

Decision 96-02-003 February 17, 1996 proposed DW

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA  
Application of VALENCIA WATER COMPANY (U342-W) for authority to establish a memorandum account to track costs related to relocation of its headquarters.

ORIGINAL

Application 95-01-025 (Filed January 13, 1995)  
David A. Ebershoff, for Valencia Water Company, applicant.  
Peter Fairchild, Attorney at Law, and Daniel R. Paige, for Division of Ratepayer Advocates.

O-P-I-N-I-O-N

1. Summary of Decision

The decision authorizes Valencia Water Company (VWC) to file an advice letter seeking approval to include in ratebase its new headquarters facility and to receive a corresponding rate adjustment for the additional ratebase. The decision also closes the proceeding.

2. Background

VWC is a wholly-owned subsidiary of Newhall Land and Farming Company (NL&FC). VWC provides water service to Valencia and portions of Newhall and Saugus in Los Angeles County. Its headquarters are located at 28769 Castaic Canyon Road, Valencia.

The Northridge earthquake of 1994 caused considerable damage to VWC's system and its headquarters. A portion of the damages was recovered through the Catastrophic Event Memorandum Account (CEMA) authorized by the Commission in 1991. In Decision (D.) 94-09-047, the Commission authorized VWC to impose a surcharge to recover the amount booked in to CEMA.

On January 13, 1995, VWC filed an Application (A) 95-01-025 requesting authority to establish a Relocation Memorandum Account (RMA) to track the costs of relocating its

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headquarters. VWC proposed to book into this memorandum account the costs of purchase of land, construction of a new office building and maintenance yard, and other costs related to the relocation. VWC planned to recover the costs booked in the memorandum account in a separate application.

On February 21, 1995, the Division of Ratepayer Advocates (DRA) filed a protest to A.95-01-025 claiming that the filing of the application is untimely, without proper authority, and the relief requested was contrary to the Commission's policy and procedures.

While VWC disagreed with DRA in its response to DRA's motion, it continued to negotiate a resolution to the disagreement. As a result of the negotiations, VWC filed an amendment to the application on June 6, 1995.

In the amended application, VWC seeks to increase its authorized rate base to include cost of purchased land and construction of the new office building and maintenance yard (headquarters facility). VWC proposes to offset a portion of the costs of headquarters facility by the proceeds it received from its insurance carrier for damages resulting from the Northridge earthquake. VWC requests a rate increase of \$308,250 or 3.8% resulting from rate base increase and capital related costs.

VWC's headquarters facility was expected to be completed in December 1995. VWC now expects that its headquarters facility will be completed in February 1996.

Also, in the amended application, VWC seeks authority to recover additional costs incurred in its CEMA. VWC has withdrawn its request for a RMA.

**3. DRA's Report**

DRA conducted its investigation of the requested rate increase in VWC's amended application. Based on its investigation, DRA prepared its report which recommended that VWC should be required to take the following steps:

- Stop collecting the CBMA surcharge,
- Use the insurance proceeds to pay the balance of the CBMA,
- Use the insurance proceeds to refund the amount customers have paid into the CBMA through surcharges, and
- Use the remaining insurance proceeds to reduce VWC's rate base.

Taking into consideration the recommended cost of the headquarters facility, closing of CBMA, and the proposed disbursement of insurance proceeds, DRA recommends the VWC be granted a rate increase of \$214,300 or 2.6%. DRA also recommends a one-time credit to each customer based on size of its water meter and the amount of its water use. DRA estimates that an average residential customer with a 5/8 inch meter would receive approximately \$22.00 credit.

**4. Evidentiary Hearings**

An evidentiary hearing was held on September 7, 1995 in Santa Clarita before Administrative Law Judge Garde. Other than VWC and DRA, there were no active parties involved. At the hearing, VWC and DRA announced that they have reached agreement on all issues.

On October 18, 1995, VWC and DRA filed a joint motion for adoption of the settlement reached between VWC and DRA regarding resolution of all issues in this proceeding.

**5. The Settlement**

The settlement refers to resolution of all issues as set forth in late-filed Exhibit 4. The original estimation of VWC and DRA, as well as agreed-upon estimates for results of operation, are shown in Appendix A. A comparison of present and proposed rates is included in Appendix C to the order. A brief explanation of resolution of differences between VWC and DRA is included in Appendix D (Exhibit 4).

Other elements of the settlement are discussed below.

**5.1 Rate Increase**  
 WVC and DRA agree that WVC should be authorized a rate increase of \$323,800 or 3.9%. The agreed-upon rate increase is higher than WVC's requested increase (\$308,300) and DRA's proposed increase (\$214,300) because the parties have agreed to eliminate the surcharge currently included in rates to recover the amounts booked in WVC's CEMA.

**5.2 Costs of Land and New Buildings**  
 WVC and DRA agree that WVC acted reasonably in selecting the new site. The parties recommend that the cost of land to be included in WVC's ratebase be calculated as in accordance with the following table:

Cost of New Site	\$955,000
less: Value of Present Site	(410,000)
plus: Amount now in Ratebase	69,000
<b>Total Land in Ratebase</b>	<b>\$604,000</b>
<b>Buildings</b>	<b>\$1,986,000</b>
<b>Capitalized Interest and</b>	<b>30,000</b>
<b>Furniture</b>	<b>84,000</b>
<b>Total</b>	<b>\$2,100,000</b>

**5.3 Proceeds from Insurance**  
 WVC and DRA agree that, of the \$2.4 million in proceeds received by NL&C, WVC's parent company which carried the consolidated company's insurance, \$1,498,000 should be allocated to WVC for damage sustained during the earthquake of January, 1994. According to WVC and DRA, this apportionment represents

the amount recommended by an independent adjuster who reviewed the total claim submitted by NL&PC under its policy.

VWC and DRA agree, as summarized in the following table, that \$490,000 of the proceeds from the insurance relate to costs recorded in VWC's CEMA and that this portion of the proceeds should be used to reduce the balance in VWC's CEMA. The parties agree that the remainder of the proceeds should be used to reduce VWC's ratebase and that any resulting over- or undercollection in the CEMA should be transferred to VWC's Power Purchased Balancing Account.

Proceeds	\$1,498,000
less: Payment into CEMA	(490,000)
Reduction of Ratebase	\$1,008,000

6. Discussion

The settling parties have conformed with the steps set forth in Article 13.5 of Commission's Rules of Practice and Procedure. All active parties support the settlement, and no party has opposed it. The parties have produced a settlement that will provide the needed new headquarters facility for VWC.

We have analyzed the settlement mindful of the directives set forth in our decision in San Diego & Electric Company's general rate case D.92-12-019.

- a. This settlement commands support of all active parties to this proceeding;
- b. Each party is adequately represented. We are confident that DRA adequately represents the interests of the ratepayers;
- c. The parties have asserted that no terms of this settlement contravene any statutory provision or any decision of the Commission, and our independent review has brought none to light; and
- d. This settlement with its appendices, together with the record in the proceeding, conveys to us sufficient information to permit us to discharge

Waiver of our future regulatory obligations with respect to the parties and affected ratepayers. By adopting this settlement, we fulfill our primary obligation of setting just and reasonable rates.

We believe that the settlement supported by active parties in this proceeding satisfies the above requirements. The settlement should be adopted and the motion for approval and adoption of the settlement should be granted.

While we approve the settlement, we recognize that the headquarters facility is under construction and will not be in service until some time in December, 1995. The facility cannot be included in WVC's ratebase until it is completed and placed in service. Accordingly, when the headquarters facility is placed in service, we will require WVC to file an advice letter seeking Commission approval to place the facility in ratebase.

7. Waiver of 30-Day Waiting Period Under Public Utilities (PU) Code 311

PU Code § 311(d) requires that:

The administrative law judge shall prepare and file an opinion setting forth recommendations, findings, and conclusions. The opinion of the administrative law judge is the proposed decision and a part of the public record in the proceeding. The proposed decision of the administrative law judge shall be filed with the commission and served upon all parties to the action or proceeding without undue delay, not later than 90 days after the matter has been submitted for decision. The commission shall issue its decision not sooner than 30 days following filing and service of the proposed decision by the administrative law judge, except that the 30-day period may be reduced or waived by the commission in an unforeseen emergency situation or upon the stipulation of all parties to the proceeding. The commission may, in issuing its decision, adopt, modify, or set aside the proposed decision or any part thereof. Every finding, opinion, and order made in the proposed

... decision and approved for confirmed by the VWC ...  
commission shall, upon that approval or confirmation, be the findings, opinion, and order of the commission." (Emphasis added)

On November 17, 1995, VWC and DRA, the only parties to the proceeding, filed a joint motion requesting that the Commission waive the 30-day waiting period required by PU Code § 311 and reduce the comment period of 20 days pursuant to Rule 77.2 of the Commission's Rules to 7 days. Parties agreed that no reply comments will be filed.

Since all parties to the proceeding have agreed to waive the 30-day waiting period required by PU Code § 311, we will grant the joint motion and reduce the comment period to 7 days.

Comments on ALJ's Proposed Decision

ALJ's proposed decision was filed and mailed to the parties on January 16, 1996. VWC has filed comments on the proposed decision. After reviewing the comments, we have modified Ordering Paragraph 3 to authorize the Executive Director, upon recommendation by the Commission's Advisory and Compliance Division, to make the revised rates effective. In addition, we have corrected certain errors contained in the proposed decision.

Findings of Fact

1. As set forth in Exhibit 4 and the motion for adoption of settlement, VWC and DRA have reached settlement on contested issues.

The settlement is sponsored by all active parties to the proceeding, each party is adequately represented, no terms of the settlement contravene any statutes or Commission decisions, and the settlement conveys sufficient information to enable the Commission to discharge its regulatory obligations.

3. VWC's headquarters facility will be placed in service until some time in December, 1995.

4. VWC's headquarters facility cannot be included in ratebase until it is placed in service.  
Conclusions of Law

1. The settlement should be approved.
2. VWC should be authorized to file an advise letter seeking Commission authorization to include its headquarters facility in ratebase and to receive a corresponding rate adjustment.
3. This order should be made effective today to allow VWC to include in ratebase its headquarters facility soon after the facility is placed in service.
4. Since all parties to the proceeding have stipulated to waive the 30-day waiting period required by PU Code § 311, the Commission should waive the 30-day waiting period and act on this decision promptly.

O. R. D. E. R.  
IT IS ORDERED that:

1. The settlement in Exhibit 4 between Valencia Water Company (VWC) and the Division of Ratepayer Advocates (DRA) is approved.
2. The motion for approval of the settlement between VWC and DRA is granted.
3. VWC is authorized to file an advise letter seeking authorization to include in ratebase its headquarters facility and to receive a corresponding rate adjustment for the additional ratebase. The revised rates shall be in accordance with the tariff schedules attached to this order as Appendix B. The Commission Advisory and Compliance Division shall verify that VWC's headquarters facility has been completed and placed in service and shall inform the Executive Director that the requested rates are appropriate and in conformance with this

order. The revised rates shall become effective upon Commission approval of the advice letter by the Executive Director.

4. Since all issues raised in this proceeding have been resolved, the proceeding in Application 95-01-025 is closed.

This order is effective today.

Dated February 7, 1996, at San Francisco, California.

DANIEL Wm. FESSLER  
President  
P. GREGORY CONLON  
JESSIE J. KNIGHT, JR.  
HENRY M. DUQUE  
JOSIAH L. NEEPER  
Commissioners

## APPENDIX A

**Valencia Water Company**  
**SUMMARY OF EARNINGS**  
**Test Year 1996**

Item	Rates Authorized by D.94-12-020	Utility's Analysis		DRA's Analysis		Settlement	
		Increase	At Requested Rates	Increase	At Recom- mended Rates	Increase	At Proposed Rates
(Thousands of Dollars)							
<b>Revenues</b>							
Operating Revenues	8,371.6	308.3	8,679.9	214.3	8,585.9	323.8	8,695.4
Def. Rev. CIAC	253.1		253.1		253.1		253.1
<b>Total Revenues</b>	<b>8,624.7</b>	<b>308.3</b>	<b>8,933.0</b>	<b>214.3</b>	<b>8,839.0</b>	<b>323.8</b>	<b>8,948.6</b>
<b>Expenses</b>							
Purchased Water	1,152.9		1,152.9		1,152.9		1,152.9
Power Purchased	771.3		771.3		771.3		771.3
Payroll	700.8		700.8		700.8		700.8
Other O & M Exp.	565.8		565.8		565.8		565.8
Other A & G Exp.	505.8		505.8		505.8		505.8
Taxes Other Than Inc.	325.9	20.0	345.9	17.2	343.1	17.8	343.7
Depreciation	1,313.1	(6.5)	1,306.6	32.7	1,345.8	43.9	1,357.0
Misc. Amortization	209.8		209.8		209.8		209.8
<b>Subtotal Expenses</b>	<b>5,545.4</b>	<b>13.6</b>	<b>5,558.9</b>	<b>49.9</b>	<b>5,595.3</b>	<b>61.7</b>	<b>5,607.1</b>
Uncollectibles	6.9	0.2	7.1	0.2	7.1	0.2	7.1
Local Franchise tax	107.8	3.9	111.7	2.7	110.5	4.0	111.8
State Income Tax	73.0	27.0	100.0	15.0	88.0	24.0	97.0
Federal Income tax	1,135.0	89.6	1,224.6	49.8	1,184.8	79.8	1,214.6
<b>Total Oper. Expenses</b>	<b>6,868.1</b>	<b>134.3</b>	<b>7,002.4</b>	<b>117.6</b>	<b>6,985.7</b>	<b>169.4</b>	<b>7,037.5</b>
<b>Net Oper. Revenues</b>	<b>1,756.6</b>	<b>174.0</b>	<b>1,930.6</b>	<b>96.7</b>	<b>1,853.3</b>	<b>154.3</b>	<b>1,910.9</b>
<b>Rate Base</b>	<b>18,683.6</b>	<b>1,852.0</b>	<b>20,535.6</b>	<b>1,033.3</b>	<b>19,716.9</b>	<b>1,646.8</b>	<b>20,330.4</b>
<b>Rate of Return</b>	<b>9.40%</b>		<b>9.40%</b>		<b>9.40%</b>		<b>9.40%</b>

(End of Appendix A)

APPENDIX B  
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VALENCIA WATER COMPANY  
Schedule No. 1

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service for which no special schedule is available.

TERRITORY

The service area of Valencia Water Company in the Community of Valencia and vicinity in Los Angeles County, as defined in the preliminary statement.

RATES

Quantity Rates:	Per Meter Per Month	(I)	(D)
For all water delivered per 100 cu. ft.	\$0.823	(I)	(D)
<b>Service Charges:</b>			
For 5/8 x 3/4-inch Meter	\$7.30	(I)	(D)
For 3/4-inch Meter	10.75	(I)	(D)
For 1-inch Meter	21.00	(I)	(D)
For 1 1/2-inch Meter	37.00	(I)	(D)
For 2-inch Meter	49.00	(I)	(D)
For 3-inch Meter	62.00	(I)	(D)
For 4-inch Meter	79.00	(I)	(D)
For 6-inch Meter	129.00	(I)	(D)
For 8-inch Meter	195.00	(I)	(D)
For 10-inch Meter	315.00	(I)	(D)
For 12-inch Meter	470.00	(I)	(D)

The Service Charge is a readiness-to-serve charge which is applicable to all General Metered Service and to which is to be added the monthly charge computed at the Quantity Rates.

SPECIAL CONDITIONS

- Due to the under-collection in the balancing account, a surcharge of \$0.0394 per 100 cu. ft. of water used is to be applied to the quantity rates for 24 months from the effective date of Advice Letter No. 63.
- For construction water service under this schedule, an installation and removal charge of \$45.00 is required in advance of service.
- All bills are subject to the reimbursement fee set forth in Schedule No. UP.

APPENDIX B  
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VALENCIA WATER COMPANY  
Schedule No. 3-HL

GOLF COURSE METERED INTERRUPTIBLE OFF-PEAK SERVICE

(continued)

APPENDIX B

SPECIAL CONDITIONS (continued)

Applicable to all private fire service.

4. The minimum diameter for service shall be four inches and the maximum diameter shall not be more than the diameter of the main to which the service is connected.

5. If a distribution main of adequate size to serve the golf course does not exist in the street or alley adjacent to the premises to be served, then a service main from the nearest existing main of a adequate capacity shall be installed by the utility and the cost paid by the applicant. Such payment shall not be subject to refund.

(D)	(I)	37.00	4-inch Service	For
		00.00	6-inch Service	For
		00.00	8-inch Service	For
		142.00	10-inch Service	For
(D)	(I)	210.00	12-inch Service	For

6. The utility will supply water only at such pressure as may be available from time to time as a result of its normal operation of the system.

7. All bills are subject to the reimbursement fee set forth in Schedule No. UP.

SPECIAL CONDITIONS

1. The private fire protection service connection shall be installed by the utility and the cost paid by the applicant. Such payment shall not be subject to refund.

2. 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.

3. 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 service main from the nearest existing main of adequate capacity shall be installed by the utility and the cost paid by the applicant. Such payment shall not be subject to refund.

4. 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, are installed according to specifications of the utility, and are maintained to the satisfaction of the utility. The utility may install the standard detector type meter approved by the Insurance Services Office for protection against theft, leakage or waste of water and the cost paid by the applicant. Such payment shall not be subject to refund.

5. For water delivered for other than fire protection purposes, charges shall be made therefore under Schedule No. 1, General Metered Service.

(continued)

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VALENCIA WATER COMPANY

Schedule No. 1

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service for which no special schedule is available.

TERRITORY

The service area of Valencia Water Company in the Community of Valencia and vicinity in Los Angeles County, as defined in the preliminary statement.

RATES

Quantity Rates:	Per Meter	Per Month
For all water delivered per 100 cu. ft.	\$0.823	(I)
Service Charge:		
For 5/8 x 3/4-inch Meter	7.30	(I)
For 3/4-inch Meter	10.75	
For 1-inch Meter	21.00	(I)
For 1 1/2-inch Meter	37.00	
For 2-inch Meter	49.00	
For 3-inch Meter	92.00	(I)
For 4-inch Meter	129.00	
For 6-inch Meter	195.00	
For 8-inch Meter	315.00	
For 10-inch Meter	364.00	
For 12-inch Meter	470.00	(I)

The Service Charge is a readiness-to-serve charge which is applicable to all General Metered Service and to which is to be added the monthly charge computed at the Quantity Rates.

SPECIAL CONDITIONS

- Due to the under-collection in the balancing account, a surcharge of \$0.0394 per 100 cu. ft. of water used is to be applied to the quantity rates for 24 months from the effective date of Advice Letter No. 63.
- For construction water service under this schedule, an installation and removal charge of \$45.00 is required in advance of service.
- All bills are subject to the reimbursement fee set forth in Schedule No. UF.

APPENDIX B  
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VALENCIA WATER COMPANY  
Schedule No. 3-42

GOLF COURSE METERED INTERRUPTIBLE OFF-PEAK SERVICE

**APPLICABILITY**

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

**TERRITORY**

The service area of Valencia Water Company in the Community of Valencia and vicinity in Los Angeles County as defined in the preliminary statement.

**RATES**

(0)	(1)	Per Meter Per Month	Quantity Rates
Quantity Rates:			For all water delivered per 100 cu. ft.
For all water delivered per 100 cu. ft.	(1)	\$0.460	
Service Charge:			
For 4-inch Meter	(1)	129.00	
For 6-inch Meter	(1)	195.00	
For 8-inch Meter	(1)	315.00	
For 10-inch Meter	(1)	364.00	

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

**SPECIAL CONDITIONS**

1. Due to the under-collection in the balancing account, a surcharge of \$0.0394 per 100 cu. ft. of water used is to be applied to the quantity rates for 24 months from the effective date of Advice Letter No. 63.

2. The golf course metered interruptible off-peak service is subject to interruption of service whenever the utility determines that service to its other customers will be impaired.

3. The off-peak period during which this schedule is applicable is between the hours of 9 p.m. and 7 a.m. of the following day, or during other hours as may be determined from day-to-day by the utility.

(continued)

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VALENCIA WATER COMPANY  
Schedule No. 3-M

GOLF COURSE METERED INTERRUPTIBLE OFF-PEAK SERVICE

(continued)

APPENDIX B

SPECIAL CONDITIONS (continued)

Applicable to all private fire service.

4. The minimum diameter for service shall be four inches and the maximum diameter shall not be more than the diameter of the main to which the service is connected.

5. If a distribution main of adequate size to serve the golf course does not exist in the street or alley adjacent to the premises to be served, then a service main from the nearest existing main of a adequate capacity shall be installed by the utility and the cost paid by the applicant. Such payment shall not be subject to refund.

6. The utility will supply water only at such pressure as may be available from time to time as a result of its normal operation of the system.

7. All bills are subject to the reimbursement fee set forth in Schedule No. 1.

1. The private fire protection service connection shall be installed by the utility and the cost paid by the applicant. Such payment shall not be subject to refund.

2. The minimum diameter for the 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.

3. If a distribution main of adequate size to service 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 service main from the nearest existing main of adequate capacity shall be installed by the utility and the cost paid by the applicant. Such payment shall not be subject to refund.

4. 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, are installed according to specifications of the utility, and are maintained to the satisfaction of the utility. The utility may install the standard detector type meter approved by the Insurance Services Office for protection against theft, leakage or waste of water and the cost paid by the applicant. Such payment shall not be subject to refund.

5. For water delivered for other than fire protection purposes, charges shall be made therefor under Schedule No. 1, General Metered Service.

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VALENCIA WATER COMPANY  
Schedule No. 4

PRIVATE FIRE SERVICE

**APPLICABILITY**

(continued)

Applicable to all private fire service.

(continued)

**TERRITORY**

The service area of Valencia Water Company in the Community of Valencia and vicinity in Los Angeles County as defined in the preliminary statement.

**RATES**

For	4-inch Service	37.00	(I)	(D)
For	6-inch Service	53.00	(I)	(D)
For	8-inch Service	70.00	(I)	(D)
For	10-inch Service	145.00	(I)	(D)
For	12-inch Service	210.00	(I)	(D)

**SPECIAL CONDITIONS**

1. The private fire protection service connection shall be installed by the utility and the cost paid by the applicant. Such payment shall not be subject to refund.
2. 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.
3. If a distribution main of adequate size to service 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 service main from the nearest existing main of adequate capacity shall be installed by the utility and the cost paid by the applicant. Such payment shall not be subject to refund.
4. 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, are installed according to specifications of the utility, and are maintained to the satisfaction of the utility. The utility may install the standard detector type meter approved by the Insurance Services Office for protection against theft, leakage or waste of water and the cost paid by the applicant. Such payment shall not be subject to refund.
5. For water delivered for other than fire protection purposes, charges shall be made therefore under Schedule No.1, General Metered Service.

(continued)

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VALENCIA WATER COMPANY

Schedule No. 4

PRIVATE FIRE SERVICE

(continued)

SPECIAL CONDITIONS (continued)

6. The Utility will 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.

7. All bills are subject to the reimbursement fee set forth on Schedule No. UP.

(End of Appendix B)

APPENDIX Q

VALENCIA WATER COMPANY

COMPARISON OF RATES

GENERAL METERED SERVICE

Quantity Charge	Per 100 cu. ft.				Increase (Decrease)	
	Present General Rates	Present CEMA Surcharge	Present Rates Total	Proposed General Rates	Amount	Percentage
	1996	1996	1996	1996	1996	1996
For all water delivered	\$0.8394	\$0.0329	\$0.8723	\$0.6624	(\$0.0099)	-1.13%

Present and Proposed General Rates include a purchased power surcharge of \$0.0394 per Ccf. Proposed rates will no longer include CEMA surcharge.

Service Charge	Per Meter Per Month				Increase (Decrease)	
	Present General Rates	Present CEMA Surcharge	Present Rates Total	Proposed General Rates	Amount	Percentage
	1996	1996	1996	1996	1996	1996
For 5/8 x 3/4- inch meter	\$6.90	\$0.57	\$7.47	\$7.30	(\$0.17)	-2.45%
For 3/4- inch meter	\$10.20	\$0.85	\$11.05	\$10.75	(\$0.30)	-2.94%
For 1- inch meter	\$18.00	\$1.42	\$19.42	\$21.00	\$1.58	8.78%
For 1 1/2- inch meter	\$35.00	\$2.84	\$37.84	\$37.00	(\$0.84)	-2.40%
For 2- inch meter	\$45.00	\$4.55	\$49.55	\$49.00	(\$0.55)	-1.22%
For 3- inch meter	\$88.00	\$8.53	\$96.53	\$92.00	(\$4.53)	-5.15%
For 4- inch meter	\$125.00	\$14.22	\$139.22	\$129.00	(\$10.22)	-8.18%
For 6- inch meter	\$190.00	\$28.43	\$218.43	\$195.00	(\$23.43)	-12.33%
For 8- inch meter	\$305.00	\$45.49	\$350.49	\$315.00	(\$35.49)	-11.64%
For 10- inch meter	\$350.00	\$65.39	\$415.39	\$364.00	(\$51.39)	-14.68%
For 12- inch meter	\$450.00	\$93.82	\$543.82	\$470.00	(\$73.82)	-16.40%

Proposed rates will no longer include CEMA surcharge.

Typical monthly bill for a typical user on a 3/4-inch meter:

Monthly Usage In Ccf	Per Customer Per Month			
	Present Rates	Proposed Rates	Increase (Decrease)	
	1996	1996	Amount	Percentage
0	\$11.05	\$10.75	(\$0.30)	-2.71%
3	\$13.67	\$13.34	(\$0.33)	-2.41%
7	\$17.16	\$16.79	(\$0.37)	-2.15%
10	\$19.77	\$19.37	(\$0.40)	-2.02%
15	\$24.13	\$23.69	(\$0.45)	-1.86%
22 (avg)	\$30.24	\$29.72	(\$0.52)	-1.71%
30	\$37.22	\$36.62	(\$0.60)	-1.60%
50	\$54.67	\$53.87	(\$0.80)	-1.45%

(End of Appendix C)

BEFORE THE PUBLIC UTILITIES COMMISSION

OF THE STATE OF CALIFORNIA

The Parties' negotiations have resulted in the resolution of all outstanding issues. The increases in general rates agreed to are higher than those requested or recommended because the Parties have agreed to eliminate the surcharge presently used

Amendment to Application of Valencia Water Company (U 342 W) for authority to establish a memorandum account to track costs related to relocation of its headquarters

Settlement are shown in the following table:

38.8	WVC
38.8	DRA
38.8	Settlement

1.00 Introduction

1.01 The parties to this proceeding are the Division of Ratepayer Advocates ("DRA") and the applicant, Valencia Water Company ("WVC"), collectively referred to as the "Parties." This settlement is intended to resolve all issues raised by Application No. 95-01-025, the Amendment thereto, and the report submitted by DRA in this proceeding on August 25, 1995.

1.02 The Parties agree that no signatory to the Settlement nor any member of the staff of the Public Utilities Commission assumes any personal liability as a result of this Settlement. The Parties agree that no legal action may be brought in any state or federal court or in any other forum against any individual signatory representing the interests of DRA, the staff of DRA, attorneys representing DRA, or the DRA itself regarding this Settlement. All rights and remedies are limited to those available before the California Public Utilities Commission.

1.03 The Parties acknowledge that DRA is charged with representing the interests of customers of public utilities in the State of California, as required by Public Utilities Code Section 309.5 and that nothing in this Settlement is intended to limit the ability of DRA to carry out that responsibility.

1.04 The Parties' negotiations have resulted in the resolution of all outstanding issues. The increases in general rates agreed to are higher than those requested or recommended because the Parties have agreed to eliminate the surcharge presently used to repay VWC's Catastrophic Event Memorandum Account established pursuant to Resolution No. E-3238. In summary, the annual increases proposed by the Parties and those agreed to in the Settlement are shown in the following table:

- VWC 3.8%
- DRA 2.8%
- Settlement 3.9%

1.05 Attached to this Settlement are the following appendices, showing the matters that have been agreed to by the Parties:

- Appendix A - Summary of Earnings
- Appendix B - Rate Schedules
- Appendix C - Comparison of Rates

2.00 **Cost of Land and New Buildings**

2.01 As noted in the Amendment to Application dated June 5, 1995, as well as in DRA's report, VWC's present headquarters is inadequate and should be replaced. VWC selected a new site for its headquarters, while DRA advocated continued use of the present location. After exchange of information and consideration of the various options, the Parties agree that VWC acted reasonably in selecting the new site and that the cost of land to be included in ratebase should be calculated as shown in the following table:

The Parties acknowledge that DRA is charged with representing the interests of customers of public utilities in the State of California, as required by Public Utilities Code section 309.5 and that nothing in this Settlement is intended to limit the ability of DRA to carry out that responsibility.

Cost of New Site	\$955,000
less: Value of Present Site	(410,000)
plus: Amount now in Ratebase	59,000
<b>Total Land In Ratebase</b>	<b>\$604,000</b>

2.02 VWC estimates that its new headquarters will be completed by December 15, 1995. Based on the conclusion that the site selected by VWC for the new headquarters is reasonable, DRA agrees that the warehouse now under construction as a part of the headquarters is appropriate. In addition, DRA agrees that Capitalized Interest and Contingencies should be revised to reflect the added cost of constructing the new headquarters and that the existing furniture would not be adequate for the new facility. These various costs are shown in the following table:

Buildings	\$1,986,000
Capitalized Interest and Contingencies	30,000
Furniture	84,000
<b>Total</b>	<b>\$2,100,000</b>

3.00 Proceeds from Insurance

3.01 The Parties agree that, of the \$2.4 million in proceeds received by Newhall Land and Farming Company (NL&FC), VWC's parent that carried the consolidated company's insurance, \$1,498,000 should be allocated to VWC for damage sustained as a result of the earthquake of January 1994. This apportionment represents the amount recommended by an independent adjuster who reviewed the total claim submitted by NL&FC under its policy.

3.02 The Parties agree, as summarized in the following table, a) that \$490,000 of the proceeds from the insurance relate to costs recorded in VWC's CEMA, b) that this portion of the pro-

ceeds should be used to reduce the balance in VWC's CEMA, c) that the remainder of the proceeds should be used to reduce VWC's ratebase and, d) that any resulting over- or under-collection in the CEMA should be transferred to VWC's Power Purchased Balancing Account.

Proceeds Received \$1,498,000  
 less: Payment into CEMA (490,000)  
 Reduction of Ratebase \$1,008,000

4.00 Summary of Earnings

4.01 The Parties agree that the Summary of Earnings attached as Appendix A to this Settlement reflects all the terms, conditions, and adjustments to which the parties have agreed and that this summary should be included in the Commission's decision in this proceeding.

4.02 Based on the Summary of Earnings, the Parties agree that the attached Rate Schedules (Appendix B) should be adopted by the Commission. The attached Comparison of Rates (Appendix C) shows the effect of this Settlement on the monthly bill of a customer using various amounts of water.

3.00 Proceeds from Insurance  
 3.01 The Parties agree that of the \$2.4 million in proceeds

DIVISION OF RATEPAYER (N.A.S.P.)  
 ADVOCATES VALENCIA WATER COMPANY

By: *[Signature]* Daniel R. Paige, Supervisor  
 By: *[Signature]* Robert G. DiPrimo, Managing Director

Dated: October 17, 1995 Dated: October 18, 1995

The Parties agree, as summarized in the following table, a) that \$490,000 of the proceeds from the insurance relate to costs recorded in VWC's CEMA, b) that this portion of the pro-