

IV/bw/ap

Decision No. 87742 AUG 23 1977

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application
of Suburban Water Systems, a
California corporation, for
authority to increase its rates
charged for water service in
the San Jose-Whittier District.

Application No. 56514
(Filed May 27, 1976)

McCutchen, Doyle, Brown, and
Enersen, by Crawford Green,
Attorney at Law, for Southwest
Suburban Water, applicant.
Daniel M. Conway, for Park Water
Company; and Alexander Googoolian,
City Attorney, for City of La
Mirada; interested parties.
Radovan Z. Pinto, Attorney at Law,
James M. Barnes, and I. B. Nagao,
for the Commission staff.

O P I N I O N

Southwest Suburban Water (Southwest), formerly Suburban Water Systems, seeks authority to effect step rates for its San Jose-Whittier District designed to produce revenues sufficient to yield a rate of return for that district of 10.0 percent through the year 1978. It is estimated that these proposed rates, if effective for the full years 1976 through 1978, would increase water rates to approximately 47,000 customers in Southwest's San Jose-Whittier District, approximately \$1,116,400 (18.9 percent) for the year 1976, an additional \$360,000 (4.6 percent) for the year 1977, and an additional \$237,000 (3.8 percent) for the year 1978 over the rates in effect at the time the application was filed. Southwest, by Resolution No. W-1964 dated August 10, 1976,

was granted an advice letter offset increase which has the effect of reducing the increase in rates requested in this proceeding to about 14 percent.

Southwest, a California corporation, provides public utility water service in three districts; San Jose-Whittier District, La Mirada District, and Etiwanda District. These present operating facilities result from the transfer of the parent, Southwest Water Company, to Suburban Water Systems pursuant to the authority granted by Decision No. 86063, dated July 7, 1976, on Application No. 56529. Southwest provided service in what is now the La Mirada and Etiwanda Districts and Suburban provided service in what is now the San Jose-Whittier District. By Advice Letter No. 111, dated October 15, 1976 the Commission was advised of the change of name from Suburban Water Systems to the present Southwest Suburban Water effected by a Certificate of Amendment of Articles of Incorporation filed with the Secretary of State of the State of California on October 19, 1976.

The San Jose-Whittier District consists of the San Jose Hills area located in or adjacent to the cities of West Covina, La Puente, Industry, and Glendora and the Whittier area located near the city of Whittier and including adjacent unincorporated area. Southwest produces approximately 75 percent of the San Jose-Whittier District's water requirements from 45 company-owned deep-well turbine pumps and the remainder of supply is purchased through interconnections with water purveyors contiguous to Southwest's service areas.

After notice, public hearing was held before Examiner Johnson on March 15, 1977 at West Covina on March 16, 1977 at Whittier, and on March 17, 1977 at Los Angeles, and the matter was submitted on March 25, 1977 upon receipt of late-filed Exhibit 13.

Testimony on behalf of Southwest was presented by its president, by two of its vice presidents, by its manager of budgeting and regulation, and by a consulting engineer, and on behalf of the Commission staff by two of its financial examiners and by two of its engineers. A statement in opposition to allowing a 10 percent rate of return as requested by Southwest and recommended by the Commission staff was made by the city attorney for the city of La Mirada on the basis that, in his opinion, such a rate of return was excessive and he did not want to see such a rate of return set a precedent for a decision in Southwest's Application No. 50725 for a rate increase for its La Mirada District. In addition, several customers made statements relating to alleged billing inaccuracies and inequities.

Rates

The rates presently in effect in Southwest's San Jose-Whittier District were authorized by Decision No. 83920 dated December 30, 1974 on Application No. 54386 as modified by Commission Resolution No. W-1771 dated July 20, 1975 and Resolution No. W-1964 dated August 10, 1976. The following tabulation sets forth the present and proposed step rates for general metered service. The proposed rates shown in the tabulation reflect modification of the originally proposed rates to include the presently effective lifeline rates.

	Per Meter		Per Month	
<u>Present</u>	<u>Proposed (Ex. 5)</u>		<u>Optimum</u>	
	<u>1-1-77</u>			
<u>After</u>	<u>Through</u>	<u>After</u>	<u>After</u>	
<u>12-31-76</u>	<u>12-31-77</u>	<u>12-31-77</u>	<u>12-31-77</u>	

Service Charges:

For 5/8 x 3/4-inch meter ...	\$ 3.58	\$ 3.58	\$ 3.58	\$ 3.58
For 3/4-inch meter ...	3.88	5.82	6.07	8.57
For 1-inch meter ...	5.03	7.88	8.28	11.69
For 1 1/2-inch meter ...	7.13	10.44	11.04	15.58
For 2-inch meter ...	9.78	14.03	14.90	21.04
For 3-inch meter ...	17.53	25.83	27.60	38.96
For 4-inch meter ...	24.53	35.06	37.54	52.98
For 6-inch meter ...	40.53	58.15	62.38	88.05
For 8-inch meter ...	60.03	86.36	92.74	130.90

Quantity Rates:

For all water delivered,
per 100 cu.ft.

Tariff Area No. 1				
First 500 cu.ft. per month.	.231	0.231	0.231	.136
Over 500 cu.ft. per month.	.273	.234	.233	.136
Tariff Area No. 2				
First 500 cu.ft. per month.	.261	.261	.261	.186
Over 500 cu.ft. per month.	.303	.284	.288	.186
Tariff Area No. 3				
First 500 cu.ft. per month.	.291	.291	.291	.236
Over 500 cu.ft. per month.	.333	.334	.338	.236

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

A rate, referred to as the optimum rate by Southwest, was developed and presented into evidence by a consulting engineer as a vehicle to minimize the effect of successful water conservation efforts on Southwest's net profit by establishing the quantity rate so that decreases in revenue resulting from successful conservation efforts would be matched by similar decreases in expenses. With such a rate the variation in revenues, up and down, caused by the changes in per unit consumption would be offset by corresponding changes in expenses and the net revenue would, therefore, be unchanged. According to this witness's testimony, such a rate would protect Southwest from loss of net revenue if the conservation efforts are successful and the ratepayer would be protected from providing Southwest with excessive profits should the drought end and consumer consumption return to normal. In his opinion, the effect of price elasticity on conservation efforts by the customers would be minor in comparison to the effect that will result from the publicity of the need for conservation and efforts of the utility to achieve such conservation.

Because the presently effective rates authorized by Resolution No. W-1964 contain some of the modifications to tariffs requested in the proposed rates filed with the application (Exhibit 5), Southwest's manager of budgeting and regulation detailed Southwest's request as it now stands as follows: (a) The proposed optimum rate for general metered service or, if not accepted, general service metered rates with the quantity rates no higher than set forth in Exhibit 5; (b) Schedule 9-CF, Construction and Tank Truck Service as presently effective; (c) Schedule 9-CF-2, Service to Tract Houses During Construction of \$30 for each residence for the entire construction period as set forth in Exhibit 5; (d) Schedule 4-A, Fire Hydrant Service on Private Property with the rates as shown in Exhibit 5 and the presently effective special conditions; (e) Schedule 4, Private Fire Protection Service with presently effective special conditions and rates as proposed in Exhibit 5; and (f) the presently effective rates for other utilities and governmental agencies.

Presently effective Schedule 9-CF rates are tied into the 2-inch metered rate and will be continued in effect. Proposed Schedule 9-CF-2 appears reasonable and will be adopted. The presently effective special conditions for Schedule 4 and 4-A for Private Fire Protection and Fire Hydrant Service on Private Property will be continued in effect and the adopted rates will be based on the rates proposed in Exhibit 5 modified to reflect our adopted results of operation. The presently effective rates for sales to other utilities and governmental agencies will be continued in effect.

The record is quite clear that the quantity or commodity blocks for Southwest's currently effective rates, as well as the rates proposed with the application, exceed the variable costs associated with providing the water. Consequently the effect of

successful conservation efforts on the part of a utility is a decrease in its net revenues and related rate of return. In recognition of this fact Decision No. 26959 dated February 10, 1977 on Case No. 10114, our investigation into water conservation, provided that respondent utilities will be authorized to propose rates designed to recover any reasonable expenses incurred in complying with Decision No. 86959 by means of an appropriate advice letter showing made pursuant to General Order No. 96-A. In such situations there is inevitably a certain amount of consumer resentment toward having conscientious public spirited conservation efforts repaid by prompt rate increases. By implementing the so-called optimum type rate structure, the applicant believes it will preclude such consumer resentment.

While the merits of the so-called optimum rate structure are recognized, such a structure nevertheless does not support the principles of the lifeline rate structure currently being implemented by the Commission nor does it promote the conservation of water. The proposed service charge (including the $5/8 \times 3/4$ meter) have been approximately doubled while the existing commodity charge has been substantially decreased. This results in large percentage increased costs to small users but ultimately decreases the costs to large users. The commodity charge for all quantities over 500 cubic feet would be decreased on the average by approximately 40 percent which is an invitation to increase rather than decrease consumption.

The adopted general metered service rate structure, as proposed by the staff, implements the principles of lifeline rates, provides for a uniform increased cost of approximately 15.4 percent for all quantities beyond the 500 cubic foot lifeline quantity and promotes conservation by avoiding low cost tail blocks.

Southwest has also proposed step rates alleging that such rates as necessary to overcome an annual attrition in rate of return of 0.56 percent and permit it to earn a 10.0 percent return on rate base for the years 1976, 1977, and 1978. The Commission staff has computed the attrition in the rate of return as 0.13 percent and the staff engineer testified that he did not believe that such a small decline in rate of return justified the adoption of step rates. The discrepancy in the computed attrition rates by Southwest and the Commission staff relates to the estimated unit consumption for metered customers reflected in the respective revenue estimates. Consistent with our subsequently discussed adopted summaries of earnings and the negligible attrition on rate of return discussed prior, we will not authorize step rates.

Results of Operation

Both Southwest and the Commission staff prepared summaries of earnings for estimated years 1976 and 1977. Tabulations comparing these estimates were introduced into evidence as Exhibits 15 and 16 by staff engineers. Such tabulations, in exhibit form, were mailed to Southwest prior to the hearing. According to the record, upon receipt of the staff exhibit, Southwest reviewed the estimates and accepted the staff figures with three exceptions as shown in the following tabulation. Also included in the tabulation is Southwest's summary of earnings for the year 1977 at proposed rates assuming conservation efforts have reduced consumption by 10 percent.

Summary of Earnings
(Estimated Year 1977)

Item	Staff Estimated		Southwest Accepted		Adopted
	Present Rates	Proposed Rates	Before Con- : servation	After Con- : servation	
Operating Revenues	\$ 6,389.9	\$ 7,263.3	\$ 7,263.3	\$ 7,165.2	\$ 6,389.9
<u>Operating Expenses</u>					
Operation & Maintenance	2,827.5	2,831.5	2,831.5 ^{1/}	2,783.9	2,827.5
Administrative & General	1,149.3	1,162.3	1,168.2 ^{2/}	1,168.2	1,149.7
Taxes Other Than on Income	587.9	587.9	587.9	587.9	587.9
Depreciation	580.5	580.5	580.5 ^{3/}	580.5	580.5
Taxes on Income	80.8	531.9	542.7 ^{3/}	516.2	94.5
Total Expenses	5,226.0	5,694.1	5,710.8	5,636.7	5,240.1
Net Operating Income	1,163.9	1,569.2	1,552.5	1,528.3	1,149.8
Rate Base	14,917.6	14,917.6	14,941.6 ^{3/}	14,941.6	14,941.6
Rate of Return	7.80%	10.52%	10.39%	10.23%	7.70%

^{1/} Regulatory commission expense.

^{2/} Accelerated depreciation minus effect of regulatory commission expense.

^{3/} Staff exclusion of a \$24,000 item for land not used and useful for utility purposes reflecting similar deletions for ratemaking purposes in Decision No. 79912 dated April 4, 1972 in Application No. 52505 and Decision No. 83920 dated December 30, 1974 in Application No. 54386.

Regulatory Commission Expense

The record shows that the Commission staff engineer calculated the regulatory commission expense by amortizing over a four-year period the unamortized portion of the regulatory commission expense adopted in Decision No. 79912 dated April 4, 1972 on Application No. 52505 (\$4,500), the unamortized portion of regulating expense adopted in Decision No. 83920 (\$15,000), and the estimated regulatory expense for this instant proceeding (\$36,900), a total of \$46,400, or \$14,100 a year. This witness justified the use of a four-year amortization on the basis that the inflationary spiral in this country is slackening which, combined with the greater use of advice letter offset filings, should extend the period between rate increase applications to at least four years. We will adopt this four-year amortization period for the purposes of this proceeding recognizing the usual practice of permitting the inclusion of unamortized portions of regulatory expense in computing the allowance for subsequent rate cases.

Southwest's witness computed the test year regulatory commission expense by amortizing over a three-year period the unamortized allowance adopted in Decision No. 83920 (\$15,000) and the estimated expense for this proceeding (\$45,000), a total of \$60,000, or \$20,000 a year. The record shows that the utility regulatory expense for this proceeding totaled \$40,948 to which is to be added an estimated \$740 for each day of hearing. The cost of the three days of hearing would thus be \$2,220 which added to the \$40,948 totals \$43,108 regulatory commission expense for this proceeding. This figure will be included in our computations of the proper utility regulatory expense.

Decision No. 79912 found an allowance of \$9,000 a year for the test years 1970 and 1971 as reasonable (mimeo page 27). No definite amortization period was stated. This \$9,000 per year was superseded by the allowance of \$15,000 a year for three years adopted by Decision No. 83920 and need not be included in the computations in this proceeding. Decision No. 83920 became effective in January 1975 so the use of \$15,000 for the amount of the unamortized regulatory commission expense is proper. We will, therefore, adopt as reasonable for this proceeding a regulatory commission expense of \$14,500 which is approximately equal to the cost of this proceeding of \$43,108 plus the unamortized expense from Decision No. 83920 of \$15,000 a total of \$58,108 amortized over a four-year period.

Accelerated Depreciation

According to the record, the staff's engineer computed the straight-line remaining life depreciation expense to be \$580,500 using depreciation rates transmitted to the Commission staff by Southwest for review by letter dated January 28, 1977 applied to the staff engineer's estimated plant balances. Southwest accepted this estimate of depreciation expense. However, Southwest's computed income tax as related to accelerated depreciation is \$13,900 higher than the staff's computed amount. The difference derives from the use by Southwest of the year 1976 composite accelerated depreciation tax rate as contrasted to the staff's utilization of the year 1975 composite accelerated depreciation tax rate. Southwest's calculation, based on later data not available to the staff when its estimate was prepared, will be adopted.

Rate Base

The Commission staff's engineer disallowed from rate base for ratemaking purposes an item of \$24,000 representing

approximately two acres of land on Southwest's property located at Maple Grove and Valinda Avenues on the basis that such land is unused and was previously excluded from rate base in Decisions Nos. 79912 and 83920. This witness testified that before inspecting Southwest's premises he read those two decisions and mentally noted that this was one item that should be reviewed on his field trips in the area. On two different inspections he observed that a large portion of the lot was unused. He determined, by pacing, that the unused area was approximately 110 feet wide and 800 feet long, almost two acres, and concluded that the \$24,000 rate base adjustment should be continued.

Southwest's vice president testified that from time to time the area in question is used for demonstrations of any earth moving, excavating, hydraulic or boring equipment Southwest is considering buying, as a training ground for heavy equipment operators, for temporary dumping when local disposal areas are closed, and for temporary storage for transite pipe. Because of these uses of the land it is his opinion that the area should be included in rate base. Southwest also argues that irrespective of the land use in 1972 or 1975, it is presently being used. Furthermore, it is contended that this specific item has never been litigated. A review of Decisions Nos. 79912 and 83920 reveals there is some merit to the latter contention. Decision No. 79912 tabulates the component parts of the rate base as estimated by the staff and Suburban (mimeo. page 32) for the years 1970 and 1971. The staff estimate shows an adjustment for non-operating property of \$24,000 but this item is not discussed in the text nor was a separate finding made on the propriety of its exclusion. It is noted that this \$24,000 adjustment is somewhat overshadowed by a downward adjustment of \$1,040,000 stipulated

to by Suburban for that proceeding without prejudice to its right to contest such an adjustment in a future proceeding. Decision No. 83920 stated in part: "In Decision No. 79912 dated April 4, 1972 the Commission had excluded \$24,000 from rate base for an unused portion of the lot containing Suburban's shops and storage yard. This figure is incorporated in the staff disallowance and was not challenged by Suburban." The record in this matter indicates that the fact that such a disallowance was not contested by Southwest was an oversight on its part rather than an admission that such a disallowance was proper.

According to the testimony of Southwest's witness, the entire parcel of land including the disputed portion of the lot is fence enclosed, is utilized as utility property in accordance with a conditional use permit, and would be unsatisfactory for residential purposes because of the proximity of Suburban's pipe yard. We will accept Suburban's contention that the portion of the lot in question is unsatisfactory for residential purposes and is used, from time to time, for utility related purposes and will, therefore include it in rate base for this proceeding.

Other Items

Southwest has accepted the staff's estimates of revenues and other operating expenses at proposed rates. We will assume that the staff's estimates of these items at present rates are equally acceptable and uncontested and will adopt them for this proceeding. The effect of conservation efforts on net revenues was assumed to be negligible because of our adoption of rates designed to effect increases or decreases in expenses which match increases or decreases in revenues resulting from changing consumption patterns.

Southwest included as Exhibit 9 calculations of additional annual costs incurred subsequent to the preparation of the results of operation exhibits of \$97,234 for an increase in the main San Gabriel Basin Watermaster make-up assessment and \$55,600 reflecting a five percent across-the-board pay increase, effective January 3, 1977. These figures were not furnished the staff's engineer prior to the hearing in adequate time for analysis and appropriate cross-examination and will, therefore, not be included in our adopted summary of earnings.

Conservation

In Decision No. 86959 we found as follows: "9. Rather than requiring detailed compliance reports during the impending water crisis period, the Commission should consider compliance with this decision in connection with requests for rate or other relief from this Commission." (mimeo. page 16.) As a result, one of Southwest's vice presidents presented testimony detailing its present and proposed water conservation programs. The present program, according to the testimony, provides for the inclusion of statements on bills and the wide distribution of water conservation pamphlets in connection with written and verbal public contacts, the providing of water conservation information on a program basis to the news media, the installation of bumper stickers on company vehicles and providing such stickers to the general public, the notification of customers of noted wasteful use of water, public presentations of water conservation film, the distribution of placards to restaurants, and the revision of repair procedures so as to effect immediate repairs. Southwest is presently in the process of preparing bill inserts and water conservation kits, instituting an accelerated leak detection program, formulating a program to

provide effective conservation information to large users, preparing a list of native landscape plants having low water requirements, and reviewing the use of water taken from hydrants by construction, contracting, and government agencies in order to encourage reduction of such use.

This witness further testified that Southwest was reviewing the feasibility of reducing operating pressure to a maximum of 80 psi at customers' meters as provided by Decision No. 36959. According to the testimony, Southwest's system was designed for meeting the residential demand and required fire flow giving recognition to the differences in elevation in choosing the location of reservoirs. The witness described the flow of water up through the various elevation zones and stated that it was possible that limiting the pressure to 80 psi would deprive some customers of water and prevent the flow of water throughout the entire system. He stated that Southwest is not opposed to the 80 psi requirement but that achieving such a maximum pressure at customers' meters will be difficult and could prove to be prohibitively expensive. In any event, Southwest is planning to proceed with a detailed study of the matter to ascertain whether the anticipated difficulties in achieving the 80 psi maximum pressure can be overcome. The record shows that Southwest anticipates being able to meet its projected requirements for the foreseeable future. From the testimony it would appear that Southwest is endeavoring to effect full compliance with Decision No. 36959.

Rate of Return

Southwest requests an increase in revenues sufficient to provide a rate of return of 10 percent on rate base. It alleges that such a rate of return is necessary to assure continued

adequate service and provide for necessary improvements to the system, is the minimum return needed to attract necessary capital and provide a fair and reasonable return on equity, and is necessary to achieve an appropriate times-coverage ratio as applied to interest costs.

At the hearing, Southwest's witness presented a tabulation of the pro forma cost of capital to Southwest as of July 31, 1976. This tabulation indicated a capital structure comprised of 41.27 percent of long-term debt with an embedded cost of 9.66 percent, 18.53 percent preferred stock at a cost of 4.24 percent, and common equity of 40.20 percent. With this financial structure and embedded costs a return on common equity of 14 percent would require a rate of return of 10.41 percent, a return on equity of 16 percent would require a rate of return of 11.23 percent, and a return on equity of 18 percent would require a rate of return of 12.05 percent.

The staff's financial examiner presented an exhibit containing nine tabulations concerning common stock book value, dividends and earnings, capital structure, interest and discount rates, earning rates on eight water utilities and eight Class A California water utilities, recent CPUC authorized rates of return, Southwest's capital structure, and a recommended rate of return. This witness testified that in developing the rate of return for the 1977 test year, he utilized a capital structure relating to Southwest's California operations excluding \$2,200,000 representing the common stock equity of Paradise Community Services, Inc., located in New Mexico. He stated that since the earnings allowance for common stock equity is necessarily a judgment figure it was necessary to consider many factors in arriving at his conclusion. These factors include the increase in the embedded

cost of long-term debt, capital structure of the utility, Southwest's status as a wholly owned subsidiary, and the balancing of consumer interests with the benefits accruing to the investors. He recommends a rate of return of 10 percent on the basis such a return is reasonable from the standpoint of allowing for the servicing of fixed charges and providing an allowance for common stock equity that permits the payment of a suitable dividend as well as provide for moderate additions to retained earnings. Such a return will provide a return on common stock equity of 11.19 percent on the capital structure estimated by the staff's financial examiner to be effective as of December 31, 1977 as shown by the following tabulation.

Item	Capital Ratios	Cost Factors	Weighted Cost Totals
Long-term debt	58.3%	9.76%	5.69%
Preferred stock	6.5	5.74	.37
Common stock equity	35.2	11.19	3.94
Total	100.0%		10.00%

The staff's recommended rate of return, the same as Southwest's requested rate of return, appears reasonable and will be adopted.

Accounting Recommendations

One of the staff's financial examiners recommended that Southwest be directed to adjust its books of account to reflect 12 accounting exceptions set forth in the staff's exhibit. Southwest's manager of budgeting and regulation testified that Southwest was in full agreement with the recommendations of the accounting staff in these matters, that it intends to implement the recommendations.

Service

The record indicates that the quality of service provided by Southwest is good. Bill inserts notifying Suburban's San Jose-Whittier District customers of the time, date, and place of hearing resulted in the appearance of a total of seven customers for the two days of hearing. None of these seven made any complaint as to the quality of service rendered. Three of them made statements of apparent discrepancies in the billing of their accounts. The record shows that such billings were correct and the apparent discrepancies resulted from a one-time change in the billing cycles to effect a more efficient operation. Late-filed Exhibit 13 detailed the account data for those who made statements at the hearing and the matters appear to be resolved.

Findings

1. Southwest is in need of additional revenue, but the proposed rates set forth in the application are excessive.
2. The adopted estimates previously discussed herein of operating revenues, operating expenses, and rate base for the test year 1977 reasonably indicate the results of Southwest's operations in its San Jose-Whittier District for the near future.
3. A rate of return of 10.0 percent on the adopted rate base is reasonable. Such rate of return will provide a return on equity of approximately 11.19 percent.
4. An operational slippage of approximately 0.13 percent at proposed rates will be experienced and is insufficient to justify the authorization of a stepped progression of rates.
5. The increases in rates and charges authorized herein are reasonable; and the present rates and charges insofar as they differ from those prescribed herein, are for the future unjust and unreasonable. Since Southwest is in agreement, the accounting recommendations will be included in the order.

6. Southwest's earnings under "Present Rates" from its operations during the 1977 test year produce a rate of return of 7.70 percent on a rate base of \$14,941,600 based on adopted results of operation.

7. The authorized increase in rates at the 10.0 percent rate of return for the test year 1977 is expected to provide increased revenues of approximately \$741,300 (11.6 percent) for Southwest's general metered service, construction, and private fire protection schedules as compared to a requested increase of \$1,713,400 (26.8 percent).

8. The standard of service rendered by Southwest in its San Jose-Whittier District is adequate.

9. Southwest's present and proposed plans for effecting water conservation generally comply with the requirements of Decision No. 86959.

10. Southwest should study the feasibility of modifying its system operations so as to effect a maximum operating pressure of 80 psi at customers' meters and submit the results of this study to the Commission.

11. Southwest should implement the staff's accounting recommendations contained in Exhibit 14.

The Commission concludes that the application should be granted to the extent set forth in the order which follows.

O R D E R

IT IS ORDERED that:

1. After the effective date of this order, Southwest Suburban Water (Southwest) is authorized to file the revised rate schedule attached to this order as Appendix A. Such filing shall comply with General Order No. 96-A. The effective date of the revised rate schedule shall be four days after the date of filing.

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The revised schedule shall apply only to service rendered on and after the effective date thereof.

2. Southwest shall prepare a study of the feasibility of modifying its system operations so as to effect a maximum operating pressure of 80 psi at customers' meters and within ninety days of the effective date of this order, submit the results of the study to the Commission staff for review.

3. Southwest shall implement the accounting recommendations listed in Exhibit 14.

The effective date of this order shall be twenty days after the date hereof.

Dated at San Francisco, California, this 23rd day of AUGUST, 1977.

I abstain
William Squares, Jr.

Robert Bateman
President

Yuzon L. Sturgeon
Richard D. Howell
Clare J. Debrah
Commissioners

Schedule No. SJW-1

San Jose and Whittier Tariff Areas

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

Portions of Covina, West Covina, La Puente, Glendora, Whittier, and vicinity, Los Angeles and Orange Counties.

RATES

	<u>Per Meter</u> <u>Per Month</u>	
Service Charges:		
For 5/8 x 3/4-inch meter.....	\$ 3.58	
For 3/4-inch meter.....	4.47	(I)
For 1-inch meter.....	5.80	
For 1-1/2-inch meter.....	8.23	
For 2-inch meter.....	11.29	
For 3-inch meter.....	20.23	
For 4-inch meter.....	28.30	
For 6-inch meter.....	46.77	
For 8-inch meter.....	69.27	(I)

(Continued)

APPENDIX A
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Schedule No. SJW-1

San Jose and Whittier Tariff Areas

GENERAL METERED SERVICE
(Continued)

Quantity Rates:

For all water delivered, per 100 cu.ft.

Tariff Area No. 1			
First 500 cubic feet per month.....	\$.231		
Over 500 cubic feet per month.....	.315	(I)	
Tariff Area No. 2			
First 500 cubic feet per month.....	.261		
Over 500 cubic feet per month.....	.350	(I)	
Tariff Area No. 3			
First 500 cubic feet per month.....	.291		
Over 500 cubic feet per month.....	.384	(I)	

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

SPECIAL CONDITIONS

1. The boundaries of the zones in which the above rates apply are delineated on the tariff service area maps filed as part of these tariff schedules.

2. The tariff areas include all customers in elevation zones designated as follows:

Tariff Area	San Jose System Elevation, Feet		Whittier System Elevation, Feet	
	Above	Including	Above	Including
1	-	547	-	300
2	547	1,140	300	820
3	1,140	-	820	-

Schedule No. 4

PRIVATE FIRE PROTECTION SERVICEAPPLICABILITY

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

TERRITORY

All tariff areas.

RATES

	<u>Service Area</u>		
	<u>San Jose</u> <u>Whittier</u>	<u>La Mirada</u>	<u>Etiwanda</u>
For each inch of diameter of service connection, per month ..	\$4.07 (I)	\$3.00	\$3.00

SPECIAL CONDITIONS

1. The fire protection service and connection shall be installed by the utility or under the utility's direction. Cost for 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 expense of maintaining the private fire protection facilities on the applicant's premises (including the vault, meter, and backflow device) 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 for fire protection service shall be four inches, and the maximum diameter shall be not more than the diameter of the main to which the service is connected.

(Continued)

Schedule No. 4

PRIVATE FIRE PROTECTION SERVICE

SPECIAL CONDITIONS - Contd.

5. If a distribution main of adequate size to serve a private fire protection system in addition to all other normal service does not exist in the street or alley adjacent to the premises to be served, then a main extension from the nearest existing main of adequate capacity shall be installed by the utility. The cost of such main extension attributable to the fire protection requirement shall be paid to the utility as a contribution in aid of construction.

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

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

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

9. Any unauthorized use of water through the fire protection service will be charged for at the applicable tariff rates and may be grounds for the utility's discontinuing fire protection service without liability.

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Schedule No. 4A

FIRE HYDRANT SERVICE ON PRIVATE PROPERTY

APPLICABILITY

Applicable to all fire hydrant service rendered from fire hydrants connected to company owned mains on private property.

TERRITORY

Throughout all tariff areas.

RATES

Per Month

4" riser type fire hydrant with single 2½" outlet ...	\$3.03	(I)
6" riser type fire hydrant with steamer head	4.25	
6" standard type fire hydrant	6.07	(I)

SPECIAL CONDITIONS

1. The fire hydrant will be installed by the utility or under the utility's direction at the cost of the applicant. The cost will not be subject to refund.

2. The fire hydrant shall be used for fire fighting purposes and fire drills only. Water use for fire drills will be limited to 15 minutes per week.

3. The replacement, enlargement, or relocation of any hydrant made at the request of the customer shall be paid for by the customer.

4. 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.

(Continued)

Schedule No. 4A

FIRE HYDRANT SERVICE ON PRIVATE PROPERTY

SPECIAL CONDITIONS -Contd.

5. The repair and maintenance of the hydrants will be the responsibility of the applicant.

6. Any unauthorized use of water will be charged therefor under the General Metered Service schedule for the particular tariff area, and/or may be grounds for the utility to discontinue the service without liability to the utility.

7. There shall be no cross-connection between the fire hydrant service and any other source of supply without the specific approval of the utility. This specific approval will require at the customer's expense, a special double check valve installation or other device acceptable to the utility. Any such unauthorized cross-connection may be grounds for immediate disconnection of the fire hydrant service without liability to the utility.

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Schedule No. 9-CF-2

SERVICE TO TRACT HOUSES DURING CONSTRUCTION

APPLICABILITY

Applicable to tract houses being constructed as part of a total real estate development.

TERRITORY

Throughout all tariff areas.

RATES

<u>Service Areas</u>	
<u>San Jose</u>	<u>La Mirada</u>
<u>Whittier</u>	<u>Etiwanda</u>

For each residence for the entire construction period	\$30.00 (I)	\$2.50
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SPECIAL CONDITIONS

1. This rate is available only to real estate developers who undertake the construction of all or a substantial portion of the houses in a tract as part of the tract development. It does not apply to builders of houses in tracts subdivided for lot sales.

2. The water service, under this tariff schedule, applies only to use of water for construction of residences. It does not include water use for garden irrigation or for model homes or for general tract improvement work.

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EFFECTIVE RATES TO
SPECIAL CONTRACT CUSTOMERS
ADVICE NO. 110 - EFFECTIVE AUGUST 10, 1976

<u>Customer</u>	<u>Per Contract Unit</u>	
	<u>Through</u> <u>22-31-76</u>	<u>After</u> <u>12-31-76</u>
Southwest Water Company Per 100 cu.-ft.	\$ 0.165	\$ 0.166
La Habra Heights Mutual Water Company Per miner's inch hour	0.136	0.137
Murphy Ranch Mutual Water Company Per miner's inch hour	0.119	0.120
City of Santa Fe Springs Per acre-foot	48.18	48.18
City of West Covina, Cortez Park Per 100 cu.-ft.	0.190	0.190
Irrigation (Kijan Bros.) Per 100 cu.-ft.	0.156	0.156