

Decision No. 89249 AUG 22 1978

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application)
of Southwest Suburban Water, a)
California corporation, for)
authority to increase its rates)
charged for water service in the)
La Mirada District.)

Application No. 57025
(Filed January 21, 1977)

McCutchen, Doyle, Brown and Enersen,
by Crawford Greene, Attorney at
Law, for applicant.
Vern Fifer, for himself, interested
party.
Sara S. Myers, Attorney at Law, and
C. Frank Filice, for the
Commission staff.

O P I N I O N

Southwest Suburban Water (Southwest Suburban), a California corporation, seeks authority to effect step rates for its La Mirada District (LMD) designed to produce revenues sufficient to yield a rate of return for that district of 10.05 percent for 1977, 10.04 percent for 1978, and 10.04 for 1979. Southwest Suburban estimated that its proposed rates, if effective for the full years 1977 through 1979, would increase water revenues for approximately 12,500 customers in the LMD by approximately \$253,700 (12.1 percent) for the year 1977, an additional \$78,700 (3.3 percent) for the year 1978, and an additional \$105,200 (4.3 percent) for the year 1979, over the revenues derived from the rates in effect at the time the application was filed.

Resolution No. W-2256 dated October 4, 1977 in Advice Letter No. 117 authorized a \$62,200 (2.93 percent) increase in rates to offset increases in the costs of purchased water, water assessments, and purchased power in the LMD. These increased expenses are also reflected in the subject application.

Southwest Suburban provides public utility water service in the LMD and in the San Jose-Whittier District (SJWD). Southwest Suburban's parent, Southwest Water Company (Southwest), transferred its LMD facilities to Suburban Water Systems (Suburban) pursuant to the authority granted by D.86063 dated July 7, 1976 in A.56529. Suburban provided service in SJWD. By Advice Letter No. 111 dated October 14, 1976, Suburban notified the Commission of an amendment to its Articles of Incorporation changing Suburban's name to Southwest Suburban Water. A copy of the amendment, filed with the Secretary of State of the State of California on October 19, 1976, is part of the subject application.

The LMD includes portions of the cities of La Mirada, Norwalk, Cerritos, and Buena Park (Buena Park), and adjacent unincorporated areas in Los Angeles and Orange Counties. Southwest Suburban produces approximately 29 percent of the LMD's water requirements from nine LMD wells, obtains 27 percent of its water requirements from interdistrict transfers from the SJWD, and obtains the remaining 44 percent of its water requirements through purchases from California Domestic Water Company and the Central Basin Municipal Water District.

After notice, public hearing was held before Administrative Law Judge Levander on February 21, 1978 in La Mirada and on February 22, 1978 in Los Angeles. The matter was submitted on the latter date.

Testimony on behalf of Southwest Suburban was presented by three of its vice presidents, by its manager of budgeting and regulation, and by a consulting engineer. Testimony for the Commission staff was presented by a financial examiner and two engineers. One customer made a statement relating to alleged billing inaccuracies; another protested against the proposed rate increase; and a third, who along with other customers in Buena Park had previously filed a petition with the Commission protesting against the proposed increase, stated her desire to be served by Buena Park's water department. The petition requested that service be provided by Buena Park or that the rates charged should be equal to Buena Park's. Buena Park's mayor and council sent written protests against the increase which indicated that Southwest Suburban's present rates were approximately twice as high as Buena Park's, and acknowledged that Buena Park's rates are too low and need to be raised.

Rates

The LMD rates, authorized by D.84378 dated April 29, 1975 in A.54787 (a general rate increase proceeding), were modified by offset increases authorized by Resolutions Nos. W-1820 and W-1965 prior to the filing of the subject application. The rates contained in the above-mentioned Resolution No. W-2256, filed after the subject application,

are used as present rates in the balance of this decision. Resolution No. W-2256 authorized an increase in general metered service quantity rates above 500 cubic feet per month from \$0.323 per Ccf to \$0.342 per Ccf. A temporary conservation surcharge was authorized by Resolution No. W-2301 dated December 20, 1977, which surcharge terminated May 1, 1978 as to quantity rates and June 20, 1978 as to the service charge. The surcharges are not considered herein.

Southwest Suburban now requests that the Commission modify its general metered service quantity rates to reflect the staff recommendation that the lifeline quantity be reduced from 5 Ccf, as set forth in the application, to 3 Ccf and to continue the temporary surcharges until the authorized termination dates; that the rates for private fire protection service, fire hydrant service on private property, and service to tract houses during construction requested in the application be authorized, but that the special conditions contained in the currently effective rates be continued; that no change be made for public fire protection service because the rates for this service are specified in separate contracts with the various fire protection districts, which are shown in its filed List of Contracts and Deviation tariff; and that no change be made to its proposal for Schedule No. 9-CF, Construction and Tank Truck Service. The rates in Schedule No. 9-CF are specified to be the currently effective charge for a 2-inch meter and metered service quantity rate applicable to the tariff area within which the water is delivered. The rates under this schedule will be increased by our authorization of increased general metered service rates.

The adopted general metered service rate structure, as proposed by the staff and stipulated to by Southwest Suburban, implements the principles of lifeline rates by not increasing the service charge for a 5/8" x 3/4" meter and in setting a more realistic lifeline quantity block by reducing the lifeline block from 500 cubic feet to 300 cubic feet. We will adopt this format but will reduce the rates for the nonlifeline quantity block and certain minimum charges to derive revenues yielding the authorized rate of return. Southwest Suburban's other rate proposals are reasonable and will be adopted.

Southwest Suburban's original general metered service rate proposal and the quantity block modifications recommended by the staff^{1/} and stipulated to by Southwest Suburban are tabulated on the following page.

Southwest Suburban proposed 1977 rates and 1978 and 1979 step rates to offset attrition in its rate of return and to permit it to earn a rate of return on rate base of approximately 10 percent for the years 1977, 1978, and 1979. The Commission staff estimated the attrition in rate of return at proposed rates at 0.85 percent and recommends 1978 rates and a 1979 step increase in rates to offset attrition. We will authorize a step increase in rates.

1/ Based on Southwest Suburban's requested increase.

La Mirada Tariff Area

	Present Rates	Per Meter Per Month	
		Southwest Suburban Proposed Rates	
		1-1-78 Through 12-31-78	1-1-79 Through 12-31-79
<u>Service Charge:</u>			
For 5/8 x 3/4-inch meter	\$ 4.70	\$ 4.70	\$ 4.70
For 3/4-inch meter	4.95	6.50	6.75
For 1-inch meter	6.80	8.80	9.20
For 1 1/2-inch meter	9.60	11.75	12.25
For 2-inch meter	12.70	15.90	16.55
For 3-inch meter	23.50	29.50	30.65
For 4-inch meter	32.00	41.00	41.00
For 6-inch meter	49.00	67.00	69.00
For 8-inch meter	75.00	105.00	110.00

Quantity Rates:

		Southwest Suburban Original Proposal	
First 500 cu.ft., per 100 cu.ft.	\$ 0.295	\$ 0.295	\$ 0.295
Over 500 cu.ft., per 100 cu.ft.	0.342	0.348	0.368
<u>Staff Proposal Stipulated to by Southwest Suburban</u>			
First 300 cu.ft., per 100 cu.ft.		\$ 0.295	\$ 0.295
Over 300 cu.ft., per 100 cu.ft.		0.344	0.362

Results of Operation

Both Southwest Suburban and the Commission staff prepared and presented summaries of earnings for estimated years 1978 and 1979. The staff estimates were based on more recent data than that used by Southwest Suburban. Southwest Suburban accepted the later staff estimates with the exception of the staff estimate of consumption for residential customers and of expenses tied to the different sales estimates. Table 1 compares the summary of earnings estimates for 1978 and 1979 of Southwest Suburban and of the staff at present rates (effective October 4, 1977) and at proposed rates, and at the rates adopted herein.

Residential Consumption

A Southwest Suburban witness initially trended the unit consumption for domestic water sales for the years 1966 through 1975 inclusive, utilizing the Modified Bean Method. He noted an upward trend in water usage for this period and also noted that since the year 1971 there has been a downtrend in both the recorded and weather-adjusted domestic unit consumption. He decided that a least-squares trend for the years 1970 through 1975 extrapolated through the test year would provide the best estimate of normalized domestic unit consumption. He attributed the downtrend to the increasing cost of water which resulted in conservation efforts and to extensive advertising by various industries and agencies urging that natural resources be conserved. His study yielded an average annual domestic use of 218.77 Ccf for 1978 and 217.28 Ccf per year for 1979.

Table 1

SOUTHWEST SUBURBAN WATER

Summary of Earnings for La Mirada District
(Estimated Years 1978 and 1979)

Item	Present Rates		Proposed Rates		Adopted
	SW Sub	Staff	SW Sub	Staff	Rates
(Dollars in Thousands)					
<u>1978</u>					
Operating Revenues	\$2,111.0	\$2,192.6	\$2,390.4	\$2,473.4	\$2,194.7
<u>Operating Deductions</u>					
Operating Expenses	1,339.4	1,394.9	1,344.9	1,400.5	1,354.6
Depreciation	185.5	185.5	185.5	185.5	185.5
Taxes Other Than Income	187.5	187.5	187.5	187.5	87.4
Income Taxes	18.8	32.5	163.0	177.5	107.5
Total Deductions	1,731.2	1,800.4	1,880.9	1,951.0	1,735.0
Net Operating Revenues	379.8	392.2	509.5	522.4	459.7
Deprec. Rate Base	4,596.6	4,596.6	4,596.6	4,596.6	4,596.6
Rate of Return	8.26%	8.53%	11.08%	11.36%	10.00%
<u>1979</u>					
Operating Revenues	\$2,133.5	\$2,215.6	\$2,517.8	\$2,606.1	\$2,304.0
<u>Operating Deductions</u>					
Operating Expenses	1,408.4	1,464.5	1,416.0	1,472.2	1,425.4
Depreciation	196.4	196.4	196.4	196.4	196.4
Taxes Other Than Income	193.3	193.3	193.3	193.3	93.2
Income Taxes	2.7	5.0	185.1	202.0	120.2
Total Deductions	1,800.8	1,859.2	1,990.8	2,063.9	1,835.2
Net Operating Revenues	332.7	356.4	527.0	542.2	468.8
Deprec. Rate Base	4,689.1	4,689.1	4,689.1	4,689.1	4,689.1
Rate of Return	7.10%	7.60%	11.24%	11.56%	10.00%

1/ Reflect the estimated reduction of \$100,100 in ad valorem taxes resulting from Article XIII-A of the State Constitution.

A staff witness utilized the Modified Bean Method to normalize use for various combinations of years from 1970 through 1976 utilizing at least five years as a base. He extrapolated 1972 through 1976 data to 1977 to derive an annual domestic use of 219.77 Ccf. He testified that the 1977 recorded domestic use of 190.6 Ccf should not be utilized because of the abnormal level of conservation induced by customer efforts associated with the drought in California. He considered the distribution of conservation kits by Southwest Suburban and the installation of these kits by customers in arriving at a judgment value of average use per domestic customer for 1978 and 1979. He reduced estimated use from 219.77 Ccf, the 1977 extrapolated trend value^{2/} to 214.41 Ccf, a 2.44 percent reduction, to reflect long-term residual conservation. He did not believe that there would be a significant long-term conservation effect if the drought was over and normal weather conditions continued.

The rebuttal testimony of Southwest Suburban included Exhibit 3 which used least-squares trends for different periods to project estimated use for 1978 and 1979. The results of these studies are contained in the following tabulation.

<u>Years Trended</u>	<u>Use Per Domestic Customer</u>	
	<u>1978</u>	<u>1979</u>
1970-1976	217.0	215.3
1971-1976	215.4	213.1
1972-1976	216.6	214.7
1970-1977	201.1	197.0

^{2/} The staff 1978 extrapolated trend value is 218.44 Ccf.

The Southwest Suburban witness testified that the 1977 information should be considered along with the results of the accelerated and ongoing conservation programs of Southwest Suburban, including customer installations of conservation kits (supplied by Southwest Suburban) in existing units; that there would be reductions in use due to the effects of the conservation messages put out by other agencies such as the Los Angeles Department of Water and the Southern California Gas Company; and that installation of more efficient, less water consumptive, fixtures and appliances in new construction would result in a substantial long-term reduction in use.

He also testified that the climatic conditions in 1977 should have resulted in above normal domestic consumption (222.1 Ccf based on the 1970-1976 trend, 221.5 Ccf based on the 1971-1976 trend, and 222.4 Ccf based on the 1972-1976 trend), but that recorded use dropped to 190.6 Ccf. He stated that in his judgment the fallout from the drought represented a brand new ball game as to trended use per domestic customer; that the Modified Bean Method was not formulated to give consideration to drought conditions; and that future average domestic use would range from 190 to 200 Ccf per year. He adopted an average of 195 Ccf per year in revising his estimate. ✓

Both the Southwest Suburban and staff engineering witnesses testified that the degree of conservation reflected in future sales was based upon judgment. The adopted results of operations reflect an average domestic consumption of 200 Ccf per customer per year. This represents a greater rebound from the 1977 level of sales, resulting from the

end of the drought, than estimated by Southwest Suburban. The installation of flow restrictors in faucets, of displacement bottles in toilet tanks, and of improved watering practices by existing residential customers, together with the installation of appliances and fixtures using less water than previous models, a greater public awareness of the need for conservation, and a desire to save money should result in a long-term reduction in domestic use. The nominal level of reduction in use predicted by staff does not give sufficient weight to these factors. The adopted use per customer is less than 9 percent under the 1977 trended value derived by the staff.

Rate of Return

Southwest Suburban requests an increase in revenues sufficient to provide a rate of return of 10.04 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-interest coverage ratio.

A Commission staff witness recommends that a 10.00 percent return on rate base be authorized. This was the rate of return authorized in D.87742 dated August 23, 1977 in A.56514, a general rate increase in the SJWD. Since that time Southwest Suburban's imbedded cost of debt has increased. Southwest Suburban has negotiated and placed a \$3,000,000, 8-5/8 percent mortgage bond issue with an effective rate of 9.06 percent. Southwest Suburban requires a waiver from its existing bondholders because its

earnings do not meet the times-interest coverage (two times pre-interest and pre-tax) provisions in its indentures. The return on common equity derived in D.87742 was 11.19 percent based upon a common equity ratio of 35.20 percent. In this proceeding the staff estimated the December 31, 1979 capital structure and capital ratios tabulated below. A 10.00 percent return on Southwest Suburban's capital structure, excluding its common stock equity in Paradise Community Services, Inc., would reduce the yield on common equity from the 11.19 percent last authorized to 10.80 percent.

<u>Item</u>	<u>Capital Ratios</u>	<u>Cost Factors</u>	<u>Weighted Cost Totals</u>
Long-term debt	61.74%	9.88%	6.10%
Preferred stock	4.54	5.69	0.26
Common stock equity	<u>33.72</u>	10.80	<u>3.64</u>
Total	100.00%		10.00%

Southwest Suburban anticipates that additional long-term financing will require issuance of common stock equity.

The staff's recommended capital structure and rate of return are reasonable and will be adopted.

The authorized rates contained in Appendix A, attached to this decision, should result in Southwest Suburban receiving annualized revenues of approximately \$2,194,700 in 1978, an increase of approximately \$62,800 or 2.9 percent over present rates. The amount of this increase has been designed to yield, on an annualized basis, a 10.00 percent return on the adopted 1978 rate base.

A further step increase of approximately \$109,000 should be authorized as of January 1, 1979 to offset the 0.85 percent attrition rate. This step increase would increase revenues by 4.8 percent in 1979 over those derived from 1978 rates. These rates will yield approximately \$2,304,000 in 1979. In the event the return on rate base, adjusted to reflect the rates then in effect and an average domestic use of 200 Ccf for the 12 months ended September 30, 1978, exceeds the authorized rate of return, the step increase authorized in Appendix B should be appropriately reduced. The September 30 date was selected to permit timely filing by December 1 and to provide an adequate review of the advice letter filing requesting the step increase authorized herein. The step increase approach results in a better matching of the consumer's interest compared to setting a high initial rate which would yield an adopted three-year average rate of return because the step-increase method more closely matches costs with revenues. ✓

Other Matters

No studies were presented in this proceeding which could be used to justify establishment of a general metered service rate differential in different portions of the LMD.

Unaccounted for water, expressed as a percentage of total water purchases and water production, has declined from 17.2 percent in 1974, to an estimated 13 percent for the 1979 test year. D.84378 dated April 29, 1975 in A.54787 allowed a 15 percent allowance for unaccounted for water and directed the utility to undertake studies "to determine for this district an optimum reasonable range for losses and unaccounted for" water. The staff recommends that further

improvements be made and that Southwest Suburban should strive for an unaccounted-for-water rate of less than 10 percent for its next rate application. Almost half of the LMD customer service inquiries requiring field investigation for 1975 through mid-1977 involved leaks. There have been a number of low pressure or no water complaints as well.

We are putting Southwest Suburban on notice that we expect it to meet a 10 percent unaccounted-for-water goal in its next LMD general rate increase proceeding. Any higher percentage of unaccounted for water will have to be justified in detail. Southwest Suburban should file annual reports detailing the work it is performing to reduce the percentage of unaccounted for water.

Findings

1. Reasonable estimates of the LMD results of operations for test years 1978 and 1979 at present rates, at proposed rates, and at authorized rates are contained in Table 1.

2. Southwest Suburban is in need of additional revenue, but the proposed general metered service rates set forth in the application are excessive.

3. The rates and special conditions proposed by Southwest Suburban for other classes of service (except for the general metered service rate schedule incorporated in the construction and tank truck service tariff) are reasonable.

4. A rate of return of 10.00 percent on the 1978 and 1979 adopted rate bases is reasonable. Such rate of return will provide a 1979 test year return on equity of approximately 10.80 percent.

5. The increases in rates and charges authorized herein are reasonable. The present rates and charges, insofar as they differ from those prescribed herein, are for the future unjust and unreasonable.

6. Southwest Suburban's earnings under present rates from its operations during the 1978 test year would produce a rate of return of 8.34 percent on a rate base of approximately \$4,597,000 based on the adopted results of operations and the adopted sales per domestic customer.

7. The authorized increase in rates at the 10.00 percent rate of return for the test year 1978 is expected to provide revenues of approximately \$2,194,700, an increase of \$62,800 (2.9 percent) on an annualized basis as compared to a requested increase of \$279,400 (13.2 percent). ✓

8. Attrition in the rate of return of approximately 0.85 percent should be recognized in the authorized rates. A further step increase of \$109,300 should be authorized as of January 1, 1979 to offset the 0.85 percent decline in rate of return. This offset would increase revenues to approximately \$2,304,000, an increase of 5.0 percent in 1979 over revenues derived from 1978 rates. The step increase authorized in Appendix B should be appropriately modified in the event the rate of return on rate base, adjusted to reflect the rates then in effect and an average domestic use of 200 Ccf for the 12 months ended September 30, 1978, exceeds 10.00 percent. ✓

9. Southwest Suburban should continue its efforts to reduce the level of unaccounted for water in its LMD and should report on these efforts annually.

10. Southwest Suburban, pursuant to Ordering Paragraph 5 of OII No. 19, filed Advice Letter No. 125 on July 28, 1978 to reduce rates to offset a \$100,100 estimated annualized ad valorem tax savings resulting from the adoption of Article XIII-A. The gross reduction of \$100,100 (or \$0.031 per Ccf) is to be flowed through to present rates on the basis of the 1978 estimated sales volume adopted by this decision. The estimate of the savings appears to be reasonable. ✓

11. We will adopt this estimated savings in ad valorem taxes in computing the amount of property tax expenses and the revenue requirements for test years 1978 and 1979. The adopted results of operations shown in Table 1 reflect the estimated reduction in ad valorem taxes resulting from Article XIII-A. We recognize that there may be a need for further minor adjustments as more precise information becomes available. However, if there is an overcollection, the Tax Initiative Account Procedure, established in accordance with Ordering Paragraph 4 of OII No. 19, will insure that any over- or undercollections from the amount of ad valorem taxes adopted herein will be adjusted in accordance to Ordering Paragraph 6 of OII No. 19.

Conclusions

1. The application should be granted to the extent set forth in the order which follows. The effective date of this order should be five days after the date of this order to coincide with the effective date of Advice Letter No. 125.

2. A step increase to offset attrition in rate of return should be authorized in the manner set forth in Finding 8.

O R D E R

IT IS ORDERED that:

1. After the effective date of this order, Southwest Suburban Water is authorized to file the revised rate schedules attached to this order as Appendix A as modified by Ordering Paragraph 4 herein. Such filing shall comply with General Order No. 96-A. The effective date of the revised rate schedules shall be four days after the date of filing. The revised schedules shall apply only to service rendered on and after the effective date thereof.

2. On or before December 1, 1978, Southwest Suburban Water is authorized to file an advice letter, with appropriate work papers, requesting attrition offset increases attached to this order as Appendix B or to file a lesser increase which includes a uniform cents-per-hundred-cubic-feet of water adjustment for consumption in excess of 300 cubic feet from the rates shown in Appendix B in the event that the La Mirada District rate of return on rate base, adjusted to reflect the rates then in effect on (1) a pro forma basis using recorded sales and (2) a pro forma basis with normal ratemaking adjustments for the twelve months ended September 30, 1978, exceeds 10.00 percent. Such filing shall comply with General Order No. 96-A. The staff will evaluate this request and, if appropriate, prepare the necessary resolution for the Commission's consideration.

3. Southwest Suburban Water shall continue its efforts to reduce the level of unaccounted for water in its La Mirada District

and shall report on these efforts annually. Southwest Suburban Water shall file these annual reports on or before March 15 until it reports that the level of unaccounted for water in its La Mirada District is less than 10 percent.

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

Dated at San Francisco, California, this 22nd day of AUGUST, 1978.

Robert Belmont
President

William J. Quinn

Vernon L. Sturgeon

Commissioners

Commissioner Richard D. Gravelle, being necessarily absent, did not participate in the disposition of this proceeding.

Commissioner Claire T. Dedrick, being necessarily absent, did not participate in the disposition of this proceeding.

Appendix A
Page 1 of 4

Schedule No. LM-1

La Mirada Tariff Area

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

Portions of the cities of La Mirada, Norwalk, Cerritos, Buena Park, and vicinity, Los Angeles and Orange Counties.

RATES

	<u>Per Meter</u> <u>Per Month</u>	
Service Charge:		
For 5/8 x 3/4-inch meter	\$ 4.70	
For 3/4-inch meter	6.19	(I)
For 1-inch meter	8.35	
For 1 1/2-inch meter	11.20	
For 2-inch meter	15.00	
For 3-inch meter	28.00	
For 4-inch meter	39.00	
For 6-inch meter	64.00	
For 8-inch meter	100.00	(I)
Quantity Rate:		
For all water delivered, per 100 cu.ft.		
First 300 cubic feet, per month	\$ 0.295	(C)
Over 300 cubic feet, per month	0.296	(C) (R) ✓

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 Rate, for water used during the month.

Appendix A
Page 2 of 4

Schedule No. 4

PRIVATE FIRE PROTECTION SERVICE

APPLICABILITY

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>La Mirada</u>	
For each inch of diameter of service connection, per month	\$4.07	\$3.25	(I)

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.

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

(continued)

Appendix A
Page 3 of 4

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		
	San Jose	La Mirada	
	Whittier		
4" riser type fire hydrant with single 2½" outlet	\$3.03	\$2.70	(I)
6" riser type fire hydrant with steamer head	4.25	3.75	
6" standard type fire hydrant	6.07	5.35	(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.
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.
8. The utility shall be required to supply only such water at such pressure as may be available from time to time as a result of its normal operation of the system.

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.

RATE

	<u>Service Area</u>		
	<u>San Jose</u>	<u>Whittier</u>	<u>La Mirada</u>
For each resident for the entire construction period	\$30.00	\$30.00	(I)

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.

APPENDIX B
Page 1 of 3

Schedule No. LM-1

La Mirada Tariff Area

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

Portions of the cities of La Mirada, Norwalk, Cerritos, Buena Park, and vicinity, Los Angeles and Orange Counties.

RATES

	<u>Per Meter</u> <u>Per Month</u>	
Service Charge:		
For 5/8 x 3/4-inch meter	\$ 4.70	
For 3/4-inch meter	6.40	(I)
For 1-inch meter	8.70	
For 1 1/2-inch meter	11.60	
For 2-inch meter	15.50	
For 3-inch meter	29.00	
For 4-inch meter	40.00	
For 6-inch meter	66.00	
For 8-inch meter	105.00	(I)
Quantity Rate:		
For all water delivered, per 100 cu.ft.		
First 300 cu.ft. per month	\$ 0.295	
Over 300 cu.ft. per month	0.311	(I)

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

APPENDIX B
Page 2 of 3

Schedule No. 4

PRIVATE FIRE PROTECTION SERVICE

APPLICABILITY

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>	
For each inch of diameter of service connection, per month	\$4.07	\$3.35	(I)

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.

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

(continued)

APPENDIX B
Page 3 of 3

Schedule No. 4A

FIRE HYDRANT SERVICE ON PRIVATE PROPERTYAPPLICABILITY

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		
	San Jose	Whittier La Mirada	
4" riser type fire hydrant with single 2½" outlet	\$ 3.03	\$ 2.80	(I)
6" riser type fire hydrant with steamer head	4.25	3.90	I
6" standard type fire hydrant	6.07	5.55	(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.
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.
8. The utility shall be required to supply only such water at such pressure as may be available from time to time as a result of its normal operation of the system.