

Decision 96-11-001 November 6, 1996

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of the SOUTHERN CALIFORNIA WATER COMPANY (U 133 W) for an order authorizing it to increase rates for water service in its Barstow District.

Application 96-03-024 (Filed March 11, 1996)

In the Matter of the Application of the SOUTHERN CALIFORNIA WATER COMPANY (U 133 W) for an order authorizing it to increase rates for water service in its Santa Maria District.

Application 96-03-025 (Filed March 11, 1996)

1 \$2,385.22

ORIGINAL Application 96-03-025 (Filed March 11, 1996)

Patricia A. Schmiede, Attorney at Law, Roger W. Brett, and Joseph F. Young, for Southern California Water Company, applicant, Peter G. Fairchild, Attorney at Law, and Donald McCrea, for Commission's Large Water Branch.

\$2,385.22

OPINION

Summary of Decision

Based on a stipulation reached between the Commission's Large Water Branch (LWB) and Southern California Water Company (SCWC), the decision authorizes SCWC the following increases in base rates for water service.

District	Amount	Percent	Amount	Percent
Barstow	\$67,826	1.57%	\$123,182	2.85%
Santa Maria	\$74,234	1.57%	\$205,496	2.85%

SCWC's proposed rates in these applications are based on rates of return on rate base of 9.32% and 9.29% for test years 1997 and 1998, respectively, with a corresponding return on common

The decision also authorizes SCWC to amortize, through temporary surcharges, the following amounts accrued in its

balancing and memorandum accounts:

Type of Amount	Barstow District	Santa Maria District
Supply Cost Balancing Account		
Balance as of June 1996	\$140,264	(\$464,459)
Amortization Period (years)	1	1
Amortization Rate	\$0.007	\$0.001
Income Tax Memorandum Account (TMA)		
Balance as of September 1995	\$27,990	\$5,282
Amortization Period (years)	1	1
Amortization Rate	\$0.007	\$0.001
New Employee Memorandum Account (TMA)		
Balance	\$0	\$19,414
Amortization Period (years)	N/A	1
Amortization Rate	N/A	\$0.005

Background

SCWC is a public utility corporation rendering water service in various areas of Contra Costa, Imperial, Lake, Los Angeles, Orange, Sacramento, San Bernardino, San Luis Obispo, Santa Barbara, and Ventura Counties and electric service in the vicinity of Big Bear Lake in San Bernardino County.

On March 11, 1996, SCWC filed Application (A.) 96-03-024 and A.96-03-025 to recover costs for capital additions in the Barstow and Santa Maria Districts, respectively. SCWC is not requesting recovery of an increase in operating expenses over those adopted in Decision (D.) 92-01-025 for the Barstow District and D.94-06-077 for the Santa Maria District. These decisions were issued in SCWC's general rate case proceedings for the two districts.

SCWC's proposed rates in these applications are based on rates of return on rate base of 9.32% and 9.29% for test years 1997 and 1998, respectively, with a corresponding return on common

equity of 10.40%. These rates of return were adopted by D.95-12-027 in SCWC's most recent general rate case proceeding. SCWC does not propose to modify its rate of return on common equity or its capital structure in this proceeding.

The applications were consolidated for hearings. Public Participation Hearings

Duly noticed public participation hearings were held in Barstow and Santa Maria. Only a few customers attended the hearings. The customers were opposed to the proposed rate increases. Some customers complained about water service problems. SCWC's local district managers agreed to correct the service problems, as well as the agreed upon estimates for repairs and LWB's Reports.

LWB conducted its investigation of the requested rate increases. Based on its investigation, LWB prepared its report on SCWC's results of operations. LWB recommended that SCWC be granted lower than the requested increase for the Barstow District and that SCWC be granted higher than the requested increase for the Santa Maria District.

Evidentiary Hearings

An evidentiary hearing was held on July 15, 1996 in San Francisco before Administrative Law Judge Garde. At the hearing, SCWC and LWB, the only parties to the proceeding, announced that they have reached agreement on all but a few minor issues. SCWC and LWB stated that the remaining issues did not involve any disputed facts and that if SCWC and LWB were unable to resolve the remaining issues, they will file briefs in support of their respective positions.

SCWC's 1995 rate adopted in this proceeding should be revised to reflect the latest authorized rate of return on rate base.

1 While LWB's analysis concluded that SCWC was entitled to higher rate increases than requested, the authorized rate increase in this decision does not exceed the rate increase requested by SCWC.

Subsequently, SCWC and LWB were able to resolve all outstanding issues through further negotiations and thus were able to reach a settlement on all issues in this proceeding. Accordingly, on July 26, 1996, SCWC and LWB filed a motion to adopt the settlement reached between SCWC and LWB on all issues in this proceeding.

The matter was submitted on July 26, 1996 upon filing of the motion for adoption of the settlement. The Settlement

The settlement refers to resolution of all issues as set forth in the late filed Exhibit 12. The original estimates of SCWC and LWB, as well as the agreed upon estimates for results of operations, are shown in Tables 2 through 5. Other elements of ratemaking are included in Appendices B and C.

A brief explanation of resolution of differences between SCWC and LWB is included in Appendix D. Aside from the agreement on results of operations, SCWC and LWB agreed that SCWC will not receive an allowance for attrition for 1999. SCWC and LWB also agreed that elements of ratemaking that are normally addressed in a general rate case proceeding and not provided for in the settlement will be eligible for consideration in a 1999 test year general rate case proceeding.

As to rates of return on rate base, SCWC and LWB agreed that the rates of return on rate base adopted in D.95-10-027 for 1997 and 1998 would be appropriate to set rates in this proceeding. Should the Commission adopt a lower rate of return on rate base for 1998 in a subsequent SCWC proceeding, SCWC and LWB agree that SCWC's 1998 rates adopted in this proceeding should be revised to reflect the latest authorized rate of return on rate base.

While LWB's analysis concluded that SCWC was entitled to a higher rate increase than requested, the authorized rate increase in this decision does not exceed the rate increase requested by SCWC.

TABLE 2

SOUTHERN CALIFORNIA WATER COMPANY/
 LARGE WATER BRANCH
 COMPARISON EXHIBIT
 BARSTON DISTRICT
 TEST YEAR 1997

Item	Original	Original	Final Stipulation
Operating Revenues	\$4,325.1	\$4,316.8	\$4,325.1
Oper. & Maint. Expenses			
Purchased Water	863.1	863.1	863.1
Purchased Power	1,297.8	1,297.8	1,297.8
Other Expenses	16.9	17.0	17.0
Uncollectibles	387.1	385.9	385.9
Depreciation	55.4	55.4	55.4
Franchise Tax	114.7	114.6	115.8
Ad Valorem Tax	29.5	29.5	29.5
Taxes O/T Inc.	76.4	76.4	75.7
State Income Tax	319.6	313.4	330.6
Fed. Inc. Tax			
Total Expenses	\$3,158.8	\$3,153.2	\$3,170.4
Net Revenue	\$1,166.3	\$1,163.6	\$1,154.7
Rate Base	12,281.4	12,252.1	12,261.8
Rate of Return	9.49%	9.50%	9.42%

TABLE 5

SOUTHERN CALIFORNIA WATER COMPANY/
 LARGE WATER BRANCH
 COMPARISON EXHIBIT
 BARSTOW DISTRICT
 TEST YEAR 1998

Item	Original	Original	Final Stipulation
Operating Revenues	\$4,600.9	\$4,548.0	\$4,488.4
Oper. & Maint. Expenses			
Purchased Water	863.1	863.1	863.1
Purchased Power	1,297.8	1,297.8	1,297.8
Other Expenses	17.9	17.9	17.9
Uncollectibles	427.4	405.2	404.7
Depreciation	58.4	58.4	56.9
Franchise Tax	127.1	120.9	123.4
Ad Valorem Tax	29.5	29.5	29.5
Taxes O/T/Inc.	83.8	95.5	80.9
State Inc. Tax	31,163.6	31,163.6	31,163.6
Fed. Inc. Tax			
Total Expenses	\$3,259.8	\$3,295.4	\$3,222.6
Net Revenue	\$1,341.1	\$1,252.6	\$1,225.7
Rate Base	14,164.3	13,209.4	13,230.3
Rate of Return	9.46%	9.48%	9.26%

TABLE 4.1

SOUTHERN CALIFORNIA WATER COMPANY/02
 LARGE WATER BRANCH/01
 COMPARISON EXHIBIT/00
 SANTA MARIA DISTRICT/02
 TEST YEAR 1997/07

Item	Final Stipulation	SCWC LWB Original	SCWC LWB Original	Final Stipulation
Operating Revenues	\$4,793.96	\$4,793.96	\$4,840.4	\$4,793.96
Oper. & Maint. Expenses				
Purchased Water				
Purchased Power	1,295.7	1,295.7	1,295.7	1,295.7
Other Expenses	1,500.9	1,500.9	1,500.9	1,500.9
Uncollectibles	9.7	9.7	9.7	9.7
Depreciation	523.5	524.8	518.7	523.5
Franchise Tax				
Ad Valorem Tax	148.1	139.7	136.6	148.1
Taxes O/T, Inc.	48.7	48.7	50.2	48.7
State Inc, Tax	48.1	45.5	58.4	48.1
Fed. Inc, Tax	246.7	239.1	287.6	246.7
Total Expenses	\$3,821.3	\$3,804.1	\$3,857.9	\$3,821.3
Net Revenue	\$972.6	\$989.9	\$982.5	\$972.6
Rate Base	10,775.5	10,732.0	10,736.9	10,775.5
Rate of Return	9.03%	9.17%	9.15%	9.03%

TABLE 5 T

SOUTHERN CALIFORNIA WATER COMPANY/CO
 LARGE WATER BRANCH/BI
 COMPARISON EXHIBIT/CO
 SANTA MARIA DISTRICT/AS
 TEST YEAR: 1998/88

Item	Final Stipulation	Original	Original	Final Stipulation
Operating Revenues	\$4,999.4	\$4,999.4	\$5,105.2	\$4,999.4
Oper. & Maint. Expenses				
Purchased Water	1,295.7	1,295.7	1,295.7	1,295.7
Purchased Power	1,500.9	1,500.9	1,500.9	1,500.9
Other Expenses	10.0	10.0	10.2	10.0
Uncollectibles	560.0	562.7	555.2	560.0
Depreciation	149.0	149.0	145.5	149.0
Franchise Tax	48.7	48.7	50.2	48.7
Ad Valorem Tax	54.4	54.4	78.5	54.4
Taxes O/T, Inc.	264.3	264.3	363.3	264.3
State Inc, Tax	282.2	282.2	282.2	282.2
Fed. Inc, Tax	3,914.3	3,914.3	3,914.3	3,914.3
Total Expenses	\$1,113.8	\$1,113.8	\$1,105.6	\$1,085.2
Net Revenue	12,150.6	12,150.6	12,062.6	12,119.8
Rate Base	9.17%	9.17%	9.17%	8.95%
Rate of Return				

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 SCWC the needed rate increase to recover the cost of capital additions.

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 LWB 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 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.

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

PU Code 311(d) requires that:

1. As set forth in Exhibit 13 and the motion for adoption of settlement, SCWC and LWB have reached settlement on all issues in this proceeding.

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

During the evidentiary hearing, SCWC and LWB, the only parties to the proceeding, agreed 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 5 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 reduce the comment period to 5 days.

Comments on Administrative Law Judge's (ALJ) Proposed Decision

ALJ's proposed decision was filed and mailed to the parties on October 1, 1996. No comments were filed on the proposed decision. Accordingly, we are issuing the decision as proposed after correcting certain errors.

Findings of Fact

1. As set forth in Exhibit 12 and the motion for adoption of settlement, SCWC and LWB have reached settlement on all issues in this proceeding.

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

Conclusions of Law

The settlement should be adopted.

2. SCWC should be authorized to increase its base rates to allow it to recover the cost of capital additions.

3. SCWC should be authorized to amortize through temporary surcharges, the amounts accrued in its balancing and memorandum accounts.

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 the decision promptly.

balancing and memorandum accounts through temporary surcharges. **ORDER** of this order shall be effective.

IT IS ORDERED that: since all issues raised in this proceeding are resolved, and apply for the duration shown on Table 1, on January 1, 1997, and apply for the duration shown on Table 1.

1. The settlement in Exhibit 12 between Southern California Water Company (SCWC) and the Large Water Branch (LWB) is approved.

2. The motion for approval of the settlement between SCWC and LWB is granted.

3. SCWC is authorized to file the revised schedule attached to this order as Appendix A. The filing shall comply with General Order (GO) 96-A. The effective date of the revised schedule shall be not earlier than January 1, 1997, or 5 days after the filing, whichever is later. The revised schedule shall apply to service rendered on or after the effective date.

4. On or after November 6, 1997, SCWC is authorized to file an advice letter, with appropriate work papers, requesting the step-rate increase for 1998, included in Appendix A or to file a proportionate lesser increase for those rates in Appendix A for Barstow and Santa Maria Districts in the event that a district's

rate of return on rate base adjusted to reflect rates then in effect and normal ratemaking adjustments for the 12 months ended September 30, 1997, exceeds the lower of (a) the rate of return found reasonable for SCWC during the corresponding period in the then most recent rate decision; or (b) 9.29%. This filing shall comply with GO 96-A. The requested step rates shall be reviewed by the Commission's Water Division to determine their conformity with this order and shall go into effect upon Water Division's determination of conformity. Water Division shall inform the Commission if it finds that the proposed step rates are not in accord with this decision or other Commission decision. 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 or after the effective date.

5. SCWC is authorized to amortize the accrued amounts in its balancing and memorandum accounts through temporary surcharges shown on Table 1 of this order. The surcharges shall be effective on January 1, 1997, and apply for the duration shown on Table 1.

6. Since all issues raised in this consolidated proceeding have been resolved, Application (A.) 96-03-024 and A.96-03-025 are closed.

This order becomes effective 30 days from today.

Dated November 6, 1996, at San Francisco, California.

SCWC is authorized to file the revised schedule attached to this order as Appendix A. The filing shall comply with General Order (GO) 96-03-024 and the revised schedule shall be effective 30 days after the filing, or 30 days after the filing, whichever is later. The revised schedule shall apply to service rendered on or after November 6, 1997, SCWC is authorized to file an advice letter, with appropriate work papers, requesting the step-rate increase for 1998, included in Appendix A or to file a proportionate lesser increase for those rates in Appendix A for Bartow and Santa Maria Districts in the event that a district's

P. GREGORY CONLON

President

DANIEL Wm. FESSLER

JESSIE J. KNIGHT, JR.

HENRY MITDUQUE

JOSIAH L. NEEPER

Commissioners

APPENDIX A

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A.96-03-024

1996

Schedule No. BA-1

Barstow District

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all general metered water service.

TERRITORY

Barstow and vicinity, San Bernardino County.

RATES

	Per Meter Per Month	1997 Rates	1998 Rates
Service Charge:			
For 5/8 x 3/4-inch meter.....		\$ 11.60	\$ 12.35
For 3/4-inch meter.....		17.00	18.10
For 1-inch meter.....		21.00	22.80
For 1-1/2-inch meter.....		32.60	36.25
For 2-inch meter.....		53.95	59.75
For 3-inch meter.....		92.05	102.95
For 4-inch meter.....		131.65	149.85
For 6-inch meter.....		252.50	288.85
For 8-inch meter.....		325.50	383.65
For 10-inch meter.....		502.10	585.70
Quantity Rates:			
First 10,000 cu.ft., per 100 cu.ft....		\$ 0.756	\$ 0.756
Over 10,000 cu.ft., per 100 cu.ft....		0.705	0.705

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

SPECIAL CONDITIONS

1. All bills are subject to the reimbursement fee set forth on Schedule No. UP.
2. Due to an undercollection in the Balancing Account, an amount of \$0.018 per Ccf is to be added to the Quantity Rates shown above for the 24-month period beginning on January 1, 1997.
3. To recover litigation costs to protect the water supply of the Barstow District, a surcharge of \$0.045 per Ccf is to be added to the Quantity Rates above for a period not to exceed five years from the effective date of Advice Letter No. 944-N, 1/1/97.
4. To amortize the Income Tax Memorandum Account balance, a surcharge of \$0.007 per Ccf is to be added to the Quantity Rates shown above for a 12-month period beginning on January 1, 1997.

APPENDIX A

Page 2

Schedule No. SM-1

Santa Maria District

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all general metered water service.

TERRITORY

Within the established Santa Maria District, San Luis Obispo County and Santa Barbara County.

RATES

	1997 Rates	1998 Rates
Service Charge:		
For 5/8 x 3/4-inch meter.....	\$ 9.20	\$ 10.40
For 3/4-inch meter.....	17.25	19.00
For 1-inch meter.....	22.05	25.00
For 1-1/2-inch meter.....	28.10	34.00
For 2-inch meter.....	43.40	52.75
For 3-inch meter.....	81.35	98.95
For 4-inch meter.....	133.60	162.90
For 6-inch meter.....	232.20	290.85
For 8-inch meter.....	338.90	432.70
For 10-inch meter.....	438.70	573.60

Quantity Rates:

For all water delivered per 100 cu.ft.. \$ 0.8022

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

SPECIAL CONDITIONS

- All bills are subject to the reimbursement fee set forth on Schedule No. UP.
- Due to an overcollection in the Balancing Account, an amount of \$0.057 per Ccf is to be subtracted from the Quantity Rates shown above for the 24-month period beginning on January 1, 1997.
- To amortize the Income Tax Memorandum Account balance, a surcharge of \$0.001 per Ccf is to be added to the Quantity Rates shown above for a 12-month period beginning on January 1, 1997.
- To amortize the New Employee Memorandum Account balance, a surcharge of \$0.005 per Ccf is to be added to the Quantity Rates shown above for a 12-month period beginning on January 1, 1997.

APPENDIX A
Page 3Schedule No. SM-3MLSanta Maria DistrictLIMITED METERED IRRIGATION SERVICEAPPLICABILITY

Applicable to metered irrigation water service.

TERRITORY

The unincorporated area known as Lake Marie Ranches located in the former Lake Marie Service Area.

RATES

	Per Meter Per Month	
	1997 Rates	1998 Rates
Service Charge:		
For 3/4-inch meter.....	\$ 20.65	\$ 22.40
For 1-inch meter.....	28.05	31.00
For 3-inch meter.....	49.35	66.95
Quantity Rates:		
For all water delivered per 100 cu.ft..	\$ 0.538	\$ 0.538

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

SPECIAL CONDITIONS

1. A customer desiring to obtain water deliveries under this schedule must first obtain a written permit from the utility, with service limited to existing customers as of December 31, 1986.
2. The utility will supply only such water at such pressure as may be available from time to time as a result of its normal operations.
3. Due to an overcollection in the Balancing Account, an amount of \$0.057 per Ccf is to be subtracted from the Quantity Rates shown above for the 24-month period beginning on January 1, 1997.
4. To amortize the Income Tax Memorandum Account balance, a surcharge of \$0.001 per Ccf is to be added to the Quantity Rates shown above for a 12-month period beginning on January 1, 1997.
5. To amortize the New Employee Memorandum Account balance, a surcharge of \$0.005 per Ccf is to be added to the Quantity Rate shown above for a 12-month period beginning on January 1, 1997.
6. All bills are subject to the reimbursement fee set forth on Schedule No. UF.

(END OF APPENDIX A)

Net-to-Gross Multiplier	1.8267
Uncollectible Rate	0.352%
Franchise Tax Rate	1.150%
Federal Tax Rate	35.12%
State Tax Rate	9.3%

1. PURCHASED POWER

SoCal Edison	
Effective Date	1/93
Unit cost, \$/kWh	\$0.10267
Wells :	
Production, kCcf	4,232.21
Total kWh (000)	5,613.01
Rate, kWh / Ccf	1.32626
Energy Cost (\$000)	\$576.3
Boosters : 8	
Production, kCcf	4,232.21
Total kWh (000)	2,793.54
Rate, kWh / Ccf	0.660066
Energy Cost (\$000)	\$286.8
Total Purchased Power Cost (\$000)	\$863.1

2. CHEMICAL (\$000) \$2.8

3. NUMBER OF METERED SERVICES (Schedules Nos. BA-1)

<u>Meter Size</u>	<u>No. of Services</u>
5/8 x 3/4-inch meter	7,398
3/4	3
1	848
1 - 1/2	63
2	294
3	29
4	10
6	8
8	2
10	0
Total Metered Services	8,655

SOUTHERN CALIFORNIA WATER COMPANY

STIPULATED QUANTITIES
BARSTOW DISTRICT - A.96-03-024

Table B.1, page 2 of 2
TEST YEARS 1997 & 1998
(Continued)

4. WATER CONSUMPTION

Classification	Service Connections	Usage (Ccf/Cust)	Consumpt (kCcf)
METERED SERVICE:			
Commercial	8,561	331.6	2,838.9
Public Authority	79	5,143.4	406.3
Irrigation	7	13,768.3	96.4
Other	8	1,825.0	14.6
Contract	1		440.5
Total Metered	8,656		3,796.7
PRIVATE FIRE PROTECTION	0		
TOTAL CONNECTIONS	8,656		
UNACCOUNTED WATER (10.29%)			435.5
TOTAL WATER PRODUCTION			4,232.2
PURCHASED WATER			0.0
WELL WATER			4,232.2

(Dollars in Thousands)

Total Income Taxes

Federal Inc. Tax (22.12%)

Federal Taxable Income

Amort. Contrib. (Method 2)

State Inc. Tax (Approved Res. W-0834)

Federal Tax Depreciation

State Inc. Tax (9.31%)

State Taxable Income

State Tax Depreciation

Subtotal

Interest Exp.

Schedule M

Tax on Inc.

Ad Valorem Tx (0.81%)

Franchise Tx (1.1204%)

Unaccounted (0.85%)

Other Exp.

Prof. Fees

Prop. Water

Op. Exp.

Southern California Water Company
Barlow District
SUMMARY OF EARNINGS
Table B2 page 1 of 2
Test Year 1997
(Dollars in Thousands)

Item	Res. W-3834 Authorized	1996 Plant Add	TY 1997 Summary
Op. Rev.	\$4,257.3	\$67.8	\$4,325.1
Op. Exp.			
Pur. Water			
Pur. Power	863.1		863.1
Other Exp.	1,297.8		1,297.8
Uncollectibles	16.7		16.9
Depreciation	377.7		385.4
Franchise Tx	54.7		55.5
Ad Valorem Tx	111.8		115.8
Txs O/T Inc.	29.5		29.5
State Inc. Tx	72.3		75.7
Fed. Inc. Tx	310.9		330.6
Total Exp.	\$3,134.5	\$35.9	\$3,170.4
Net Revenue	\$1,122.8	\$31.9	\$1,154.7
Rate Base	\$11,814.5		
Rate of Return	9.50%		

Southern California Water Company
Barlow District
INCOME TAX CALCULATION
Test Year 1997
(Dollars in Thousands)

Op. Rev		\$4,325.1
Op. Exp		
Pur. Water		
Pur. Power		863.1
Other Exp.		1,297.8
Uncollectibles (0.352%)		16.9
Franchise Tx (1.150%)		55.5
Ad Valorem Tx (0.65%)		115.8
Txs O/T Inc.		29.5
Schedule M		13.7
Interest Exp.	552.9 + 18.0 =	570.9
Subtotal		\$2,963.2
State Tax Depreciation	539.9 + 7.7 =	547.6
State Taxable Income		\$814.3
State Inc. Tax (9.3%)		\$75.7
Federal Tax Depreciation	345.1 + 7.7 =	352.8
State Inc. Tax (Authorized Res. W-3834)		72.3
Amort. Contrib (Method 5)		(4.7)
Federal Taxable Income		\$941.5
Federal Inc. Tax (35.12%)		\$330.6
Total Income Taxes		\$406.4

Southern California Water Company
Barstow District
SUMMARY OF EARNINGS
Table B2 page 2 of 2
Test Year 1998
(Dollars in Thousands)

Item	TY 1997 Summary	1997 Plant Add	TY 1998 Summary
Op. Rev.	\$4,325.1	\$123.2	\$4,448.3
Op. Exp.			
Pur. Water			
Pur. Power	863.1		863.1
Other Exp.	1,297.8		1,297.8
Uncollectibles	16.9		17.4
Depreciation	385.4	19.3	404.7
Franchise Tx	55.5	1.4	56.9
Ad Valorem Tx	115.8	7.6	123.4
Txs O/T Inc.	29.5		29.5
State Inc. Tx	75.7		75.7
Fed. Inc. Tx	330.6		330.6
Total Exp.	\$3,170.4	\$52.2	\$3,222.6
Net Revenue	\$1,154.7	\$71.0	\$1,225.7
Rate Base	\$12,261.8	\$968.5	\$13,230.3
Rate of Return	9.42%	7.33%	9.26%

Southern California Water Company
Barstow District
INCOME TAX CALCULATION
Test Year 1998

(Dollars in Thousands)

Op. Rev		\$4,448.3
Op. Exp		
Pur. Water		
Pur. Power		863.1
Other Exp.		1,297.8
Uncollectibles (0.352%)		17.4
Franchise Tx (1.150%)		56.9
Ad Valorem Tx (0.65%)		123.4
Txs O/T Inc.		29.5
Schedule M		13.7
Interest Exp.	570.9 + 39.0 =	610.0
Subtotal		\$3,011.8
State Tax Depreciation	547.6 + 19.3 =	566.9
State Taxable Income		\$869.6
State Inc. Tax (9.3%)		\$80.9
Federal Tax Depreciation	352.8 + 19.3 =	372.1
State Inc. Tax (Prior Year)		75.7
Amort. Contrib (Method 5)		(4.7)
Federal Taxable Income		\$993.4
Federal Inc. Tax (35.12%)		\$348.9
Total Income Taxes		\$429.8

SOUTHERN CALIFORNIA WATER COMPANY Page 6

Barstow District
STIPULATED RATE BASE
Table B3
(Dollars in Thousands)

Item	Test Year 1997	Test Year 1998
Utility Plant	\$20,391.2	\$21,564.5
CWP	100.0	100.0
Materials & Supplies	97.5	97.5
Working Cash	150.1	156.9
Accumulated Depreciation	(3,663.9)	(3,617.4)
Advances	(3,450.0)	(3,450.0)
Contributions	(986.3)	(1,244.3)
G.O. Allocation	344.4	344.4
Unamort. Def. Taxes	(130.3)	(130.3)
Unamort. Invest. Tax Credit	(974.3)	(974.3)
Prepaid Taxes on CIAC	312.8	312.8
Capitalized Items	70.4	70.4
RATE BASE	\$12,261.8	\$13,230.3

Southern California Water Company
Barstow District
INCOME TAX CALCULATION
Test Year 1998

(Dollars in Thousands)

Op. Exp.	24,433	
Op. Exp.		
Pur. Water		
Pur. Power		
Op. Exp.	5,231	
Unrecoverables (0.25%)	1,537.8	
Favorable Tx (1.150%)	174	
Ad. Val. Tx (0.62%)	69	
Tax On Inc.	1534	
Schedule M	98	
Interest Exp.	137	
Subtotal	810	
	23,011.8	270.9 + 30.0 =
State Tax Depreciation	622.8	
State Taxable Income	23,634.6	270.9 + 19.3 =
State Inc. Tax (9.3%)	2,198.8	
Federal Tax Depreciation	315.1	
State Inc. Tax (Pfor Year)	127	325.8 + 19.3 =
Amort. Cont'd (Method B)	(1.1)	
Federal Taxable Income	23,439	
Federal Inc. Tax (35.12%)	8,233.4	
Total Income Taxes	24,262.8	

SOUTHERN CALIFORNIA WATER COMPANY

STIPULATED QUANTITIES
SANTA MARIA DISTRICT
Table B48 page 1 of 2
TEST YEARS 1997 & 1998
(Continued)

Net-to-Gross Multiplier	WATER CONSUMPTION	1.8028
Uncollectible Rate		0.200%
Franchise Tax Rate	Classification	0.000%
Federal Tax Rate	METERED SERVICE	35.12%
State Tax Rate		9.3%

1. PURCHASED POWER:

1.010,8	0.000	Commercial	
1.00	0.000	Public Authority	
0.0	0.000	Initiation	
0.00	0.000	Other	PG&E 1-1-92
4,040.2		Total Metered	4,351.4
			2,444.0
			10,699.4
			\$0.107190
			\$1,146.9
			218.5
			\$0.68122
			\$148.9
			\$1,295.7

2. CHEMICAL (\$000) \$14.8

3. NUMBER OF METERED SERVICES (Schedules Nos. SM-1 and SM-3ML)

Meter Size	No. of Service
5/8 x 3/4-inch meter	10,730
3/4	247
1	708
1 - 1/2	59
2	148
3	8
4	0
6	0
8	1
10	0
Total Metered Services	11,901

SOUTHERN CALIFORNIA WATER COMPANY

STIPULATED QUANTITIES

SANTA MARIA DISTRICT LA 96-03-025

Table B48 page 2 of 2

TEST YEARS 1997 & 1998

(Continued)

4. WATER CONSUMPTION

1.8038.1
0.0000.0
0.0000.0
32.122.8
0.000.0

Classification

Service Connections

Usage (Ccf/ Cust)

Consumpt (kCcf)

METERED SERVICE:

Commercial
Public Authority
Irrigation
Other

11,877
8
10
6

330.0
11,265.3
643.9
4,669.3

Total Metered

109.11

5,405.5

Irrigation
3/4 - inch meter
1
3

Unit Cost, \$1 KWh
Power Cost (\$200)
2
Total Terms (000)
Unit Cost, \$1 term
Gas Cost (\$200)

Total Irrigation

PRIVATE FIRE PROTECTION

TOTAL CONNECTIONS

UNACCOUNTED WATER (7.03%)

TOTAL WATER PRODUCTION

PURCHASED WATER

WELL WATER

10,730
247
708
29
148
8
0
0
1
0

3M
1 - 1/2
2
3
4
6
8
10

305.9
4351.4
0.0
4351.4

102.11

Total Metered Services

Southern California Water Company
Santa Maria District
SUMMARY OF EARNINGS
Table 85 - page 1 of 2
Test Year 1997
(000's) (\$000)

Auth TY 1994	Plant Add	Summary
Op. Rev.	\$4,719.7	\$4,793.9
Op. Exp.		
Pur. Water	0.0	0.0
Pur. Power	1,295.7	1,295.7
Other Exp.	1,500.8	1,500.8
Uncollectibles	9.4	9.5
Depreciation	507.5	523.5
Franchise Tx	0.0	0.0
Ad Valorem Tx	135.5	148.1
Txs O/T Inc.	48.7	48.7
State Inc. Tx	45.5	48.1
Fed. Inc. Tx	230.8	246.7
Total Exp.	\$3,774.0	\$4,321.3
Net Revenue	\$945.7	\$472.6
Rate Base	\$10,342.0	\$10,775.5
Rate of Return	9.14%	6.03%

Southern California Water Company
Santa Maria District
INCOME TAX CALCULATION
Test Year 1997

(in Dollars in Thousands)

Op. Rev	\$4,793.9
Op. Exp	
Pur. Water	0.0
Pur. Power	1,295.7
Other Exp.	1,500.8
Uncollectibles (0.2%)	9.5
Franchise Tx (0%)	0.0
Ad Valorem Tx (0.67%)	148.1
Txs O/T Inc.	48.7
Schedule M	38.6
Interest Exp. +	413.7 + 17.5 = 431.2
Subtotal	\$3,472.7
State Tax Depreciation	788.1 + 16.0 = 804.1
State Taxable Income	\$517.1
State Inc. Tax (9.3%)	\$48.1
Federal Tax Depreciation	543.9 + 16.0 = 559.9
State Inc. Tax (1994 Authorized)	45.5
Amort. Contrib (Method 5)	13.2
Federal Taxable Income	\$702.6
Federal Inc. Tax (35.12%)	\$246.7
Total Income Taxes	\$294.8

Southern California Water Company
 Santa Maria District
SUMMARY OF EARNINGS
 Table B5 - page 2 of 2
 Test Year 1998
 (\$000) (\$000)

Item	TY 1997 Summary	1997 TY 1998 Plant Add Summary
Op. Rev.	\$4,793.9	\$205.5 \$4,999.4
Op. Exp.		
Pur. Water	0.0	0.0
Pur. Power	1,295.7	1,295.7
Other Exp.	1,500.8	1,500.8
Uncollectibles	9.5	10.0
Depreciation	523.5	560.0
Franchise Tx	0.0	0.0
Ad Valorem Tx	148.1	159.1
Txs Off Inc.	48.7	48.7
State Inc. Tx	48.1	57.7
Fed. Inc. Tx	248.7	282.2
Total Exp.	\$3,821.3	\$92.9 \$3,914.3
Net Revenue	\$972.6	\$112.6 \$1,085.2
Rate Base	\$10,775.5	\$1,344.2 \$12,119.8
Rate of Return	9.03%	8.37% 8.95%

Southern California Water Company
 Santa Maria District
INCOME TAX CALCULATION
 Test Year 1998

(in Dollars in Thousands)

Op. Rev	\$4,999.4
Op. Exp	
Pur. Water	0.0
Pur. Power	1,295.7
Other Exp.	1,500.8
Uncollectibles (0.352%)	10.0
Franchise Tx (1.150%)	0.0
Ad Valorem Tx (0.65%)	159.1
Txs Off Inc.	48.7
Schedule M	38.6
Interest Exp. 2.5% + 5.0%	431.2 + 54.2 = 485.3
Total Deduction	\$3,538.3
State Tax Depreciation	804.1 + 36.5 = 840.6
State Taxable Income	\$620.5
State Inc. Tax (9.3%)	\$57.7
Federal Tax Depreciation	559.9 + 36.5 = 596.4
State Inc. Tax (Prior Year)	48.1
Amort. Contrib (Method 5)	13.2
Federal Taxable Income	\$803.4
Federal Inc. Tax (35.12%)	\$282.2
Total Income Taxes	\$339.9

SOUTHERN CALIFORNIA WATER COMPANY

APPENDIX B

Santa Maria District

Page 11

Table B6

STIPULATED RATE BASE
(Dollars in Thousands)

<u>Item</u>	<u>Test Year 1997</u>	<u>Test Year 1998</u>
Utility Plant	\$22,151.7	\$23,789.4
CWIP	364.2	364.2
Materials & Supplies	32.1	32.1
Working Cash	74.2	76.9
Accumulated Depreciation	(4,153.0)	(4,149.3)
Advances	(5,007.0)	(5,007.0)
Contributions	(1,743.2)	(2,043.2)
G.O. Allocation	356.8	356.8
Unamort. Def. Taxes	(1,085.4)	(1,085.4)
Unamort. Invest. Tax Credit	(373.7)	(373.7)
Prepaid Taxes on CIAC	62.3	62.3
Capitalized Items	96.5	96.5
RATE BASE	\$10,775.5	\$12,119.8

(END OF APPENDIX B)

APPENDIX C
 Page 1

SOUTHERN CALIFORNIA WATER COMPANY
 DEPARTMENT OF RATE INCREASE
 BARSTOW DISTRICT

Customers	Present Rates	Proposed Rates	1997 Proposed Rates
10	428.00	418.00	2005.10
8	333.42	30.00	2328.60
6	335.60	30.00	2525.60
4	151.66	32.00	2137.66
3	69.02	12.00	235.62
2	60.72	8.00	223.62
1-15	20.60	2.00	223.60
1	20.00	2.00	221.00
3M	18.40	1.00	217.00
6M x 6M	11.50	1.00	211.00
Total			

Monthly increase for a typical customer @ 29.04	20.32	1.24	20.32
Quantity Rate per Ccf	235.37	235.37	235.37
Typical Customer bill @ proposed rate	168.418	168.418	168.418
Typical Customer bill @ present rate	147.18	147.18	147.18
Revenue	257,629.00	257,629.00	257,629.00
Revenue	218,700.00	218,700.00	218,700.00

APPENDIX C

Monthly increase for a typical customer @ 29.04
 Quantity Rate per Ccf
 Typical Customer bill @ proposed rate
 Typical Customer bill @ present rate
 Increase to 6M meter service charge
 Equivalent customer months
 Equivalent customer months
 Service Charge Revenue

APPENDIX C

Table C1

Page 2

SOUTHERN CALIFORNIA WATER COMPANY
DEVELOPMENT OF RATE INCREASE
BARSTOW DISTRICT

	Present Rates	Ratio	1997 Proposed Rate	1998 Proposed Rate
Customers:				
5/8 x 3/4	11.20	1.000	\$11.60	
3/4	16.40	1.500	\$17.00	\$12.35
1	20.00	2.500	\$21.00	\$18.10
1-1/2	30.60	5.000	\$32.60	\$22.80
2	50.75	8.000	\$53.95	\$36.25
3	86.05	15.000	\$92.05	\$59.75
4	121.65	25.000	\$131.65	\$102.95
6	232.50	50.000	\$252.50	\$149.85
8	293.45	80.000	\$325.50	\$288.85
10	456.05	115.000	\$502.10	\$383.65
Total				\$585.70
Service Charge Revenue			\$67,826.00	\$191,008.00
Equivalent customers			14,118	
Equivalent customers months			169,416	
Increase to 5/8" meter service charge			\$0.400	\$1.13
Typical Customer bill @ present rate			\$32.37	
Typical Customer bill @ proposed rate			\$32.77	\$33.52
Current Rate per Ccf.	\$0.7560			
Monthly increase for a Typical Customer using 28 Ccf	\$0.40	1.24%	\$0.75	2.29%

APPENDIX C

SOUTHERN CALIFORNIA WATER COMPANY
DEPARTMENT OF RATE INCREASE
SANTA MARIA DISTRICT

Southern California Water Company
Barstow District

Comparison of typical bills for residential metered customers of various
usage level and average level at present and authorized rates for the year 1997:

Monthly Usage (Cubic Feet)	At Present Rates	At Authorized Rates	Percent Increase
500	\$14.98	\$15.38	2.67%
1000	\$18.76	\$19.16	2.13%
1500	\$22.54	\$22.94	1.77%
2500	\$30.10	\$30.60	1.33%
2800 (Avg.)	\$32.37	\$32.77	1.24%
3000	\$33.88	\$34.28	1.18%
4000	\$41.44	\$41.84	0.97%
10000	\$86.80	\$87.20	0.46%

General Metered Service
(5/8 x 3/4 inch meters)

Service Charge Revenue
Edwards customers
Edwards customers meter
Increase to 5/8" meter service charge
Typical Customer bill @ present rate
Typical Customer bill @ proposed
Current Rate per CCL
Monthly Increase for a Typical Customer using 28 Ccf

APPENDIX C
Page 4

SOUTHERN CALIFORNIA WATER COMPANY
DEVELOPMENT OF RATE INCREASE
SANTA MARIA DISTRICT

	Present Rates	Ratio	1997 Proposed Rate	1998 Proposed Rate
Customers 5/8 x 3/4	8.80	1.000	\$9.20	\$10.40
3/4	16.60	1.500	\$17.25	\$19.00
1	21.00	2.500	\$22.05	\$25.00
1-1/2	26.00	5.000	\$28.10	\$34.00
2	40.00	8.000	\$43.40	\$52.75
3	75.00	15.000	\$81.35	\$98.95
4	123.00	25.000	\$133.60	\$162.90
6	211.00	50.000	\$232.20	\$290.85
8	305.00	80.000	\$338.90	\$432.70
10	390.00	115.000	\$438.70	\$573.60

	Present Rates	Ratio	1997 Proposed Rate	1998 Proposed Rate
Total				
Service Charge Revenue			\$74,234.00	\$279,730.00
Equivalent customers			14,601	
Equivalent customers months			175,212	
Increase to 5/8" meter service charge			\$0.424	\$1.60
Typical Customer bill @ present rate			\$31.26	
Typical Customer bill @ proposed rate			\$31.66	\$32.86
Current Rate per Ccf.			\$0.8022	
Monthly increase for a Typical Customer using 28 Ccf			\$0.40	1.28%

Southern California Water Company
Santa Maria District

Comparison of typical bills for residential metered customers of various usage level and average level at present and authorized rates for the year 1997.

General Metered Service
(5/8 x 3/4 - inch meters)

Monthly Usage (Cubic Feet)	At Present Rates	At Authorized Rates	Percent Increase
500	\$12.81	\$13.21	3.12%
1000	\$16.82	\$17.22	2.38%
1500	\$20.83	\$21.23	1.92%
2500	\$28.86	\$29.26	1.39%
2800 (Avg.)	\$31.26	\$31.66	1.28%
3000	\$32.87	\$33.27	1.22%
4000	\$40.89	\$41.29	0.98%
10000	\$89.02	\$89.42	0.45%

(END OF APPENDIX C)

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

General rate cases would be filed in only two districts, Barstow and Santa Maria. These cases would be limited in scope, but would cover the years 1997, 1998 and 1999.

In the matter of the Application of the Southern California Water Company (U.133 W) for an order authorizing it to increase rates for water service in its Barstow Customer Service Area Application 96-03-024 (Filed March 11, 1996)

In the matter of the Application of the Southern California Water Company (U 133 W) for an order authorizing it to increase rates for water service in its Santa Maria Customer Service Area Application 96-03-025 (Filed March 11, 1996)

SETTLEMENT

1.00 Introduction

1.01 This Settlement resolves all issues in the matter of the applications of Southern California Water Company (SCWC) for a general rate increase in its Barstow Customer Service Area (Barstow) and in its Santa Maria Customer Service Area (Santa Maria). The parties to this Settlement are SCWC and the Large Water Branch (LWB, formerly known as the Division of Ratepayer Advocates), collectively referred to as the "Parties". This is the third successive cooperative effort between the Parties involving general rate cases during the past year. D.95-12-027 adopted a settlement between Parties in general rate case applications covering six water districts. D.96-05-033 adopted a settlement between the Parties in a general rate case application for SCWC's electric district. This Settlement incorporates applicable portions of those prior agreements.

1.02 SCWC and LWB agreed to the following matters prior to the filing of these applications:

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

a. General rate cases would be filed in only two districts, Barstow and Santa Maria. These cases would be limited in scope, but would cover the years 1996, 1997, and 1998.

b. Revenue requirement would be calculated on an incremental basis and only for projects completed in 1996 and 1997 and for the revised 4-factor allocation of the general office's rate base. The final decision in these cases would also incorporate the latest levels of costs and would implement or modify amortization rates to dispose of any then-existing balance in any balancing account.

c. Incremental revenue requirement would consist of six components: depreciation expense, property tax, income tax, return, franchise fees, and uncollectibles. Return on rate base would be the % amount adopted in D. 95-12-027 for 1997 and 1998 unless the Commission authorizes a lower return on rate base for SCWC for 1998 in a subsequent proceeding, which then should be used. All other factors would be those adopted in prior decisions.

d. Increases in rates for the various projects would be made to the service charges only, using the allocation by size of meter indicated in the Water Branch's memorandum dated January 18, 1991. Rates effective January 1, 1997, would reflect projects approved by the Commission for 1996 and rates effective January 1, 1998, would reflect the projects approved by the Commission for 1997.

1.03 LWB conducted an independent review of SCWC's applications. The investigation included field inspections and public hearings in Barstow and Santa Maria. The review also included several data requests of, and communications with, SCWC's staff. In conclusion of that review, LWB developed various tables (LWB's Reports,

dated June 1996) indicating areas of disagreement with SCWC's application.

Subsequently, the Parties held a conference to discuss differences between SCWC's application and LWB's Reports. Those negotiations resulted in the resolution of all issues.

1.04 In summary, the annual increases in revenue proposed by the Parties and those agreed to in the Settlement are as follows:

	Barstow		Santa Maria	
	1997	1998	1997	1998
SCWC	\$67,826	\$275,731	\$74,234	\$205,496
LWB				
Base Level	\$59,500	\$123,182	(\$23,750)	\$120,350
Advice Letter Project		\$152,549		
Settlement				
Base Level	\$67,826	\$123,182	\$74,234	\$205,496
Advice Letter Project		\$152,549		
Amortizations	\$98,122	\$76,132	(\$207,534)	(\$232,230)

The base level represents an increase of 1.59% for 1997 and an increase of 2.85% for 1998 in Barstow, and an increase of 1.57% for 1997 and an increase of 4.29% for 1998 in Santa Maria. Neither Barstow nor Santa Maria would receive an allowance in 1999 to offset financial attrition.

1.05 These applications involve recovery of costs in 1997 and 1998 for capital additions budgeted for 1996 and 1997. The Parties agree that items normally addressed in a general rate case, and not provided for in this agreement, will next be eligible for consideration in the case having a first test year of 1999.

1.06 Attached to this Settlement are the following appendices showing the calculations, quantities, and rates that have been agreed to by the Parties:

- Appendix A -- Summary of Earnings
- Appendix B -- Supporting Calculations
- Appendix C -- Rates and Tariffs

Operating Revenue and Sales

2.01 History in Barstow: The last increase in general rates for Barstow was authorized by D.92-01-025 in A.91-01-101. The basic general rates were authorized to be increased to earn a rate of return on rate base of 10.62% for 1992 and 10.60% for 1993 and 1994, reflecting a constant return on equity of 11.75%. In June, 1992, an increase relating to the sale of the general office and authorized by D.92-03-094 was implemented. On January 1, 1993, the increase became effective and an existing surcharge was eliminated. In March 1994, an offset was authorized by Resolution W-3834. Finally, on February 26, 1995, the current rates (including the surcharge authorized by D.94-12-005) were made effective.

2.02 History in Santa Maria: The last increase in general rates for Santa Maria was authorized by D.94-06-007 in A.92-05-033. The basic general rates were authorized to be increased to earn a rate of return on rate base of 9.14% for 1994 and 9.04% for 1995, reflecting a constant return on equity of 10.10%. These rates became effective on June 15, 1994, and remain in effect today.

2.03 Operating Revenues and Sales: The Parties agree that the estimates of customers and sales adopted in the Commission's prior decisions and resolutions are reasonable for use in these applications. The Parties agree that the most recently authorized revenue requirement is \$4,257,300 for Barstow and \$4,719,700 for Santa Maria.

3.00 Operation and Maintenance

3.01 Supply: The Parties agree that the balancing account in Barstow has an undercollection of \$140,264 as of June, 1996, that should be amortized over two years by adding to rates a temporary charge of \$0.018/Ccf. The Parties further agree that the balancing account in Santa Maria has an overcollection of \$464,459 as of June, 1996, that should be amortized over two years by adding to rates a temporary surcharge (reduction) of \$0.057/Ccf. The calculation of these rates is contained in Appendix B7.

3.02 Uncollectibles: The Parties agree to apply the latest rates for uncollectibles (0.352% for Barstow and 0.200% for Santa Maria) to adopted revenues;

4.00 Administrative and General Expenses: The Parties agree to include the project costs regarding timing and cost; however, the Parties agree not to include the project costs in this time.

4.01 Franchise Tax: The Parties agree to apply the latest rates for franchise taxes (1.150% for Barstow and 0.000% for Santa Maria) to adopted revenues.

4.02 Depreciation: Differences in the incremental expenses for depreciation are due solely to differences in additions estimated for the test years. SCWC and LWB each used the latest accrual rates for composite depreciation of 2.11% in Barstow and 2.73% in Santa Maria.

4.03 Ad Valorem Taxes: The Parties agree that incremental ad valorem taxes should be based on the latest authorized rates for ad valorem taxes (0.65% in Barstow and 0.67% in Santa Maria) multiplied by incremental plant.

5.00 Income Taxes: The Parties agree that income taxes were calculated incorrectly in the applications.

5.01 The Parties agree that income taxes were calculated incorrectly in the applications. Also, income taxes should be calculated on district-wide, rather than incrementally as contained in the applications.

5.02 Generally, calculations of taxes in prior decisions should be used as a starting point and updated for incremental revenues, deductions for interest, and tax depreciation provided by the current applications. In addition, the prior decisions for these districts used a rate for federal taxes of 34.12%, which should be updated to the current 35.12%.

6.00 Rate Base

6.01 Additions for 1996 and 1997: Except as noted below, the Parties agree that the SCWC's proposed capital additions for 1996 and 1997 in Barstow and Santa Maria are reasonable.

6.02 Bradshaw to Agrita Transmission Main and Booster Station- The Parties agree that this is a large, expensive project that will improve supply in Barstow. Given concerns regarding timing and cost, however, the Parties agree not to include the project in rate base at this time. Instead, SCWO should be authorized to file an advice letter once the first phase of the project is complete. Costs would then be subject to LWB's review. They are now estimated at \$931,700, capped at \$1,050,000 for the first phase of this project.

6.03 Contingencies- The Parties agree that a 10% should be used as a contingency for all projects in this case.

6.04 Retirements- The Parties agree to include for retirements for each test year \$60,000 in Barstow and \$30,000 in Santa Maria to approximate the past five years of recorded data.

6.05 Allocation for General Office- The Parties agree to allocate to Barstow and Santa Maria, in the first test year, at its revised 4-factor share, the amount for the General Office adopted by D.95-12-027 as follows:

	Barstow	Santa Maria
Current Alloc. GO Rate Base	\$319,900	\$533,400
Revised Alloc. GO Rate Base	\$344,430	\$356,767

6.06 Working Cash- The Parties agree to the following amounts of incremental working cash:

	1996	1997
Barstow	\$891	\$6,771
Santa Maria	\$1,613	\$2,725

Except as noted below, the Parties agree that the SCWC's proposed capital additions for 1996 and 1997 in Barstow and Santa Maria are reasonable.

7.00 Cost of Capital The Parties have reviewed current financial conditions as they relate to SCWC and have considered SCWC's financial integrity. LWB and SCWC agree that the cost of capital which was adopted for SCWC's water districts in 1995 is reasonable for the capital additions in this proceeding.

<u>1997</u>	<u>Capital Structure</u>	<u>Cost</u>	<u>Weighted Cost</u>
Long-Term Debt	48.70%	8.28%	4.03%
Preferred Stock	0.80%	4.37%	0.03%
Common Stock	50.50%	10.40%	5.25%
Total	100.00%		9.32%

<u>1998</u>	<u>Capital Structure</u>	<u>Cost</u>	<u>Weighted Cost</u>
Long-Term Debt	48.70%	8.23%	4.01%
Preferred Stock	0.80%	4.37%	0.03%
Common Stock	50.50%	10.40%	5.25%
Total	100.00%		9.29%

8.00 Rate Design

8.01 Effects of Settlement on Rates: As agreed above, the costs of the capital additions will be reflected solely as an increase to service charges. Amortizations of balances in the balancing account will be accomplished through temporary surcharges added to, or subtracted from, the quantity rates. While the stipulated additions would support a higher revenue requirement, SCWC is limited to the rates included in its application, and therefore accepts a lower rate of return on the additions than authorized in D.95-12-027 (7.14% in 1997 and 7.33% - excluding the project discussed in Paragraph 6.02 above - for 1998 in Barstow and 6.20% for 1997 and 8.37% for 1998 in Santa Maria).

8.02 Impact in Barstow- The typical commercial customer in Barstow will see an increase of \$0.40, or 1.24%, in a monthly bill of \$32.37 in 1997 and an additional increase of \$0.76, or 2.29% in 1998. The amortizations will increase the Quantity Rate by \$0.025/Ccf in 1997, and then reduce it by \$0.007/Ccf in 1998. The project discussed above in Paragraph 6.02 is expected by the Parties to increase monthly bills by \$0.90, or 3.43%.

8.03 Impact in Santa Maria- The typical commercial customer in Santa Maria will see an increase of \$0.40, or 1.28%, in a monthly bill of \$31.26 in 1997, and an additional increase of \$1.20, or 3.79%, in 1998. The amortizations will reduce the Quantity Rate by \$0.051/Ccf in 1997 and decrease it by \$0.006/Ccf in 1998.

8.04 Income Tax Memorandum Account - Resolution Nos. E-3331 (dated July 21, 1993) and E-3335 (dated August 4, 1993) authorized utilities to establish a Federal Tax Reform Legislation Memorandum Account, effective July 21, 1993, to enable them to seek recovery of incremental revenue requirements pending legislation. The balances identified in Appendix B7 have been reviewed and are reasonable.

8.05 New Employee Memorandum Account- Decision No. 93-06-035 authorized SCWC to establish a memorandum account to track expenses associated with new positions at the division level which were filed in 1992 and which had not previously been covered in rates. Costs associated with one position, Office Administrator, were identified as \$156,000. The resultant balances for Barstow and for Santa Maria identified in Appendix B7 have been reviewed and are reasonable.

9.00 Waiver of Liability

The Parties agree that no signatory to this Settlement nor any member of the staff of the 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 LWB, the staff

of LWB, attorneys representing LWB, or the LWB itself related to this Settlement. All rights and remedies of the Parties are limited to those available before the Commission:

Dated: July 26, 1996

Dated: July 25, 1996

Donald M. Crea
DONALD MCCREA
Large Water Branch
California Public Utilities Commission

Joseph F. Young
JOSEPH F. YOUNG
Vice President, Regulatory Affairs
Southern California Water Co.

(END OF APPENDIX D)