequate time for filing and consideration of rebuttal testimony, and also for settlement discussions. (We note that settlement discussions are encouraged in Appendix A, page 2 of D.90-08-045.) In the meanwhile, we will acknowledge staff's point that the presentation of extensive rebuttal testimony less than a reasonable time prior to commencement of evidentiary hearings is burdensome, unfair, and wasteful.

Rate Design

The utility has proposed to increase rates contained in the following schedules.

Village District

<u>Schedule No.</u>	<u>Class of Service</u>
V-1	General Metered Service
V-4	Private Fire Protection Service
V-6	Flat Rate Schedule
V-9MC	Metered Construction Service

Coronado District

<u>Schedule No.</u>	<u>Class of Service</u>
CO-1	General Metered Service
CO-4	Private Fire Protection Service
CO-4H	Private Fire Hydrant Service
CO-6	Flat Rate Schedule

In D.86-05-064, in OII 84-11-041 the Commission established a rate design policy which includes the following guidelines:

- a. Service charges shall be set to allow utilities to recover up to 50% of their fixed costs.
- b. Lifeline rates shall be phased out.
- c. There may be multiple commodity blocks, with the number of blocks limited to no more than three.

Staff recommends that the Water Branch's rate design policy for service charge allocation by meter size be followed, and that rates be designed to conform with the guidelines set forth in D.86-05-064 that no customer's total water bill be increased substantially more than the total system average increase.

Cal-Am has proposed to recover up to 50% of the fixed costs through service charge revenue. It has conformed with the Water Branch's policy in allocating service charges to various

sized meters. Its present general metered rate in the Village District is \$1.278 for all water delivered per 100 cubic feet. The service charge for a standard 5/8 x 3/4 inch meter is \$8.50. The company's proposed general metered rates for the three-year period 1993, 1994, and 1995 would be \$1.5898, \$1.5445 and \$1.5385, respectively. The corresponding 5/8 x 3/4 inch meter service charges would be \$10.83, \$11.26, and \$11.67.

One customer attending the public participation hearing in Thousand Oaks suggested that due to the magnitude of the 1993 rate increases, and the minimal rate changes projected for the next two years, the "rate shock" occurring in 1993 be spread over the entire three-year period. But the amount of increase originally requested by Cal-Am has been reduced considerably because of the Stipulation for Settlement. We do not deem it necessary in light of these reductions to spread, or levelize, these rate adjustments.

Another customer stated that he thought a tiered rate structure could be beneficial to ratepayers who are attempting to save on their increasing water bills. This customer did not request a lifeline rate, simply an incentive for conservation, i.e., opportunity to avoid extensive use of a higher quantity rate. D.86-05-064 adopted the current flatter rate policy, consisting in part of single block quantity rates for utilities with no unusual problems, such as water supply or capacity. There are no apparent water supply or capacity problems involved in this proceeding. We believe the best way for customers to experience lower water bills in the Village District is to simply use less water. We find that the single block quantity rate currently in effect will be appropriate for the period under consideration in this proceeding.

Attrition

An attrition allowance is needed when increases in revenues and productivity to offset increases in expenses (including the effect of the cost of capital) are insufficient, thereby causing a decline in the rate of return for the following

year. Attrition consists of two factors - financial and operational. Financial attrition occurs when there is a change in the company's cost of capital. Operational attrition is the result of changes in operating categories, e.g., revenues, expenses, and rate base. Under the terms of the Settlement, the rate of return will be constant at 10.28% for the entire three-year period.

For the third year, 1995, an attrition allowance should be granted for the operational attrition at newly authorized rates from the adopted summary of earnings for 1993 and 1994. When applied against the 1994 estimated rate base and using the net-to-gross ratio, the additional revenue for 1995 is obtained.

Summaries of Earnings

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

Comments to Proposed Decision

In accordance with PU Code Section 311 the ALJ's proposed decision was mailed to the parties on November 5, 1992. Only Cal-Am has filed comments.

Cal-Am has pointed out what it believes to be several technical errors in the 1993 Village District adopted Summary of Earnings, as well as in three appendixes attached to the proposed decision. These discrepancies have been corrected and are included in the appendixes to this decision.

Cal-Am also objects to much of the language in the proposed decision relating to Timing of Rebuttal Testimony. Its concern is that the wording in question implies that Cal-Am was intentionally dilatory in preparing, filing and serving its rebuttal evidence to staff's reports. Cal-Am recites its understanding of the facts surrounding this issue, as follows:

While staff's exhibits were mailed on July 6, they were not received until July 7 and not analyzed for several more days.

Receipt on July 7 left only 13 working days, not "almost three weeks before the commencement of evidentiary hearings" on July 27 as stated in the proposed decision.

Cal-Am excepts to the tone and tenor of the language in the proposed decision as casting the company in a negative light as an intentional "foot dragger," when it believes the opposite was the case. It believes that the only reasonable conclusion to be drawn from the above recited facts and the language in the proposed decision is that Cal-Am should assume there will be no progress at the settlement conference, that such conferences are only perfunctory, and that it should be assumed all issues raised in the staff reports will be litigated.

To correct the offending language Cal-Am proposes the deletion of certain wording, and the restatement of the final paragraph on page 14. This language is adopted in part, as follows:

"As a general proposition, the presentation of extensive rebuttal testimony on the first day of hearing is an unreasonable practice and should be avoided. It appears that if Staff and the Company could have held their settlement meetings earlier than five working days prior to the commencement of hearings that the company could have filed its rebuttal testimony in a more timely manner. The Commission urges that the parties make every effort to hold settlement conferences much closer to the date on which the Staff reports are issued."

Cal-Am also urges that the paragraph at the top of page 15 be amended to delete the final two sentences.

The above wording suggested by the company is fair and reasonable. The penultimate sentence in the first paragraph on page 15, concerning the unfairness, etc. of presenting extensive rebuttal testimony on the first day of evidentiary hearing is also appropriate. The last sentence of that paragraph, however, is unwarranted and is deleted from the proposed decision.

Findings of Fact

1. On March 16, 1992 Cal-Am filed applications requesting rate increases for water service provided during 1993, 1994, and 1995 in its Coronado and Village Districts.

2. Cal-Am and DRA have entered into a Stipulation For Settlement (Exhibit 12) in which the parties have agreed to a constant rate of return on rate base for the three-year period of 10.28%, and a constant return on equity of 11.50%. The agreement also addresses various other issues regarding general office expenses, and issues in each of the districts involving Administrative and General expenses, water management plans, water consumption and operating revenues, average consumption per customer, and Operation and Maintenance expenses.

3. The Stipulation For Settlement contained in Exhibit 12 is reasonable, consistent with the law, and in the public interest. The proposed language in the Stipulation For Settlement relating to treatment of costs associated with SFAS 87 and 106 is appropriate for purposes of this proceeding.

4. Cal-Am's additional plant cost estimates for both districts are based upon a study of past similar projects, and discussions with contractors and engineers who have worked with similar projects. A competitive bid process has been employed by the utility with respect to these projects. Staff has conceded the prudence of each of the company's proposed utility plant additions. There is no record evidence that Cal-Am has ever been negligent in controlling contractor costs for plant additions.

5. Cal-Am's additional plant cost estimates are reasonable and should be adopted.

6. Cal-Am's working cash and depreciation projections are based on Standard Practices U-16 and U-4, and are reasonable for purposes of this proceeding.

7. The rate design requested by Cal-Am and concurred in by staff, consisting in part of a single tier quantity rate block, is

appropriate for the both districts in light of the rate increases authorized by this decision.

Conclusions of Law

1. The adopted Summaries of Earnings contained in this order summarize our decisions on contested issues, as well as those agreed to by the parties, and indicate the resultant revenues and expenses which would be experienced by Cal-Am at its present and authorized rates during test years 1993 and 1994.

2. Based upon our adopted Summaries of Earnings, Cal-Am should be authorized to increase rates for water service rendered in its Coronado and Village Districts to levels necessary to earn a return on rate base of 10.28% during the three years 1993, 1994, and 1995.

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

4. The Stipulation For Settlement (Exhibit 12) entered into between Cal-Am and DRA should be adopted.

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

ORDER

IT IS ORDERED that:

1. California-American Water Company (Cal-Am) is authorized to file on or after the effective date of this order the revised rate schedules for 1993 shown in Appendixes A-1 and A-2 for its Coronado and Village Districts. This filing shall comply with General Order (GO) 96-A. The effective date of the revised rate schedule shall be 4 days after filing. The revised rate schedules shall apply only to service rendered on and after their effective date.

2. On or before November 5, 1993, Cal-Am shall file tariff pages, with appropriate supporting workpapers, showing the step rates for 1994 shown in Appendixes B-1 and B-2 attached to this order, or to file lesser rates in the event that the rate of return on rate base for its Coronado and Village Districts, adjusted to reflect the rates then in effect and normal ratemaking adjustments for the months between the effective date of this order and September 30, 1993, annualized, exceeds the later of (a) the rate of return found reasonable by the Commission for Cal-Am for the corresponding period in the then most recent rate decision, or (b) 10.28%. This filing shall comply with GO 96-A. The rates shall be reviewed by the staff to determine their conformity with this order and shall go into effect upon the staff's determination of conformity. Staff shall inform the Commission if it finds that the proposed rates are not in accord with this decision, and the Commission may then modify the rates. The effective date of the revised schedules shall be no later than January 1, 1994. The revised schedules shall apply only to service rendered on and after their effective date.

3. On or after November 5, 1994, Cal-Am is authorized to file an advice letter, with appropriate supporting workpapers, requesting the step rate increases for 1995 shown in Appendixes B-1 and B-2 attached to this order, or to file lesser increases in the event that the rate of return on rate base for its Coronado and Village Districts, adjusted to reflect the rates then in effect and normal ratemaking adjustments for the months between the effective date of the increase ordered in the previous paragraph and September 30, 1994, annualized, exceeds the later of (a) the rate of return found reasonable by the Commission for Cal-Am for the corresponding period in the then most recent rate decision, or (b) 10.28%. This filing shall comply with GO 96-A. The requested step rates shall be reviewed by the staff to determine their conformity with this order and shall go into effect upon the

staff's determination of conformity. Staff shall inform the Commission if it finds that the proposed rates are not in accord with this decision, and the Commission may then modify the increase. The effective date of the revised schedules shall be no earlier than January 1, 1995, or 40 days after filing, whichever is later. The revised schedules shall apply only to service rendered on and after their effective date.

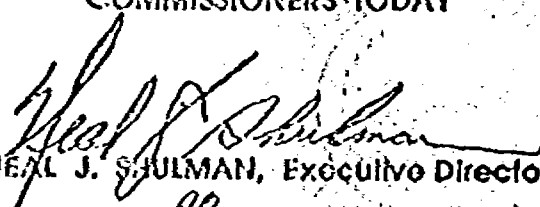
4. The Stipulation For Settlement (Exhibit 12) entered into by Cal-Am and the Commission's Division of Ratepayer Advocates is adopted.

5. The applications are granted as set forth above.
This order is effective today.

Dated December 16, 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. SCHULMAN, Executive Director
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California-American Water Company

Coronado District

Adopted Summary of Earnings
(Dollars in Thousands)
1993

At Present Rates	Cal-Am	Staff	Adopted at Present Rates	Adopted at Auth. Rates
-----	-----	-----	-----	-----
Operating revenues	\$7,930.7	\$7,930.7	\$7,891.7	\$8,467.8
Operating expenses				
Purchased water	4,029.0	4,029.0	4,351.7 *	4,351.7
Purchased power	0.0	0.0	0.0	0.0
Pump tax	0.0	0.0	0.0	0.0
Payroll	911.1	911.1	911.1	911.1
Purchased chemicals	0.0	0.0	0.0	0.0
Other O & M	266.7	266.7	266.7	266.7
Other A & G	506.3	506.3	506.3	506.3
G.O. prorations	540.5	540.5	540.5	540.5
Business license	0.0	0.0	0.0	0.0
Taxes other than inc.	168.8	163.7	168.8	168.8
Depreciation	406.5	339.5	406.5	406.5
	0.0	0.0	0.0	0.0
Subtotal	6,828.9	6,756.8	7,151.6	7,151.6
Uncollectibles	18.8	18.8	18.7	20.1
Franchise tax	35.8	35.8	35.7	38.3
State income tax	49.8	59.0	18.7	71.9
Federal income tax	157.3	190.6	27.7	222.9
Total oper. expenses	7,090.6	7,061.0	7,252.4	7,504.8
Net oper. revenues	840.1	869.7	639.3	963.0
Rate Base	9,365.1	8,876.4	9,365.1	9,365.1
Rate of Return	8.97%	9.80%	6.83%	10.28%

* reflects the current purchased water cost.

APPENDIX A, pg.2
Table 1-2

California-American Water Company

Coronado District

Adopted Summary of Earnings
(Dollars in Thousands)
1994

At Present Rates	Cal-Am	Staff	Adopted at Present Rates	Adopted at Auth. Rates
-----	-----	-----	-----	-----
Operating revenues	\$8,083.5	\$8,083.5	\$8,042.9	\$8,751.1
Operating expenses				
Purchased water	4,121.7	4,121.7	4,451.2 *	4,451.2
Purchased power	0.0	0.0	0.0	0.0
Pump tax	0.0	0.0	0.0	0.0
Payroll	945.3	945.3	945.3	945.3
Purchased chemicals	0.0	0.0	0.0	0.0
Other O & M	280.5	280.5	280.5	280.5
Other A & G	579.6	579.6	579.6	579.6
G.O. prorations	561.7	561.7	561.7	561.7
Business license	0.0	0.0	0.0	0.0
Taxes other than inc.	173.0	168.3	173.0	173.0
Depreciation	420.5	350.5	420.5	420.5
	0.0	0.0	0.0	0.0
Subtotal	7,082.3	7,007.6	7,411.8	7,411.8
Uncollectibles	19.1	19.1	19.1	20.7
Franchise tax	36.5	36.5	36.4	39.6
State income tax	40.0	52.9	8.7	74.1
Federal income tax	110.1	154.3	(11.8)	228.2
Total oper. expenses	7,288.0	7,270.4	7,464.2	7,774.4
Net oper. revenues	795.5	813.1	578.7	976.7
Rate Base	9,498.0	9,036.7	9,498.0	9,498.0
Rate of Return	8.38%	9.00%	6.09%	10.28%

* reflects the current purchased water cost.

California-American Water Company

Village District

Adopted Summary of Earnings
(Dollars in Thousands)
1993

At Present Rates	Cal-Am	Staff	Adopted at Present Rates	Adopted at Auth. Rates
-----	-----	-----	-----	-----
Operating revenues	\$10,504.1	\$10,504.1	\$11,420.8	\$13,046.9
Operating expenses				
Purchased water	5,112.5	5,112.5	6,032.9 *	6,032.9
Purchased power	91.7	91.7	91.1	91.1
Pump tax	0.0	0.0	0.0	0.0
Payroll	859.2	859.2	859.2	859.2
Purchased chemicals	0.0	0.0	0.0	0.0
Other O & M	432.6	432.6	432.6	432.6
Other A & G	683.2	683.2	683.2	683.2
G.O. prorations	584.7	584.7	584.7	584.7
Business license	0.0	0.0	0.0	0.0
Taxes other than inc.	300.4	268.8	300.4	300.4
Depreciation	887.5	700.0	887.5	887.5
	0.0	0.0	0.0	0.0
Subtotal	8,951.8	8,732.7	9,871.6	9,871.6
Uncollectibles	12.3	12.3	13.4	15.3
Franchise tax	147.1	147.1	159.9	182.7
State income tax	28.1	65.7	31.9	180.8
Federal income tax	87.8	225.2	43.9	590.3
Total oper. expenses	9,227.1	9,183.0	10,120.7	10,840.7
Net oper. revenues	1,277.0	1,321.1	1,300.1	2,206.2
Rate Base	21,460.8	17,988.4	21,460.8	21,460.8
Rate of Return	5.95%	7.34%	6.06%	10.28%

* reflects the current purchased water cost.

California-American Water Company

Village District

Adopted Summary of Earnings
(Dollars in Thousands)
1994

At Present Rates	Cal-Am	Staff	Adopted at Present Rates	Adopted at Auth. Rates
-----	-----	-----	-----	-----
Operating revenues	\$10,833.7	\$10,833.7	\$11,783.4	\$13,790.3
Operating expenses				
Purchased water	5,295.5	5,295.5	6,248.7 *	6,248.7
Purchased power	95.0	95.0	94.4	94.4
Pump tax	0.0	0.0	0.0	0.0
Payroll	919.6	919.6	919.6	919.6
Purchased chemicals	0.0	0.0	0.0	0.0
Other O & M	449.8	449.8	449.9	449.9
Other A & G	769.2	769.2	769.2	769.2
G.O. prorations	607.6	607.6	607.6	607.6
Business license	0.0	0.0	0.0	0.0
Taxes other than inc.	319.7	290.8	319.7	319.7
Depreciation	1,032.5	790.0	1,032.5	1,032.5
	0.0	0.0	0.0	0.0
Subtotal	9,488.9	9,217.5	10,441.6	10,441.6
Uncollectibles	12.7	12.7	13.8	16.2
Franchise tax	151.7	151.7	165.0	192.9
State income tax	(1.0)	44.4	3.4	187.2
Federal income tax	(28.3)	124.8	(64.6)	609.8
Total oper. expenses	9,624.0	9,551.1	10,559.2	11,447.7
Net oper. revenues	1,209.7	1,282.6	1,224.2	2,342.6
Rate Base	22,789.4	19,497.8	22,789.4	22,789.4
Rate of Return	5.31%	6.58%	5.37%	10.28%

* reflects the current purchased water cost.

California-American Water Co.
 Coronado District Tariff Area

Schedule No. CO-1

General Metered Service

Applicability

Applicable to all metered water service.

Territory

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

Rates

Quantity Rates	Per Meter Per Month
For all water delivered, per 100 cu.	\$1.2000 (I)
Service Charge	
For 5/8 X 3/4-inch meter	\$ 4.90 (I)
For 3/4-inch meter	6.00
For 1-inch meter	10.00
For 1-1/2-inch meter	19.00
For 2-inch meter	41.00
For 3-inch meter	72.00
For 4-inch meter	125.00
For 6-inch meter	190.00
For 8-inch meter	300.00 (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 anticipated loss in revenue, because of voluntary conservation and in accordance with Decision No. 91-10-042, a surcharge of \$0.0457 per 100 cubic feet is to be added to the quantity rate for the duration of voluntary conservation. The surcharge will be re-evaluated after 10 months from the effective date of Advice Letter No. 399 (May 16, 1992) and adjusted to reflect actual revenue losses.
2. All bills are subject to the reimbursement fee set forth on Schedule No. UF.

California-American Water Co.
Coronado District Tariff Area
Schedule No. CO-4

Private Fire Protection Service

Applicability

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

Territory

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

Rates

Private Fire Protection Service

Per Month

For each 4-inch connection or smaller	\$16.80	(I)
For each 6-inch connection	35.20	|
For each 8-inch connection	52.06	|
For each 10-inch connection	77.43	|
For each 12-inch connection	112.58	(I)

SPECIAL CONDITIONS

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

(continued)

A.92-03-030, A.92-03-031

California-American Water Co.

Coronado District Tariff Area

Schedule No. CO-4H

Private Fire Hydrant Service

Applicability

Applicable to all water service furnished for private fire hydrant service.

Territory

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

Rate

Per Month

Private Fire Hydrant Service installed at cost of Applicant:
For each Hydrant Installed \$ 9.94 (I)

SPECIAL CONDITIONS

1. The fire protection service and connection shall be installed by the Utility or under the Utility's direction. Cost of the entire fire protection installation excluding the connection at the main shall be paid for by the applicant. Such payment shall not be subject to refund.
2. The installation housing the detector type check valve and meter and appurtenances thereto shall be in a location mutually agreeable to the applicant and the Utility. Normally such installation shall be located on the premises of applicant, adjacent to the property line. The expense of maintaining the fire protection facilities on the applicant's premises (including the vault, meter, detector type check valves, backflow device and appurtenances) shall be paid for by the applicant.
3. All facilities paid for by the Applicant shall be the sole property of the Applicant. The Utility and its duly authorized agents shall have the right to ingress to and egress from the premises for all purposes relating to said facilities.
4. The minimum diameter will be 6 inches, and the maximum diameter will be the diameter of the main to which the service is connected.

(continued)

California-American Water Co.
Coronado District Tariff Area
Schedule No. CO-6
FLAT RATE SCHEDULE

Applicability

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

Territory

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

Rate

Monthly Charge per Water Connection \$14.00 (I)

SPECIAL CONDITIONS

1. Service shall be furnished under the above charge at a flat rate per lot as soon as connection has been made to the water system by means of a service pipe or a jumper. Upon occupancy, service will be furnished only in accordance with filed Rules and Regulations and billed at General Metered Service rates.
2. Charges under this rate schedule shall be billed to subdividers only. The subdivider shall be liable for the charge until such time as the new owner or occupant signs an application for metered service, or until the subdivider requests the removal of the service connection or jumper.
3. Where the water usage, in the opinion of the Company, exceeds the amount which would be allowable for the sum of \$14.00 under its General Metered Service Quantity rates, the Water Company may install a meter. In such case, the General Metered Service Schedule No. CO-1 minimum and quantity rates will apply. (T)
4. All bills are subject to the reimbursement fee as set forth on Schedule No. UP.

California-American Water Co.

Coronado District

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

METERED RATES		Effective Dates	
		1-1-94	1-1-95
Schedule No. CO-1		Per Meter Per Month	
Service Charge			
For 5/8 X 3/4-inch meter	. . . . .	0.00	0.00
For 3/4-inch meter	. . . . .	0.00	0.00
For 1-inch meter	. . . . .	0.00	0.00
For 1-1/2-inch meter	. . . . .	0.00	0.00
For 2-inch meter	. . . . .	0.00	0.00
For 3-inch meter	. . . . .	0.00	0.00
For 4-inch meter	. . . . .	0.00	0.00
For 6-inch meter	. . . . .	0.00	0.00
For 8-inch meter	. . . . .	0.00	0.00
Quantity Rates			
For all water delivered, per 100 cu. ft. . .		0.0220	0.0210
Schedule No. CO-4			
For each 4-inch connection or smaller . . .		\$0.50	\$0.10
For each 6-inch connection		1.06	0.20
For each 8-inch connection		1.56	0.29
For each 10-inch connection		2.33	0.43
For each 12-inch connection		3.35	1.07
Schedule No. CO-4H			
For each Fire Hydrant Installed		\$0.30	\$0.00
Schedule No. CO-6			
Monthly Charge per Water Connection		\$0.40	\$0.00

(End of Appendix B-1)

California American Water Company
Coronado District

Adopted Quantities

(Dollars in thousands)

	1993 -----	1994 -----
Water Production : KCcf (1000)		
Wells	0	0
Surface Supply	0	0
Purchased Water	5,802.9	5,935.7
Total	5,802.9	5,935.7
Purchased Water Expenses		
City of San Diego 1-1-92		
Acre Feet	13,321.2	13,626.5
Unit Cost (\$/AF)	326.66	326.66
Total Purchased Water Cost	\$4,351,700	\$4,451,200
Purchased Power		
Supplier - SoCal.Ed. (1-1-92)		
Production (KCcf)	0	0
Kwhr per KCcf	0.0	0.0
Kwhr	0	0
Unit Cost (\$/Kwhr)	0.0990	0.0990
Total Cost	\$0.0	\$0.0

APPENDIX C-1
Page 2California American Water Company
Coronado DistrictAdopted Quantities

Schedule CO-1

Number of Services by meter size

	1993	1994
	-----	-----
5/8 x 3/4 inch	16,898	17,013
1	1,976	1,976
1 1/2	488	488
2	693	693
3	0	0
4	12	12
6	6	6
8	3	3
10	0	0
	-----	-----
	20,076	20,191
Metered Sales (Kccf)	5540.6	5667.5

Number of Service and Usage

	No. of Service		Usage - Kccf		Ave Usage - ccf	
	1993	1994	1993	1994	1993	1994
	-----	-----	-----	-----	-----	-----
Residential	17,640	17,650	2803.0	2878.7	158.9	163.1
Multi-fam.	150	250	12.7	21.2	84.7	88.5
Comm.norm.	1910	1915	1068.3	1087.0	559.3	567.6
Comm.Lg.User	106	106	960.8	963.9	9064.3	9093.3
Pub.Auth.Small	225	225	148.5	155.0	659.9	688.9
Pub.Auth.Large	40	40	367.6	382.0	9189.5	9549.3
Golf	5	5	137.4	137.4	27476.7	27476.7
Irrigation	2	2	42.4	42.4	21188.0	21188.0
Other	14	14	10.1	10.2	723.4	731.6
	-----	-----	-----	-----	-----	-----
Subtotal	20,092	20,207	5550.7	5677.8		
Priv Fire Prot	250	275				
Public Fire Prot	0	0				
	-----	-----				
Total	20,342	20,482				
Water Loss	4.346%		252.2	258.0		
			-----	-----		
Total Water Produced			5802.9	5935.7		
Purchased Water (Kccf)			5802.9	5935.7		
Purchased Water (AF)			13321.7	13626.5		
Well			0.0	0.0		

California American Water Company
Coronado DistrictUtility Plant, Depreciation Reserve, and Rate Base

	1993 -----	1994 -----
	(Dollars in thousands)	
Utility Plant		
Plant Beg.Yr.	15,999.0	16,438.0
Add.	618.5	604.7
Retirement	162.7	135.1
Plant End.Yr.	16,438.0	16,907.6
Wgt.Plant Add.	221.5	237.0
Avg. Plant	16,220.5	16,675.0
50.5		
Depreciation Reserve		
Reserve Beg.Yr.	4,626.4	4,947.1
Contrib.	42.5	43.5
Dep.Exp.	406.5	420.5
Clear.Chg.	34.4	24.5
total accrual	483.4	488.5
Retirement	162.7	135.1
Reserve End.Yr.	4,947.1	5,300.5
Wgt.Accr.	173.2	190.9
Avg.Depr.Reserve	4,799.6	5,138.0
54		
RATE BASE		
Utility Plant	16,220.5	16,675.0
Material & Sup.	58.4	61.0
Work.Cash.Op	233.8	261.4
Work.Cash.LdLg.	410.0	430.2
Depreciation Reserve	(4,799.6)	(5,138.0)
Adv.Construction	(504.1)	(440.0)
Contribution	(1,436.6)	(1,440.7)
G.O.Allocation	33.1	31.2
Def.Tax Contrib.	58.5	61.9
Def.Tax Advance	52.7	49.3
Unam.Fed Tax Reserve	(843.0)	(912.9)
Unam.State Tax Reserve	(70.1)	(88.4)
Unam.Def.Rv.CIAC	(48.5)	(52.1)
Avg. RATE BASE	9365.1	9498.0

(END OF APPENDIX C-1)

California American Water Company
Coronado District

Income Tax Calculation

	1993	1994
	(Dollars in thousands)	
Operating Revenue (authorized rates)	\$8,467.8	\$8,751.1
Expenses		
Purchased water	4,351.7	4,451.2
Purchased power	0.0	0.0
Pump tax	0.0	0.0
Payroll	911.1	945.3
Customer Billing	64.0	66.6
Other O & M	202.7	213.9
Other A & G	490.7	564.0
Reg.Com.Exp.	15.6	15.6
G.O. prorations	540.5	561.7
Payroll Taxes	72.6	75.5
Ad.Valorem Tax	96.2	97.5
Uncollectibles 0.00237	20.1	20.7
Franchise tax .00452	38.3	39.6
Interest expense	474.8	481.5
Total Deduction	7,278.3	7,533.1
State Tax Depreciation	416.4	421.0
Net Taxable Income	773.1	797.0
State Corp. Franch. Tax 9.3%	71.9	74.1
Federal Tax Depreciation	445.4	451.5
State Income Tax	65.0	71.9
Less Preferred Stock Dividend	0.0	0.0
Net Taxable Income	679.1	694.6
Fed. Income Tax 34.12%	231.7	237.0
Less ITC	8.8	8.8
Total Federal Income Tax	222.9	228.2
Total Income Tax	294.8	302.3

Uncoll.rate	0.00237
Franch.rate	0.00452
Net/Gross	1.77965

(END OF APPENDIX C-1)

APPENDIX D-1
Page 1California-American Water Company
Coronado District

Comparison of typical bills for residential metered customers of various usage level and average level at present and authorized rates for the year 1993.

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

Monthly Usage (Cubic Feet)	At Present Rates	At Authorized Rates	Percent Increase
500	\$10.08	\$10.90	8.17%
1000	15.70	16.90	7.62
1320 (Average)	19.30	20.74	7.44
2000	26.96	28.90	7.21
3000	38.21	40.90	7.04
5000	60.72	64.90	6.89
10000	116.98	124.90	6.77

(END OF APPENDIX D-1)

California-American Water Co.
Village District Tariff Area
Schedule No. V-1
General Metered Service

Applicability

Applicable to all metered water service.

Territory

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

Rates

Quantity Rates	Per Meter Per Month
For all water delivered, per 100 cu.	\$1.6160 (I)

Service Charge

For 5/8 X 3/4-inch meter	\$ 9.90 (I)
For 3/4-inch meter	14.00
For 1-inch meter	24.00
For 1-1/2-inch meter	40.00
For 2-inch meter	65.00
For 3-inch meter	120.00
For 4-inch meter	210.00
For 6-inch meter	310.00
For 8-inch meter	420.00
For 10-inch meter	600.00
For 12-inch meter	850.00 (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 anticipated loss in revenue, because of voluntary conservation and in accordance with Decision No. 91-10-042, a surcharge of \$0.0486 per 100 cubic feet is to be added to the quantity rate for the duration of voluntary conservation. The surcharge will be re-evaluated after 10 months from the effective date of Advice Letter No. 399 (May 16, 1992) and adjusted to reflect actual revenue losses.
2. Due to an undercollection in the balancing account, a surcharge of \$0.0915 per Cof is to be added to the quantity rate for 12 months from the effective date of Advice letter No. 401 (September 7, 1992). (T)
3. All bills are subject to the reimbursement fee set forth on Schedule No. UF.

California-American Water Co.

Village District Tariff Area

Schedule No. V-4

Private Fire Protection Service

Applicability

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

Territory

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

Rates

Private Fire Protection Service

Per Month

For each inch in diameter of service connection
minimum charge based on a 4 inch service

\$ 6.18

(I)

SPECIAL CONDITIONS

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

(continued)

California-American Water Co.

Village District Tariff Area

Schedule No. V-9FL

FLAT RATE SCHEDULE

Applicability

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

Territory

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

Rate

Monthly Charge per Water Connection \$ 7.96 (I

SPECIAL CONDITIONS

1. Service shall be furnished under the above charge at a flat rate per lot as soon as connection has been made to the water system by means of a service pipe or a jumper. Upon occupancy, service will be furnished only in accordance with filed Rules and Regulations and billed at General Metered Service rates.
2. Charges under this rate schedule shall be billed to subdividers only. The subdivider shall be liable for the charge until such time as the new owner or occupant signs an application for metered service, or until the subdivider requests the removal of the service connection or jumper.
3. Where the water usage, in the opinion of the Utility, exceeds the amount which would be allowable for the sum of \$ 7.96 under its General Metered Service Quantity rates, the Water Company may install a meter. In such case, the General Metered Service Schedule No. CO-1 minimum and quantity rates will apply. (T
4. All bills are subject to the reimbursement fee as set forth on Schedule No. UF.

California-American Water Co.
Village District Tariff Area
Schedule No. V-9MC
General Metered Service

Applicability

Applicable to all water service furnished for construction purposes

Territory

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

Rates

Quantity Rate	Per Month
For all water delivered, per 100 cu.	\$2.1675 (I)
 Minimum Charge	
For all sizes of meters	\$25.96 (I)

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

SPECIAL CONDITIONS

1. Construction water service under this schedule will be furnished only when surplus water is available over the requirements for domestic service and under conditions which will not adversely affect domestic service. The Utility will be the sole judge as to the availability of such surplus water.
2. Applicants for metered construction service will be required to apply for the service at least 48 hours in advance of the time delivery of water is requested and to pay the costs and charges as provided in Rule 13, Temporary Service.
3. Due to an anticipated loss in revenue, because of voluntary conservation and in accordance with Decision No. 91-10-042, a surcharge of \$0.0486 per 100 cubic feet is to be added to the quantity rate for the duration of voluntary conservation. The surcharge will be re-evaluated after 10 months from the effective date of Advice Letter No. 399 (May 16, 1992) and adjusted to reflect actual revenue losses.
4. Due to an undercollection in the balancing account, a surcharge of \$0.0915 per Cof is to be added to the quantity rate for 12 months from the effective date of Advice letter No. 401 (September 7, 1992). (T)
5. All bills are subject to the reimbursement fee set forth on Schedule No. UF.

(End of Appendix A-2)

California-American Water Co.

Village District

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

METERED RATES	Effective Dates	
	1-1-94	1-1-95
Schedule No. V-1	Per Meter Per Month	
Service Charge		
For 5/8 X 3/4-inch meter	0.00	0.00
For 3/4-inch meter	0.00	0.00
For 1-inch meter	0.00	0.00
For 1-1/2-inch meter	0.00	0.00
For 2-inch meter	0.00	0.00
For 3-inch meter	0.00	0.00
For 4-inch meter	0.00	0.00
For 6-inch meter	0.00	0.00
For 8-inch meter	0.00	0.00
For 10-inch meter	0.00	0.00
For 12-inch meter	0.00	0.00

Quantity Rates

For all water delivered, per 100 cu. ft. . .	0.0490	0.0560
--	--------	--------

Schedule No. V-4

For each inch in diameter of service connection	1.00	0.76
Minimum charge based on a 4" service.		

Schedule No. V-9FL

Monthly Charge per Water Connection	\$0.32	\$0.00
---	--------	--------

Schedule No. V-9MC

For all water delivered, per 100 cu ft. . .	\$0.09	\$0.00
For all sizes of meters	1.04	\$0.00

(End of Appendix B-2)

California-American Water Company
Village District

Adopted Quantities

(Dollars in thousands)

	1993 -----	1994 -----
Water Production : KCcf (1000)		
Wells	0	0
Surface Supply	0	0
Purchased Water	6,441.0	6,671.4
Total	6,441.0	6,671.4
 Purchased Water Expenses Calleguas MWD 7-92		
Acres Feet	14,786.4	15,315.4
Unit Cost (\$/AF)	408.00	408.00
Total Purchased Water Cost	\$6,032,900	\$6,248,700
 Purchased Power		
Supplier - SCE (1-1-92)		
Production (KCcf)	6,441.0	6,671.4
Kwhr per KCcf	142.9	142.9
Kwhr	920,419	953,343
Unit Cost (\$/Kwhr)	0.0990	0.0990
Total Cost	\$91,100	\$94,400

APPENDIX C-2

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California-American Water Company
Village DistrictAdopted Quantities

Schedule No.V-1

Number of Services by meter size

	1993	1994
	-----	-----
5/8 x 3/4 inch	14,318	14,510
3/4 inch	300	300
1	1,713	1,713
1 1/2	195	195
2	493	507
3	39	39
4	40	40
6	7	7
8	2	2
10	0	0
12	0	0
	-----	-----
	17,107	17,313
Metered Sales (Kccf)	6128.1	6348.3

Number of Service and Usage

	No. of Service		Usage - Kccf		Ave Usage - cof	
	1993	1994	1993	1994	1993	1994
	-----	-----	-----	-----	-----	-----
Residential	16,034	16,226	4000.5	4171.7	249.5	257.1
Multi-fam.	0	0	0.0	0.0	0.0	0.0
Comm.norm.	598	605	488.1	497.7	816.2	822.6
Comm.Lg.User	97	97	623.8	634.4	6431.2	6540.0
Golf	2	2	47.3	47.3	23649.0	23649.0
Indust.norm.	143	143	174.3	175.2	1219.2	1225.5
Indust.Large	37	37	359.9	362.9	9728.0	9809.1
Pub.Auth.Small	148	155	122.8	131.7	829.6	849.4
Pub.Auth.Large	31	31	311.3	327.4	10042.3	10561.4
Other	14	14	34.7	35.0	2480.4	2497.1
	-----	-----	-----	-----	-----	-----
Subtotal	17,104	17,310	6162.8	6383.3		
Priv Fire Prot	174	182				
Public Fire Prot	0	0				
	-----	-----				
Total	17,278	17,492				
Water Loss	4.319%		278.2	288.1		
			-----	-----		
Total Water Produced			6441.0	6671.4		
Purchased Water (Kcof)			6441.0	6671.4		
Purchased Water (AF)			14786.4	15315.4		
Well			0.0	0.0		

California American Water Company
Village District

Utility Plant, Depreciation Reserve, and Rate Base

	1993 ----	1994 ----
(Dollars in thousands)		
Utility Plant		
Plant Beg.Yr.	33,217.9	38,619.1
Add.	9,884.8	2,621.1
Retirement	99.3	83.5
Plant End.Yr.		
Wgt.Plant Add. 41.4	2,235.0	1,166.5
Avg. Plant	35,452.9	39,785.6
 Depreciation Reserve		
Reserve Beg.Yr.	5,501.5	6,446.4
Contrib.	137.5	197.6
Dep.Exp.	887.5	1,032.5
Clear.Chg.	19.2	8.4
total accurat	1,044.2	1,238.5
Retirement	99.3	83.5
Reserve End.Yr.	6,446.4	7,601.4
Wgt.Accr. 52	493.9	603.8
Avg.Depr.Reserve	5,995.4	7,050.2
 RATE BASE		
Utility Plant	35,452.9	39,785.6
Material & Sup.	59.7	62.4
Work.Cash.Op	258.1	218.5
Work.Cash.LdLg.	(77.5)	(111.9)
Depreciation Reserve	(5,995.4)	(7,050.2)
Adv.Construction	(2,992.1)	(3,079.2)
Contribution	(5,969.1)	(7,528.0)
G.O.Allocation	28.7	27.1
Def.Tax Contrib.	1,234.1	1,449.4
Def.Tax Advance	1349.6	1475.6
Unam.Fed Tax Reserve	(1,027.2)	(1,299.3)
Unam.State Tax Reserve	(140.2)	(228.5)
Unam.Def.Rv.CIAC	(720.9)	(932.2)
 Avg. RATE BASE	21460.8	22789.4

(END OF APPENDIX C-2)

California-American Water Company
Village DistrictIncome Tax Calculation

	1993 ----	1994 ----
	(Dollars in thousands)	
Operating Revenue (authorized rates)	\$13,046.9	\$13,790.3
Expenses		
Purchased water	6,032.9	6,248.7
Purchased power	91.1	94.4
Pump tax	0.0	0.0
Payroll	859.2	919.6
Customer Billing	155.3	161.4
Other O & M	277.3	288.5
Other A & G	668.5	754.3
Reg.Com.Exp.	14.7	14.9
G.O. prorations	584.7	607.6
Payroll Taxes	79.9	85.6
Ad.Valorem Tax	220.5	234.1
Uncollectibles .00117	15.3	16.2
Franchise tax .014	182.7	193.1
Interest expense	1,088.1	1,155.4
Total Deduction	10,270.2	10,773.8
State Tax Depreciation	832.2	1,003.9
Net Taxable Income	1,944.5	2,012.6
State Corp. Franch. Tax 9.3%	180.8	187.2
Federal Tax Depreciation	839.5	1,011.3
State Income Tax	170.0	180.8
Less Preferred Stock Dividend	0.0	0.0
Net Taxable Income	1,767.2	1,824.4
Fed. Income Tax 34.12%	603.0	622.5
Less ITC	12.7	12.7
Total Federal Income Tax	590.3	609.8
Total Income Tax	771.1	797.0
Uncoll.rate	0.00117	
Franch.rate	0.01400	
Net/Gross	1.79461	

(END OF APPENDIX C-2)

APPENDIX D-2
Page 1

California-American Water Company
Village District

Comparison of typical bills for residential metered customers of various usage level and average level at present and authorized rates for the year 1993.

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

Monthly Usage (Cubic Feet)	At Present Rates	At Authorized Rates	Percent Increase
500	\$15.64	\$17.98	14.98%
1000	22.78	26.06	14.42
2000	37.05	42.22	13.95
2080 (Average)	38.18	43.50	13.93
3000	51.33	58.38	13.74
5000	79.88	90.70	13.55
10000	151.26	171.50	13.38

(END OF APPENDIX D-2)