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Decision 96-07-057 July 17, 1996

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
San Gabriel Valley Water Company)
(U337W) for Authority to Increase)
Rates Charged for Water Service in)
its Los Angeles County Division.)

ORIGINAL

Application 95-09-010
(Filed September 5, 1995)

Timothy J. Ryan, Attorney at Law, for San
Gabriel Valley Water Company, applicant.
William D. Ross, Attorney at Law, for the
City of El Monte; Royall K. Brown and Bill
Robinson, for themselves, interested
parties.
James T. Quinn, Attorney at Law, for the
Division of Ratepayer Advocates.

to equity of 13.0% and the ratebase to a range of 11.64% to 11.84%.

1. Summary

The San Gabriel Valley Water Company (San Gabriel) Los Angeles Division is authorized to increase revenues by:

- \$2,694,800 (or 11.8%) in 1996,
- \$1,100,200 (or 4.3%) in 1997,
- \$1,027,400 (or 3.7%) in 1998, and
- \$1,027,400 (or 3.7%) in 1999.

These revenue increases reflect a return on common equity of 10.30%, and an overall rate of return on ratebase of:

- 10.03% for 1996,
- 9.85% for 1997,
- 9.81% for 1998, and
- 9.77% for 1999.

These returns are based on an imputed capital structure for San Gabriel having an average equity ratio of 55%.

The monthly bill for an average residential customer (using 2,250 cubic feet of water) will increase by:

- 6.69% for 1996,
- 4.54% for 1997,
- 3.72% for 1998, and
- 3.59% for 1999.

2. Summary of Application

On September 5, 1995, San Gabriel filed an application to increase revenues in its Los Angeles Division for the period 1996-1999.

Initially, San Gabriel sought to increase Los Angeles Division revenues by 21.6% in 1996, 5.3% in 1997, 4.3% in 1998, and 4.0% in 1999. The increases were designed to produce a return on equity of 13.0% over the 1996-1999 period, corresponding to a rate of return on ratebase ranging from 11.64% to 11.84%, based on a capital structure with an equity ratio of approximately 60%. At hearing, however, San Gabriel amended its application to reflect more recent economic data. It reduced its requested return on

equity to 12.50% and its rate of return on ratebase to a range of 11.34% to 11.54%.

San Gabriel states that additional income is necessary to meet increases in major expense items and increases in plant investment and addition water treatment, storage, and distribution facilities.

3. Background and Procedural History

On July 3, 1995, San Gabriel filed its Notice of Intent. Customers were advised on the proposed rate increase through publication and bill inserts. A public participation hearing was conducted on December 11, 1995 in El Monte. Two persons made informal statements. Eight letters protesting the proposed increases were received. No complaints related to service in the Division were raised.

Evidentiary hearings were held on January 16 in Los Angeles, and January 18 and 19, 1996, in San Francisco. Prior to the evidentiary hearing, following issuance of the Commission staff reports, representatives of the Division of Ratepayer Advocates (DRA) and San Gabriel reached agreement on all cost of service issues except cost of capital. Those agreements are set forth in the parties' Joint Stipulation (Exhibit 27) discussed later.

Briefs and reply briefs were filed on February 21 and March 7, 1996, respectively by San Gabriel, DRA, and intervenors Royall Brown and William Robinson.

4. Cost of Capital

San Gabriel presented its evidence through Michael Whitehead, San Gabriel's president and chief operating officer, and Thomas M. Stetson of Stetson Engineers, the company's expert witness on groundwater conditions and contamination.

1 The intervenors questioned San Gabriel's plan for installation of wellhead treatment facilities (see discussion below).

Sanladerer, vice president and treasurer, and Thomas M. Zeppy, an economist and vice president of the consulting firm Utility Resources, Inc. In a general case, whether the DRA presented its evidence through William D. Thompson and Wyman Low, regulatory analysts for DRA. The differences between San Gabriel and DRA are in the cost of equity component, the equity ratio and the cost of debt component.

4.1 Contaminated Ground Water Basin

To support its argument that the company faces greater business risk, San Gabriel presented the testimony of Thomas M. Stetson, a consulting engineer and expert on the Main San Gabriel Basin (Basin). Stetson testified that 17 of the company's wells were contaminated, or vulnerable to contamination from volatile organic compounds (VOCs). Also, he testified that four wells were contaminated with nitrates.

The company derives its water supply from 31 active production wells, 27 of these wells being located in the Basin. In 1984, the United States Environmental Protection Agency (EPA) declared the Basin a Superfund Cleanup site. Consequently, San Gabriel is required to install treatment facilities on new or existing production wells in the most contaminated areas of the Basin. To clean parts of the Basin, these new facilities would remove VOCs and nitrates from the contaminated water in an attempt to slow the migration of plumes of contamination. Stetson provided detailed statistical testimony on the contamination situation.

Accordingly, San Gabriel contends it will face significantly increased capital requirements to fund the additional, unexpected wellhead treatment facilities over and above the capital outlays already projected in this rate case. San Gabriel fears that when that happens, it will suffer an erosion in its realized rate of return until additional financing and a

projects the company not only a gain but also an increase in the cost of

investment and attendant operating expenses are found to be prudent and reasonable by the Commission in future ratemaking proceedings, whether it be in a general rate case application or through operation of the Safe Drinking Water Act (SDWA) memorandum account authorized in the Risk OIR Decision. San Gabriel argues that this increase in uncertainty about increased future investment and capital requirements increases risk even though other ratemaking devices are available.

DRA disputes San Gabriel's characterization of the financial risks faced by the utility due to contamination of the Basin. DRA argues that San Gabriel's concern about their risk of having to fund unforeseen water quality expenditures that are not included in a rate case has already been anticipated and covered by the Commission. DRA notes that the Commission, in its Risk OIR Decision, stated:

"A water company subject to the jurisdiction of this Commission, by application or as part of a general rate case, may seek authorization to add to its Water Quality Memorandum Account (established pursuant to Resolution No. W-3784) those prospective water quality costs that are beyond the control of the company and (a) were not foreseeable and therefore were not included in the company's last general rate case and will be incurred prior to the company's next general rate case, or (b) cannot be estimated accurately for inclusion in a current rate case." (D.94-06-033 (I.90-11-033) Ordering Paragraph 3 (emphasis added).)

DRA witness Thompson testified that the function of the Water Quality Memorandum Account is to provide "full recovery," including return on capital, depreciation and carrying costs. According to Thompson, the memorandum account is the Commission's direct response to the water industry's concern about having to make "unknown investments" in water quality projects. Further, DRA points out that San Gabriel is alone among Class A water companies in having a "full-cost" balancing account that protects the company not only against increases in the cost of

purchased water and related costs but also against changes in its water mix. For example, if a situation arises where San Gabriel is required to replace a defective well and has to supplement its production with purchases of water from outside sources, the balancing account would cover all such costs. Accordingly, DRA submits that San Gabriel is protected not only against the long-range costs of constructing water treatment facilities but also against costs associated with having to supplement its water supply with unexpected purchases of potable water.

4.2 Bypass and Service Duplication

Again with regard to business risk, San Gabriel witness Whitehead testified that the Los Angeles County Sanitation District (District) plans to serve reclaimed water to the Puente Hills Landfill. San Gabriel is its largest customer. According to Whitehead, the District's decision to become a purveyor of reclaimed water directly affects San Gabriel because the District will be bypassing the company and "cherry picking" some of its largest customers. Whitehead contends that a District takeover of its landfill customer equates to a loss of \$659,000 or 2.9% of the Los Angeles Division's operating revenue.

Further, Whitehead noted that in its Fontana Division, the City of Fontana had already bypassed the company's system and is serving a large 2,200-unit residential subdivision in the company's service area even though the company had contracts to serve it. San Gabriel submits that such a major bypass is detrimental to the company and its customers because the company will not fully realize the growth potential in its service area or the economies of scale that otherwise would be available.

Accordingly, San Gabriel argues that not only do these examples of bypass and service duplication illustrate risks unique to San Gabriel, but San Gabriel also bears the additional risk of costly litigation to pursue its remedies against the District and the City of Fontana.

DRAs does not share San Gabriel's assessment of the uniqueness of the risk faced by the company. DRA argues that loss of the landfill as a customer represents only a 1.5% reduction in company-wide operating revenues. DRA does not believe that this loss would significantly damage San Gabriel's ability to attract capital. Likewise, DRA believes that the litigation involved in such take-over cases is normal business risk that does not appear excessive.

San Gabriel's response to DRA is that regardless of whether the loss of the company's single largest customer is measured in terms of a loss of 1.5% of company-wide operating revenue, or expressed as a loss of 6.2% of the Los Angeles Division's net operating revenue, the effect on shareholders is the same. In the 1994 recorded rate of return for the Division would be reduced by 50 basis points and the return on equity for the Division would be reduced by 92 basis points. And that loss does not include the risk associated with losing Rose Hills Memorial and Park, or the 2,200-unit subdivision in Fontana, or other large customers likely to be "cherry-picked" by public agencies.

Addressing DRA's contention that the company has not established "when" duplication will occur at Rose Hills Memorial Park, San Gabriel argues that a "risk" is about uncertainty. Having shown that there is the likelihood of losing other large customers to bypass and service duplication (e.g., Rose Hills) and there is real uncertainty about the future, San Gabriel believes it has established that the company faces increased business risk. Therefore, San Gabriel believes this risk of bypass needs to be taken into account in setting the company's return on equity by recognizing its equity ratio and adopting its debt costs.

4.3 Sales Fluctuations

Another example of increased business risk facing the company is San Gabriel contends that it is particularly vulnerable to the effects of weather on water sales and earnings.

San Gabriel witness Whitehead testified that 98% of San Gabriel's general metered customers are residential customers whose water usage is affected greatly by weather. According to [redacted] A.A. Whitehead, San Gabriel has the highest percentage of customers in the weather-sensitive residential sales category among the eight or largest Class A water companies in California. He argues that the effect of weather-related residential sales fluctuation is compounded because Commission policy requires water companies to recover 50% of fixed operating costs in the quantity rates. He pointed out that such lower than expected revenues must first be applied to cover fixed operating expenses with little left for profit. For example, when San Gabriel's sales dipped 6.5% in the first quarter of 1995, earnings in that same period plunged 42%. Whitehead points out that this sales risk is borne entirely by the company and its shareholders.

San Gabriel argues that such a risk needs to be recognized and properly compensated. San Gabriel points out that in contrast to water utilities, energy utilities in California have had sales and revenues adjustment mechanisms to protect them from risks of sales fluctuations but, nevertheless, typically energy utilities are authorized higher returns on equity than water companies.

DRA rejects San Gabriel's proposal that ratepayers fund a higher return simply because of sales fluctuation in winter months. DRA points out that in being authorized to collect 50% of fixed operating costs in a monthly service charge, San Gabriel is treated the same as every other Class A water utility. Further, DRA argues that a finding that all California's Class A water companies are at risk, because of being allowed only 50% recovery of fixed costs through the service charge, is at odds with the Commission's finding in the risk OII, where it stated that the Class A water utilities generally are financially sound and are earning

San Gabriel's 1993 financial statements, adopted for 1993 following evidentiary hearings, adopted for 1993 through Gabriel an imputed equity ratio of 22% for the period 1993 through 1993 (D.93-00-030).

near their authorized rates of return (D.94-06-033) (55 CPUC2d 158, 193) (Finding of Fact 22.)

4.4 Capital Structure

San Gabriel requests an equity ratio of approximately 60% for the period 1996 through 1999. (San Gabriel witness). Sanladerer testified that the company's recorded common stock equity ratio was currently approximately 59.1%. He projected an average common stock equity ratio of 58.82% for test year 1996, 59.125% for test year 1997, and 59.74% and 59.90% for attrition years 1998 and 1999, respectively.

DRA contends that based on San Gabriel's 1993 and 1994 earnings performance and a Standard and Poor's (S&P) indicated 'AA' rating, it appears that an equity ratio of 55% results in inadequate financial performance to attract capital.²

Furthermore, DRA points out that a 55% equity ratio provides San Gabriel with less financial risk compared to the industry average of approximately 50% for Class A water companies, thereby offsetting San Gabriel's above average business risk level.

DRA urges the Commission not to adopt San Gabriel's recorded equity ratio. DRA contends that simply because the actual equity ratio of a utility is higher than the average, that is no assurance that the actual is reasonable. According to DRA, privately-held companies in particular may have motives for high equity ratios that do not relate to an efficient capital structure. Since closely held companies are free to reduce or forego payment of dividends, something publicly traded companies cannot freely do, DRA suggests that a closely held company might prefer to withhold dividend payments in order to defer income tax liability.

The Commission's finding in the risk II, where it stated that the Class A water

² The Commission, in its last general rate case decision for Los Angeles Division, following evidentiary hearings, adopted for San Gabriel an imputed equity ratio of 55% for the period 1993 through 1996 (D.93-06-036).

Accordingly, DRA argues that if the Commission were to acquiesce to San Gabriel's suggestion that its recorded equity ratio should be adopted, it would be handing over its ratemaking authority to the utility since the utility could decide on the equity ratio it wanted without having to demonstrate that it was necessary and cost efficient.

San Gabriel takes exception to DRA's argument that just because it is a privately-held company, it is motivated to maintain an unnecessarily high recorded equity ratio. San Gabriel argues that DRA is wrong for at least two reasons. First, San Gabriel points out that the record in this case shows that San Gabriel has a long history of paying regular and increasing quarterly dividends and it projects gradually increasing common stock dividends throughout the period covered by this case and through 1999. Also, San Gabriel points out that there certainly is no evidence of any kind of a tax play. Second, San Gabriel argues that DRA is wrong about what publicly-traded utilities are able to do. According to San Gabriel, DRA need look no further than to Southern California Edison Company and SouthWest Gas Company. According to San Gabriel, it is well known that both companies slashed dividends in the last several years not for tax reasons but out of the urgent need to preserve capital and maintain financial strength. San Gabriel submits that its policy of having consistent dividend payouts prudently responds to shareholder needs for reliable income while also maintaining the company's financial strength in the face of the significant risks it faces.

Also, San Gabriel disputes DRA's assertion that the company enjoys a "S&P indicated" AA rating. Whitehead, stated that traditionally San Gabriel has issued long-term debt through private placements with insurance companies that hold water utility debt issues. He contends that San Gabriel's ability to successfully sell its bonds under favorable terms is wholly dependent on the company maintaining its financial strength.

According to Whitehead, this success has been achieved despite the fact the National Association of Insurance Commissioners (NAIC) ranks San Gabriel as a "B" which Whitehead contends is analogous to an investment grade BBB/Baa rating. San Gabriel witness Zepp testified that San Gabriel is a closely held corporation and does not have access to equity capital markets like large publicly traded companies. He explained that San Gabriel faces additional risk because of less financing flexibility than publicly traded companies. As a result, San Gabriel must rely primarily on retained earnings and short- and long-term debt to provide the capital necessary to finance utility plant improvements and additions. Further, Zepp testified that in its last mortgage bond issue, the company obtained an interest rate which was 57 basis points higher and less favorable than what BBB-rated utilities were receiving at that time. Zepp believes that this is a critical market indicator that shows lenders view San Gabriel as riskier than other water companies.

4.5 Return on Common Equity

Both San Gabriel and DRA utilized the Discounted Cash Flow (DCF) and Risk Premium (RP) models to quantify a range of returns that an equity investor would expect. San Gabriel and DRA arrived at different results, however, because of differing input assumptions used in the models. San Gabriel witness Zepp testified that based on data available to investors in December 1995, the cost of equity for a typical large publicly traded water utility falls in the range of 10.91% to 12.06%. Further, Zepp testified that because San Gabriel faces more risk than other water utilities, it requires an equity return that is 75 to 125 basis points higher to compensate for that additional risk. Accordingly, Zepp concluded that the cost of equity for San Gabriel falls in the range of 11.66% to 13.30% and is dependent on the company maintaining its financial strength.

he recommended that the Commission authorize a return on equity of 12.50%

DRA witness Thompson, on the other hand, derived a range of 9.15% to 10.33% from his quantitative analysis. He recommended a return on equity of 9.90%, somewhat above the midpoint of his range. He does not agree with the input assumptions utilized by San Gabriel in its quantitative analysis. DRA argues that differing input assumptions notwithstanding, San Gabriel's requested return on equity of 12.50% is unreasonable on its face based upon a consideration of San Gabriel's last authorized return on equity of 11.10% and the downward movement in interest rates and interest rate forecasts since that time.

4.6 Cost of Debt
DRA projects average embedded cost of long-term debt for years 1995 through 1999 of 9.72%, 9.29%, 9.20% and 9.02% respectively. This compares to San Gabriel's projections of 9.72%, 9.69%, 9.87%, 10.03% and 10.09% for the same years. The differences are due to the DRA's use of the October, 1995 Data Resources Incorporated (DRI) forecast of interest rates and San Gabriel's use of the May, 1995 DRI forecast and inclusion of adders to account for regulatory lag and forecast error.

4.7 Discussion
San Gabriel argues, as it has done in several prior proceedings, that it faces far greater operating and business risks than other water companies. San Gabriel cites (1) contamination of its ground water basin requiring installation of additional expensive treatment facilities, (2) service duplication and costly litigation, and (3) vulnerability to weather effects on water sales

Pursuant to a negotiated settlement in the last general rate case for Fontana Division, the Commission, in D.95-06-017, issued June 7, 1995, adopted a return on equity of 11.1% and an equity ratio of 56% for San Gabriel.

since the company has the highest percentage (98%) of residential customers compared to the eight largest Class A water companies in California.

Further, San Gabriel argues that since it is a closely held, nonpublicly traded water company, it faces additional risk because of less financing flexibility than publicly traded companies. And, since it relies on retained earnings and outside lenders such as traditional insurance company bondholders for its financing capital improvements, San Gabriel submits that the Commission should recognize the company's special need for an equity return which recognizes the company's operating and business risks borne by its shareholders and a conservative capital structure which reassures lenders such as its insurance company bondholders.

Having carefully considered the evidence, we conclude that a return on equity of 10.30% based on an imputed capital structure of 55% common equity, providing an overall rate of return on rate base ranging between 10.03% and 9.73% for the period 1996 through 1999 will fully recognize the company-specific operating and business risks affecting the investment of San Gabriel's shareholders and insurance company bondholders.

Both San Gabriel and DRA relied on similar financial models in arriving at their recommended return on equity. We need not address the arguments of San Gabriel and DRA regarding the strengths and weaknesses of each other's input assumptions. Rather, we will simply use the ranges established by the models as a guide, since a reasonable return on equity should be tempered by judgment and examination of the particular circumstances surrounding the utility.

In arriving at our 10.30% return on equity figure, we gave more weight to the upper end of DRA's combined Discounted Cash Flow Model and Risk Premium Model which derives a range for return on equity of 9.15% to 10.33% (Exhibit 139 Table 329) given the

above average business risk position of San Gabriel, we believe that the upper end of DRA's range is more appropriate. Also, we will adopt DRA's estimate of long-term interest cost since it is based on more recent information. In the absence of an actual rating by a rating agency, we conclude that it is hard to determine with any degree of certainty whether San Gabriel would be rated AA or BBB. Rather than attempt to make such a determination, we will consider other evidence to ensure that San Gabriel will be in a reasonable position to issue long-term debt.

We do not find persuasive San Gabriel's argument that the Commission should adopt its projected recorded capital structure of approximately 60% equity. Rather, we will adopt an imputed equity ratio of 55%, which we believe is a more reasonable and fair ratemaking approach that balances both shareholder and ratepayer interests. Under an imputed 55% equity capital structure, San Gabriel's investors will receive a reasonable return on equity and the ratepayers are ensured rates that will not exceed those set for other comparable water companies. Re Great Oak Water Company, D.93-10-046, 651 CPUC2d, 623 (rehearing denied).

Also, we do not find persuasive San Gabriel's argument that the Commission should not adopt an equity ratio lower than the 56% approved for San Gabriel in 1996 through 1998 in the recent Fontana Division general rate case (D.95-06-017). We should point out that the 56% equity ratio authorized in that decision was the result of a settlement agreement approved by the Commission.

Pursuant to Rule 51.8, adoption of a settlement agreement does not constitute Commission approval of or precedent regarding an individual issue included in a settlement encompassing multiple issues.

Further, we reject San Gabriel's argument that the Commission's decision in Re Apple Valley Ranchos Water Company supports its request for an equity ratio of approximately 60%. In

that decision; the Commission simply affirmed a negotiated settlement involving special circumstances not applicable to San Gabriel. As part of that settlement, the Commission approved a 57.75% equity ratio with a return on equity of 10.40% for Park Lane Water Company, the parent company (D.95-12-028), dated December 18, 1995. Also, we reject San Gabriel's argument that on account of its unique risk situation, the company should receive a risk premium of 75-125 basis points. Existing rate mechanisms such as memorandum tracking accounts mitigate much of the business risks cited by San Gabriel (ground water treatment litigation) and weather effects on water sales. We denied a similar request by San Gabriel in its last general rate case for Los Angeles Division (D.93-09-036, pp. 23). Rather, we have recognized San Gabriel's above average business risk with the adopted 10.30% return on equity, which is reasonable given the Commission's most recent decisions for Class A water companies. Likewise, we reject San Gabriel's argument that a recent Commission decision authorizing a 11.6% return on equity for energy utilities (D.95-11-062) validates San Gabriel's requested 12.75% return on equity. The Commission has previously considered this argument in Re Southern California Water Company (D.89-01-043, 30th

and approved for San Gabriel in 1998 through 1999 in the recent general rate case (D.92-02-017). We should point out that the 52% equity ratio authorized in that decision was the

4 Recent authorized returns for Class A Water Utilities are:

Company	Decision	Return	Equity
San Gabriel Valley	95-06-017	10.46%	11.10%
Cal-Water Service	95-08-058	9.84%	11.05%
Southern California	95-12-027*	10.32%	10.40%
Apple Valley Ranchos	95-12-028*	10.04%	10.40%
Suburban Water Systems	96-04-076*	9.15%	10.00%

* Negotiated settlement.

CPUC2d 635/659 and 660. The Commission, although acknowledging that water utilities might face increased business risk in the future as a result of more stringent water quality requirements, it concluded that the risk of water utilities compared to energy and telecommunications utilities was minimal. We find no reason to revise this conclusion.

5. Joint Settlement and San Gabriel's Plan for Wellhead Treatment Facilities

As discussed above, San Gabriel and DRA reached agreement on all cost of service issues, including the utility's plan for installation of wellhead treatment facilities. However, intervenors Royall Brown and William Robinson (who are not customers) questioned the need for San Gabriel to construct wellhead treatment facilities at ratepayer expense. They contend that there are existing federal and state programs that would fund cleanup of the VOC and Nitrate contamination in the Basin. They also questioned San Gabriel's plans to install wellhead equipment and San Gabriel's plans for pumping at specific wells. One day of hearing was held in Los Angeles to address the concerns of Brown and Robinson. The prepared testimony of San Gabriel witnesses Stetson and Frank LoGuidice, the Company's Vice President, Engineering and Operations, addresses these matters and need not be repeated. According to their testimony, funding to construct treatment facilities is not available from government sources. Also, the record contains extensive details regarding San Gabriel's program for addressing VOC and nitrate contamination. DRA staff has reviewed company records and inspected existing wellhead treatment facilities. DRA supports San Gabriel's plans for new facilities and reached agreement with the company on which utility plant facilities, including wellhead treatment plants to be included in the test years.

In order for the Commission to adopt a settlement, Rule 51.1(e) requires that the settlement be reasonable in light of

the whole record, consistent with the law, and in the public interest. In addition, the Commission stated in D.92-12-019 that it would approve an all-party settlement only if all of the following conditions were met:

- a. The settlement commands the unanimous sponsorship of all active parties to the proceeding;
 - b. The parties sponsoring the settlement are fairly reflective of the affected interests;
 - c. No term of the settlement contravenes statutory provisions or prior Commission decisions; and
- The settlement conveys to the Commission sufficient information to permit it to discharge its future regulatory obligations with respect to the parties and their interests.

Since the two primary parties to this proceeding support the settlement and no party opposes it, the first condition of D.92-12-019 is satisfied. In addition, the sponsoring parties, DRA and San Gabriel, are fairly reflective of the utility and ratepayer interests, which satisfies the second condition. No term of the settlement contravenes any statutory provisions or prior Commission decisions, which satisfies the third condition. Finally, the settlement is well supported by the record and contains sufficient information for the Commission to carry out its future regulatory responsibilities with respect to the parties.

We find the settlement to be reasonable in light of the whole record, consistent with the law, and in the public interest. Accordingly, we adopt the terms of the parties' settlement agreement as set forth in Appendix A.

6. Section 311 Comments

The ALJ's proposed decision on this matter was filed with the Commission's Docket Office and mailed to all the parties on

June 14, 1996. Comments and reply comments were timely filed by DRA and San Gabriel. We have reviewed the comments and to the extent that these comments require discussion or changes to the proposed decision, the discussion or changes have been incorporated into the body of this order.

Due to an administrative oversight intervenors Royall K. Brown and Bill Robinson did not receive a copy of the ALJ's proposed decision until July 12, 1996. Robinson filed a motion on July 15, 1996, requesting 20 days from date of receipt of the proposed decision to file comments. We shall grant an extension of time for Brown and Robinson to file comments by Friday, August 2, 1996. Parties shall file reply comments by Friday, August 9, 1996. Since the participation of Brown and Robinson was limited to San Gabriel's plan for wellhead treatment facilities (discussed above) we shall bifurcate these matters and address them as Phase II to this proceeding. Accordingly, the authorized rates are made subject to refund, pending a Phase II examination of San Gabriel's plan for wellhead treatment facilities.

Findings of Fact

1. As set forth in the Joint Motion for Approval and Adoption of Stipulation, attached as Appendix A to this decision, San Gabriel and DRA reached settlement on all cost of service issues except cost of capital.

2. The settlement meets the requirements of Article 13.5 (Stipulations and Settlements) of the Commission's Rules of Practice and Procedure.

3. Intervenors Royall Brown and William Robinson questioned the utility's plan for wellhead treatment facilities included in the San Gabriel/DRA settlement agreement.

4. In response to these intervenor concerns, San Gabriel submitted additional prepared testimony on its plan for wellhead treatment facilities, and one day of evidentiary hearing was held.

to address this issue (Rule 51.6 Contested Stipulations and Settlements.)

5. The terms of the settlement do not contravene any statutes or Commission decisions and conveys sufficient information to enable the Commission to discharge its regulatory obligations.

6. The Summary of Earnings for test years 1996 and 1997, attached as Appendix C, sets forth reasonable estimates of the levels of revenues and expenses likely to occur in those years.

7. Evidentiary hearing on the cost of capital was held and that issue was submitted for decision.

8. In the most recent decision for San Gabriel, pursuant to a settlement in the general rate case for Potomac Division, the Commission adopted a return on equity of 11.10%, an equity ratio of 56%, and a long-term debt cost that averaged 9.7% to provide San Gabriel an overall rate of return of 10.46% for test years 1995 and 1996, and attrition years 1997 and 1998 (D.95-06-017, dated 11 June 8, 1995).

9. In the instant proceeding, San Gabriel requests a return on equity of 12.5%, based on an equity ratio of approximately 60% for the years 1996 through 1999.

10. DRA recommends a return on equity of 9.9%, based on an equity ratio of 55% for the years 1996 through 1999.

11. San Gabriel's requested return on equity is based on the results of its Risk Premium Model which indicates a range of 11.85% to 12.40% and a Discounted Cash Flow Model which indicates a range of 11.32% to 12.40%. These figures include a risk premium adder of 75-125 basis points.

12. Similarly, DRA's recommended return on equity is based on the results of its Risk Premium Model which indicates a range of 9.15% to 10.33%, and a Discounted Cash Flow Model which indicates a range of 9.59% to 10.18%. DRA's figures do not include a risk premium adder.

Conclusions of Law

1. A return on equity of 10.30% is reasonable and recognizes the above average business risk faced by San Gabriel. San Gabriel's request for a risk premium of 75 to 125 basis points should be rejected.

2. It is reasonable to impute to San Gabriel, as the Commission has done in the past, an equity ratio of 55%, which is higher than the industry average of approximately 50%.

DRA's estimate of the cost of long-term debt is more current, and should be adopted.

4. San Gabriel's showing on the need for wellhead treatment facilities, as included in the Joint Settlement, satisfies the requirements of Rule 51.6 Contested Stipulations and Settlements.

The settlement agreement negotiated between San Gabriel and DRA, attached as Appendix A, is reasonable in light of the whole record, is consistent with applicable statutes and prior Commission decisions, and is in the public interest and should be adopted.

The rates for Los Angeles Division should be increased to allow San Gabriel to earn rates of return of:

10.03% in 1996, 9.85% in 1997, 9.81% in 1998, and 9.73% in 1999.

5. The Commission stated:

"Additionally, while we have rejected the concept of a risk premium, we recognize that the 55% equity ratio that we authorize today carries with it more risk than the 60% equity ratio that San Gabriel has carried in the past. The threat of bypass by the division's largest customer, and the need to offer reclaimed water in large volume in place of more expensive potable water are risks that most water utilities have not yet confronted."

7. Since the rates authorized by this order include rates for 1996, this order should be made effective today.

8. All motions not addressed in this order are deemed denied.

INTERIM ORDER

IT IS ORDERED that the settlement between San Gabriel Valley Water Company (San Gabriel) and the Division of Ratepayer Advocates (DRA), Appendix A is approved.

The motion for approval of the settlement is granted. San Gabriel is authorized to file the revised rate schedules attached to this order as Appendix B. This filing shall comply with General Order (GO) 96-A. The effective date of the revised rate schedules shall be five (5) days after the date of filing. The revised rate schedules shall apply to service rendered on or after the effective date.

On or after November 5, 1996, San Gabriel is authorized to file an advice letter with appropriate workpapers requesting the step-rate increase for 1997 included in Appendix B, or to file a proportionate lesser increase for those rates in Appendix B in the event that San Gabriel's rate of return on rate base, adjusted to reflect rates than in effect and normal ratemaking adjustments for the 12 months ended September 30, 1996, exceeds 10.03%. This filing shall comply with GO 96-A. The requested step rates shall be reviewed by the Commission Advisory and Compliance Division (CACD) to determine their conformity with this order and shall go into effect upon CACD's determination of conformity. CACD shall inform the Commission if it finds that the proposed step rates are not in accord with this decision or other Commission decisions. The effective date of the revised schedules shall be not earlier than January 1, 1997, or 30 days after filing, whichever is later.

The revised schedules shall apply only to service rendered on and after their effective date. On or after November 6, 1997, San Gabriel is authorized to file an advice letter, with appropriate workpapers, requesting the step-rate increase for 1998, included in Appendix B or to file a proportionate lesser increase for those rates in Appendix B in the event that San Gabriel's rate of return on ratebase, adjusted to reflect rates than in effect and normal ratemaking adjustments for the 12 months ended September 30, 1997, exceeds 9.85%. This filing shall comply with GO 96-A. The requested step rates shall be reviewed by CACD to determine their conformity with this order and shall go into effect upon CACD's determination of conformity. CACD shall inform the Commission if it finds that the proposed step rates are not in accord with this decision or other Commission decisions. The effective date of the revised schedules shall be not earlier than January 1, 1998, or 30 days after filing, whichever is later. The revised schedules shall apply only to service rendered on and after their effective date.

6. On or after November 5, 1998, San Gabriel is authorized to file an advice letter, with appropriate workpapers, requesting the step-rate increase for 1999, included in Appendix B or to file a proportionate lesser increase for those rates in Appendix B in the event that San Gabriel's rate of return on ratebase, adjusted to reflect rates than in effect and normal ratemaking adjustments for the 12 months ended September 30, 1998, exceeds 9.81%. This filing shall comply with GO 96-A. The requested step rates shall be reviewed by CACD to determine their conformity with this order and shall go into effect upon CACD's determination of conformity. CACD shall inform the Commission if it finds that the proposed step rates are not in accord with this decision or other Commission decisions. The effective date of the revised schedules shall be not earlier than January 1, 1999, or 30 days after filing,

whichever is later. The revised schedules shall apply to service rendered on and after their effective date.

7. Rates approved in this order are made subject to refund pending a Phase II examination of and Commission order regarding San Gabriel's plan for wellhead treatment facilities. The assigned ALJ is directed to conduct such further proceedings as are necessary to develop a record on these matters.

8. This proceeding shall remain open to address Phase II.

This order is effective today. The 12 months ended September 30, 1998, shall be reviewed by CACD to determine their conformity with this order and shall go into effect upon CACD's determination of conformity.

CACD shall inform the Commission if it finds that the proposed rates are not in accord with this decision or other Commission decisions.

The effective date of the revised schedules shall be not earlier than January 1, 1999, or 30 days after filing.

The revised schedules shall apply only to service rendered on and after their effective date.

On or after November 5, 1998, San Gabriel is authorized to file an advice letter, with appropriate worksheets, requesting the step rate increase for 1999, included in Appendix B or to file a proportional lesser increase for those rates in Appendix B in the event that San Gabriel's rate of return on ratebase, adjusted to reflect rates then in effect and normal ratemaking adjustments for the 12 months ended September 30, 1998, exceeds 9.81%. This filing shall comply with GO 95-A. The requested step rates shall be reviewed by CACD to determine their conformity with this order and shall go into effect upon CACD's determination of conformity.

CACD shall inform the Commission if it finds that the proposed rates are not in accord with this decision or other Commission decisions.

The effective date of the revised schedules shall be not earlier than January 1, 1999, or 30 days after filing.

P. GREGORY CONLON
President

DANIEL W. FESSLER
Commissioner

JESSIE J. KNIGHT, JR.
Commissioner

HENRY M. DUQUE
Commissioner

JOSIAH L. NEEPER
Commissioner

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

Attached to this Stipulation is the joint comparative exhibit consisting of the following tables which show the calculation and the resulting rates, quantities, and other data which are relevant to the settlements in relation to the (p) of the application for authority to increase rates charged for water service in its Los Angeles County Division (p) Application No. 95-09-010 which DRA would have considered.

	Summary of Findings	Table 1
	Comparison of Expenses	Table 2
	Rate Base	Table 3
1.00	Introduction	Table 4

1.01 This Stipulation settles all cost of service issues except cost of capital involved in the matter of the application of San Gabriel Valley Water Company ("San Gabriel") for a general rate increase in its Los Angeles County Division, Application No. 95-09-010. The parties to this Stipulation are San Gabriel and the Division of Ratepayer Advocates ("DRA").

1.02 DRA conducted an independent review of San Gabriel's application. The investigation included inspections at San Gabriel's general office in El Monte and in the field in the Los Angeles County division. DRA reviewed responses to various written requests for information and communicated with San Gabriel's staff on many matters. On conclusion of that review, DRA prepared a report on cost of service and a report on the cost of capital, indicating areas of disagreement with San Gabriel's application. Subsequently, the parties held conferences to discuss differences between San Gabriel's A

application and DRA's reports. (Those negotiations resulted in the resolution of all cost of service issues except cost of capital.

1.03 Attached to this Stipulation is the Joint Comparative Exhibit comprised of the following tables which show the calculations, quantities, rates, and dollar impact of the settlements in relation to the Application and the issues raised in the DRA report which DRA and San Gabriel contested or would have contested in a hearing on those issues:

- Table 1 Summary of Earnings
- Table 2 Comparison of Expenses
- Table 3 Rate Base Comparison
- Table 4 Adopted Quantities

2.00 Operating Revenue and Sales of Water
2.01 The parties agree with DRA's estimates of the number of residential and commercial customers for the Test Years and also agree with the revised projection of the number of Industrial large and Public Authority large customers based on the most recent recorded data of San Gabriel.

2.02 DRA and San Gabriel, after review of more recent consumption data, agree upon projections of annual consumption of 270 Ccf per residential customer and 6,576.5 Ccf per commercial customer. Based on further review of actual consumption, San Gabriel accepts as reasonable DRA's estimate of annual consumption per Industrial large customer and DRA accepts San Gabriel's estimate of annual consumption per Public Authority large customer.

2.03 The parties agree to accept as reasonable San Gabriel's estimate of the number of customers and the annual consumption per customer in all other categories as set forth in DRA's report.

2.04 The parties agree that all estimates of revenue will be based on the above estimates of customers and consumption as set forth in Table 4.

3.00 Operation and Maintenance Expense

3.01 Purchased Water and Assessments: The parties agree to use San Gabriel's estimates of the quantities of water production as revised to reflect the agreed-upon projections of customers and consumption described in Paragraph 2.00. DRA and San Gabriel agree that the schedule of Adopted Quantities (Table 4) accurately sets forth the quantities of purchased water, assessments, purchased power, and the rates and costs applicable thereto. DRA and San Gabriel agree that, because of changes in purchased water rates charged by Central Basin Municipal Water District and water assessments levied by the Main San Gabriel Basin and the Central Basin Watermasters, the Water Replenishment District, the San Gabriel Valley Water Quality Authority and the cost of replacement water from the Upper San Gabriel Valley Municipal Water District, there will be differences between the estimated and adopted purchased water and assessment expenses and actual recorded expenses. San Gabriel will advise the Commission's Advisory and Compliance Division about the balance in its Water Production Balancing Account from time to time and seek offsets to reflect changes in future purchased water and assessment expenses.

3.02 Purchased Power: San Gabriel's and DRA's final positions agree and are based on the agreed-upon projections of customers' and consumption figures referred to above.

3.03 Payroll: The parties agree that the existing staffing should be increased by four new employees during Test Year 1996 instead of seven as requested by San Gabriel. San Gabriel's and DRA's payroll estimates (Table 2) are adjusted to reflect the addition of two pump maintenance employees needed to handle additional production facilities and increased water sampling requirements, a clerk typist, and a safety director. Corresponding adjustments in pensions and benefits are also made to reflect the additional employees. The parties also agree it is reasonable to use the labor escalation factors shown in Attachment A to the DRA report.

3.04 Chemicals Expense: The parties agree that to derive the chemicals expense for the test years, DRA's estimate is to be adjusted to reflect the revised production estimate agreed upon in this settlement.

3.05 Other Operation and Maintenance Expenses: The parties agree to accept as reasonable DRA's estimates described in its report on cost of service for the following expenses: Materials and Supplies, Utilities and Rents, Outside Services, Transportation, Postage, and Miscellaneous. Expenses relating to Uncollectibles will be based on the adopted rate for Uncollectibles and the revenues finally adopted by the Commission.

4.00 Administrative and General Expenses

4.01 As shown in Table 2, San Gabriel accepts DRA's estimates for Test Years 1996 and 1997, except for (a) payroll expense and expenses of Pensions and Benefits,

which are subject to the stipulation referred to in Paragraph 3.03 regarding additional employees; (b), allocated expenses of the general office, which are subject to the stipulation referred to in Paragraph 5.00 regarding the General Office.

5.00 Allocations for General Office

5.01 The parties have agreed upon revised estimates of total expenses and rate base to be used in this proceeding for allocation of General Office for Test Years 1996 and 1997. The parties further agree that the total expenses and rate base thus determined should be allocated to the Los Angeles County division using the full factor allocation rates developed by San Gabriel for Test Years 1996 and 1997 as shown on page 4-2 of its General Report on Operations dated July 1995 and filed with its application in this proceeding.

5.02 San Gabriel and DRA agree to adopt in this proceeding estimates of rate base and expenses, including depreciation and taxes for the general office for the 1998 and 1999 Test Years applicable to San Gabriel's next general rate case for the Fontana Water Company division. Accordingly, the parties agree that the allocated common expenses and rate base that will be used in that proceeding will be as follows:

Test Year	Allocated Common Expenses		Allocated Rate Base	
	Los Angeles	Fontana	Los Angeles	Fontana
1998	\$2,191,300	\$1,662,700	\$3,017,300	\$2,289,200
1999	\$2,279,000	\$1,729,200	\$3,228,500	\$2,449,500

should not be separately included in rate base since it is already included in the total additions to plant described in Paragraph 6.00.

6.00 Additions to Plant. San Gabriel agrees with DRA's recommendation that the well and related facilities (amounting to \$325,000) be shifted from estimated Year 1995 to Test Year 1996. The parties also agree that San Gabriel's estimate for additions to mains and services will be lowered by \$151,000 in Test Year 1996 to reflect the most recent available information.

6.02 DRA and San Gabriel agree that because of uncertainty of the outcome of San Gabriel's application to the City of El Monte for a conditional use permit, the 1.5 million gallon storage reservoir and well at San Gabriel's Plant No. 1 in El Monte should be withdrawn from consideration in this proceeding. DRA and San Gabriel agree that their agreed-upon estimates for utility plant additions in Test Years 1996 and 1997 include amounts for facilities comparable to those proposed at Plant No. 1 to be installed elsewhere in San Gabriel's Los Angeles County division system.

6.03 The parties agree that except as set forth above, San Gabriel's projected utility plant additions are necessary to maintain service within San Gabriel's existing service area and should be adopted. The agreed-upon test year estimates are shown in Table 3.

7.00 Rate Base

Rate Base	Los Angeles	Fontana	Los Angeles	Fontana	Total
23,013,500	23,558,500	21,052,500	25,181,500	198	
25,181,500	23,558,500	21,052,500	25,181,500	198	

7.02 The parties agree that an allowance for construction Work in Progress should not be separately included in rate base since it is already included in the total additions to plant described in Paragraph 6.00.

7.03 San Gabriel accepts DRA's amount of Working Cash to be included in rate base, and San Gabriel and DRA agree that such amount is to be adjusted based on the adopted revenues in this proceeding.

8.00 Design of Rates

DIVISION OF RATEMAKERS
ADVOCATES

8.01 The parties agree that rates for metered service should be designed pursuant to D.86-05-064, which sets service charges to recover up to 50% of fixed costs, with the balance of the costs to be recovered through rates to be charged for the amount of water actually used. The parties agree to defer to San Gabriel's next general rate case for the Los Angeles County Division consideration of changes to the tariff schedules for irrigation service, construction and tank truck service, and service to tract houses during construction.

9.00 Attrition

9.01 San Gabriel and DRA agree that under the Rate Case Processing Plan for Class A Water Utilities two increases to offset attrition after the second test year should be authorized for a utility, such as the Company, that files a general rate case at mid-year. (See D.90-08-045, Appendix A, p.2.) The amount of such increases in this case will be determined based upon the Commission's current methodology for determining attrition allowances.

10.0 Ex Parte Contacts

10.01 The parties agree that neither party to this Stipulation will meet with CPUC Commissioners or an aide to a Commissioner regarding the subject case without first

having given at least five days' notice to the other party of the date, time and place of such meeting so that such other party may participate in the meeting.

adoption of this proceeding.

DIVISION OF RATEPAYER
ADVOCATES

SAN GABRIEL VALLEY WATER
COMPANY

By Daniel R. Paige Daniel R. Paige
By Michael L. Whitehead Michael L. Whitehead
Program and Project Supervisor President

Dated: January 30, 1996 Dated: January 30, 1996

for the Los Angeles County Division consideration of changes to the tariff schedule for irrigation services, construction and tank truck service, and service to tract houses during construction.

10.00 Attition

10.01 San Gabriel and DWA agrees that under the Rate Case Processing Plan for Class A Water Utilities two increases to offset attition after the second test year should be authorized for a utility, such as the Company, that files a general rate case at mid-year. (See D.90-08-015, Appendix A, p.5.) The amount of such increases in this case will be determined based upon the Commission's current methodology for determining attition allowances.

10.00 Ex Parte Contacts

10.01 The parties agree that neither party to this stipulation will meet with CPUC Commissioners or an aide to a Commissioner regarding the subject case without first

JOINT COMPARATIVE EXHIBIT
 SAN GABRIEL VALLEY WATER COMPANY
 LOS ANGELES COUNTY DIVISION

TABLE 1
 PAGE 1

SUMMARY OF EARNINGS

TEST YEAR 1996

Item:	At Present Rates			Stipulation	
	Applicant As Filed:	DRA As Filed:	Stipulation:	Applicant Prop. Rate:	DRA Prop. Rate:
	(Dollars in Thousands)				
<u>Operating Revenues</u>					
Water	21,690.7	24,237.0	22,635.2	26,434.7	26,136.7
Miscellaneous	78.0	78.0	78.0	78.0	78.0
Deferred	0.0	105.1	69.3	69.3	69.3
Total Revenues	21,768.7	24,420.1	22,782.5	26,582.0	26,284.0
<u>Expenses</u>					
Oper. & Maintenance	12,481.5	13,062.4	13,201.5	13,210.0	13,207.1
Admin. & General	2,060.1	1,962.5	1,995.2	2,023.8	2,014.0
Allocated Common Exps	1,969.5	1,829.3	1,951.3	1,951.5	1,951.3
Taxes Other Than Income	803.1	767.3	799.7	799.7	799.7
Balancing Account	0.0	0.0	0.0	0.0	0.0
Depreciation Expense	1,479.2	1,447.1	1,472.2	1,472.2	1,472.2
CCFT	56.0	243.2	71.1	421.0	290.2
FIT	461.6	1,141.6	514.8	1,798.5	1,305.4
Total Expenses	19,311.0	20,453.4	20,005.8	21,676.5	21,039.9
Net Income	2,457.7	3,966.7	2,776.7	4,905.5	4,244.1
Rate Base	43,786.5	42,546.9	43,245.3	43,245.3	43,245.3
Rate of Return	5.61	9.32	6.42	11.34	9.81

LOS ANGELES COUNTY DIVISION
GABRIEL VALLEY WATER COMPANY
COMPARATIVE EXHIBIT
SUMMARY OF EARNINGS
TEST YEAR 1997

TABLE 1
PAGE 2

Item:	Present Rates:		Stipulation	
	Applicant As Filed:	DRA As Filed:	Applicant Prop. Rate:	DRA Prop. Rate:
(Dollars in Thousands)				
Operating Revenues				
Water	26,295.7	30,033.4	27,730.0	26,248.0
Miscellaneous	78.0	78.0	78.0	78.0
Deferred	0.0	112.4	74.0	74.0
Total Revenues	26,373.7	30,223.8	27,882.0	26,400.01
Expenses				
Oper. & Maintenance	12,683.7	13,335.9	13,471.4	13,468.1
Admin. & General	2,248.2	2,105.1	2,149.0	2,137.2
Allocated Common Exps	2,064.5	1,852.4	2,045.6	2,045.6
Taxes Other Than Income	796.7	791.7	863.3	863.3
Balancing Account	0.0	0.0	0.0	0.0
Depreciation Exps	1,635.9	1,549.5	1,632.9	1,632.9
CCFT	390.0	716.6	442.9	312.2
FT	0.0	0.0	1,848.3	1,366.2
Total Expenses	21,519.0	23,076.3	22,453.4	21,826.2
Net Income	4,854.7	7,147.5	5,428.6	4,573.8
Rate Base	48,072.2	44,832.7	47,491.2	47,491.2
Rate of Return	10.10	15.94	11.43	9.63

TABLE
PAGE 9

COMPARISON OF EXPENSES
TEST YEAR 1996

TABLE 2
PAGE 1

Description	Applicant	DRA	Stipulation
(Dollars in Thousands)			
At Present Rates:			
Division O & M Expenses			
Payroll	2,913.2	2,700.0	2,869.9
Purchased Water	397.8	397.8	421.1
Purchased Power	2,719.6	3,161.3	2,878.4
Replenishment Charges	1,725.4	843.3	767.1
Leased Water Rights	1,136.8	1,321.6	1,152.0
Chemicals	269.4	313.2	285.1
Transportation	454.2	454.2	454.2
Materials & Supplies	263.1	263.1	263.1
Outside Services	458.0	458.0	458.0
Utilities & Rent	67.2	67.2	67.2
Other Expenses	3,028.1	3,028.1	3,665.3
Uncollectibles	48.8	54.7	50.9
Total O & M Expenses	12,481.6	13,062.4	13,232.3
At Proposed Rates:			
Uncollectibles	59.3	66.6	59.6
Other Exps Total	12,432.7	13,007.7	13,181.4
Total O & M Expenses	12,492.0	13,074.2	13,241.0
Division A & G Expenses:			
Payroll	28.0	26.6	28.0
Materials & Supplies	24.7	24.7	24.7
Pension & Benefits	1,153.3	1,041.7	1,080.8
Insurance (Ins. & Damages)	368.2	368.2	368.2
Regulatory Comm. Expense	24.8	24.8	24.8
Outside Services	6.3	6.3	6.3
Bank Charges	43.4	43.4	43.4
Admin. Exps Transferred	(120.0)	(120.0)	(120.0)
Miscellaneous	348.5	348.5	348.5
Utilities & Rents	14.9	14.9	14.9
Alloc. Common Exps	1,969.6	1,829.3	1,951.3
Franchise Requirements	163.6	183.4	170.6
Total A & G Expenses	4,029.6	3,791.8	3,941.5
At Proposed Rates:			
Franchise Requirements	198.6	222.8	199.7
Other Expense Total	3,866.1	3,608.4	3,770.9
Total A & G Expenses	4,064.7	3,831.2	3,970.6

**COMPARISON OF EXPENSES
TEST YEAR 1997**

**TABLE 2
PAGE 2**

Description	Applicant	DRA	Stipulation
	(Dollars in Thousands)		
At Present Rates:			
Division O & M Expenses			
Payroll	3,036.9	2,700.0	2,986.8
Purchased Water	397.8	397.8	422.3
Purchased Power	2,704.2	3,242.6	2,870.6
Replenishment Charges	725.4	869.8	769.4
Leased Water Rights	1,136.8	1,363.1	1,152.0
Chemicals	357.9	429.2	379.9
Transportation	476.1	476.1	476.1
Materials & Supplies	271.2	271.2	271.2
Outside Services	476.3	476.3	476.3
Utilities & Rent	69.2	69.2	69.2
Other Expenses	2,972.8	2,972.8	3,635.2
Uncollectibles	159.1	67.7	50.8
Total O & M Expenses	12,693.7	13,335.8	13,459.7
At Proposed Rates:			
Uncollectibles	62.3	71.4	62.5
Other Exps Total	12624.6	13268.2	13408.9
Total O & M Expenses	12686.9	13339.6	13471.4
Division A & G Expenses:			
Payroll	1,229.1	26.6	29.1
Materials & Supplies	25.4	25.4	25.4
Pension & Benefits	1,228.9	1,060.1	1,123.0
Insurance (Injs. & Damages)	390.9	390.9	390.9
Regulatory Comm. Expense	25.5	25.5	25.5
Outside Services	6.5	6.5	6.5
Bank Charges	44.8	44.8	44.8
Admin. Exps Transferred	(120.0)	(120.0)	(120.0)
Miscellaneous	403.7	399.1	399.1
Utilities & Rents	15.3	15.3	15.3
Alloc. Common Exps	2,064.5	1,852.4	2,045.6
Franchise Requirements	198.1	227.0	170.3
Total A & G Expenses	4,312.7	3,957.4	4,155.5
At Proposed Rates:			
Franchise Requirements	208.4	239.2	209.4
Other Exps Total	4,114.6	3,730.5	3,946.2
Total A & G Expenses	4,323.0	3,969.7	4,155.6

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PAGE 1

**RATE BASE COMPARISON
TEST YEAR 1996**

TABLE 3
PAGE 1

Item:	AND	Applicant	DRA	Stimulation
(Dollars in Thousands)				
Utility Plant in Service	73,264.7	72,309.2	73,176.7	
CMP	300.0	0.0	0.0	
Total Utility Plant	73,564.7	72,309.2	73,176.7	
Add Working Capital	220.0	212.4	215.6	
Materials & Supplies	940.2	723.9	748.2	
Working Cash Allowance	1,160.2	936.3	963.7	
Total Working Capital	1,160.2	936.3	963.7	
Less:				
Accumulated Depreciation	20,491.4	20,356.7	20,487.9	
Advances for Construction	2,484.4	2,449.4	2,484.4	
Contributions	7,033.9	7,033.9	7,033.9	
Accum. Deferr. Income Taxes	4,005.4	3,918.4	3,985.8	
Deferred I.T.C.	323.8	323.8	323.8	
Subtotal	34,338.9	34,082.2	34,319.8	
Plus:				
Tax on Advances	206.7	215.7	215.7	
Tax on Contributions	511.1	526.3	526.3	
District Rate Base	41,103.8	39,905.3	40,562.6	
Common Utility Allocation	2,682.7	2,641.5	2,682.7	
Average Rate Base	43,786.5	42,546.8	43,245.3	

TABLE 3
PAGE 2

RATE BASE COMPARISON
TEST YEAR 1997

TABLE 3
PAGE 2

Item:	APD	Applicant	DRA	Stipulation
	(Dollars in Thousands)	(Dollars in Thousands)	(Dollars in Thousands)	(Dollars in Thousands)
Utility Plant In Service	79,557.1	76,508.6	79,536.1	
CWP	0.0	0.0	0.0	
Total Utility Plant	79,557.1	76,508.6	79,536.1	
Add Working Capital:				
Materials & Supplies	238.9	224.8	233.7	
Working Cash Allowance	1,024.7	723.7	767.9	
Total Working Capital	1,263.6	948.5	1,001.6	
Less:				
Accumulated Depreciation	22,212.9	22,018.9	22,204.4	
Advances for Construction	2,489.9	2,419.9	2,489.9	
Contributions	7,165.0	7,165.0	7,165.0	
Accum. Deferr. Income Taxes	4,617.8	4,279.3	4,493.3	
Deferred I.T.C.	312.3	312.3	312.3	
Subtotal	36,997.9	36,195.4	36,664.9	
Plus:				
Tax on Advances	219.0	216.2	215.2	
Tax on Contributions	585.5	583.3	583.3	
District Rate Base	45,252.3	42,060.2	44,671.3	
Common Utility Allocation	2,819.9	2,772.6	2,819.9	
Average Rate Base	48,072.2	44,832.8	47,491.2	

TABLE
PAGE 3

UTILITY PLANT
TEST YEAR 1996

TABLE 3
PAGE 3

Item	Applicant	DRA	Stipulation
(Dollars in Thousands)			
Plant-in-Service	70,466.0	70,041.0	70,291.0
CWP	300.0	0.0	0.0
Beginning of Year Balance	70,766.0	70,041.0	70,291.0
Additions:			
Utility Capital Budgeted	5,350.0	4,359.0	5,524.0
Advances	100.0	30.0	100.0
Contributions	400.0	400.0	400.0
Total Additions	5,850.0	4,789.0	6,024.0
Less:			
Retirements	252.6	252.6	252.6
End-of-Year Balance	76,363.4	74,577.4	76,062.4
Average Plant in Service	73,564.7	72,309.2	73,176.7

UTILITY PLANT

TEST YEAR 1997

Item	Applicant	DRA	Stipulation
(Dollars in Thousands)			
Plant-in-Service	76,063.4	74,577.4	76,062.4
CWP	345.0	0.0	0.0
Beginning of Year Balance	76,408.4	74,577.4	76,062.4
Additions:			
Utility Capital Budgeted	6,700.0	3,615.0	6,700.0
Advances	100.0	100.0	100.0
Contributions	400.0	400.0	400.0
Total Additions	7,200.0	4,115.0	7,200.0
Less:			
Retirements	252.6	252.6	252.6
End-of-Year Balance	83,355.8	78,439.8	83,009.8
Average Plant in Service	79,897.1	76,508.6	79,536.1

**ACCUMULATED DEPRECIATION AND EXPENSE
TEST YEAR 1996**

TABLE 3
PAGE 4

TABLE 3
PAGE 4

Item	Applicant	DRA	Stipulation
(Dollars in Thousands)	(Dollars in Thousands)	(Dollars in Thousands)	(Dollars in Thousands)
Accum. Depr. Balance	19,674.2	19,555.5	19,674.2
Amortization Reserve	1.1	1.1	1.1
Beginning-of-Year Balance	19,675.3	19,556.6	19,675.3
Accruals During Year:			
Clearing Account	119.7	118.7	118.7
Contributions	263.6	263.6	263.6
Depreciation Expense	1,479.2	1,447.1	1,472.2
Total Accruals	1,861.5	1,829.4	1,854.5
Less:			
Retirements	252.6	252.6	252.6
Adjustments	(23.3)	(23.3)	(23.3)
End-of-Year Balance	21,307.5	21,156.7	21,300.5
Average Accum. Balance	20,491.4	20,356.1	20,487.9

**ACCUMULATED DEPRECIATION AND EXPENSE
TEST YEAR 1997**

Item	Applicant	DRA	Stipulation
(Dollars in Thousands)	(Dollars in Thousands)	(Dollars in Thousands)	(Dollars in Thousands)
Accum. Depr. Balance	21,306.4	21,155.6	21,299.4
Amortization Reserve	1.1	1.1	1.1
Beginning-of-Year Balance	21,307.5	21,156.7	21,300.5
Accruals During Year:			
Clearing Account	129.8	129.8	129.8
Contributions	274.3	274.3	274.3
Depreciation Expense	1,635.9	1,649.5	1,632.9
Total Accruals	2,040.0	1,953.6	2,037.0
Less:			
Retirements	252.6	252.6	252.6
Adjustments	(23.3)	(23.3)	(23.3)
End-of-Year Balance	23,118.2	22,881.0	23,108.2
Average Accum. Balance	22,212.9	22,018.9	22,204.4

TABLE
PAGE 1

SAN GABRIEL VALLEY WATER COMPANY

TABLE 4
PAGE 1

Category	1996	1997	1998
Net-to-Gross Multiplier	1.69	1.69	1.69
Uncollectible Rate	0.2241%	0.2241%	0.2241%
Franchise Rate	0.7511%	0.7511%	0.7511%
State Tax Rate	9.30%	9.30%	9.30%
Federal Tax Rate	34.12%	34.12%	34.12%

1. WATER CONSUMPTION RATE, NUMBER OF SERVICES & WATER USAGE

Category	CCF/Cust	Services	KCcf
Residential	270.0	43,631	11,788.4
Commercial	6,576.5	426	2,795.0
Public Auth.-Small	488.0	244	1,119.1
Public Auth.-Large	14,319.2	105	1,503.5
Industrial-Small	912.0	94	85.7
Irrigation	17,883.1	61	1,090.9
Reclaimed Water	2,094.0	4	8.4
Subtotal	44,677.8	44,677	17,394.3
Construction	8.2	4	0.0
Private Fire Service	0	854	0
TOTAL	44,686.0	45,435	17,394.3
Water Loss	5.50 %		1,012.40
Total Production			18,406.73
Subtotal			18,406.73
Purchased Water			
Connection Charge			
Rehabilitation Ass't			
Leased Water Rights			
Association Ass't			
Reclaimed Water			
Subtotal			
Total			

TABLE
PAGE 2

ADOPTED QUANTITIES - CONTINUED

TABLE 4
PAGE 2

Test Year 1997	CCF/Ci	No. of Services	Usage KGal
Residential	270.0	43,691	11,796.6
Commercial	6,576.5	416	2,729.2
Public Auth.-Small	488.0	244	119.1
Public Auth.-Large	14,319.2	105	1,603.6
Industrial-Small	912.0	95	86.6
Industrial-Large	17,883.1	61	1,090.9
Irrigation	868.0	13	11.3
Reclaimed Water	2,094.0	6	10.6
Subtotal		44,629	17,347.7
Construction	8.2	4	0.03
Private Fire Service	0	874	0
TOTAL		45,507	17,347.73
Water Loss	5.50 %		1,009.70
Total Production			16,357.43

2. WATER COST & ASSESSMENTS

Test Year 1996	Ac-Ft	Unit Cost	Total Cost Of Assessment
		\$	\$000
Main SGV Basin:			
Safe Yield	210,000.0		
Share of OSY	20,899.2		
Makeup Oblig. Ass'mt	24,899.2	0.50	12.4
Replacement Water Ass'mt	2,179.0	254.67	554.7
Cyclic Storage	9,500.0	242.45	2,303.3
Leased Water Rights	4,000.0	228.61	914.4
Watermaster Ass'n Ass'mt	38,578.2	8.50	310.9
In Lieu Ass'mt	38,578.2	0.65	23.8
Association Ass'mt	38,578.2	0.38	13.9
WQA Authority Ass'mt	19,668.6	14.00	275.4
Subtotal	38,578.2		4,408.8
Central Basin:			
Purchased Water	923.4	456.0	421.1
Connection Charge			12.6
Replenishment Ass'mt	4,735.1	162.0	767.1
Leased Water Rights	1,900.6	125.0	237.6
Association Ass'mt			5.7
Reclaimed Water	19.3	260.0	5.0
Subtotal	6,677.8		1,449.1
Total	42,256.0		5,857.9

Cost per Ac-Ft Combined

ADOPTED QUANTITIES - CONTINUED

TABLE 4
PAGE 3

Test Year 1997	Ac-Ft	Unit Cost	Total Cost	Or Assessment
Main San Gabriel Valley Basin:				
Safe Yield	210,000.0		\$ 0.00	
Share of OSY	20,899.2			
Makeup Oblig. Ass'mt	24,899.2	0.60	14,939.5	
Replacement Water Ass'mt	2,244.2	254.57	571.3	
Cyclic Storage	9,300.0	242.45	2,254.8	
Leased Water Rights	4,000.0	228.61	914.4	
Watermaster Assn Ass'mt	38,443.4	8.50	326.8	
In Lieu Ass'mt	38,443.4	0.65	25.0	
Association Ass'mt	38,443.4	0.38	14.6	
WQA Authority Ass'mt	19,668.6	14.00	275.4	
Subtotal	38,443.4		4,376.6	
Central Basin:				
Purchased Water	928.1	458.0	422.3	
Connection Charge			12.6	
Replenishment Ass'mt	4,749.2	162.0	769.4	
Leased Water Rights	1,900.6	125.0	237.6	
Association Ass'mt			6.7	
Reclaimed Water	24.1	260.0	6.3	
Subtotal	5,699.4		1,453.9	
Total	42,142.8		5,829.6	
Cost per Ac-Ft, Combined			138.33	
	151.021			
	0.00303			
	211.587			
	445.038			
	0.130302			
	227.717			
	1.538048			
	0.132815			
	212.815			
	57.211.637			
	25.978.201			
	20.10465			

TABLE 4
PAGE 3

APPENDIX A
(END OF)

TABLE
LADAN

ADOPTED QUANTITIES - CONTINUED

TABLE 4
PAGE 4

3. PURCHASED POWER & COSTS

Edison Co. Schedule - Effective Jan. 1, 1995

Advice Ltr. No. 1081-E

Schedule No. 2

	1996	1997
PA-1:	0.000,015	
Kilowatt-Hrs	3,686,568	3,676,790
Cost Per Kwh	0.109964	0.109895
Total Cost	\$405,390	\$404,061
PA-2:	0.000,000	
Kilowatt-Hrs	621,764	620,116
Cost Per Kwh	0.104778	0.104776
Total Cost	\$65,146	\$64,973
TOU-3:	4,888,000	
Kilowatt-Hrs	18,358,656	18,309,865
Cost Per Kwh	0.101741	0.101741
Total Cost	\$1,867,818	\$1,862,864
TOU-PA-5:	0.000,000	
Kilowatt-Hrs	511,718	510,361
Cost Per Kwh	0.084891	0.084891
Total Cost	\$43,440	\$43,325
GS-2:	4,800,000	
Kilowatt-Hrs	2,476,053	2,469,486
Cost Per Kwh	0.101533	0.101527
Total Cost	\$251,401	\$250,720
TOU-PA-A		
Kilowatt-Hrs	121,051	120,728
Cost Per Kwh	0.098033	0.098033
Total Cost	\$11,867	\$11,835
TOU-PA-B		
Kilowatt-Hrs	442,938	441,764
Cost Per Kwh	0.130305	0.130305
Total Cost	\$57,717	\$57,564
TOU-GS:		
Kilowatt-Hrs	1,293,049	1,289,620
Cost Per Kwh	0.135812	0.135812
Total Cost	\$176,612	\$175,146
Total Kwhs	27,511,697	27,438,730
Total Power Costs:	\$2,878,391	\$2,870,488
Cost per Kwh:	\$0.10462	\$0.10461

(END OF
APPENDIX A)

APPENDIX B
Page 1 of 11

Schedule No. BIA-1
(Continued)

Los Angeles County Tariff Area
GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

Rate - \$1.0430

TERRITORY

(I) 00.001 \$ For two 2-inch meters
Portions of Arcadia, Baldwin Park, El Monte, City of Industry, Irwindale,
La Puente, Montebello, Monterey Park, Pico Rivera, Rosemead, San Gabriel,
Santa Fe Springs, South El Monte, West Covina, Whittier and vicinity,
Los Angeles County. For three 2-inch meters
..... For two 4-inch meters
..... For three 4-inch meters
..... For one 8-inch meter, one 2-inch meter

RATES

Quantity Rates: For all water delivered, per 100 cu. ft. \$1.0430 (I)

Service Charge

Per Meter
Per Month

(I)	For 5/8 x 3/4-inch meter.....	\$ 7.80	(I)
	For 3/4-inch meter.....	11.70	
	For 1-inch meter.....	19.50	
	For 1-1/2-inch meter.....	39.00	
	For 2-inch meter.....	62.40	
	For 3-inch meter.....	117.00	
	For 4-inch meter.....	195.00	
	For 6-inch meter.....	390.00	
	For 8-inch meter.....	624.00	
	For 10-inch meter.....	897.00	
	For 12-inch meter.....	1,287.00	
	For 14-inch meter.....	1,716.00	(I)

(Continued)

APPENDIX B
Page 2 of 11

Schedule No. LA-1
(Continued)

Los Angeles County Tariff Area
GENERAL METERED SERVICE

RATES - continued

Applicable to all metered water services

	Per Battery Per Month	
For two 2-inch meters.....	\$ 107.00	(I)
For three 2-inch meters.....	160.00	
For four 2-inch meters.....	212.00	
For two 3-inch meters.....	199.00	
For three 3-inch meters.....	299.00	
For two 4-inch meters.....	332.00	
For three 4-inch meters.....	498.00	
For one 8-inch meters, one 2-inch meter.....	583.00	(I)

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

SPECIAL CONDITIONS

- (I) 08.12
- (D) Service Charge
- All bills are subject to the reimbursement fee set forth on Schedule No. AA-UF.

1-inch meter.....	00.00	(L)
1 1/2-inch meter.....	30.00	(L)
2-inch meter.....	63.00	
3-inch meter.....	117.00	
4-inch meter.....	192.00	
6-inch meter.....	330.00	
8-inch meter.....	524.00	
10-inch meter.....	697.00	
12-inch meter.....	1,287.00	
14-inch meter.....	1,716.00	(I)

(Continued)

APPENDIX B
Page 3 of 11

Schedule No. LA-6
(Continued)
Los Angeles County Tariff Area
Los Angeles County Water Reclamation
RECLAIMED WATER METERED SERVICE

APPLICABILITY

Applicable to all reclaimed water metered service.

TERRITORY

(1) Portions of Arcadia, Baldwin Park, El Monte, City of Industry, Irwindale, La Puente, Montebello, Monterey Park, Pico Rivera, Rosemead, San Gabriel, Sante Fe Springs, South El Monte, West Covina, Whittier and vicinity, Los Angeles County.

RATES

Quantity Rates: The quantity rate is applicable to all metered service and is based on the quantity of water delivered, per 100 cu. ft. \$0.8866 (1)

Service Charge

Per Meter
Per Month

Service Charge	Per Meter Per Month
For 5/8 x 3/4-inch meter	\$ 7.80 (1)
For 3/4-inch meter	11.70
For 1-inch meter	19.50
For 1 1/2-inch meter	39.00
For 2-inch meter	62.40
For 3-inch meter	117.00
For 4-inch meter	195.00
For 6-inch meter	390.00
For 8-inch meter	624.00
For 10-inch meter	897.00
For 12-inch meter	1287.00
For 14-inch meter	1716.00 (1)

All bills are subject to the reimbursement fee set forth in Schedule LA-5.

(Continued)

APPENDIX B
Page 4 of 11

Schedule No. LA-6
(Continued)

Los Angeles County Tariff Area
RECLAIMED WATER METERED SERVICE

RATES - continued

	Per Battery Per Month	
For two 2-inch meters.....	\$ 107.00	(I)
For three 2-inch meters.....	160.00	
For four 2-inch meters.....	212.00	
For two 3-inch meters.....	199.00	
For three 3-inch meters.....	299.00	
For two 4-inch meters.....	332.00	
For three 4-inch meters.....	498.00	
For one 8-inch meters, one 2-inch meter.....	583.00	(I)

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

SPECIAL CONDITIONS

- The Quantity Rate is set at 85% of the Quantity Rate of Schedule No. LA-1.
- The customer is responsible for compliance with all local, state and federal rules and regulations that apply to the use of reclaimed water on the customer's premises.
- The utility will supply only such reclaimed water at such pressure as may be available from time to time from the reclaimed water system. The customer shall indemnify the utility and save it harmless against any and all claims arising out of service under this schedule and shall further agree to make no claims against the utility for any loss or damage resulting from service under this schedule.
- All bills are subject to the reimbursement fee set forth on Schedule No. AA-UF.

APPENDIX B
Page 5 of 11

Schedule No. LA-3L
Los Angeles County Division

LIMITED IRRIGATION SERVICE

YUHQHJHJH

APPLICABILITY

Applicable to all measured irrigation service limited to existing irrigation customers at January 1, 1975, who annually utilize this service. TERRITORY Portions of the community of Hacienda Heights and vicinity, Los Angeles County.

RATES

Quantity Rates:	Per Service Connection	
	Zone I	Zone II
First 1,800 cu. ft. or less	\$23.85	\$26.56 (I)
Over 1,800 cu. ft. per 100 cu. ft.	1/20	1/34 (I)

Minimum Charge:

For each irrigation delivery scheduled \$23.85 Zone I \$26.56 (I) Zone II

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

SPECIAL CONDITIONS

- The boundaries of the zones are delineated on the tariff service area maps. Zone I includes areas generally lying below 700 feet elevation. Zone II includes areas generally above 700 feet elevation.
- Irrigation water is not scheduled for delivery on Saturday or Sunday. Off-schedule irrigation water is available only by pre-arrangement at the office of company at least two days in advance of delivery.
- This service shall not be used by the customer for any purpose other than irrigation when and as scheduled by the company.
- The minimum charge will apply to each delivery scheduled even though no water is used unless notice of cancellation of the scheduled delivery is given to the company at least two days before the scheduled delivery date.
- All bills are subject to the reimbursement fee set forth on Schedule No. AA-UP.

APPENDIX B
Page 6 of 11

Schedule No. IA-4
Los Angeles County Division
PRIVATE FIRE SERVICE

APPLICABILITY

Applicable to water service furnished to private fire systems and to private fire hydrants.

TERRITORY

Portions of Arcadia, Baldwin Park, El Monte, City of Industry, Irwindale, La Puente, Montebello, Monterey Park, Pico Rivera, Rosemead, San Gabriel, Sante Fe Springs, South El Monte, West Covina, Whittier and vicinity, Los Angeles County.

RATE

For each inch of diameter of service connection..... \$ 7.90 (1)

SPECIAL CONDITIONS

1. The customer will pay, without refund, the entire cost of the private fire service facilities.
2. The private fire service facilities shall be installed by the utility or under the utility's direction and shall be the sole property and subject to the control of the utility, with the right to alter, repair, replace and the right to remove upon discontinuance of service.
3. The minimum diameter for the private fire service connection will be 4 inches. The maximum diameter shall not be larger than the diameter of the water main to which the private fire service facilities are attached unless said main is circulating, in which case with the approval of the utility, the maximum diameter may be larger by not more than 2 inches than the diameter of said circulating main.
4. If a water main of adequate size is not available adjacent to the premises to be served, then a new main from the nearest existing main of adequate size will be installed by the utility at the cost of the customer. Such cost shall not be subject to refund.
5. The private fire service facilities will include a detector check valve or other similar device acceptable to the utility which will indicate the use of water. The facilities may be located within the customer's premises or within public right-of-way adjacent thereto. Where located within the premises, the utility and its duly authorized agents shall have the right of ingress to and egress from the premises for all purposes related to said facilities. In the event the installation is solely a private fire hydrant facility, the requirement for a detector check valve or other similar device may be waived.

(1)

(Continued)

APPENDIX B
Page 8 of 11

Schedule No. IA-9C
Los Angeles County Division
CONSTRUCTION AND TANK TRUCK SERVICE

APPLICABILITY

Applicable to temporary water service furnished for construction purposes and for water delivered to tank trucks from fire hydrants or other outlets.

TERRITORY

(i) Portions of Arcadia, Baldwin Park, El Monte, City of Industry, Irwindale, La Puente, Montebello, Monterey Park, Pico Rivera, Rosemead, San Gabriel, Santa Fe Springs, South El Monte, West Covina, Whittier and vicinity, Los Angeles County.

RATES

Unit Rates

For sidewalk construction, per 100 sq. ft.....	\$ 0.45	(I)
For street curb construction, per 100 lineal ft..	0.88	
For trench settling, per lineal foot of section of trench 2 feet by 4 feet.....	0.032	
For sprinkling subgrade of street and roadway construction in application of oil or any form of patented oil paving or surfacing, or for rolling and settling subgrade, per 3,000 square feet of roadway.....	6.22	
For compaction of fill, per cubic yard of fill material.....	0.054	
For water delivered to tank wagon or truck, per 100 gallons.....	0.142	

Minimum Charge	<u>Per Month</u>	
For any service render under this schedule....	\$23.69	(I)

SPECIAL CONDITIONS

1. An applicant wishing to obtain water delivery under this schedule must first obtain a written permit from the utility.
2. Where water is to be obtained from public fire hydrants, a permit must be obtained from the fire protection district or other public agency having jurisdiction.
3. For other temporary uses the quantity of water used shall be estimated or metered by the utility. Charges for such water shall be at the quantity rate for General Metered Service applicable to the tariff area within which the water is delivered.
4. An applicant for service under this schedule must pay the utility in advance the net cost of installing and removing any facilities necessary to provide such service.

(Continued)

APPENDIX B
Page 10 of 11

SAN GABRIEL VALLEY WATER COMPANY

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

SCHEDULE No. 1, No. 6	1997	1998	1999
Service Charges:			
For 5/8 x 3/4-inch meter.....	\$ 0.10	\$ 0.10	\$ 0.10
For 3/4-inch meter.....	0.15	0.15	0.15
For 1-inch meter.....	0.25	0.25	0.25
For 1-1/2-inch meter.....	0.50	0.50	0.50
For 2-inch meter.....	0.80	0.80	0.80
For 3-inch meter.....	2.00	1.00	1.00
For 4-inch meter.....	3.00	2.00	2.00
For 6-inch meter.....	5.00	5.00	5.00
For 8-inch meter.....	8.00	8.00	8.00
For 10-inch meter.....	12.00	11.00	11.00
For 12-inch meter.....	17.00	16.00	16.00
For 14-inch meter.....	22.00	22.00	22.00
For two 2-inch meters.....	1.00	1.00	1.00
For three 2-inch meters.....	2.00	2.00	2.00
For four 2-inch meters.....	3.00	3.00	3.00
For two 3-inch meters.....	3.00	2.00	2.00
For three 3-inch meters.....	4.00	3.00	3.00
For two 4-inch meters.....	5.00	2.00	3.00
For three 4-inch meters.....	7.00	5.00	5.00
For one 8-inch, one 2-inch meter.....	8.00	7.00	7.00
Quantity Rates:			
For all water delivered, per 100 cu. ft.....	0.0589	0.0528	0.0528
Quantity Rates: (SCH. 6, Reclaimed Water)			
For all water delivered, per 100 cu. ft.....	0.0501	0.0449	0.0449

APPENDIX B
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SAN GABRIEL VALLEY WATER COMPANY

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

	1997	1998	1999
SCHEDULE No. IA-3L-Limited Irrigation Service			
First 1,800 cu. ft. or less - Zone I.....	\$ 1.03	\$ 0.97	\$ 1.01
First 1,800 cu. ft. or less - Zone II.....	1.14	1.08	1.12
Over 1,800 cu. ft. - Zone I.....	0.05	0.05	0.05
Over 1,800 cu. ft. - Zone II.....	0.06	0.05	0.06
Minimum Charge - Zone I.....	1.03	0.97	1.01
Minimum Charge - Zone II.....	1.14	1.08	1.12
SCHEDULE No. IA-4-Private Fire Protection			
For each inch of diameter of service connection..	0.35	0.35	0.35
SCHEDULE No. IA-9C-Construction & Tank Truck Service			
For sidewalk construction per 100 sq. ft.....	0.02	0.02	0.02
For street curb construction per 100 ft.....	0.04	0.04	0.04
For trench settling per lineal foot.....	0.001	0.001	0.001
For sprinkling subgrade per 3,000 sq. ft.....	0.27	0.25	0.26
For compaction of fill, per cubic yard.....	0.002	0.002	0.002
For water delivered to tank truck, per 100 gallons.....	0.006	0.006	0.006
Minimum Charge.....	1.02	0.96	1.00
SCHEDULE No. IA-9CL-Service to Tract Houses During Construction			
For each lot for the construction period.....	0.35	0.33	0.35

(END OF APPENDIX B)

APPENDIX C
 Page 1 of 6

San Gabriel Valley Water Company
 TABLE 1

San Gabriel Valley Water Company
 Adopted Summary of Earnings
 (Dollars in Thousands)

1997	1996	1997	1996	1997	1996
Total Cost	Total Cost				
2000	2000	2000	2000	2000	2000
		0,000,015	0,000,015	Authorized Rates	Authorized Rates
		5,000,000	5,000,000	Share of O&M	Share of O&M
		5,000,000	5,000,000	Marking O&M Assmt	Marking O&M Assmt
		5,000,000	5,000,000	Replacement Water Assmt	Replacement Water Assmt
		5,000,000	5,000,000	Cycle Costs	26,425.5
		5,000,000	5,000,000	Leased Water	78.0
		5,000,000	5,000,000	Wastewater Assmt	74.0
		5,000,000	5,000,000	in Lieu Assmt	26,577.5
		5,000,000	5,000,000	Association Assmt	
		5,000,000	5,000,000	WQA Authority Assmt	
		5,000,000	5,000,000	Central Basin	2,870.5
		5,000,000	5,000,000	Purchased Water	422.3
		5,000,000	5,000,000	Leased Water Rights	1,152.0
		5,000,000	5,000,000	Replenishment Charges	769.4
		5,000,000	5,000,000	Chemical	379.9
		5,000,000	5,000,000	Payroll	3,015.9
		5,000,000	5,000,000	Other O & M	4,828.0
		5,000,000	5,000,000	Other A & G	1,910.5
		5,000,000	5,000,000	G.O. Allocation	2,045.6
		5,000,000	5,000,000	Payroll Taxes	286.8
		5,000,000	5,000,000	Ad Valorem Taxes	576.5
		5,000,000	5,000,000	Depreciation	1,632.9
		5,000,000	5,000,000	subtotal	19,890.3
		5,000,000	5,000,000	Purchased Power Cost (BCE 11/92)	
		5,000,000	5,000,000	PA-1	59.6
		5,000,000	5,000,000	PA-2	199.6
		5,000,000	5,000,000	PA-3	328.5
		5,000,000	5,000,000	TOU 8	1,421.0
		5,000,000	5,000,000	TOU 12	21,890.0
		5,000,000	5,000,000	TOU 15	4,678.5
		5,000,000	5,000,000	GS-2	47,491.2
		5,000,000	5,000,000	TOU P/B/G-2	9.85%
		5,000,000	5,000,000	Total Kwh	
		5,000,000	5,000,000	Total Power Costs	
		5,000,000	5,000,000	Cost per Kwh	

APPENDIX C
 Page 2 of 6
 San Gabriel Valley Water Company
 Los Angeles County Division

Adopted Quantities
 (Dollars in thousands)
 (Comparison of Budget
 to Actuals)

	Unit Cost	Ac-Ft.	1996		1997	
			Total Cost \$'000	Ac-Ft.	Total Cost \$'000	Total Cost \$'000
Water Cost & Assessments						
Main SGV Basin						
Safe Yield		210,000.0		210,000.0		
Share of OSY		20,899.2		20,899.2		
Makeup Oblig Ass'mt	0.50	24,899.2	12.4	24,899.2	12.4	
Replacement Water Ass'mt	254.57	2,179.0	554.7	2,244.2	571.3	
Cyclic Storage	242.45	9,500.0	2,303.3	9,300.0	2,254.8	
Leased Water Rights	228.61	4,000.0	914.4	4,000.0	914.4	
Watermaster Ass'n Ass'mt	8.50	36,578.2	310.9	36,443.4	309.8	
In Lieu Ass'mt	0.65	36,578.2	23.8	36,443.4	23.7	
Association Ass'mt	0.38	36,578.2	13.9	36,443.4	13.8	
WQA Authority Ass'mt	14.00	19,668.6	275.4	19,668.6	275.4	
			4,408.8		4,375.6	
Central Basin						
Purchased Water	456.0	923.4	421.1	926.1	422.3	
Connection Charge			12.6		12.6	
Replacement Ass'mt	162.0	4,735.1	767.1	4,749.2	769.4	
Leased Water Rights	125.0	1,900.6	237.6	1,900.6	237.6	
Association Ass'mt			5.7		5.7	
Reclaimed Water	260.0	19.3	5.0	22.1	6.3	
			1,449.0		1,453.8	
Total			5,857.9		5,829.5	
Purchased Power Cost (SCE 1/15/95)						
PA-1	Kilowatt-Hrs. Cost		3,686,568		3,676,790	
			\$405,390		\$404,061	
PA-2	Kilowatt-Hrs. Cost		621,764		620,116	
			\$65,146		\$64,973	
TOU-8	Kilowatt-Hrs. Cost		18,358,556		18,309,865	
			\$1,867,818		\$1,862,864	
TOU-PA5	Kilowatt-Hrs. Cost		511,718		510,361	
			\$43,440		\$43,325	
GS-2	Kilowatt-Hrs. Cost		2,476,053		2,469,486	
			\$251,401		\$250,720	
TOU-PA,PAB,GS	Kilowatt-Hrs. Cost		1,857,038		1,852,112	
			\$245,196		\$244,545	
Total Kwhrs			27,511,697		27,438,730	
Total Power Costs			\$2,878,391		\$2,870,488	
Cost per Kwh			\$0.10462		\$0.10461	

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San Gabriel Valley Water Company
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Adopted Quantities

Number of Services by meter size	Schedule 1		Schedule 6	
	1996	1997	1996	1997
5/8 x 3/4-inch	33,964	34,010	0	0
3/4	3,135	3,139	0	0
1	5,126	5,133	0	0
1-1/2	1,029	1,030	0	0
2	1,093	1,088	3	4
3	16	16	1	1
4	10	10	0	0
6	8	8	0	0
12	12	12	0	0
3	3	3	0	0
0	0	0	0	0
1	1	1	0	0
2-2	133	131	0	0
2-2-1	27	27	0	0
2-2-1	8	8	0	0
1-2-0	1	1	0	0
1-3-1	1	1	0	0
1-2-1	6	6	0	0
1-4-3	3	3	0	0
1-1-2-1-8-1	1	1	0	0
	44,577	44,628		
Metered Sales (KCcf)	17,385.9	17,337.2		
No. of Service				
1996	1997	1996	1997	
Residential	43,631	43,691	11,780.4	11,796.6
Commercial	425	415	2,795.0	2,729.2
Pub. Auth.-small	244	244	119.1	119.1
Pub. Auth.-large	105	105	1,503.5	1,503.5
Industrial-small	94	95	85.7	86.6
Industrial-large	61	61	1,090.9	1,090.9
Irrigation	13	13	11.3	11.3
Reclaimed water	4	5	8.4	10.5
Construction	4	4	0.0	0.0
Private Fire	854	874		
Water Loss (5.50%)			1012.4	1009.7
Total Water Produced (KCcf)			18,406.7	18,357.4
Water Production (AF)				
Purch. Water, Central Basin (AF)			923.4	926.1
Reclaimed (AF)			19.3	24.1
Well (AF)			41,313.3	41,192.6
Total Water (AF)			42,256.0	42,142.8

APPENDIX C

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San Gabriel Valley Water Company

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Utility Plant, Depreciation Reserve, and Rate Base
(Dollars in Thousands)

		1996	1997
Utility Plant		70,291.0	76,062.4
Plant BOY.		70,291.0	76,062.4
CWIP		0.0	0.0
Utility add.		5,524.0	6,700.0
Co. Budget Plant sub.		5,524.0	6,700.0
Advances		100.0	100.0
Contribution		400.0	400.0
total add.		6,024.0	7,200.0
Retirement		(252.6)	252.6
Plant EOY.		76,062.4	83,009.8
Wgt. Plant Add.	47.9	2,885.7	3,448.8
Avg. Plant, Wgt.		73,176.7	79,536.1
Depreciation Reserve			
Reserve BOY.		19,675.3	21,300.5
Contribution		263.6	274.3
Depr. expense		(1,472.2)	1,632.9
Clearing account		118.7	129.8
total accrual		1,854.5	2,037.0
Retirement		(252.6)	(252.6)
Adjustments		23.3	23.3
Reserve EOY.		21,300.5	23,108.2
Wgt. Accr. Add.		812.6	903.8
Avg Depr. Res. wgt.		20,487.9	22,204.3
RATE BASE			
Utility Plant		73,176.7	79,536.1
Material & Supplies		215.5	233.7
Work. Cash Allowance		748.2	767.9
Depreciation Reserve		(20,487.9)	(22,204.3)
Advances. Construction		(2,484.4)	(2,489.9)
Contribution		(7,033.9)	(7,165.0)
Deferred Taxes		(3,989.8)	(4,493.3)
Deferred ITC		(323.8)	(312.3)
Taxes on - Advances		215.7	215.2
Taxes on - CIAC		526.3	583.3
(END OF APPENDIX C)			
District Rate Base		40,562.6	44,671.4
Common Utility Allocation		2,682.7	2,819.9
Average RATE BASE		43,245.3	47,491.3

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San Gabriel Valley Water Company

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Comparison of typical bills for residential metered customers of various usage level and average level at present and authorized rates for the year 1996		General Metered Service (5/8-inch meters)		Average Rate Base	
Usage (ccf)	Present Rates	Authorized Rates	Percent Increase	Common Utility Association	District Rate Base
100.0	104.25	112.11	7.53	5.85	5.81
150.0	55.90	59.95	7.25	5.85	5.81
200.0	36.56	39.09	6.92	5.85	5.81
250.0	29.31	31.27	6.69	5.85	5.81
300.0	26.89	28.66	6.58	5.85	5.81
350.0	17.22	18.23	5.87	5.85	5.81
400.0	12.39	13.20	5.08	5.85	5.81
450.0	10.25	10.75	4.88	5.85	5.81
500.0	9.50	9.95	4.74	5.85	5.81
550.0	8.80	9.25	4.55	5.85	5.81
600.0	8.15	8.55	4.37	5.85	5.81
650.0	7.55	7.90	4.20	5.85	5.81
700.0	7.00	7.30	4.00	5.85	5.81
750.0	6.50	6.75	3.85	5.85	5.81
800.0	6.05	6.25	3.70	5.85	5.81
850.0	5.65	5.80	3.50	5.85	5.81
900.0	5.30	5.45	3.30	5.85	5.81
950.0	5.00	5.15	3.10	5.85	5.81
1000.0	4.75	4.90	2.90	5.85	5.81
1050.0	4.55	4.65	2.75	5.85	5.81
1100.0	4.40	4.45	2.60	5.85	5.81
1150.0	4.25	4.30	2.50	5.85	5.81
1200.0	4.15	4.20	2.40	5.85	5.81
1250.0	4.05	4.10	2.30	5.85	5.81
1300.0	3.95	4.00	2.20	5.85	5.81
1350.0	3.85	3.90	2.10	5.85	5.81
1400.0	3.75	3.80	2.00	5.85	5.81
1450.0	3.65	3.70	1.90	5.85	5.81
1500.0	3.55	3.60	1.80	5.85	5.81
1550.0	3.45	3.50	1.70	5.85	5.81
1600.0	3.35	3.40	1.60	5.85	5.81
1650.0	3.25	3.30	1.50	5.85	5.81
1700.0	3.15	3.20	1.40	5.85	5.81
1750.0	3.05	3.10	1.30	5.85	5.81
1800.0	2.95	3.00	1.20	5.85	5.81
1850.0	2.85	2.90	1.10	5.85	5.81
1900.0	2.75	2.80	1.00	5.85	5.81
1950.0	2.65	2.70	0.90	5.85	5.81
2000.0	2.55	2.60	0.80	5.85	5.81
2050.0	2.45	2.50	0.70	5.85	5.81
2100.0	2.35	2.40	0.60	5.85	5.81
2150.0	2.25	2.30	0.50	5.85	5.81
2200.0	2.15	2.20	0.40	5.85	5.81
2250.0	2.05	2.10	0.30	5.85	5.81
2300.0	1.95	2.00	0.20	5.85	5.81
2350.0	1.85	1.90	0.10	5.85	5.81
2400.0	1.75	1.80	0.00	5.85	5.81
2450.0	1.65	1.70	-0.05	5.85	5.81
2500.0	1.55	1.60	-0.10	5.85	5.81
2550.0	1.45	1.50	-0.15	5.85	5.81
2600.0	1.35	1.40	-0.20	5.85	5.81
2650.0	1.25	1.30	-0.25	5.85	5.81
2700.0	1.15	1.20	-0.30	5.85	5.81
2750.0	1.05	1.10	-0.35	5.85	5.81
2800.0	0.95	1.00	-0.40	5.85	5.81
2850.0	0.85	0.90	-0.45	5.85	5.81
2900.0	0.75	0.80	-0.50	5.85	5.81
2950.0	0.65	0.70	-0.55	5.85	5.81
3000.0	0.55	0.60	-0.60	5.85	5.81
3050.0	0.45	0.50	-0.65	5.85	5.81
3100.0	0.35	0.40	-0.70	5.85	5.81
3150.0	0.25	0.30	-0.75	5.85	5.81
3200.0	0.15	0.20	-0.80	5.85	5.81
3250.0	0.05	0.10	-0.85	5.85	5.81
3300.0	0.00	0.05	-0.90	5.85	5.81
3350.0	-0.05	0.00	-0.95	5.85	5.81
3400.0	-0.10	-0.05	-1.00	5.85	5.81
3450.0	-0.15	-0.10	-1.05	5.85	5.81
3500.0	-0.20	-0.15	-1.10	5.85	5.81
3550.0	-0.25	-0.20	-1.15	5.85	5.81
3600.0	-0.30	-0.25	-1.20	5.85	5.81
3650.0	-0.35	-0.30	-1.25	5.85	5.81
3700.0	-0.40	-0.35	-1.30	5.85	5.81
3750.0	-0.45	-0.40	-1.35	5.85	5.81
3800.0	-0.50	-0.45	-1.40	5.85	5.81
3850.0	-0.55	-0.50	-1.45	5.85	5.81
3900.0	-0.60	-0.55	-1.50	5.85	5.81
3950.0	-0.65	-0.60	-1.55	5.85	5.81
4000.0	-0.70	-0.65	-1.60	5.85	5.81
4050.0	-0.75	-0.70	-1.65	5.85	5.81
4100.0	-0.80	-0.75	-1.70	5.85	5.81
4150.0	-0.85	-0.80	-1.75	5.85	5.81
4200.0	-0.90	-0.85	-1.80	5.85	5.81
4250.0	-0.95	-0.90	-1.85	5.85	5.81
4300.0	-1.00	-0.95	-1.90	5.85	5.81
4350.0	-1.05	-1.00	-1.95	5.85	5.81
4400.0	-1.10	-1.05	-2.00	5.85	5.81
4450.0	-1.15	-1.10	-2.05	5.85	5.81
4500.0	-1.20	-1.15	-2.10	5.85	5.81
4550.0	-1.25	-1.20	-2.15	5.85	5.81
4600.0	-1.30	-1.25	-2.20	5.85	5.81
4650.0	-1.35	-1.30	-2.25	5.85	5.81
4700.0	-1.40	-1.35	-2.30	5.85	5.81
4750.0	-1.45	-1.40	-2.35	5.85	5.81
4800.0	-1.50	-1.45	-2.40	5.85	5.81
4850.0	-1.55	-1.50	-2.45	5.85	5.81
4900.0	-1.60	-1.55	-2.50	5.85	5.81
4950.0	-1.65	-1.60	-2.55	5.85	5.81
5000.0	-1.70	-1.65	-2.60	5.85	5.81

(END OF APPENDIX C)