

DEC 17 1992

Decision 92-12-059 December 16, 1992

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the
Application of Valencia Water
Company (U 342-W) for an order
authorizing it to increase
its rates for water service.

ORIGINAL
Application 92-01-022
(Filed January 6, 1992)

David A. Ebershoff, Attorney at Law, and
Kevin J. Keenan, Attorney at Law, for
Valencia Water Company, applicant.
Howard M. Loeb, Attorney at Law, for Uniden
Valencia, Inc., interested party.
Camden Collins, Attorney at Law, and
Daniel R. Paige, for the Division of
Ratepayer Advocates.

O P I N I O N

1. Summary of Decision

Valencia Water Company (Valencia or the Company) is authorized to increase its rates by amounts designed to increase operating revenues to the level of \$5,670,000 for test year 1992 and \$6,417,000 for test year 1993. Rates of return of 9.19% for 1992, 9.89% for 1993, and 9.95% for 1994 are adopted. These rates, with the agreement of the Company, adopt the recommendation of the Commission's Division of Ratepayer Advocates (DRA) of 11.5% return on equity, and the Company's 1994 request of 43.44% common equity, applied to all years. The decision makes the 1992 rates effective immediately, and the 1993 rates effective January 1, 1993, to limit regulatory lag.

2. Background

Valencia is a Class A water utility incorporated on April 7, 1954 in the State of California. The Company was granted a certificate of public convenience and necessity by this

Commission in Decision (D.) 69744 dated October 5, 1965. The original service area for which the certificate was granted was approximately 1,500 acres to the northwest of the community of Newhall in northern Los Angeles County, to be developed as the community of Valencia. Subsequently, the Company's service area was increased to approximately 9 square miles, partly within the incorporated city of Santa Clarita and within portions of the unincorporated communities of Castaic, Newhall, Saugus, Stevenson Ranch, and Valencia.

Most of the service area was formerly devoted to agricultural use by The Newhall Land and Farming Company (Newhall). Water was produced for agricultural use from wells owned by the farming company, several of which are now being used by Valencia. However, the service area, which consists of rolling hills and intervening valleys being developed for residential, commercial, industrial, and recreational uses, has seen rapid growth in recent years, and is within the tier of suburban communities at the outer fringe of the greater Los Angeles metropolitan area.

Water supply for the system now consists of a mixture of imported water from the California State Water Project purchased from the Castaic Lake Water Agency (CLWA) and local ground water. The Company attempts to maintain an approximately equal proportion of well water to imported water. In the last year of record, 1990, the relative mix of water was 54% ground water and 46% imported water. The imported water is of substantially better quality, and the Company attempts to take as much of this water as its CLWA allocation allows.

Water is currently being produced from thirteen wells which are scattered along the stream beds, primarily in the central portion of the Company's service area. Well water meets the water quality standards of the State Department of Health Services (DOHS) and requires no treatment other than periodic chlorination of water in reservoirs to prevent bacteria growth. The water purchased from

CLWA is treated by CLWA prior to entering Valencia's system. It is filtered and chlorinated as required by DOHS.

The Company was last authorized a general increase in its water rates in 1984. (D.84-02-053 in Application (A.) 83-02-19, dated February 16, 1984.) Since that decision the number of customers has approximately doubled, from some 7,300 in 1984 to more than 14,000 in 1991. The Company projects that it will have a total of more than 16,700 customers by attrition year 1994.

All of the common stock of Valencia is owned by Newhall, the owner of the land now being developed as the community of Valencia. Several of the wells used by Valencia are also owned by Newhall.

3. Summary of Application

The application seeks a general rate increase of 44.90% in test year 1992, 4.47% in test year 1993, and 3.16% in attrition year 1994, in order to realize respective revenue increases of \$2,012,747, \$305,237, and \$238,229 in those years. Valencia claims that, at its present general metered rates, any annual increase in revenues resulting from customer growth or increased consumption is more than offset by increases in expenses and in the costs of capital expenditures. The Company claims to be losing \$80,000 per month at its current rates (Tr. 39), and contends that the requested rates are just and reasonable, reflecting and passing through to customers only the increased costs for the services and commodities it furnishes.

4. Procedural History

Valencia's Notice of Intention, No. 91-11-026, was filed on November 21, 1991.

The assigned administrative law judge (ALJ) conducted a public participation hearing (PPH) in Valencia on June 18, 1992, at which time six customers offered testimony. In addition, the Commission received more than 85 letters and several petitions opposing the Company's request. Most of the public comments

objected to the relatively large 1992 increase proposed by Valencia, particularly in light of the State's current economic recession. A few people also complained about the quality of the water delivered by Valencia, specifically because of its hardness.

An evidentiary hearing was held in Los Angeles on July 6, 1992. At the outset of the hearing, Valencia and DRA announced that they had reached an agreement in principle to settle most of the contested issues, and would be furnishing a formal written settlement agreement for consideration by the ALJ. The only significant issue left unresolved by the settlement agreement was that concerning the inclusion of imputed revenues which DRA contends were earned from part of the production of Valencia's Well 160, although Valencia admittedly received no payment for the water in question. A third party, Uniden, presently uses this water to irrigate the Valencia Golf Course pursuant to a contractual arrangement with Valencia. Uniden was permitted to participate at the hearing without intervening, as permitted by Rule 54 of the Commission's Rules of Practice and Procedure.

Seventeen exhibits were received in evidence, including the stipulation between Valencia and DRA resolving their disputes on most expense and rate base items, and accompanying joint comparison exhibit. A post-briefing schedule was established by agreement of the parties, and the application was deemed submitted as of July 24, 1992, after filing of the parties' concurrent reply briefs.

5.0 Results of Operations

5.1 General

The Company's balance sheet as of December 31, 1990 is reproduced as Appendix A herein. An income statement of the Company for the year ending December 31, 1990, is reproduced as Appendix B. The rate of return on rate base for the recorded year 1990 is 7.2% at present rates. The estimated rate of return is 3.9% for 1991 and 2.6% for test year 1992 at present rates.

5.2 Water Consumption

To project water sales for estimated 1991 and estimated test years 1992 and 1993, the Company estimated customer growth by reviewing future development plans for the Company's service area. New developments from specific projects will add 2,201 new customers by attrition year 1994, with 332 on line in 1991, 404 in 1992, 580 in 1993, and an additional 885 in 1994. Additional customer growth based on historic trends is estimated to add 426 new customers with approximately 108 on line in each year. Water sales were projected through year 1994 using past sales data from years 1979 through 1990 adjusted for normal weather conditions and for expected customer growth. The Company reduced estimated customer water use for the years 1991 through 1994 from historical levels by 10% to include the effect of long-term conservation programs that Valencia has implemented in conjunction with other local Santa Clarita Valley retailers and the local wholesaler of State Project water, the Castaic Lake Water Agency.

In 1985 Valencia prepared, in conjunction with the aforementioned agencies, and submitted to the Department of Water Resources, its Urban Water Management Plan. The Plan was prepared in response to Assembly Bill 797, known as the Urban Water Management Planning Act. The stated goal of this plan is "...to achieve a 10% total reduction in 10 years." In 1990 Valencia prepared, again in conjunction the above agencies, and submitted to the Department of Water Resources, an updated Urban Water Management Plan summarizing the actions taken in the initial five years of the program and containing revisions to the original plan. Water conservation expenditures by Valencia, the other three local retailers, and the Castaic Lake Water Agency during the five-year period between 1985 and 1990 totalled about \$100,000. The 1991 budget for the five entities is \$60,000.

In 1991 Valencia Water Company prepared and submitted to the California Public Utilities Commission a Water Management

Program as required by Ordering Paragraph 9 of D.90-08-055 in response to OII 89-03-005. This document is consistent with the 1990 Urban Water Management Program document.

The Company states that during 1991 demand was consistently less than 90% of 1990 demand, even though growth occurred during the year and 1990 itself was a below normal year. Valencia believes that future demand will continue to remain at levels 10% or more below historical levels due to ongoing water conservation programs.

5.3 DRA's Recommendations

DRA's Results of Operations Report (Exh. 10) recommended various adjustments to the Company's estimates, including lower cost of equity and long-term debt; reduced management salaries for certain officials; disallowance of certain rents and fees paid to Newhall; reduction of payroll expense; a higher water consumption estimate; and several other items. At rates recommended by DRA, Valencia would experience revenue increases of \$533,800 and \$551,500 in test years 1992 and 1993, which would result in percentage increases of 10.9 and 9.7, respectively, in those years. This would have achieved respective rates of return of 9.1% and 9.8%.

5.4 Stipulated Items

Under the terms of the proposed settlement, which is collectively contained in Exhibits 19 and 20 (reproduced herein as Appendix C) the parties resolved disputed issues concerning the total figures for 1992 and 1993 water consumption, conservation, payroll, slippage expense and water loss expense, operating expenses, information service charges, allocation expenses, regulatory expense, ad valorem taxes, rate base, rate of return, rent expense, and office supply expense. The resultant estimates of operating revenue are \$5,670,000 for test year 1992, and \$6,417,000 for test year 1993, and respective rates of return of 9.19% and 9.89% for those test years.

Implementation of this settlement agreement will greatly attenuate the rate shock that would have resulted from granting the original application. We find the settlement to be reasonable in light of the whole record, consistent with the law, and in the public interest. Accordingly, we adopt the terms of the parties' settlement agreement, as fully set forth in Appendix C.

5.5 The Well 160 Issue

As previously noted, one issue remains to be resolved by decision of the Commission. This concerns DRA's inclusion of pumping expense of approximately \$20,000 and associated grossed-up revenue in Valencia's rate design and revenue estimates for test years 1992 and 1993 and attrition year 1994, based on water consumption of 211,953 Ccf per year for the Valencia Golf Course. Valencia believes that inclusion of this consumption in its rate design is improper, because the Company does not (and claims it cannot) collect the associated revenue. Accordingly, Valencia believes that DRA's estimates for rate design are unfairly inflated and therefore detrimental to Valencia's shareholder, Newhall, which will never actually realize the revenue imputed by DRA.

The Company furnishes water to Valencia Golf Course exclusively from Well 160. That well was wholly owned by Newhall from its construction in 1964 until 1966, when Newhall sold to Valencia an undivided fifty-percent interest in the real property on which the well is situated (Exh. 3). A corporation grant deed, dated November 21, 1966, purported to convey to Valencia title to an undivided one-half interest in the underlying real property (Exh. 4). The transaction was approved in D.70971, dated July 19, 1966 (Exh. 5). The \$24,725 which Valencia paid for its undivided one-half interest was included in its rate base. (Tr. p. 48,56.)

Paragraph 3 of Exh. 3, the 1966 contract, provides in part:

"Valencia agrees to make available to Newhall the water necessary to irrigate its golf course up to one-half of the total available

production from said well. Should Newhall's requirements for water from well be less than one-half thereof, Valencia shall have the right to any surplus or excess water remaining."

Other provisions of the agreement stipulate that operating, maintenance, administrative, and replacement costs, and taxes, for the well be borne in proportion to the amount of water used by each party. Although Valencia is the operator, under the contract Newhall is billed by, and pays to, Valencia its share of these expenses.

In 1985 Newhall sold the Valencia Golf Course to Newhall Investment Properties (NIP), which immediately reconveyed it to Uniden. As part of these transactions, Newhall executed a written assignment of all of its right, title, and interest in the 1966 contract to NIP (Exh. 7), which immediately executed an identical written assignment of the same interest to Uniden (Exh. 8). Consequently, unless either of these assignments is void, Uniden now stands in the shoes of Newhall with respect to Newhall's 1966 contract rights.¹

DRA argues that Newhall's original interest was dedicated to public use and had therefore become public utility property, and that its transfer without the approval of this Commission consequently violated § 851 of the Public Utilities (PU) Code. Accordingly, DRA argues that revenue for Uniden's use of its share of Well 160's production should be imputed to Valencia, and the entire well included in Valencia's rate base. This is simply not supported by the facts.

¹ As part of the same transactions, Valencia and Newhall respectively exchanged reciprocal corrective quitclaim and grant deeds to the property to rectify an error in the property description in Ex. 4, (Ex. 6, 18). These transactions were intended only to correct the earlier error, and have no material effect in this proceeding.

The record clearly demonstrates that Newhall's (now Uniden's) contractual interest in the well has never been dedicated to public use. The water used pursuant to this interest has never been sold to the public, and has always been within the limit set by the agreement. Although DRA asserts that the contract only requires Valencia to "make available" to Newhall one-half of the well's production, it is clear from the four corners of the document that the parties intended this supply to be furnished to Newhall at no expense other than the reimbursement of costs specified under the contract. To find otherwise would require Newhall (Uniden) to pay twice for the cost of production--first through the contract, and again through payment of tariff rates. This simply was not the agreement of the parties. Newhall was not, nor is Uniden now, a customer of Valencia with respect to the production from Well 160, because Valencia never had title to the water used by Newhall and Uniden.²

8. Comments on ALJ's Proposed Decision

In accordance with the requirements of PU Code § 311 and Rule 77.1 of the Commission's Rules of Practice and Procedure, the draft decision prepared by the assigned ALJ was filed, and copies were served upon the parties. Responsive comments were received from Valencia and DRA.

In its comments Valencia observes that whereas the proposed decision finds Uniden not to be a customer with respect to the production from Well 160, and the pumping expenses and associated grossed-up revenues accordingly not to be includable in Valencia's rate design and revenue estimates, the Appendix D which accompanied the proposed decision inadvertently does take into

² In light of our finding that Uniden's contractual interest in Well 160 is not utility property within the meaning of Section 851, we need not reach the question whether its transfer was void by operation of that section.

account this water consumption. Also, the same Appendix D contains other minor discrepancies and incorrectly refers to 1992 rates and service charges, even though the schedule included in that Appendix will be effective no sooner than January 1, 1993. In order to rectify these inadvertent errors, a corrected Appendix D is made a part of the final decision and order.

Valencia also observes that the proposed decision makes the 1992 rates effective immediately, and the 1993 rates effective January 1, 1993, to limit regulatory lag, but that the proposed order inadvertently requires Valencia to file an advice letter and supporting workpapers, and fails to expressly relieve Valencia from the requirement to file an advice letter for 1992. We have revised paragraphs 1 and 2 of the order to correct this inconsistency.

DRA's comments request that the final order require Valencia to file a revised tariff sheet consistent with General Order 96-A(II)(C)(3) to list the contract concerning Well 160 as a deviation from contract rates. The cited section states in pertinent part,

"A utility rendering service to any customer under a contract or deviation...shall maintain an up-to-date summary list of all such contracts and deviations in its tariff schedules..."

However, as the language of our decision makes clear, Uniden is not a customer of Valencia, inasmuch as Valencia never takes title to Uniden's share of the well's production. We therefore decline DRA's request. To remedy any ambiguity with respect to this issue, however, we have inserted a new finding that Uniden is not a customer of Valencia with respect to the production of Well 160 under the current contractual arrangement.

Findings of Fact

1. Valencia is providing satisfactory water service, and the water furnished meets current state drinking water standards.

2. Valencia has complied with this Commission's order in D.90-08-055 to submit a water management program.

3. Valencia was last authorized a general increase in its water rates in 1984, pursuant to D.84-02-053.

4. The stipulation between DRA and Valencia which is set forth in Appendix C is reasonable in the light of the whole record, consistent with the law, and in the public interest.

5. The interest in Well 160 which was originally conveyed from Newhall to Valencia has never been dedicated to public use, and accordingly has not become public utility property.

6. Uniden is not a customer of Valencia with respect to the portion of the production of Well 160 which Valencia furnishes to Uniden pursuant to the current contractual arrangement between them.

7. The increases in rates and charges authorized by this decision are justified, and are just and reasonable.

Conclusions of Law

1. The results of operations and the terms of the settlement between DRA and Valencia, as set forth in Appendix C, should be adopted by this Commission as part of its decision and order.

2. A return on equity of 11.5% and a 43.44% common equity capital structure, applied to test years 1992 and 1993, and attrition year 1994, should be adopted as part of the decision and order.

3. Valencia should be authorized to file rates set forth in Appendix D.

4. This order should be made effective immediately to avoid regulatory lag, because Valencia is sustaining losses at its current rates.

ORDER

IT IS ORDERED that:

1. Valencia Water Company (Valencia) is authorized to file an advice letter incorporating the summary of earnings in Appendix C and the 1993 rate schedules in Appendix D, and concurrently cancel its presently effective Schedule Nos. 1, 3-ML, 4, and 9-FC in compliance with General Order (G.O.) Series 96 after the effective date of this Order. Valencia will not file an advice letter for 1992 rate schedules to minimize regulatory lag. In its filing, Valencia shall update its Tariff Title Page, Preliminary Statement and Rules 15 and 16. The revised schedules shall apply only to service rendered on and after their effective date, which shall be the later of 5 days after filing or January 1, 1993.

2. On or after November 1, 1993, Valencia is authorized to file an advice letter, with appropriate supporting workpapers, requesting step rate increase for 1994 authorized by the Commission, or to file a lesser increase in the event that the rate of return on rate base adjusted to reflect the rates then in effect and normal ratemaking adjustments for the 12 months ending September 30, 1993, exceeds the greater of (a) the rate of return found reasonable by the Commission for Valencia for the corresponding period in the then most recent rate decision or (b) the rate of return found reasonable in this proceeding. This filing shall comply with G.O. 96-A.

3. All other terms and conditions contained in Appendix C not otherwise adopted are hereby adopted.

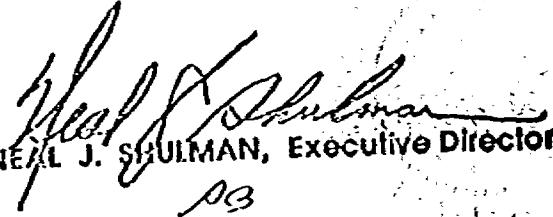
4. A return on equity of 11.5% and a 43.44% common equity capital structure, applied to test years 1992 and 1993, and attrition year 1994, are adopted.

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. SHULMAN, Executive Director
NS

APPENDIX A

BALANCE SHEET
December 31, 1990Assets

Utility Plant		\$37,051,386
Plant in Service		<u>3,578,544</u>
Net Utility Plant		33,472,842
Current and Accrued Assets		
Cash	\$415,974	
Accounts receivable	363,685	
Receivables from associated companies	446,305	
Materials and supplies	218,085	
Prepayments	8,448	
Other	<u>290,301</u>	1,742,798
Deferred Debits		<u>1,441,603</u>
Total Assets		<u>\$36,657,243</u>

Liabilities

Corporate Capital and Surplus		\$1,536,500
Common capital stock		2,225,194
Capital surplus		<u>1,295,741</u>
Earned surplus		
Total Capital Stock and Surplus		5,057,435
Long Term Debt		-
Current and Accrued Liabilities		
Notes payable	\$8,500,000	
Accounts payable	234,067	
Payables to associated companies	191,531	
Customer deposits	37,801	
Accrued liabilities	<u>2,486,922</u>	11,450,321
Deferred Credits		
Advances for construction		17,661,983
Other		(806,460)
Contributions in aid of construction		<u>3,293,964</u>
Total Liabilities		<u>\$36,657,243</u>

(END OF APPENDIX A)

APPENDIX B

INCOME STATEMENT
Year Ending December 31, 1990

Operating Revenues		\$4,588,124
Operating Revenue Deductions		
Operating expenses	\$2,962,202	
Depreciation expenses	607,856	
Amortization of limited term investments	2,681	
Taxes	<u>184,762</u>	<u>3,757,501</u>
Utility Operating Income		830,623
Other Income and Deductions		
Interest income	39,720	
Non-operating revenue	99,292	
Interest expense	895,045	
Amortization debt expense	<u>129,000</u>	<u>885,033</u>
Net Income		<u>\$ (54,410)</u>

(END OF APPENDIX B)

In the matter of the Application of
VALENCIA WATER COMPANY (U-342-W)
for an order authorizing it to
increase its rates for water service.

Application No. 91-01-022
(Filed: January 6, 1992)

STIPULATION FOR SETTLEMENT

The parties of this proceeding now pending before the Public Utilities Commission desiring to avoid the expense, inconvenience and uncertainty attendant to litigation of issues in dispute between them have agreed upon a settlement of the issues set forth in this Stipulation and pursuant to Rules 51-51.10 desire to submit to the Public Utilities Commission this Stipulation for approval and adoption as the Commission's final disposition of such issues.

This proceeding is governed by the Commission's Rate Case Plan (D.90-08-045).

Appended as Exhibits JS-1 and JS-2 to this Stipulation are Joint Stipulated Company-Staff exhibits which set forth the positions of the respective parties on each issue and the basis for the stipulation on each issue and comparison sheets which demonstrate the dollar impact of the settlements in relation to the Utility's Application and the issues raised in the CPUC Staff Report which the CPUC Staff contested or would have contested in a hearing on those issues.

The parties believe that this Stipulation is reasonable in light of the whole record, consistent with the law, and in the public interest.

In addition, since this stipulation represents a compromise by the parties, the parties have entered into this Stipulation on the basis that the Commission's adoption of this Stipulation not be construed as an admission or concession by any party regarding facts or law in dispute in this proceeding. Furthermore, it is the intent and understanding of the parties that Commission adoption of this Stipulation will not be construed as a precedent

or policy statement of any kind for or against the Parties in any current or future proceeding.

The only parties to this stipulation are the Applicant, Valencia Water Company, and the Commission Staff represented by the Division of Ratepayer Advocates.

CALIFORNIA PUBLIC UTILITIES
COMMISSION, DIVISION OF
RATEPAYER ADVOCATES

By: *Daniel R. Paige*
DANIEL R. PAIGE, PE
Title: Program and Project
Supervisor

Date: July 6, 1992

APPLICANT:

VALENCIA WATER COMPANY

By: *Dan Masnada*
DAN MASNADA, PE
Title: Vice President

Date: July 6, 1992

Stipulation Agreement

1. Water Consumption: (Staff Results of Operation Report (Report), Chapter 2) The Valencia Water Company (Company) agrees to Staff's recommendations on water consumption with the exception of water production and revenue from Valencia Golf Course (Report, Section 2.9). Staff adjusted its estimate of public authority water use from 4,309.4 Ccf per customer to 4,117.0 Ccf per customer to take into account the availability of more recent recorded data. The parties therefore stipulate to total water supplied of 18,941.5 acre-feet for 1992 and 20,121.4 acre feet for 1993.
2. Conservation: (Report, Section 2.7) The Company agrees to Staff's recommendation and intends to apply for a memorandum account pursuant to Decision Nos. 90-07-067, 90-08-055, and 91-10-042. DRA reserves its right to protest the Company's application should that application fail to meet the requirements of the above referenced decisions.
3. Payroll: (Report, Sections 3.5, 4.5) The parties agree to wages of \$40,000 for Dan Masnada, and \$18,000 for his secretary, Jane Fry. The parties agree that the stipulated wage for Mr. Masnada will not bind the parties in any future Company rate cases. The Company agrees to maintain records of Mr. Masnada's allocation of time between the Company and its parent, Newhall Land and Farming Company (Newhall) for purposes of its next general rate case.

The parties agree to the addition of two new employees in the latter half of 1992, or inclusion of \$33,000 in annual wages. The parties agree to the addition of one new employee in 1993, at wages of \$40,000.

The Company agrees not to seek payroll expenses for 3 additional construction employees in 1993.

The parties agree to a capitalization rate of 35%. The parties agree to the resulting capitalization of ~~\$254,700~~ in 1992 and ~~\$285,200~~ in 1993. *subject to JS-3*

4. Purchased Power and Water: (Report, Sections 3.6, 3.8) The Company agrees to Staff's recommendation of \$80,000 for slippage expense in 1992. The Staff agrees to the Company's recommendation of 6.5% water loss factor for 1993. The parties agree to the Company's request of water loss expense of \$135,300 for 1993.
5. Operating Expenses: (Report, Sections 3.7 - 3.12) The parties agree to total expenses of \$192,000 for 1992 and \$202,000 for 1993.
6. Customer Accounts: (Report, Section 3.13) The parties agree to remove Information Service charges from this account and include it under Office Supplies. The Company agrees to Staff's recommendation of \$62,500 for 1992 and \$64,200 for 1993.
7. Other Expenses Allocations:
 - a. Dry Well: (Report, Section 3.14) The parties agree to amortized expense account treatment of \$15,800 each year over the next five years. Staff agrees that this expense was reasonably incurred because additional wells were developed the following year in order to meet customer demand.
 - b. Litigation Fees: (Report, Section 8.7) The parties agree to amortized expense account treatment of \$7,500 each year over the next five years. The company agrees not to include in its next rate case any additional legal expenses

incurred through 12/31/94 for litigation brought by Santa Clarita and presently pending.

8. Regulatory Expense: (Report, Section 4.10) The parties agree to amortize \$60,000 of regulatory expense.
9. Ad Valorem Tax: (Report, Section 5.2) The parties agree to ad valorem taxes of \$234,900 for 1992 and \$250,500 for 1993.
10. Rate Base: (Report, Chapters 8, 9, 10) The Company agrees to Staff's rate base determination and depreciation expense. The parties agree to a compromise on the lead lag days (Report, Section 10.23) that results in negative \$56,800 working cash for 1992 and negative \$67,800 for 1993. Exhibit JS-2 shows stipulated values for rate of return that reflect this compromise. The parties agree that this compromise and stipulation will not bind either party in future Company general rate cases.

The rate base includes an amount of \$59,934, which is intended to impute to the Company the fair market value of property used for its offices and construction/operations yard ("the rented properties") at the time they were first used. The Company rents the properties from Newhall. The parties agree that, in the event the Company buys property or leases unaffiliated property to replace the rented properties, the value here imputed (\$59,934) will be withdrawn from rate base, and no sale of the rented properties will be imputed at that time.

11. Rate of Return: (Staff Rate of Return Report) The parties agree to a rate of return of 9.19% for 1992, 9.89% for 1993, and 9.95% for 1994. These rates were calculated by agreeing to Staff's recommendation of 11.5% return on equity, and to the Company's 1994 request of 43.44% common equity, applied to all years.

12. Rent: (Report, Sections 4.11, 8.7) The parties agree to rent expense of \$0 for all years, to continue so long as the Company pays Newhall rent on the rented properties.

13. Office Supplies: (Report, Section 4.6) There are three separate components to office supplies the parties agree to: general and administrative expenses (G&A), information services (IS), and general supplies. The parties agree to general and administrative expenses of \$63,000 for 1992 and \$64,000 for 1993. The parties agree to information service charges of \$36,000 for 1992 and \$36,500 for 1993. The Company agrees to provide in its next general rate case information showing all services that Newhall provides to the Company and that are paid for by the Company, the actual cost to Newhall of providing these services, both to the Company and in the aggregate (parent company-wide), the method by which the Company's share of those costs was determined, and the estimated cost to the Company of providing those services in-house, including any additional employees or materials.

The parties agree to a general supply expense of \$101,000 for 1992 and \$103,000 for 1993.

EXHIBIT JS-2

SECTION	DESCRIPTION	STAFF 1992	UTILITY 1992	STIPULATION 1992	STAFF 1993	UTILITY 1993	STIPULATION 1993	COMMENTS
2.7	CONSERVATION	\$0	\$645,600	\$0	\$0	\$678,400	\$0	Utility will file for a memorandum account covering conservation. Amount shown is revenue impact only. Does not reflect impact of increased expenses.
3.5E 4.5	PAYROLL-Vice President/ secretary -new hires	\$24,500 \$0	\$76,000 \$34,000	\$58,000 \$16,500	\$29,300 \$0	\$79,800 \$110,600	\$40,000 \$74,000	Agree on \$40,000/year for Mashuda & 100% of his secretary's salary (\$18,000). Two people hired in 6/92 for total combined annual salary of \$33,000; half year salary included in '92 test year. '93 stipulation includes the \$33,000 of salaries for the two '92 hires plus one planned '93 hire at \$40,000 per year plus inflation.
	-65% capitalized	(\$316,100)	(\$230,700)	(\$254,700)	(\$353,900)	(\$258,300)	(\$285,200)	Staff and utility agree to 35% capitalization based on splitting difference between staff's adjusted 37% and utility's adjusted 33%.
3.6E 3.8	PURCHASED WATER & POWER	\$80,000	\$90,000	\$80,000	\$99,700	\$135,300	\$135,300	Adjustment of slippage in 1993 to 6.5%. Cost based on staff 1993 usage ratio. Actual three year average slippage was 6.75% or \$140,900.
3.7 to 3.12	OTHER OPERATING EXPENSES (excludes 3.6 & 3.8)	\$182,300	\$202,400	\$192,000	\$190,100	\$214,300	\$202,000	Difference in calculations split evenly between staff and utility.
3.13	OTHER CUSTOMER ACCOUNTS -without 1/3	\$42,500	\$85,000	\$42,500	\$64,200	\$92,000	\$64,200	Agreed to staff estimate based on an '88 to '90 average.
3.14	OTHER EXPENSES -dry well	\$0	\$26,900	\$15,800	\$0	\$26,900	\$15,800	Utility request reduced by 41% tax rate as tax benefit already received.
	-litigation	\$0	\$0	\$7,500	\$0	\$0	\$7,500	Represents \$104,000 legal fees, cut in half, spread over seven years. Utility had requested recovery of costs in ratebase in its application.
4.6	OFFICE SUPPLIES -w/out G&A charge	\$77,900	\$101,500	\$101,000	\$80,100	\$109,800	\$103,000	Parties agree to a three year average of '88 to '90 excluding G&A charges.
	-G&A charge	\$6,000	\$43,200	\$43,000	\$6,500	\$64,200	\$64,000	Staff agrees to utility's ^{lower} request based on additional information provided to it.
	-1/3 charge	\$0	\$36,500	\$36,000	\$0	\$37,000	\$36,500	Staff agrees to utility's ^{lower} request based on additional information provided to it.
4.10	REGULATORY COMM. EXP.	\$11,600	\$20,000	\$20,000	\$11,600	\$20,000	\$20,000	Costs will exceed \$100,000. Application amount of \$60,000 accepted over three years.
4.11	RENTS	\$0	\$14,200	\$0	\$0	\$17,000	\$0	PUC treatment substitutes lease rental from parent company as ratebase at historical cost. Staff ^{Parties} agree to add \$59,934 to ratebase.
5.2	AD VALOREM TAXES	\$215,600	\$234,900	\$234,900	\$218,600	\$250,500	\$250,500	Staff prorated tax based on new ratebase. Although utility recalculated tax based on staff ratebase which resulted in a tax of \$244,000 in '92 & \$260,000 in '93, utility has agreed to accept utility's original estimate.
8,9,10	RATEBASE-base amount	\$1,364,900	\$1,799,900	\$1,383,900	\$1,494,900	\$1,964,700	\$1,511,500	Accept staff ratebase '92 to '94, subject to working cash & \$59,934 ratebase addition (see 4.11) P&L impact of staff's or utility's ratebases and rates of return (9.09% & 9.82%/11.0% & 11.0%). Stipulation amount based on staff ratebase & stipulated rates of return (9.16% & 9.89%).
	-deprec. expense	\$618,000	\$679,200	\$618,000	\$701,400	\$755,700	\$701,400	Accept staff's depreciation expense.
	-working cash	(\$16,200)	\$16,800	(\$5,200)	(\$20,200)	\$19,700	(\$4,700)	Methodology agreed upon; final calculation based on stipulation numbers.
	TOTAL	\$2,311,000	\$3,897,400	\$2,829,200	\$2,518,300	\$4,317,600	\$2,953,800	
	RATE OF RETURN	9.09%	11.00%	9.19%	9.82%	11.00%	9.89%	

A.92-01-022 /ALJ/VDR/tcg

APPENDIX G
Page 7

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application
of Valencia Water Company
(U 342-W) for an order authorizing
it to increase its rates for
water service.

Application 92-01-022
(Filed January 6, 1992)

LATE FILED - EXHIBIT 20
(Joint Stipulation - 3)

Camden L. Collins
Staff Counsel

Attorney for the Division
of Ratepayer Advocates
California Public Utilities
Commission
505 Van Ness Avenue
San Francisco, CA 94102
(415) 703-5822

Dated: July 9, 1992

VALENCIA WATER COMPANY

Summary of Earnings

Page 1 of 6

TEST YEAR 1992

:Line: :No. :	Description	: Applicant	: Staff	: Stimulation
1.	<u>REVENUES</u>			
	Oper. Revenues	\$6,439,000	\$7,084,600	\$5,670,000
	Gross Up Rev. Amo.	56,100	50,000	50,000
	Total Revenues	6,495,100	7,134,600	5,720,000
2.	<u>O&M EXPENSES</u>			
	Payroll	290,400	266,400	271,500
	Purchased Water	1,175,000	965,700	961,300
	Other Source of Supp	4,700	6,700	6,700
	Purchased Power	639,000	721,200	721,200
	Other Pumping	38,300	33,800	33,800
	Chemicals	400	400	400
	Water Treatment	27,500	23,000	32,700
	Transmission & Dist.	128,500	115,100	115,100
	Other Cust. Acc.	121,300	62,500	98,500
	Uncollectibles	5,000	5,500	4,400
	Total O&M Exp.	2,429,900	2,200,300	2,245,600
3.	<u>A&G EXPENSES</u>			
	Payroll	125,600	116,900	117,200
	Office Supply	163,900	77,900	158,000
	Insurance	26,500	26,500	26,500
	Emp. Benefits	68,700	68,700	68,700
	Vacation	73,600	0	69,000
	Regulatory	20,000	11,600	20,000
	Rents	16,200	0	0
	A&G Credits Transferred	-36,900	-36,900	-36,900
	Franchise	81,200	89,300	71,400
		538,600	353,900	493,900
4.	<u>OTHER EXPENSES</u>			
	Depreciation	679,200	618,800	618,800
	Unusual Expense Amortizn.	26,900	0	23,300
	Payroll Taxes	21,000	19,500	19,500
	Ad Valorem Taxes	234,900	215,700	234,900
	Income Taxes	765,100	1,370,800	687,700
	Total Other Exp.	1,727,100	2,224,800	1,584,200
5.	TOTAL EXPENSES	4,695,700	4,779,100	4,323,700
6.	NET INCOME	1,799,400	2,355,500	1,396,300
7.	RATE BASE	16,362,800	15,022,600	15,196,100
8.	RATE OF RETURN	11.00%	15.68%	9.19%

VALENCIA WATER COMPANY
Summary of Earnings
Page 2 of 6

TEST YEAR 1992

:Line: :No. :	Description	: Applicant :	Staff :	: Stipulation :
9.	<u>RATE BASE:</u>			
	Water Plant-in-Service	\$43,694,100	\$41,048,700	\$41,094,800
	Add:			
	Working Capital:			
	Materials and Supplies	250,000	250,000	250,000
	Working Cash Allowance	184,800	-181,200	-65,800
	Total Working Capital	434,800	68,800	184,200
	Less:			
	Adjustments:			
	Advance for Construction	20,660,100	18,759,400	18,759,400
	Contributions	3,909,100	3,691,500	3,691,500
	Unamort. Inv. Tax Cr.	283,200	283,200	283,200
	Def. Tax Exc. Depr.	2,215,200	1,810,300	1,810,300
	Def. Tax Capitalized	-323,100	-271,500	-271,500
	Def. Tax on Adv.	-1,557,600	-1,314,600	-1,314,600
	Def. Tax Adv. Loan	435,900	435,900	435,900
	Def. Char. Adv.	-2,918,900	-2,476,100	-2,476,100
	Def. Char. Adv. Loan	946,600	946,600	946,600
	Def. Tax CIAC	-576,200	-508,100	-508,100
	Def. Rev. CIAC	220,200	190,500	190,500
	Total Adjustments	23,294,500	21,547,100	21,547,100
	Less:			
	Accumulated Depreciation	4,471,700	4,547,800	4,535,800
	Average Rate Base	16,362,800	15,022,600	15,196,100

VALENCIA WATER COMPANY
 Summary of Earnings
 Page 3 of 6

TEST YEAR 1992

Line: No. :	Description	Applicant :	Staff :	Stipulation :
10.	Metered Consumption (KCcf):			
	Residential	3,076.3	3,418.7	3,418.7
	Special Residential	771.3	857.1	857.1
	Multiple Residential	291.2	323.5	323.5
	Business	1,047.4	1,163.8	1,163.8
	Industrial	721.0	801.1	801.1
	Public Authority	727.4	818.8	782.4
	Irrigation	150.7	160.9	160.9
	Valencia Golf Course	206.6	220.0	222.0
	Metered Construction	90.0	118.3	118.3
	Total Metered Consumption	6,875.9	7,884.0	7,847.6
	Unaccounted for Water	389.5	404.0	402.2
	Water Production (KCcf)	7,265.4	8,288.1	8,249.8
	Water Production (AF)	16,681.3	19,029.4	18,941.5
	Source of Supply:			
	Well Water (AF)	8,579.6	12,369.1	12,312.0
	Purchased Water (AF)	8,101.7	6,660.3	6,629.5
	Purch Water Cost (\$145/AF)	\$1,174,752	\$965,743	\$961,281

Note: KCcf = One hundred thousand cubic feet
 AF = Acre-feet
 One Acre-foot = 43,560 cubic feet

VALENCIA WATER COMPANY
Summary of Earnings
Page 4 of 6

TEST YEAR 1993

Line: No. :	Description	Applicant :	Staff :	Stipulation :
1.	<u>REVENUES</u>			
	Oper. Revenues	\$7,074,600	\$7,753,000	\$6,417,000
	Gross Up Rev. Amo.	66,100	61,100	61,100
	Total Revenues	7,140,700	7,814,100	6,478,100
2.	<u>O&M EXPENSES</u>			
	Payroll	325,200	277,600	309,500
	Purchased Water	1,243,000	1,354,000	1,371,200
	Other Source of Supply	4,900	6,900	6,900
	Purchased Power	670,300	692,400	696,500
	Other Pumping	40,200	34,900	34,900
	Chemicals	400	400	400
	Water Treatment	28,900	23,800	36,700
	Transmission & Distr.	135,100	118,800	118,800
	Other Cust. Acct.	128,300	64,300	100,700
	Uncollectibles	5,400	6,000	4,900
	Total O&M Exp.	2,581,700	2,579,100	2,680,500
3.	<u>A&G EXPENSES</u>			
	Payroll	131,900	121,800	123,800
	Office Supply	172,200	80,200	161,000
	Insurance	27,800	27,800	27,800
	Emp. Benefits	72,100	72,100	72,100
	Vacation	78,400	0	76,400
	Regulatory	20,000	11,600	20,000
	Rents	17,000	0	0
	A&G Credits Transferred	-38,800	-38,800	-38,800
	Franchise	89,300	97,700	80,900
	Total A&G Exp.	569,800	372,400	523,200
4.	<u>OTHER EXPENSES</u>			
	Depreciation	755,700	701,400	701,400
	Unusual Expense Amortizn.	26,900	0	23,300
	Payroll Taxes	23,500	20,400	20,400
	Ad Valorem Taxes	250,500	219,000	250,500
	Income Taxes	969,300	1,438,400	752,400
	Total Other Exp.	2,025,900	2,379,200	1,748,000
5.	TOTAL EXPENSES	5,177,400	5,330,700	4,951,800
6.	NET INCOME	1,963,300	2,483,300	1,526,300
7.	RATE BASE	17,861,600	15,251,000	15,438,800
8.	RATE OF RETURN	11.00%	16.28%	9.89%

VALENCIA WATER COMPANY
Summary of Earnings
Page 5 of 6

TEST YEAR 1993

Line: No. :	Description	Applicant	Staff	Stipulation
9.	<u>RATE BASE:</u>			
	Utility Plant-in-Service	\$49,443,600	\$46,798,200	\$46,844,300
	Add:			
	Working Capital:			
	Materials and Supplies	250,000	250,000	250,000
	Working Cash Allowance	<u>200,900</u>	<u>-208,600</u>	<u>-78,900</u>
	Total Working Capital	450,900	41,400	171,100
	Less:			
	Adjustments:			
	Advance for Construction	24,613,200	24,259,600	24,259,600
	Contributions	4,390,400	4,170,000	4,170,000
	Unamort. Inv. Tax Cr.	276,000	276,000	276,000
	Def. Tax Exc. Depr.	2,731,400	2,064,300	2,064,300
	Def. Tax Capitalized	-383,800	-309,600	-309,600
	Def. Tax on Adv.	-2,225,200	-1,995,800	-1,995,800
	Def. Tax Adv. Loan	624,800	624,800	624,800
	Def. Char. Adv.	-4,219,400	-3,787,800	-3,787,800
	Def. Char. Adv. Loan	1,441,300	1,441,300	1,441,300
	Def. Tax CIAC	-715,300	-650,400	-650,400
	Def. Rev. CIAC	<u>262,500</u>	<u>238,400</u>	<u>238,400</u>
	Total Adjustments	26,795,900	26,330,800	26,330,800
	Less:			
	Accumulated Depreciation	5,237,100	5,257,900	5,245,900
	Average Rate Base	<u>17,861,600</u>	<u>15,251,000</u>	<u>15,438,800</u>

VALENCIA WATER COMPANY
Summary of Earnings
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TEST YEAR 1993

:Line: :No. :	Description	: Applicant :	Staff	: Stipulation :
10.	Metered Consumption (KOCf):			
	Residential	3,211.8	3,568.7	3,568.7
	Special Residential	801.6	890.7	890.7
	Multiple Residential	315.4	350.5	350.5
	Business	1,089.6	1,210.7	1,210.7
	Industrial	769.7	855.2	855.2
	Public Authority	746.5	840.3	803.0
	Irrigation	150.7	160.9	160.9
	Valencia Golf Course	206.6	222.0	222.0
	Metered Construction	135.0	132.5	132.5
	Total Metered Consumption	7,427.1	8,231.4	8,194.0
	Unaccounted for Water	482.8	421.8	569.6
	Water Production (KOCf)	7,703.2	8,653.3	8,763.7
	Water Production (AF)	17,686.6	19,867.9	20,121.4
	Source of Supply:			
	Well Water (AF)	9,110.1	10,530.0	10,664.3
	Purchased Water (AF)	8,576.5	9,337.9	9,457.1
	Purch Water Cost (\$145/AF)	<u>\$1,243,585</u>	<u>\$1,353,997</u>	<u>\$1,371,273</u>

Note: KOCf = One hundred thousand cubic feet
AF = Acre-foot
One Acre-foot = 43,560 cubic feet

(END OF APPENDIX C)

APPENDIX D
Page 1

VALENCIA WATER COMPANY

Schedule No. 1

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

The service area in the Community of Valencia in Los Angeles County.

RATES

QUANTITY RATES:

For all water delivered, per 100 cu. ft. \$0.623 (I)

Service Charge:

	Per Meter Per Month
For 5/8 x 3/4-inch meter	\$5.05 (I)
For 3/4-inch meter	6.20
For 1-inch meter	10.30
For 1-1/2-inch meter	17.00
For 2-inch meter	23.00
For 3-inch meter	43.00
For 4-inch meter	60.00
For 6-inch meter	92.00
For 8-inch meter	140.00
For 10-inch meter	162.00 (I)

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

SPECIAL CONDITION

1. All bills are subject to the reimbursement fee set forth on Schedule No. U.F.

APPENDIX D
Page 2

VALENCIA WATER COMPANY

Schedule No. 4

PRIVATE FIRE SERVICE

APPLICABILITY

Applicable to all private fire service.

TERRITORY

Valencia and vicinity, Los Angeles County.

RATES

<u>Size of Service</u>		Per Service Per Month
For	4-inch meter	25.00 (I)
For	6-inch meter	38.00
For	8-inch meter	50.00
For	10-inch meter	105.00
For	12-inch meter	150.00 (I)

SPECIAL CONDITION

1. All bills are subject to the reimbursement fee set forth on Schedule No. U.F.

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VALENCIA WATER COMPANY

Schedule No. 3-ML

Golf Course Metered Interruptible Off-Peak Service

APPLICABILITY

Applicable to irrigation water service furnished to private or publicly owned golf courses.

TERRITORY

Valencia and vicinity, Los Angeles County.

RATES

QUANTITY RATES:

For all water delivered, per 100 cu. ft. 0.349 (I)

Service Charge:

Per Meter
Per Month

For	4-inch meter	60.00 (I)
For	6-inch meter	92.00
For	8-inch meter	140.00
For	10-inch meter	162.00 (I)

SPECIAL CONDITIONS

1. All bills are subject to the reimbursement fee set forth on Schedule No. U.F.

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Page 4

VALENCIA WATER COMPANY

Schedule No. 9-FC

FLAT RATE CONSTRUCTION SERVICE

APPLICABILITY

Applicable to unmetered construction water service provided from permanently installed water services prior to meter installation and used on the premises for which the service was installed.

TERRITORY

Valencia and vicinity, Los Angeles County.

RATES

		Per Meter Per Month
For	3/4-inch meter	\$6.20 (I)
For	1-inch meter	10.30
For	1-1/2-inch meter	17.00
For	2-inch meter	23.00
For	3-inch meter	43.00
For	4-inch meter	60.00
For	6-inch meter	92.00
For	8-inch meter	140.00
For	10-inch meter	162.00 (I)

SPECIAL CONDITION

1. For other unmetered water use, as determined by the utility, an estimate of the quantity of water used will be made by the utility. The charge for this water will be made at the quantity rate for Schedule No. 1, General Metered Service.

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Page 5

Valencia Water Company

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

SCHEDULE NO. 1	1993	1994
Service Charges:		
For 5/8 x 3/4-inch meter	\$0.45	\$0.40
For 3/4-inch meter	0.70	0.50
For 1-inch meter	1.30	1.20
For 1-1/2-inch meter	3.00	4.00
For 2-inch meter	3.00	4.00
For 3-inch meter	6.00	7.00
For 4-inch meter	9.00	11.00
For 6-inch meter	12.00	14.00
For 8-inch meter	20.00	30.00
For 10-inch meter	22.00	28.00
Quantity Rates:		
For all water delivered, per 100 cu. ft. .	0.041	0.017

SCHEDULE NO. 4	1993	1994
Size of Service		
For 4-inch meter	3.00	2.00
For 6-inch meter	4.00	2.00
For 8-inch meter	5.00	3.00
For 10-inch meter	11.00	5.00
For 12-inch meter	19.00	10.00

SCHEDULE NO. 3-ML	1993	1994
Size of Service		
For 4-inch meter	9.00	11.00
For 6-inch meter	12.00	14.00
For 8-inch meter	20.00	30.00
For 10-inch meter	22.00	28.00
Quantity Rates:		
For all water delivered, per 100 cu. ft. .	0.006	0.010

SCHEDULE NO. 9-FC	1993	1994
Rates		
For 3/4-inch meter	0.70	0.50
For 1-inch meter	1.30	1.20
For 1-1/2-inch meter	3.00	4.00
For 2-inch meter	3.00	4.00
For 3-inch meter	6.00	7.00
For 4-inch meter	9.00	11.00
For 6-inch meter	12.00	14.00
For 8-inch meter	20.00	30.00
For 10-inch meter	22.00	28.00

APPENDIX D

Page 6

VALENCIA WATER COMPANY

Adopted Quantities

(Dollars in thousands)

	1992 -----	1993 -----
Purchased Water		
Castaic Lake Water Agency		
Acre Feet	6,629.5	9,457.1
Cost Per A.F.	145.00	145.00
Total Cost (\$000)	961.3	1,371.3
Total Purchased Water Cost (\$000)	961.3	1,371.3
Purchased Power		
Supplier - SoCal.Ed. (1-1-92)		
Total Kwh (1000)	11055.2	10440.2
Unit Cost (\$/Kwhr)	0.057823	0.058856
Power Cost (\$000)	639.2	614.5
Fixed Demand chrg.	82.0	82.0
Total Purchased Power Cost (\$000)	721.2	696.5

APPENDIX D

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VALENCIA WATER COMPANY

Adopted Quantities

Schedule 1

Number of Services by meter size

	1992	1993
5/8 x 3/4 inch	1,152	1,154
3/4	12146	12723
1	106	111
1 1/2	347	364
2	590	625
3	45	25
4	12	12
6	10	10
8	0	0
10	5	5
	-----	-----
	14,413	15,029
Metered Sales (Kcuf)	7,625.6	7,972.0

No. Service, Usage	No. of Service 1992	No. of Service 1993	Usage - Kcuf 1992	Usage - Kcuf 1993	Ave Usage - ccf 1992	Ave Usage - ccf 1993
Residential	13,220	13,800	3418.7	3568.7	258.6	258.6
Spec. Resid.	255	265	857.1	890.7	3361.0	3361.0
Mult. Resid.	180	195	323.5	350.5	1797.3	1797.3
Business	248	258	1163.8	1210.7	4692.6	4692.6
Industrial	296	316	801.1	855.2	2706.4	2706.4
Public Authority	190	195	782.2	802.8	4117.0	4117.0
Golf course irrg	1	1	160.9	160.9	160900	160900
Other	25	28	118.3	132.5	4732.0	4732.0
	-----	-----	-----	-----	-----	-----
Subtotal	14,415	15,058	7625.6	7972.0		
Priv Fire Prot	322	337				
Flat rate cust.	140	260				
	-----	-----				
Total	14,877	15,655				
Water Loss			402.2	569.6		
			-----	-----		
Total Water Produced			8027.8	8541.6		
Purchased Water (Kcuf)			2887.8	4119.5		
Well (Kcuf)			5140.0	4422.1		

APPENDIX D
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VALENCIA WATER COMPANY

RATE BASE

	1992 ----	1993 ----
	(Dollars in thousands)	
RATE BASE		
Utility Plant	41,094.8	46,844.3
Material & Sup.	250.0	250.0
Work. Cash. LdLg.	(65.8)	(78.9)
Depreciation Réserve	(4,535.8)	(5,245.9)
Adv. Construction	(18,759.4)	(24,259.6)
Contribution	(3,691.5)	(4,170.0)
Inv. Tax Cr.	(283.2)	(276.0)
Def. Tax Exc. Depr.	(1,810.3)	(2,064.3)
Def. Tax Capitalized	271.5	309.6
Def. Tax on Adv.	1,314.6	1,995.8
Def. Tax Adv. Loan	(435.9)	(624.8)
Def. Char. Adv.	2,476.1	3,787.8
Def. Char. Adv. Loan	(946.6)	(1,441.3)
Def. Tax CIAC	508.1	650.4
Def. Rev. CIAC	(190.5)	(238.4)
 Avg. RATE BASE	 15,196.1	 15,438.7

APPENDIX D

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VALENCIA WATER COMPANY

Income Tax Calculation

	1992 ----	1993 ----
	(Dollars in thousands)	
Operating Revenue (authorized rates)	\$5,670.0	\$6,417.0
Expenses		
Purchased water	961.3	1,371.2
Purchased power	721.2	696.5
Replenishment charges	0.0	0.0
Payroll	388.7	433.3
Customer Billing	98.5	100.7
Other O & M	188.7	197.7
Other A & G	292.8	306.0
Reg.Com.Exp.	20.0	20.0
G.O. prorations	0.0	0.0
Payroll Taxes	19.5	20.4
Ad.Valorem Tax	234.9	250.5
Uncollectibles 0.00076	4.3	4.9
Franch.Taxes 0.0125	71.4	80.9
Interest expense	636.7	755.0
Total Deduction	3,638.0	4,237.1
State Tax Depreciation	1,069.6	1,191.5
Net Taxable Income	962.4	988.4
State Corp. Franch. Tax 9.3%	89.5	91.9
Federal Tax Depreciation	618.8	701.4
State Income Tax	13.0	89.5
Less Preferred Stock Dividend	0.0	0.0
Net Taxable Income	1,400.2	1,389.0
Fed. Income Tax 34.12%	477.8	473.9
Deferred Tax ItITC	129.9	196.5
ITC	(9.5)	(9.5)
Total Federal Income Tax	598.2	660.9
Total Income Tax	687.7	752.9
Uncoll.rate	0.00076	
Franch.rate	0.01250	
Net/Gross	1.79134	

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Valencia Water Company

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	\$6.30	\$8.17	29.68%
1000	8.81	11.28	28.04
2000	13.83	17.51	26.61
2160 (Average)	14.61	18.48	26.49
3000	18.85	23.74	25.94
5000	28.89	36.20	25.30
10000	53.99	67.35	24.75

Valencia Water Company
Adopted Summary of Earnings
(Dollars in Thousands)

	1992	1993
	Adopted at Auth. Rates	Adopted at Auth. Rates
	-----	-----
Operating revenues	\$5,720.0	\$6,478.1
Operating expenses		
Purchased water	961.3	1,371.2
Purchased power	721.2	696.5
Replenishment charges	0.0	0.0
Payroll	388.7	433.3
Customer-other	98.5	100.7
Other O & M	188.7	197.7
Other A & G	305.3	318.5
G.O. prorations	0.0	0.0
Business license	0.0	0.0
Taxes other than inc.	277.7	294.2
Depreciation	618.8	701.4
	-----	-----
Subtotal	3,560.2	4,113.5
Uncollectibles	4.4	4.9
Franchise	71.4	80.9
State income tax	89.5	91.9
Federal income tax	598.2	660.9
Total oper. expenses	4,323.7	4,951.8
Net oper. revenues	1,396.3	1,526.3
Rate Base	15,196.1	15,438.8
Rate of Return	9.19%	9.89%

(END OF APPENDIX D)