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Decision 97-04-057 April 23, 1997

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
 CALIFORNIA WATER SERVICE COMPANY)
 (U 60 W), a corporation, for a)
 general rate increase to increase)
 gross revenues by \$6,396,900, or)
 7.11% in the year of 1997, and by)
 additional amounts totaling)
 \$16,300 or 0.08%, in 1998, \$67,100,)
 or 0.32% in 1999, and \$62,700, or)
 0.30% in 2000, in the Palo Verdes)
 District.)

Application 96-09-015
 (Filed September 9, 1996)

ORIGINAL

And Related Matter.)

Application 96-09-017
 (Filed September 9, 1996)

Francis S. Ferraro and William S. Newell,
 Attorney at Law, for California Water
 Service Company, applicant.
James S. Rood, Attorney at Law, and Donald
McCrea, for Large Water Branch.

OPINIONSummary of Decision

This decision authorizes the following general rate increases to California Water Service Company (CWS):

<u>District</u>	<u>1997</u>		<u>1998</u>		<u>1999</u>		<u>2000</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
(in thousands of dollars)								
Palos Verdes	\$726.7	3.7%	\$95.3	0.5%	\$77.4	0.4%	\$77.4	0.4%
Livermore	895.8	13.8	123.2	1.7	37.5	0.5	37.5	0.5

These increases are based on a rate of return on rate base of 9.32%, with a corresponding rate of return of 10.35% on common equity. The average Livermore customer using 19 Ccf per month will see their monthly bill rise from \$31.36 to \$35.07 or

11.8% including surcharges and surcredits. The average Palos Verde customer using 20 Ccf per month will experience a monthly bill rising from \$64.20 to \$66.40 or 3.4%.

In addition to the the general rate increase, CWS is also authorized to recover amounts recorded in its memorandum and balancing accounts for the two districts. The combined authorized rate increases are as follows:

<u>District</u>	<u>1997</u>		<u>1998</u>		<u>1999</u>		<u>2000</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
(in thousands of dollars)								
Palos Verdes	\$1,654.9	8.4%	\$906.6	4.5%	\$77.4	0.4%	\$77.4	0.4%
Livermore	772.6	11.9	762.1	10.3	37.5	0.5	37.5	0.5

Background

CWS is a public utility corporation with headquarters in San Jose, California. It provides water service to approximately 358,000 customers in 20 operating districts.

On September 9, 1996, CWS filed applications to increase the rates it charges for water service in two districts for test years 1997 and 1998 and attrition years 1999 and 2000.¹ The applications were consolidated for hearing. The districts and application numbers are: Palos Verdes (Application (A.) 94-09-015) and Livermore (A.96-09-017).

¹ The filing was for a three-year or 36-month period beginning in mid-1997 and extending through mid-2000, pursuant to the Rate Case Plan for Class A Water Utility, (1990) 37 CPUC2d 175. The plan provides that for utilities with a July filing, the calendar year following the year of filing is the first test year, and attrition filings are permitted for both the full calendar year following the second test year and for the following partial year.

Specifically, CWS requested the following increases:

<u>District</u>	<u>1997</u>		<u>1998</u>		<u>1999</u>		<u>2000</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
	(in thousands of dollars)							
Palos Verdes	\$1,220.8	6.2%	\$ 39.6	0.2%	\$122.5	0.6%	\$117.9	0.6%
Livermore	1,064.2	16.6	98.5	1.3	54.9	0.7	53.0	0.7

According to CWS, the rate increases are necessary to cover increases in operating costs since the utility's last general rate case. In addition, CWS plans to add new plant to meet customer growth and increased water use per customer.

A description of the two districts is included in the applications.² At the end of 1995, the Palos Verdes District served 23,275 connections; and the Livermore District served 14,849 connections.

Public Participation Hearings

Duly noticed public participation hearings were held in Palos Verdes and Livermore. Only a few customers attended the hearings. However, the Commission received several letters opposing the requested increases. The customers expressed concern at the magnitude of the requested increases. They asked the Commission to deny the increases.

Large Water Branch's Reports

Large Water Branch (LWB) of the Water Division conducted its investigation of the requested rate increases. Based on its investigation, LWB prepared its report on CWS' results of operation. The Office of Ratepayer Advocates (ORA) prepared a report on CWS' cost of capital for LWB. LWB recommended that CWS be granted increases much lower than requested.

² See Report on the Results of Operation, Chapter 2, for each district. (Exhibits 1 and 2.)

Evidentiary Hearings

An evidentiary hearing in the consolidated proceeding was held on January 21, 1997 in San Francisco before Administrative Law Judge Garde. Other than CWS and LWB, the City of Livermore (Livermore) was the only party in the proceeding. At the hearing, CWS, LWB and Livermore announced that they had reached agreement on all issues. Parties agreed to serve a late-filed exhibit containing the terms of their settlement.

On February 21, 1997, CWS, LWB, and Livermore filed a joint motion for adoption of the settlement contained in the late-filed exhibit. The proceeding was submitted upon filing of the late-filed exhibit.

The Settlement - Results of Operations

The settlement refers to resolution of all issues, including the issue of rate of return, as set forth in late-filed Exhibit 9. The original estimates of CWS and LWB, as well as agreed upon estimates for results of operations, are shown in Tables 1 and 2. Table 3 shows the agreed-upon capital structures and calculations for rates of return for 1997, 1998, 1999, and 2000. Other elements of ratemaking, including estimates for results of operations of CWS' general office, are included in Appendices C-1 through C-5.

Table 1

PALOS VERDES DISTRICT
SUMMARY OF EARNINGS AND RATES OF RETURN
YEARS 1996 THROUGH 1998

	PRESENT RATES			PROPOSED RATES	
	1996	1997	1998	1997	1998
OPERATING REVENUES	\$ 19,741.3	\$ 19,588.8	\$ 19,599.8	\$ 20,315.5	\$ 20,410.8
OPERATIONS EXPENSES					
PURCHASED WATER	10,014.9	10,318.6	10,318.5	10,318.6	10,323.6
GROUNDWATER EXTRACTION CHARGE	0.0	0.0	0.0	0.0	0.0
REPLENISHMENT ASSESSMENT	0.0	0.0	0.0	0.0	0.0
PURCHASED POWER	1,618.0	1,605.3	1,605.3	1,605.3	1,606.0
PURCHASED CHEMICALS	0.0	0.0	0.0	0.0	0.0
PAYROLL - DISTRICT	1,413.0	1,461.9	1,507.6	1,461.9	1,507.6
OTHER OPERATION & MAINTENANCE	858.3	641.4	651.5	642.0	652.2
OTHER ADMIN & GENERAL EXP	95.6	97.5	97.7	97.5	97.7
TOTAL O&M, A&G, AND MISC EXP	13,999.8	14,124.7	14,180.6	14,125.3	14,187.1
TAXES OTHER THAN INCOME					
AD VALOREM TAXES	280.5	282.6	284.7	282.6	284.7
LOCAL FRANCHISE TAXES & BUS LIC	204.6	203.0	203.0	210.5	211.4
PAYROLL TAXES	113.2	116.7	119.9	116.7	119.9
TOTAL GENERAL TAXES	598.3	602.3	607.6	609.8	616.0
DEPRECIATION	892.2	978.9	1,000.0	978.9	1,000.0
G.O. PRORATED EXPENSES					
PAYROLL AND BENEFITS	855.2	936.7	964.9	936.7	964.9
AD VALOREM TAXES	11.4	11.1	10.6	11.1	10.6
PAYROLL TAXES	32.4	35.3	36.3	35.3	36.3
OTHER PRORATED EXPENSES	502.9	505.0	514.5	505.0	514.5
TOTAL G.O. PRORATED EXPENSES	1,431.9	1,488.1	1,526.3	1,488.1	1,526.3
SUB-TOTAL OPERATING EXPENSES	16,912.2	17,194.0	17,314.5	17,202.1	17,329.4
TOTAL INCOME TAXES	695.2	525.4	474.1	840.0	804.7
TOTAL OPERATING EXPENSES	17,607.4	17,719.4	17,788.6	18,042.1	18,134.1
NET OPERATING REVENUE	2,133.9	1,869.4	1,811.2	2,273.4	2,276.7
DEPRECIATED RATE BASE	24,358.0	24,382.4	24,417.8	24,382.4	24,417.8
RATE OF RETURN					
YEAR	8.76%	7.67%	7.42%	9.32%	9.32%
CHANGE FROM PRIOR YEAR		-1.09%	-0.25%		0.00%

Table 2

LIVERMORE DISTRICT

SUMMARY OF EARNINGS AND RATES OF RETURN

YEARS 1996 THROUGH 1998

	PRESENT RATES			PROPOSED RATES	
	1996	1997	1998	1997	1998
OPERATING REVENUES	\$ 6,426.7	\$ 6,481.5	\$ 6,517.9	\$ 7,377.3	\$ 7,500.5
OPERATIONS EXPENSES					
PURCHASED WATER	2,891.1	3,172.1	3,235.5	3,172.1	3,235.5
GROUNDWATER EXTRACTION CHARGE	0.0	0.0	0.0	0.0	0.0
REPLENISHMENT ASSESSMENT	0.0	0.0	0.0	0.0	0.0
PURCHASED POWER	264.8	269.0	272.5	269.0	272.5
PURCHASED CHEMICALS	1.7	1.1	1.1	1.1	1.1
PAYROLL - DISTRICT	683.4	705.8	726.9	705.8	726.9
OTHER OPERATION & MAINTENANCE	498.8	495.3	504.6	497.1	506.6
OTHER ADMIN & GENERAL EXP	62.2	64.2	64.2	64.2	64.2
TOTAL O&M, A&G, AND MISC EXP	4,402.0	4,707.5	4,804.8	4,709.3	4,806.8
TAXES OTHER THAN INCOME					
AD VALOREM TAXES	125.3	130.4	136.4	130.4	136.4
LOCAL FRANCHISE TAXES & BUS LIC	63.7	64.2	64.6	73.1	74.3
PAYROLL TAXES	54.9	56.4	57.9	56.4	57.9
TOTAL GENERAL TAXES	243.9	251.0	258.9	259.9	268.6
DEPRECIATION	409.2	500.3	525.2	500.3	525.2
G.O. PRORATED EXPENSES					
PAYROLL AND BENEFITS	412.8	436.7	449.9	436.7	449.9
AD VALOREM TAXES	5.3	5.2	5.0	5.2	5.0
PAYROLL TAXES	15.1	16.4	16.9	16.4	16.9
OTHER PRORATED EXPENSES	234.5	235.6	239.9	235.6	239.9
TOTAL G.O. PRORATED EXPENSES	667.7	693.9	711.7	693.9	711.7
SUB-TOTAL OPERATING EXPENSES	5,722.8	6,152.7	6,300.6	6,163.4	6,312.3
TOTAL INCOME TAXES	138.2	(19.8)	(68.8)	368.3	329.4
TOTAL OPERATING EXPENSES	5,861.0	6,132.9	6,231.8	6,531.7	6,641.7
NET OPERATING REVENUE	565.7	348.6	286.1	845.6	858.8
DEPRECIATED RATE BASE	8,902.7	9,068.3	9,211.1	9,068.3	9,211.1
RATE OF RETURN					
YEAR	6.35%	3.84%	3.11%	9.32%	9.32%
CHANGE FROM PRIOR YEAR		-2.51%	-0.73%		0.00%

Table 3
STIPULATED RATE INCREASE BY DISTRICT

General Rate Increase

District	Present Revenues Eff. 1/1/97	Stipulated 1997 Increases Based Upon Rates Eff. 1/1/97	Total Authorized 1997 Revenues	Percentage Increases Over 1997 Present Revenues
Palos Verdes	\$19,588,800	\$726,700	\$20,315,500	3.7%
Livermore	\$6,481,500	\$895,800	\$7,377,300	13.8%

Authorized 1997 Revenues	Stipulated 1998 Increases Based Upon Rates Eff. 12/31/97	Total Authorized 1998 Revenues	Percentage Increases Over 1997 Authorized Revenues
\$20,315,500	\$95,300	\$20,410,800	0.5%
\$7,377,300	\$123,200	\$7,500,500	1.7%

Balancing / Memorandum Accounts

District	Stipulated 1997 Balancing Acct. Recovery	Stipulated 1997 Memorandum Acct. Recovery	Total Annual Recovery	Percentage Increases Over 1997 Present Revenues
Palos Verdes	\$825,218	\$102,955	\$928,173	4.7%
Livermore	\$0	(\$123,174)	(\$123,174)	(1.9%)

Stipulated 1998 Balancing Acct. Recovery	Stipulated 1998 Memorandum Acct. Recovery	Total Annual Recovery	Percentage Increases Over 1997 Authorized Revenues
\$825,218	(\$13,898)	\$811,320	4.0%
\$645,257	(\$6,340)	\$638,917	8.6%

Total GRC & Balancing / Memorandum Accounts

District	Present Revenues Eff. 1/1/97	Stipulated 1997 Increases Including Bal / Mem Acct.	Total Authorized 1997 Revenue Recovery	Percentage Increases Over 1997 Present Revenues
Palos Verdes	\$19,588,800	\$1,654,873	\$21,243,673	8.4%
Livermore	\$6,481,500	\$772,626	\$7,254,126	11.9%

Revenues Eff. 1/1/98	Stipulated 1998 Increases Including Bal / Mem Acct.	Total Authorized 1998 Revenue Recovery	Percentage Increases Over 1997 Authorized Revenues
\$20,315,500	\$906,620	\$21,222,120	4.5%
\$7,377,300	\$762,117	\$8,139,417	10.3%

A brief explanation of the resolution of differences between CWS and LWB is included in Appendix D.

Next, we will consider the rest of the settlement. We believe that LWB has carefully tested CWS' projections of operating expenses for the test years. In some instances, CWS' estimates were accepted by LWB. In other instances, LWB's estimates persuaded CWS to accept a lower rate increase. These adjustments by both CWS and LWB are discussed further in the agreement.

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

1. The settlement commands the support of all parties to the proceeding;
2. Each party was adequately represented. We are confident that LWB adequately represented the interest of the ratepayers;
3. Our independent review has revealed that no terms of this settlement contravene any statutory provision or any decision of the Commission; and
4. This settlement with its tables and explanations 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 stipulation, we fulfill our primary obligation of setting just and reasonable rates.

We believe that the settlement offered by CWS, LWB, and Livermore satisfies the above requirements. Therefore, we will approve and adopt the settlement.

Finally, we recognize that adoption of the settlement will result in rate increases for the two districts. In authorizing these rate increases, we have carefully considered the comments of customers who attended the public hearings and the

letters received that urge us not to grant the requested increases to CWS. We believe that such an approach would be neither realistic nor lawful. Water utilities are experiencing the need to finance new sources of supply. And, as mentioned previously, CWS is in the process of installing facilities to augment its water supply. Also, the water utilities, including CWS, are being required to make nonrevenue-producing investments to improve water quality. Unfortunately, these costs are unavoidable and must be borne by the ratepayers.

The United States Supreme Court has set guidelines to be followed in setting rates for public utility services. While recovery of operating expenses and interest on debt takes precedence over payments to common stockholders, the rates that are set must also provide a fair rate of return to the shareholders for their investment in the utility.³

Comments on ALJ's Proposed Decision

ALJ's proposed decision was filed and mailed to the parties on March 24, 1997. 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 9 and the motion for adoption of settlement, CWS, LWB, and Livermore have reached settlement on all contested issues.

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

³ See Bluefield Water Works and Improvement Co. v. West Virginia Public Service Commission (1923) 262 U.S. 679, 692-93. Also, see Federal Power Commission v. Hope Natural Gas Co. (1944) 320 U.S. 591, 603.

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

4. The Summary of Earnings for 1997 and 1998 included in the settlement sets forth reasonable estimates of the levels of revenues and expenses likely to occur in those years.

5. The agreed-upon return on equity of 10.35% is comparable to the recently authorized returns on equity for large water utilities. It will produce an overall rate of return of 9.32% for the years 1997, 1998, 1999, and 2000.

Conclusions of Law

1. The settlement should be adopted.
2. CWS' rates should be increased to allow it to earn a rate of return of 9.32% for the years 1997, 1998, 1999, and 2000.

O R D E R

IT IS ORDERED that:

1. The settlement in Exhibit 9 between California Water Service Company (CWS), Large Water Branch (LWB) of the Water Division (WD), and the City of Livermore (Livermore) is approved.
2. The motion for approval of the stipulation and settlement between CWS, LWB, and Livermore is granted.
3. CWS is authorized to file the revised schedule attached to this order as Appendices A-1 and A-2. This filing shall comply with General Order (GO) 96-A. The effective date of the revised schedule shall be five days after the date of filing. The revised schedule shall apply to service rendered on or after the effective date.
4. On or after November 5, 1997, CWS is authorized to file an advice letter, with appropriate workpapers, requesting the step rate increase for 1998 included in Appendices B-1 and B-2, or to

file a proportionate lesser increase for those rates in Appendices B-1 and B-2 for its Palos Verdes and Livermore Districts, respectively, 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 latest rate of return found reasonable for CWS. This filing shall comply with GO 96-A. The requested step rates shall be reviewed by the WD to determine their conformity with this order and shall go into effect upon WD's determination of conformity. WD 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 no 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.

5. On or after November 5, 1998, CWS is authorized to file an advice letter, with appropriate workpapers, requesting the step rate increase for 1999 included in Appendices B-1 and B-2, or to file a proportionate lesser increase for those rates in Appendices B-1 and B-2 for its Palos Verdes and Livermore Districts, respectively, 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, 1998, exceeds the latest rate of return found reasonable for CWS. This filing shall comply with GO 96-A. The requested step rates shall be reviewed by the WD to determine their conformity with this order and shall go into effect upon WD's determination of conformity. WD 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 no earlier than January 1, 1999, 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, 1999, CWS is authorized to file an advice letter, with appropriate workpapers, requesting the step rate increase for 2000 included in Appendices B-1 and B-2, or to file a proportionate lesser increase for those rates in Appendices B-1 and B-2 for its Palos Verdes and Livermore Districts, respectively, 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, 1999, exceeds the latest rate of return found reasonable for CWS. This filing shall comply with GO 96-A. The requested step rates shall be reviewed by the WD to determine their conformity with this order and shall go into effect upon WD's determination of conformity. WD 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 no earlier than January 1, 2000, or 30 days after filing, whichever is later. The revised schedules shall apply only to service rendered on and after their effective date.

7. Since all issues raised in this proceeding have been resolved, Application (A.) 96-09-015 and A.96-09-017 are closed.

This order is effective today.

Dated April 23, 1997, at San Francisco, California.

P. GREGORY CONLON

President

JESSIE J. KNIGHT, JR.

HENRY M. DUQUE

JOSIAH L. NEEPER

RICHARD A. BILAS

Commissioners

Schedule No. PV-1

Palos Verdes Tariff AreaGENERAL, METERED SERVICEAPPLICABILITY

Applicable to all metered water service.

TERRITORY

Palos Verdes Estates, Rolling Hills, Rolling Hills Estates, Lomita, Rancho Palos Verdes and vicinity, Los Angeles County.

RATES

Quantity Rates:

Per 100 cu. ft.	\$ 2.1306	(1)
		(D)
		(D)

Service Charge:

	Per Meter Per Month	
For 5/8 x 3/4-inch meter	\$ 8.00	(1)
For 1-inch meter	17.90	
For 1-1/2-inch meter	30.40	
For 2-inch meter	38.40	
For 3-inch meter	72.00	
For 4-inch meter	103.90	
For 6-inch meter	195.00	
For 8-inch meter	304.01	
For 10-inch meter	576.00	(1)

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 Rate.

SPECIAL CONDITIONS

1. Due to the under-collection in the balancing account, a surcharge of \$ 0.103 per 100 cu. ft. of water used is to be applied to the quantity rates for 24 months from the initial effective date of this special condition. (D)
(N)
|
2. To recover an increase in Federal Income Taxes due to the elevation of the corporate income tax rate from 34.12% to 35.12%, a surcharge of \$ 0.0088 per 100 cu. ft. of water used is to be applied to the quantity rate for 12 months from the initial effective date of this special condition. |
|
|
3. To refund an amount agreed to in Decision 95-08-058 for the injuries and damages reserve account, a surcredit of \$0.05 per service connection is to be applied to each bill for 60 months from the initial effective date of this special condition. |
|
|
4. To recover lost revenue expenses, a surcharge of \$0.0058 per 100 cu. ft. of water used is to be applied to the quantity rate for 12 months from the initial effective date of this special condition. |
(N)
5. All bills are subject to the reimbursement fees set forth on Schedule Nos. UF and DHS-1. (T)

Schedule No. PV-4

Palos Verdes Tariff Area

SERVICE TO PRIVATELY OWNED FIRE PROTECTION SYSTEMS

APPLICABILITY

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

TERRITORY

Palos Verdes Estates, Rolling Hills, Rolling Hills Estates, Lomita, Rancho Palos Verdes, and vicinity, Los Angeles County.

RATES

		<u>Per Month</u>	
For each	1-1/2-inch connection	\$ 8.25	(1)
For each	2-inch connection	11.00	
For each	3-inch connection	16.50	
For each	4-inch connection	22.00	
For each	6-inch connection	33.00	
For each	8-inch connection	44.00	
For each	10-inch connection	55.00	(1)

SPECIAL CONDITIONS

1. The facilities for service to a privately owned fire protection system will be installed by the Utility at the cost of the applicant. Such cost shall not be subject to refund.
2. If a distribution main of adequate size to serve a private fire protection system in addition to all other normal service does not exist in the street or alley adjacent to the premises to be served, then a service main from the nearest existing main of adequate capacity will be installed by the Utility at the cost of the applicant. Such cost shall not be subject to refund.
3. Service hereunder is for private fire protection systems to which no connections for other than fire protection purposes are allowed and which are regularly inspected by the underwriters having jurisdiction, are installed according to specifications of the utility, and are maintained to the satisfaction of the Utility. The Utility may require the installation of a detector check valve with meter for protection against theft, leakage, or waste of water.
4. For water delivered for other than service to privately owned fire protection systems, charges will be made therefore under Schedule No. PV-1, General Metered Service.
5. The Utility will supply only such water at such pressure as may be available from time to time as a result of normal operation of Utility's system.
6. All bills are subject to the reimbursement fee set forth on Schedule No. UF.

(End of Appendix A-1)

Schedule No. LV-1

Livermore Tariff AreaGENERAL METERED SERVICEAPPLICABILITY

Applicable to all metered water service.

TERRITORY

Livermore and vicinity, Alameda County.

RATES

Quantity Rates:

Per 100 cu. ft.	\$ 1.4600	(1)
		(D)

Service Charge:

	Per Meter Per Month	
For 5/8 x 3/4-inch meter	\$ 7.94	(1)
For 1-inch meter	18.35	
For 1-1/2-inch meter	30.00	(1)
For 2-inch meter	38.00	
For 3-inch meter	70.00	
For 4-inch meter	105.50	
For 6-inch meter	175.00	
For 8-inch meter	380.00	
For 10-inch meter	570.00	(1)

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 Rate.

SPECIAL CONDITIONS

- Any service to a residential customer not exceeding two units on a lot size of 10,000 square feet or less who requires a 1-inch meter only because of fire flow requirements to a fire sprinkler system will be billed at the above 5/8 x 3/4-inch meter service charge plus an amount of \$ 2.00 per month.
- Due to the under-collection in the balancing account, a surcharge of \$ 0.1669 per 100 cu. ft. of water used is to be applied to the quantity rates for 36 months beginning 12 months from the initial effective date of this special condition. (N)
- To recover an increase in Federal Income Taxes due to the elevation of the corporate income tax rate from 34.12% to 35.12%, a surcharge of \$ 0.0070 per 100 cu. ft. of water used is to be applied to the quantity rate for 12 months beginning 12 months from the initial effective date of this special condition. |
- To refund an amount agreed to in Decision 95-08-058 for the injuries and damages reserve account, a surcredit of \$0.03 per service connection is to be applied to each bill for 60 months from the initial effective date of this special condition. |
- To refund lost revenue overcollections, a surcredit of \$0.0305 per 100 cu. ft. of water used is to be applied to the quantity rate for 12 months from the initial effective date of this special condition. (N)
- All bills are subject to the reimbursement fees set forth on Schedule Nos. UF and DHS-1. (T)

Schedule No. LV-4

Livermore Tariff AreaSERVICE TO PRIVATELY OWNED FIRE PROTECTION SYSTEMSAPPLICABILITY

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

TERRITORY

Livermore and vicinity, Alameda County.

RATES

		<u>Per Month</u>	
For each	1-1/2-inch connection	\$ 8.25	(1)
For each	2-inch connection	11.00	
For each	3-inch connection	16.50	
For each	4-inch connection	22.00	
For each	6-inch connection	33.00	
For each	8-inch connection	44.00	
For each	10-inch connection	55.00	(1)

SPECIAL CONDITIONS

1. The facilities for service to a privately owned fire protection system will be installed by the Utility at the cost of the applicant. Such cost shall not be subject to refund.
2. If a distribution main of adequate size to serve a private fire protection system in addition to all other normal service does not exist in the street or alley adjacent to the premises to be served, then a service main from the nearest existing main of adequate capacity will be installed by the Utility at the cost of the applicant. Such cost shall not be subject to refund.
3. Service hereunder is for private fire protection systems to which no connections for other than fire protection purposes are allowed and which are regularly inspected by the underwriters having jurisdiction, are installed according to specifications of the utility, and are maintained to the satisfaction of the Utility. The Utility may require the installation of a detector check valve with meter for protection against theft, leakage, or waste of water.
4. For water delivered for other than service to privately owned fire protection systems, charges will be made therefore under Schedule No. LV-1, General Metered Service.
5. The Utility will supply only such water at such pressure as may be available from time to time as a result of normal operation of Utility's system.
6. All bills are subject to the reimbursement fee set forth on Schedule No. UF.

(End of Appendix A-2)

California Water Service Company

Palos Verdes District

Each of the following increases in rates may be put into effect on or after January 1 of the indicated year by filing a rate schedule which adds the appropriate increase/decrease to the rate which would otherwise be in effect on that date.

SCHEDULE NO. PV-1	<u>1998</u>	<u>1999</u>	<u>2000</u>
Service Charge:			
5/8 x 3/4 - inch meter	\$ 0.11	\$ 0.10	\$ 0.10
1 - inch meter	0.00	0.00	0.00
1 1/2 - inch meter	0.40	0.40	0.40
2 - inch meter	0.52	0.51	0.53
3 - inch meter	1.00	0.90	0.90
4 - inch meter	9.51	9.80	9.80
6 - inch meter	25.25	8.75	8.75
8 - inch meter	44.70	11.30	11.30
10 - inch meter	7.95	7.17	7.17
Quantity Rates:			
For all water, per 100 cu. ft.	0.0165	0.0123	0.0054

(End of Appendix B-1)

California Water Service Company

Livermore District

Each of the following increases in rates may be put into effect on or after January 1 of the indicated year by filing a rate schedule which adds the appropriate increase/decrease to the rate which would otherwise be in effect on that date.

SCHEDULE NO. LV-1	<u>1998</u>	<u>1999</u>	<u>2000</u>
Service Charge:			
5/8 x 3/4 - inch meter	\$ 0.19	\$ 0.07	\$ 0.07
1 - inch meter	0.00	0.00	0.00
1 1/2 - inch meter	1.20	0.00	0.00
2 - inch meter	1.40	0.00	0.00
3 - inch meter	3.80	0.00	0.00
4 - inch meter	9.00	0.50	0.25
6 - inch meter	15.00	5.00	5.00
8 - inch meter	14.00	2.00	2.00
10 - inch meter	20.00	4.00	4.00
Quantity Rates:			
For all water, per 100 cu. ft.	0.0165	0.0123	0.0073

(End of Appendix B-2)

APPENDIX C-1
PAGE 1

CALIFORNIA WATER SERVICE CO.
PALOS VERDES DISTRICT
STIPULATED QUANTITIES

	1997	1998
	-----	-----
	(DOLLARS IN THOUSANDS)	
PURCHASED POWER		
SUPPLIER - S.C.E. (5/1/96)		
TOTAL PRODUCTION (KCCF)	8,546.4	8,550.6
KWH/CCF	2,579.5	2,579.5
TOTAL KWH	22,045,718	22,056,552
UNIT COST	\$0.072815	\$0.072811
POWER COST	\$1,605,269	\$1,605,965
TOTAL PURCHASED POWER	\$1,605.3	\$1,606.0
PURCHASED WATER		
WEST BASIN MUNICIPAL WATER DISTRICT		
PURCHASES - KCCF	8,546.4	8,550.6
PURCHASES - ACRE FEET	19,620.0	19,629.6
SEASONAL STORAGE - ACRE FEET	0.0	0.0
NON-INTERRUPTIBLE WATER - ACRE FEET	19,620.0	19,629.6
RECLAIMED WATER - ACRE FEET	0.0	0.0
NON-INTERRUPTIBLE RATE / ACRE FOOT	\$521.00	\$521.00
SEASONAL STORAGE RATE / ACRE FOOT	\$324.00	\$324.00
RECLAIMED WATER RATE / ACRE FOOT	\$280.00	\$280.00
TOTAL NON-INTERRUPTIBLE CHARGES	\$10,222,005	\$10,227,028
TOTAL SEASONAL STORAGE CHARGES	\$0	\$0
TOTAL RECLAIMED WATER CHARGES	\$0	\$0
METER CHARGES - WEST BASIN & STANDBY	\$96,600	\$96,600
LESS : WRD REBATE	\$0	\$0
TOTAL PURCHASED WATER COSTS	\$10,318.6	\$10,323.6
UNCOLLECTABLE RATE		0.08129%
FRANCHISE TAX RATE		1.02660%
BUSINESS LICENSE FEE RATE		0.00000%
FEDERAL TAX RATE		35.00%
STATE CORP. FRANCHISE TAX		8.84%
NET TO GROSS MULT.		1.80058

APPENDIX C-1

Page 2

California Water Service Company
Palo Verde District

Adopted Quantities

10. Number of Services by meter size:	1997	1998
5/8 x 3/4	18,255	18,262
1	3,585	3,586
1 1/2	784	785
2	585	585
3	45	45
4	20	20
6	12	12
8	5	5
10	0	0
TOTAL	23,291	23,300

11. Metered Sales, Kcft		
All Water	8,006.3	8,010.2

12. Number of Services and Use:

	Avg Services		Use, Kcft		Avg Use, Ccf/Sv	
	1997	1998	1997	1998	1997	1998
Commercial	23,069	23,078	7,554.0	7,558.0	327.5	327.5
Industrial	11	11	9.3	9.2	845.5	836.4
Public Authority	199	199	438.1	438.1	2201.5	2201.5
Other	12	12	4.9	4.9	408.3	408.3
Sub-Total	23,291	23,300	8,006.3	8,010.2		
Private Fire Prot.	69	71				
Public Fire Prot.	8	8				
TOTAL	23,368	23,379	8,006.3	8,010.2		
Losses, 6.32%			540.1	540.4		
Total Production			8,546.4	8,550.6		

APPENDIX C-1

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CALIFORNIA WATER SERVICE COMPANY
PALOS VERDES DISTRICT

STIPULATED RATE BASE

RATE BASE (Thousands of \$)	1997	1998
WEIGHTED AVERAGE PLANT	45,772.1	46,938.2
WTD AVERAGE DEPR. RESERVE	16,187.3	17,076.5
NET UTILITY PLANT	29,584.8	29,861.7
Materials & Supplies	232.8	232.8
Working Cash - Gross	0.0	0.0
Working Cash - Lead/Lag	(198.8)	(191.6)
Working Cash - W/H Empl.	(3.4)	(3.4)
Total Working Cash	(202.2)	(195.0)
SUBTOTAL	29,615.4	29,899.5
DEDUCTION FROM RATE BASE		
Advances	2,221.4	2,350.4
Contributions	1,515.4	1,464.2
Reserve Amortization of Intangibles	0.9	1.0
Accumulated Deferred FIT	2,349.6	2,509.5
Accumulated Unamortized ITC	289.2	280.4
TOTAL DEDUCTIONS	6,376.5	6,605.5
ADDITIONS TO RATE BASE		
Accumulated Deferred Taxes - CIAC	107.2	111.3
Accumulated Deferred Taxes - Advance	231.5	249.3
TOTAL ADDITIONS	338.7	360.6
DISTRICT RATE BASE	23,577.6	23,654.6
PRORATED G.O. RATE BASE	804.8	763.2
WEIGHTED AVERAGE RATE BASE	24,382.4	24,417.8

APPENDIX C-1

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CALIFORNIA WATER SERVICE COMPANY
PALOS VERDES DISTRICT

TAXES BASED ON INCOME

ITEM (Thousands of \$)	1997	1998
OPERATING REVENUES (proposed rates)	20,315.5	20,410.8
EXPENSES		
PURCHASED WATER	10,318.6	10,323.6
PURCHASED POWER	1,605.3	1,606.0
REPLENISHMENT CHARGES	0.0	0.0
PAYROLL	1,461.9	1,507.6
OTHER O&M EXPENSES	626.1	636.3
OTHER A&G EXPENSES	97.5	97.7
G.O. PRORATIONS	1,488.1	1,526.3
PAYROLL TAXES	116.7	119.9
AD VALOREM TAXES	282.6	284.7
UNCOLLECTIBLES	15.9	15.9
FRANCHISE TAXES & BUS. LIC.	210.5	211.4
TRANSPORTATION DEPR. ADJ.	(43.3)	(47.3)
INTEREST EXPENSE	978.7	979.3
TOTAL DEDUCTIONS	17,158.5	17,261.4
STATE TAX DEPRECIATION	1,385.3	1,409.3
NET TAXIBLE INCOME	1,771.7	1,740.1
STATE CORP. FRANCH. TAX @ 8.84%	156.6	153.8
FEDERAL TAX DEPRECIATION	1,105.6	1,127.5
STATE INCOME TAX	93.2	156.6
LESS PREFERRED STOCK DIVIDEND	5.7	5.7
NET TAXIBLE INCOME	1,952.5	1,859.6
FED. INCOME TAX @ 35.00%	683.4	650.9
INVESTMENT TAX CREDIT	0.0	0.0
TOTAL FEDERAL INCOME TAX	683.4	650.9
TOTAL INCOME TAXES	840.0	804.7

APPENDIX C-2
PAGE 1

CALIFORNIA WATER SERVICE CO.
LIVERMORE DISTRICT
STIPULATED QUANTITIES

	1997	1998
	-----	-----
	(DOLLARS IN THOUSANDS)	
PURCHASED POWER		
SUPPLIER -PG&E (5/1/96)		
TOTAL PRODUCTION (KCCF)	4,028.8	4,085.9
KWH/CCF	559.5	559.5
TOTAL KWH	2,254,286	2,286,236
UNIT COST	\$0.119309	\$0.119197
POWER COST	\$268,956	\$272,513
TOTAL PURCHASED POWER	\$269.0	\$272.5
PURCHASED WATER		
ALAMEDA COUNTY FLOOD CONTROL DISTRICT (1/1/97)		
MINGOIA LEASED WELL (MAY 1988 - MAY 1998)		
LEASED WELL (KCCF)	1,199.1	1,199.1
ALAMEDA COUNTY ZONE 7 (KCCF)	2,829.7	2,886.8
COST OF LEASED WELL	\$12.2	\$12.2
ALAMEDA COUNTY COMMODITY CHARGES	\$3,151.4	\$3,214.8
ALAMEDA COUNTY SERVICE CHARGES	\$8.5	\$8.5
TOTAL PURCHASED WATER COSTS	\$3,172.1	\$3,235.5
UNCOLLECTABLE RATE		0.20647%
FRANCHISE TAX RATE		0.00000%
BUSINESS LICENSE FEE RATE		0.99093%
FEDERAL TAX RATE		35.00%
STATE CORP. FRANCHISE TAX		8.84%
NET TO GROSS MULT.		1.80221

APPENDIX C-2

Page 2

California Water Service Company
Livermore District

Adopted Quantities

10. Number of Services by meter size: 1997 1998

5/8 x 3/4	12,915	13,098
1	2,026	2,054
1 1/2	137	139
2	175	178
3	34	35
4	15	15
6	4	4
8	0	0
10	0	0
TOTAL	15,306	15,523

11. Metered Sales, Kcuf
All Water

3,833.8 3,883.0

12. Number of Services and Use:

	Avg Services		Use, Kcuf		Avg Use, Ccf/Sv	
	1997	1998	1997	1998	1997	1998
Commercial	15,153	15,368	3,470.0	3,519.3	229.0	229.0
Industrial	3	3	2.4	2.4	800.0	800.0
Public Authority	136	138	347.3	347.3	2,553.7	2,553.7
Other	14	14	14.1	14.0	1,007.1	1,000.0
Sub-Total	15,306	15,523	3,833.8	3,883.0		
Private Fire Prot.	170	175				
Public Fire Prot.	28	30				
TOTAL	15,504	15,728	3,833.8	3,883.0		
Losses, 4.84%			195.0	197.8		
Total Production			4,028.8	4,080.8		

APPENDIX C-2

Page 3

CALIFORNIA WATER SERVICE COMPANY
LIVERMORE DISTRICT

STIPULATED RATE BASE

RATE BASE (Thousands of \$)	1997	1998
WEIGHTED AVERAGE PLANT	23,832.7	25,105.1
WTD AVERAGE DEPR. RESERVE	6,406.8	6,868.1
NET UTILITY PLANT	17,425.9	18,237.0
Materials & Supplies	94.2	94.2
Working Cash - Gross	0.0	0.0
Working Cash - Lead/Lag	(57.1)	(54.6)
Working Cash - W/H Empl.	(1.6)	(1.6)
Total Working Cash	(58.7)	(56.2)
SUBTOTAL	17,461.4	18,275.0
DEDUCTION FROM RATE BASE		
Advances	7,276.7	7,848.3
Contributions	1,313.6	1,333.4
Reserve Amortization of Intangibles	3.4	5.5
Accumulated Deferred FIT	1,375.6	1,518.5
Accumulated Unamortized ITC	133.1	129.1
TOTAL DEDUCTIONS	10,102.4	10,834.9
ADDITIONS TO RATE BASE		
Accumulated Deferred Taxes - CIAC	241.9	246.5
Accumulated Deferred Taxes - Advance	1,092.2	1,168.7
TOTAL ADDITIONS	1,334.1	1,415.2
DISTRICT RATE BASE	8,693.1	8,855.3
PRORATED G.O. RATE BASE	375.2	355.8
WEIGHTED AVERAGE RATE BASE	9,068.3	9,211.1

APPENDIX C-2

Page 4

CALIFORNIA WATER SERVICE COMPANY
LIVERMORE DISTRICT

TAXES BASED ON INCOME

ITEM (Thousands of \$)	1997	1998
OPERATING REVENUES (proposed rates)	7,377.3	7,500.5
EXPENSES		
PURCHASED WATER	3,172.1	3,235.5
PURCHASED POWER	269.0	272.5
REPLENISHMENT CHARGES	0.0	0.0
PAYROLL	705.8	726.9
OTHER O&M EXPENSES	484.8	494.2
OTHER A&G EXPENSES	64.2	64.2
G.O. PRORATIONS	693.9	711.7
PAYROLL TAXES	56.4	57.9
AD VALOREM TAXES	130.4	136.4
UNCOLLECTIBLES	13.4	13.5
FRANCHISE TAXES & BUS. LIC.	73.1	74.3
TRANSPORTATION DEPR. ADJ.	(25.8)	(29.1)
INTEREST EXPENSE	360.2	365.7
TOTAL DEDUCTIONS	5,997.6	6,123.7
STATE TAX DEPRECIATION	701.1	742.3
NET TAXIBLE INCOME	678.6	634.5
STATE CORP. FRANCH. TAX @ 8.84%	60.0	56.1
FEDERAL TAX DEPRECIATION	515.1	534.0
STATE INCOME TAX	(18.3)	60.0
LESS PREFERRED STOCK DIVIDEND	2.0	2.0
NET TAXIBLE INCOME	880.9	780.8
FED. INCOME TAX @ 35.00%	308.3	273.3
INVESTMENT TAX CREDIT	0.0	0.0
TOTAL FEDERAL INCOME TAX	308.3	273.3
TOTAL INCOME TAXES	368.3	329.4

APPENDIX C-3

Page 1

CALIFORNIA WATER SERVICE COMPANY
SURCHARGES & SURCREDITS *

DISTRICT	AMOUNT	STIPULATED 1997 SALES (Ccf)	SURCHARGE/SURCREDIT PER Ccf
Palos Verdes			
Balancing Account \$	1,650,435	16,016,500 \$	0.1030 2 Year Surcharge
Tax Change \$	70,192	8,006,300 \$	0.0088 1 Year Surcharge
Conservation & Lost Revenue \$	46,661	8,006,300 \$	0.0058 1 Year Surcharge
Livermore			
Balancing Account \$	1,935,770	11,599,800 \$	0.1669 3 Year Surcharge (Beg. Year 2)
Tax Change \$	27,206	3,883,000 \$	0.0070 1 Year Surcharge (2nd Year)
Conservation & Lost Revenue \$	(116,834)	3,833,800 \$	(0.0305) 1 Year Surcredit

* Injuries & Damages Reserve refund detailed separately.

A.96-09-015, A.96-09-017

Appendix C-3
Page 2

INJURIES & DAMAGES RESERVE REFUND

District	Customer Projections *					Refund Amount Per CUSTOMER Per MONTH				
	1997	1998	1999	2000	2001	1997	1998	1999	2000	2001
Livermore	15,306	15,523	15,740	15,957	16,174	\$0.03	\$0.03	\$0.03	\$0.03	\$0.03
Palos Verdes	23,291	23,300	23,309	23,318	23,327	\$0.05	\$0.05	\$0.05	\$0.05	\$0.05

*Customer Projections based upon stipulated customers for 1997 & 1998. Additional years based on growth from 1997 to 1998.

A.96-09-015, A.96-09-017

APPENDIX C-3

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CALIFORNIA WATER SERVICE COMPANY
COMPARISON OF REQUESTED AND LWB RECOMMENDED
RATE OF RETURN
FOR THE YEARS 1997 THROUGH 2000

	CWS Requested			LWB Recommended			Stipulation		
	Capital Structure	Cost Factor	Weighted Cost	Capital Structure	Cost Factor	Weighted Cost	Capital Structure	Cost Factor	Weighted Cost
Test Year 1997									
Debt	49.10%	8.51%	4.18%	49.10%	8.42%	4.13%	48.60%	8.36%	4.06%
Preferred	1.10%	4.19%	0.05%	1.10%	4.19%	0.05%	1.00%	4.19%	0.04%
Common Equity	49.80%	12.05%	6.00%	49.80%	10.10%	5.03%	50.40%	10.35%	5.22%
TOTAL	100.00%		10.23%	100.00%		9.21%	100.00%		9.32%
Test Year 1998									
Debt	48.70%	8.52%	4.15%	48.70%	8.40%	4.09%	48.60%	8.36%	4.06%
Preferred	1.10%	4.19%	0.05%	1.10%	4.19%	0.05%	1.00%	4.19%	0.04%
Common Equity	50.20%	12.05%	6.05%	50.20%	10.10%	5.07%	50.40%	10.35%	5.22%
TOTAL	100.00%		10.24%	100.00%		9.21%	100.00%		9.32%
Attrition Year 1999									
Debt	48.40%	8.51%	4.12%	48.40%	8.36%	4.05%	48.60%	8.36%	4.06%
Preferred	1.00%	4.19%	0.04%	1.00%	4.19%	0.04%	1.00%	4.19%	0.04%
Common Equity	50.60%	12.05%	6.10%	50.60%	10.10%	5.11%	50.40%	10.35%	5.22%
TOTAL	100.00%		10.26%	100.00%		9.20%	100.00%		9.32%
Attrition Year 2000									
Debt	48.00%	84.90%	40.75%	48.00%	8.35%	4.01%	48.60%	8.36%	4.06%
Preferred	1.00%	4.19%	0.04%	1.00%	4.19%	0.04%	1.00%	4.19%	0.04%
Common Equity	51.00%	12.05%	6.15%	51.00%	10.10%	5.15%	50.40%	10.35%	5.22%
TOTAL	100.00%		46.94%	100.00%		9.20%	100.00%		9.32%

(End of Appendix C-3)

A.96-09-015, A.96-09-017

PALOS VERDES COMPARISON EXHIBIT

TABLE A-1

CALIFORNIA WATER SERVICE COMPANY
PALOS VERDES DISTRICT

SUMMARY OF EARNINGS

TEST YEAR 1997

ITEM	CWS	LWB	SETTLEMENT
At Present Rates			
OPERATING REVENUES	19,646.1	20,481.2	19,588.8
OPERATIONS EXPENSES			
OPERATION & MAINTENANCE	13,701.7	13,806.2	13,786.2
ADMINISTRATIVE & GENERAL	549.6	540.1	541.5
G.O. PRORATED EXPENSE	1,492.1	1,488.1	1,488.1
DEPRECIATION & AMORTIZATION	1,102.6	846.6	978.9
TAXES OTHER THAN INCOME	399.3	393.6	399.3
STATE CORP. FRANCHISE TAX	107.4	168.3	93.2
FEDERAL INCOME TAX	464.0	717.7	432.2
TOTAL OPERATING EXPENSES	17,816.7	17,960.6	17,719.4
NET OPERATING REVENUE	1,829.4	2,520.6	1,869.4
RATE BASE	24,431.6	24,397.5	24,382.4
RETURN ON RATE BASE	7.49%	10.33%	7.67%

PALOS VERDES COMPARISON EXHIBIT

TABLE A-4

CALIFORNIA WATER SERVICE COMPANY
PALOS VERDES DISTRICT

SUMMARY OF EARNINGS

TEST YEAR 1998

ITEM	CWS	LWB	SETTLEMENT
<u>At Present Rates</u>			
OPERATING REVENUES	19,555.4	20,616.0	19,599.8
OPERATIONS EXPENSES			
OPERATION & MAINTENANCE	13,701.8	13,947.4	13,840.5
ADMINISTRATIVE & GENERAL	567.2	550.6	552.4
G.O. PRORATED EXPENSE	1,536.4	1,526.3	1,526.3
DEPRECIATION & AMORTIZATION	1,127.3	864.6	1,000.0
TAXES OTHER THAN INCOME	404.5	399.3	404.6
STATE CORP. FRANCHISE TAX	92.1	160.8	82.7
FEDERAL INCOME TAX	406.7	674.8	391.4
TOTAL OPERATING EXPENSES	17,835.9	18,123.8	17,798.0
NET OPERATING REVENUE	1,719.5	2,492.2	1,801.8
RATE BASE	24,396.6	24,525.2	24,417.8
RETURN ON RATE BASE	7.05%	10.16%	7.38%

PALOS VERDES COMPARISON EXHIBIT

TABLE B-1

CALIFORNIA WATER SERVICE COMPANY
PALOS VERDES DISTRICT

WATER SALES PER AVERAGE CUSTOMER

TEST YEAR 1997

ITEM	CWS	LWB	SETTLEMENT
Metered Connections	(Ccf / Conn. / Year)		
COMMERCIAL	327.5	338.3	327.5
INDUSTRIAL	845.5	845.5	845.5
PUBLIC AUTHORITY	2,344.7	2,456.6	2,201.5
OTHER	408.3	408.3	408.3

TABLE B-2

CALIFORNIA WATER SERVICE COMPANY
PALOS VERDES DISTRICT

WATER SALES PER AVERAGE CUSTOMER

TEST YEAR 1998

ITEM	CWS	LWB	SETTLEMENT
Metered Connections	(Ccf / Conn. / Year)		
COMMERCIAL	325.6	340.9	327.5
INDUSTRIAL	836.4	836.4	836.4
PUBLIC AUTHORITY	2,329.6	2,456.6	2,201.5
OTHER	408.3	408.3	408.3

PALOS VERDES COMPARISON EXHIBIT

TABLE C-1

CALIFORNIA WATER SERVICE COMPANY
PALOS VERDES DISTRICT

AVERAGE NUMBER OF CUSTOMERS

TEST YEAR 1997

ITEM	CWS	LWB	SETTLEMENT
Metered Services			
COMMERCIAL	23,069	23,069	23,069
INDUSTRIAL	11	11	11
PUBLIC AUTHORITY	199	199	199
OTHER	12	12	12
TOTAL	23,291	23,291	23,291
Flat Rate Services			
PRIVATE FIRE PROTECTION	69	69	69
PUBLIC FIRE PROTECTION	8	8	8
TOTAL	77	77	77
TOTAL SERVICES			
INCL. FIRE PROTECTION	23,368	23,368	23,368
EXCL. FIRE PROTECTION	23,291	23,291	23,291

PALOS VERDES COMPARISON EXHIBIT

TABLE C-2

CALIFORNIA WATER SERVICE COMPANY
PALOS VERDES DISTRICT

AVERAGE NUMBER OF CUSTOMERS

TEST YEAR 1998

ITEM	CWS	LWB	SETTLEMENT
Metered Services			
COMMERCIAL	23,078	23,078	23,078
INDUSTRIAL	11	11	11
PUBLIC AUTHORITY	199	199	199
OTHER	12	12	12
TOTAL	23,300	23,300	23,300
Flat Rate Services			
PRIVATE FIRE PROTECTION	71	71	71
PUBLIC FIRE PROTECTION	8	8	8
TOTAL	79	79	79
TOTAL SERVICES			
INCL. FIRE PROTECTION	23,379	23,379	23,379
EXCL. FIRE PROTECTION	23,300	23,300	23,300

PALOS VERDES COMPARISON EXHIBIT

TABLE D-1

CALIFORNIA WATER SERVICE COMPANY
PALOS VERDES DISTRICT

TOTAL SALES AND SUPPLY

TEST YEAR 1997

ITEM	CWS	LWB	SETTLEMENT
Metered Sales			
COMMERCIAL	7,554.0	7,805.1	7,554.0
INDUSTRIAL	9.3	9.3	9.3
PUBLIC AUTHORITY	466.6	488.9	438.1
OTHER	4.9	4.9	4.9
TOTAL	8,034.8	8,308.1	8,006.3
UNACCOUNTED FOR WATER	542.1	560.5	540.1
TOTAL WATER SUPPLY	8,576.9	8,868.6	8,546.4

PALOS VERDES COMPARISON EXHIBIT

TABLE D-2

CALIFORNIA WATER SERVICE COMPANY
PALOS VERDES DISTRICT

TOTAL SALES AND SUPPLY

TEST YEAR 1998

ITEM	CWS	LWB	SETTLEMENT
Metered Sales			
COMMERCIAL	7,513.5	7,868.1	7,558.0
INDUSTRIAL	9.2	9.2	9.2
PUBLIC AUTHORITY	463.6	488.9	438.1
OTHER	4.9	4.9	4.9
TOTAL	7,991.2	8,371.1	8,010.2
UNACCOUNTED FOR WATER	539.1	564.7	540.4
TOTAL WATER SUPPLY	8,530.3	8,935.8	8,550.6

PALOS VERDES COMPARISON EXHIBIT

TABLE E-1

CALIFORNIA WATER SERVICE COMPANY
PALOS VERDES DISTRICT

OPERATING REVENUES

TEST YEAR 1997
(PRESENT RATES)

ITEM	CWS	LWB	SETTLEMENT
Metered Revenues			
COMMERCIAL	18,525.2	19,295.7	18,524.3
INDUSTRIAL	23.4	23.4	23.4
PUBLIC AUTHORITY	1,026.1	1,085.3	964.3
OTHER	15.5	15.5	15.5
TOTAL	19,590.2	20,419.9	19,527.5
Flat Rate Revenues			
PRIVATE FIRE	36.0	36.0	36.0
PUBLIC FIRE	1.3	1.3	1.3
OTHER	8.7	8.7	8.7
TOTAL	46.0	46.0	46.0
DEFERRED REVENUES	15.3	15.3	15.3
TOTAL OPERATING REVENUES	19,651.6	20,481.2	19,588.8

LIVERMORE COMPARISON EXHIBIT

TABLE I-1

CALIFORNIA WATER SERVICE COMPANY
LIVERMORE DISTRICT

TAXES BASED ON INCOME

TEST YEAR 1997

ITEM (Thousands of \$)	CWS	LWB	SETTLEMENT
OPERATING REVENUES (present rates)	6,424.6	6,529.4	6,481.5
DEDUCTIONS			
O & M EXPENSES	4,373.9	4,369.4	4,535.5
A & G EXPENSES	236.7	232.0	236.2
G.O. PRORATED	695.7	693.9	693.9
G.O. PRORATED ADJ.	0.0	0.0	0.0
TAXES NOT ON INCOME	186.8	185.4	186.8
INTEREST	370.8	370.6	360.2
TRANSPORT. DEPR. ADJ.	(25.8)	(25.8)	(25.8)
TOTAL	5,838.1	5,825.5	5,986.9
INCOME BEFORE TAXES	586.5	704.0	494.6
<u>California Corporate Franchise Tax (CCFT)</u>			
State Tax Depreciation	700.9	701.1	701.1
Taxable income for CCFT	(114.4)	2.9	(206.5)
CCFT Rate	9.30%	8.84%	8.84%
TOTAL CCFT	(10.6)	0.3	(18.3)
<u>Federal Income Tax (FIT)</u>			
Federal Tax Depreciation	515.0	515.1	515.1
1996 State Income Tax	(10.6)	4.1	(18.3)
Preferred Stock Dividend Credit	2.0	2.0	2.0
Taxable Income for FIT	80.1	182.8	(4.2)
FIT Rate	35.12%	35.00%	35.00%
TOTAL FIT	28.1	64.0	(1.5)
TOTAL FIT & CCFT	17.5	64.2	(19.8)

LIVERMORE COMPARISON EXHIBIT

TABLE I-2

CALIFORNIA WATER SERVICE COMPANY
LIVERMORE DISTRICT

TAXES BASED ON INCOME

TEST YEAR 1998

ITEM (Thousands of \$)	CWS	LWB	SETTLEMENT
OPERATING REVENUES (present rates)	6,426.9	6,618.4	6,517.9
DEDUCTIONS			
O & M EXPENSES	4,435.7	4,510.1	4,629.6
A & G EXPENSES	243.6	237.0	241.2
G.O. PRORATED	716.4	711.7	711.7
G.O. PRORATED ADJ.	0.0	0.0	0.0
TAXES NOT ON INCOME	194.2	191.6	194.3
INTEREST	372.9	374.3	365.7
TRANSPORT. DEPR. ADJ.	(29.1)	(29.1)	(29.1)
TOTAL	5,933.7	5,995.6	6,112.0
INCOME BEFORE TAXES	493.2	622.8	405.9
<u>California Corporate Franchise Tax (CCFT)</u>			
State Tax Depreciation	741.0	743.7	742.3
Taxable Income for CCFT	(247.8)	(120.9)	(336.4)
CCFT Rate	9.30%	8.84%	8.84%
TOTAL CCFT	(23.1)	(10.7)	(29.7)
<u>Federal Income Tax (FIT)</u>			
Federal Tax Depreciation	533.1	535.1	534.0
1996 State Income Tax	(10.6)	0.3	(18.3)
Preferred Stock Dividend Credit	2.0	2.0	2.0
Taxable Income for FIT	(31.3)	85.5	(111.8)
FIT Rate	35.12%	35.00%	35.00%
TOTAL FIT	(11.0)	29.9	(39.1)
TOTAL FIT & CCFT	(34.0)	19.2	(68.8)

LIVERMORE COMPARISON EXHIBIT

TABLE J-1

CALIFORNIA WATER SERVICE COMPANY
LIVERMORE DISTRICT

PLANT IN SERVICE

TEST YEAR 1997

ITEM (Thousands of \$)	CWS	LWB	SETTLEMENT
Plant in Service - BOY	23,140.4	23,139.4	23,139.4
Beginning Balance - CWP	-	-	-
Total BOY	23,140.4	23,139.4	23,139.4
Additions			
Utility Funded	678.8	654.2	656.7
Advances	571.6	571.6	571.6
Contributions	56.5	56.5	56.5
Gross Additions	1,306.9	1,282.3	1,284.8
Retirements	(91.0)	(91.0)	(91.0)
Change in CWP Balance	-	-	-
Plant in Service - EOY	24,356.3	24,330.7	24,333.2
+ Capitalized Interest Adjustment	107.3	105.7	105.9
Weighting Factor	49.2%	49.2%	49.2%
Weighted Average Plant in Service	23,845.9	23,831.2	23,832.7

LIVERMORE COMPARISON EXHIBIT

TABLE J-2

CALIFORNIA WATER SERVICE COMPANY
LIVERMORE DISTRICT

PLANT IN SERVICE

TEST YEAR 1998

ITEM (Thousands of \$)	CWS	LWB	SETTLEMENT
Plant in Service - BOY	24,356.3	24,330.7	24,333.2
Beginning Balance - CWP	-	-	-
Total BOY	24,356.3	24,330.7	24,333.2
Additions			
Utility Funded	706.1	675.9	678.4
Advances	571.6	571.6	571.6
Contributions	56.5	56.5	56.6
Gross Additions	1,334.2	1,304.0	1,306.5
Retirements	(110.0)	(110.0)	(110.0)
Change in CWP Balance	-	-	-
Plant in Service - EOY	25,580.5	25,524.7	25,529.7
+ Capitalized Interest Adjustment	187.5	182.8	183.2
Weighting Factor	49.2%	49.2%	49.2%
Weighted Average Plant in Service	25,146.1	25,100.9	25,105.1

LIVERMORE COMPARISON EXHIBIT

TABLE K-1

CALIFORNIA WATER SERVICE COMPANY
LIVERMORE DISTRICT

DEPRECIATION RESERVE & EXPENSE

TEST YEAR 1997

ITEM (Thousands of \$)	CWS	LWB	SETTLEMENT
Depreciation Reserve - BOY	6,192.3	6,192.3	6,192.3
ACCRUALS			
TRANSPORTATION EQUIPMENT	20.1	20.1	20.1
OTHER PLANT IN SERVICE	566.9	426.6	500.3
CONTRIBUTED PLANT	40.7	40.7	36.0
TOTAL ACCRUALS	627.7	487.4	556.4
RETIREMENTS	(83.7)	(83.7)	(83.7)
NET ADDITIONS	544.0	403.7	472.7
DEPRECIATION ADJUSTMENT	(72.5)	(2.3)	(36.8)
DEPRECIATION RESERVE - EOY	6,663.8	6,593.7	6,628.2
Weighting Factor	49.20%	49.20%	49.20%
Weighted Average Depr. Reserve	6,424.3	6,389.8	6,406.8

LIVERMORE COMPARISON EXHIBIT

TABLE K-2

CALIFORNIA WATER SERVICE COMPANY
LIVERMORE DISTRICT

DEPRECIATION RESERVE & EXPENSE

TEST YEAR 1998

ITEM (Thousands of \$)	CWS	LWB	SETTLEMENT
Depreciation Reserve - BOY	6,663.8	6,593.7	6,628.2
ACCRUALS			
TRANSPORTATION EQUIPMENT	22.8	22.8	22.8
OTHER PLANT IN SERVICE	595.9	447.6	525.2
CONTRIBUTED PLANT	42.2	42.2	37.3
TOTAL ACCRUALS	660.9	512.6	585.3
RETIREMENTS	(97.8)	(97.8)	(97.8)
NET ADDITIONS	563.1	414.8	487.5
DEPRECIATION ADJUSTMENT	-	-	-
DEPRECIATION RESERVE - EOY	7,226.9	7,008.5	7,115.7
Weighting Factor	49.20%	49.20%	49.20%
Weighted Average Depr. Reserve	6,940.8	6,797.8	6,868.1

LIVERMORE COMPARISON EXHIBIT

TABLE L-1

CALIFORNIA WATER SERVICE COMPANY
LIVERMORE DISTRICT

WEIGHTED AVERAGE DEPRECIATED RATE BASE

TEST YEAR 1997

ITEM (Thousands of \$)	CWS	LWB	SETTLEMENT
WEIGHTED AVERAGE PLANT	23,845.9	23,831.2	23,832.7
WTD AVERAGE DEPR. RESERVE	6,424.3	6,389.8	6,406.8
NET UTILITY PLANT	17,421.6	17,441.4	17,425.9
Materials & Supplies	94.2	94.2	94.2
Working Cash - Gross	0.0	0.0	0.0
Working Cash - Lead/Lag	(21.5)	(52.6)	(57.1)
Working Cash - W/H Empl.	(1.6)	(1.6)	(1.6)
Total Working Cash	(23.1)	(54.2)	(58.7)
SUBTOTAL	17,492.7	17,481.5	17,461.4
DEDUCTION FROM RATE BASE			
Advances	7,276.7	7,276.7	7,276.7
Contributions	1,311.3	1,311.3	1,313.6
Reserve Amortization of Intangibles	3.4	3.4	3.4
Accumulated Deferred FIT	1,375.2	1,375.6	1,375.6
Accumulated Unamortized ITC	133.1	133.1	133.1
TOTAL DEDUCTIONS	10,099.7	10,100.1	10,102.4
ADDITIONS TO RATE BASE			
Accumulated Deferred Taxes - CIAC	241.9	241.9	241.9
Accumulated Deferred Taxes - Advances	1,092.2	1,092.2	1,092.2
TOTAL ADDITIONS	1,334.1	1,334.1	1,334.1
DISTRICT RATE BASE	8,727.1	8,715.5	8,693.1
PRORATED G.O. RATE BASE	375.2	375.2	375.2
AVERAGE RATE BASE	9,102.3	9,090.7	9,068.3

LIVERMORE COMPARISON EXHIBIT

TABLE L-2

CALIFORNIA WATER SERVICE COMPANY
LIVERMORE DISTRICT

WEIGHTED AVERAGE DEPRECIATED RATE BASE

TEST YEAR 1998

ITEM (Thousands of \$)	CWS	LWB	SETTLEMENT
WEIGHTED AVERAGE PLANT	25,146.1	25,100.9	25,105.1
WTD AVERAGE DEPR. RESERVE	6,940.8	6,797.8	6,868.1
NET UTILITY PLANT	18,205.3	18,303.2	18,237.0
Materials & Supplies	94.2	94.2	94.2
Working Cash - Gross	0.0	0.0	0.0
Working Cash - Lead/Lag	(14.6)	(56.0)	(54.6)
Working Cash - W/H Empl.	(1.6)	(1.6)	(1.6)
Total Working Cash	(16.2)	(57.6)	(56.2)
SUBTOTAL	18,283.3	18,339.7	18,275.0
DEDUCTION FROM RATE BASE			
Advances	7,848.3	7,848.3	7,848.3
Contributions	1,326.5	1,326.5	1,333.4
Reserve Amortization of Intangibles	5.5	5.5	5.5
Accumulated Deferred FIT	1,512.9	1,518.5	1,518.5
Accumulated Unamortized ITC	129.1	129.1	129.1
TOTAL DEDUCTIONS	10,822.3	10,827.9	10,834.9
ADDITIONS TO RATE BASE			
Accumulated Deferred Taxes - CIAC	246.5	246.5	246.5
Accumulated Deferred Taxes - Advances	1,168.7	1,168.7	1,168.7
TOTAL ADDITIONS	1,415.2	1,415.2	1,415.2
DISTRICT RATE BASE	8,876.2	8,927.0	8,855.3
PRORATED G.O. RATE BASE	355.9	355.9	355.8
AVERAGE RATE BASE	9,232.1	9,282.9	9,211.1

TABLE M

CALIFORNIA WATER SERVICE COMPANY
LIVERMORE DISTRICT

NET-TO-GROSS MULTIPLIER

TEST YEARS 1997 & 1998

ITEM	CWS	LWB	SETTLEMENT
1) Uncollectibles (%)	0.20647%	0.20647%	0.20647%
2) Business License Rate	0.99093%	0.99093%	0.99093%
3) Subtotal (Line 1 + Line 2)	1.19740%	1.19740%	1.19740%
4) 1 - Subtotal (100% - Line 3)	98.80260%	98.80260%	98.80260%
5) CCFT (Line 4 * 9.3% by utility, 8.84% by LWB)	9.18864%	8.73415%	8.73415%
6) FIT (Line 4 * 35.12% by utility, 35% by LWB)	34.69947%	34.58091%	34.58091%
7) Total Taxes Paid (Line 3 + Line 5 + Line 6)	45.08551%	44.51246%	44.51246%
8) Net after taxes (1 - Line 7)	54.91449%	55.48754%	55.48754%
 Net-to-Gross Multiplier (1/Line 8)	 1.82101	 1.80221	 1.80221

(END OF APPENDIX C)

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of California Water)	
Service Company (U 60 W), a corporation, for an order)	
authorizing it to increase rates charged for water service)	Application 96-09-015
in the Palos Verdes District.)	(Filed September 9, 1996)
_____)	
)	
And Related Matters.)	Application 96-09-017
_____)	

STIPULATION

The parties ("Parties") to this stipulation now pending before the California Public Utilities Commission ("Commission") are Applicant California Water Service Company ("CWS"), the Large Water Branch ("LWB") of the Commission's Water Division, and the City of Livermore ("City"). The Parties, desiring to avoid the expense, inconvenience, and uncertainty attendant to litigation of the matters in dispute among them, have agreed upon these Stipulations which they now submit for approval.

In addition, since these Stipulations represent a compromise by them, the Parties have entered into each Stipulation on the basis that its approval by the Commission not be construed as an admission or concession by any Party regarding any fact or matter or law in dispute in this proceeding. Furthermore, the Parties intend that the approval of these Stipulations by the Commission not be construed as a precedent or statement of policy of any kind for or against any Parties in any current or future proceeding.

The Parties agree that no signatory to these Stipulations nor any member of the staff of the Commission assumes any personal liability as a result of these Stipulations. The Parties agree that no legal action may be brought by any party in any state or federal court, or any other forum, against any individual signatory representing the interests of LWB, attorneys representing LWB, or the LWB itself related to these Stipulations. All rights and remedies of the Parties are limited to those available before the Commission.

No Party to these Stipulations will provide, either privately or publicly, before this Commission any rationale or strategies for support of any compromises reached herein beyond any explicitly stated herein unless otherwise agreed to by all the Parties.

All issues between the Parties have been resolved. The Parties have agreed that no issues remain to be resolved through litigation. The Stipulation between the parties would result in a general rate increase of \$895,800 or 13.8% in 1997, \$123,200 or 1.7% in 1998, \$37,500 or 0.5% in both 1999 and 2000 for the Livermore district and \$726,700 or 3.7% in 1997, \$95,300 or 0.5% in 1998, \$77,400 or 0.4% in both 1999 and 2000 for the Palos Verdes district. The average

Livermore customer using 19 Ccf per month will see their monthly bill rise from \$31.36 to \$35.07 or 11.8% including surcharges and surcredits. The average Palos Verdes customer using 26 Ccf per month will see their monthly bill rise from \$64.20 to \$66.40 or 3.4% including surcharges and surcredits.

The following is a listing of the items jointly settled between Parties. Attached as Appendix A are tables which show the LWB's and CWS' agreed upon estimates.

Cost of Capital

The Parties stipulate to a Rate of Return on Common Equity of 10.35%. This is a slight increase from the 10.30% last adopted for CWS due in part to the fact that interest rates are higher than last year for the comparable period.

CWS Original Position -	12.05 %
CPUC Staff Position -	10.10 %
Joint Settlement Position -	10.35 %

Sales and Revenues

CWS agrees to all LWB sales estimates except for the categories listed below. Differences between CWS and LWB estimates are due to differing estimating methodologies. Based on updated data and CWS' recent E-Views regression analysis, the parties agree to settle on the sales figures listed below and further agree that in the future, CWS will file regression analyses based on the E-Views software package used by LWB staff.

Water Sales

District	Original Positions		Joint Settlement
	CWS	CPUC Staff	
LIV		1997	1997 & 98
Comm. Metered	227.1 Ccf / sv	227.1 Ccf / sv	229.0 Ccf / sv
Public Authority	336.0 KCcf / yr	368.9 KCcf / yr	347.3 KCcf / yr
PV			
Comm. Metered	327.5 Ccf / sv	338.3 Ccf / sv	327.5 Ccf / sv
Public Authority	466.6 KCcf / yr	488.9 KCcf / yr	438.1 KCcf / yr

Expenses

CWS agrees to all LWB estimates except for the items listed below. Differences between CWS and LWB estimates are due to varying estimating methodologies. The parties agree to settle this issue by standardizing the estimating methodology (5 year average). The expense levels of these items are shown below:

Livermore

	Transmission & Distribution Expenses		
	Original Position		Joint Settlement
Year	CWS	CPUC Staff	
1997	\$48,600	\$28,500	\$36,800
1998	\$54,800	\$28,800	\$38,100

	Transportation Expenses		
	<u>Original Position</u>		<u>Joint Settlement</u>
Year	CWS	CPUC Staff	
1997	\$63,900	\$53,400	\$59,200
1998	\$66,500	\$54,200	\$61,400

	Administrative & General Non Specifics		
	<u>Original Position</u>		<u>Joint Settlement</u>
Year	CWS	CPUC Staff	
1997	\$40,100	\$34,800	\$39,400
1998	\$43,600	\$35,600	\$40,900

Palos Verdes

	Customer Accounting Expense		
	Original Position		Joint Settlement
Year	CWS	CPUC Staff	
1997	\$57,800	\$48,800	\$56,500
1998	\$61,700	\$49,900	\$58,600

	Pumping Expense		
	<u>Original Position</u>		<u>Joint Settlement</u>
Year	CWS	CPUC Staff	
1997	\$30,500	\$20,700	\$24,900
1998	\$33,600	\$21,000	\$25,800

	Administrative & General Non Specifics		
	<u>Original Position</u>		<u>Joint Settlement</u>
Year	CWS	CPUC Staff	
1997	\$100,200	\$82,100	\$92,700
1998	\$111,200	\$83,900	\$96,100

Purchased Power

CWS agrees to continue to pursue opportunities for power purchases from new energy providers in all of its districts to keep power costs at a minimum.

Plant

CWS accepts LWB's estimates and proposed advice letter treatment for certain capital projects as shown in LWB's Results of Operations Reports unless identified below:

CWS originally requested \$12,500 in 1997, and \$11,000 in 1998 in Livermore for local area network improvements and \$14,800 in 1997 and \$16,800 in 1998 for Palos Verdes. These computer upgrades would allow the districts improved access to customer information from the general office computer systems. LWB staff felt that the company's modernization efforts should slow down. During the settlement process, Parties agreed that the age of existing equipment warranted some computer modernization, but at a slower rate than requested by CWS. Accordingly, Parties agree to \$2,500 for 1997 and \$2,500 for 1998 for computer equipment in each district.

Livermore - Utility Funded Additions			
Year	<u>Original Position</u>		<u>Joint Settlement</u>
	CWS	CPUC Staff	
1997	\$678,800	\$654,200	\$656,700
1998	\$706,100	\$675,900	\$678,400
Palos Verdes - Utility Funded Additions			
Year	<u>Original Position</u>		<u>Joint Settlement</u>
	CWS	CPUC Staff	
1997	\$1,042,900	\$1,020,700	\$1,023,200
1998	\$1,116,900	\$1,070,700	\$1,073,200

Depreciation Expense

CWS provided LWB staff with an extensive depreciation study performed by AUS Consultants. This study evaluated not only the remaining lives of all depreciable assets, but also included removal costs based on historical data. In accordance with CPUC Standard Practice U-4, CWS' depreciation studies were updated fully to include historical cost of removal data as well as recalculated remaining life curves. CWS asserts that depreciation accrual rates reflect actual recorded costs of removal in recent years. CWS states that its proposal ensures that future ratepayers are not burdened with removal costs associated with plant for which they received no benefit.

While the cost of removal issue is left open for future consideration, LWB agrees that additional depreciation expense for CWS appears appropriate when compared to the depreciation rates of other water utilities. Although LWB does not necessarily agree with CWS's methodology, LWB has proposed a settlement to avoid the expense and uncertainty of litigation. CWS has accepted LWB's settlement offer to moderately increase CWS' depreciation accrual expense.

LIV	Depreciation		Joint Settlement	Depr. Rate
	Original Position			
Year	CWS	CPUC Staff		
1997	\$ 566,900	\$ 426,600	\$ 500,300	2.42%
1998	\$ 595,900	\$ 447,600	\$ 525,200	2.42%
PV	Depreciation		Joint Settlement	Depr. Rate
	Original Position			
Year	CWS	CPUC Staff		
1997	\$1,102,600	\$ 846,600	\$ 978,900	2.37%
1998	\$1,127,300	\$ 864,600	\$1,000,000	2.37%

Federal Income Taxes

Since the 1980's a superfund cleanup tax surcharge of 0.12% has been in effect. While the surcharge recently lapsed, it is expected that Congress and the President will reinstate this environmental tax. If the surcharge is reinstated in time for the Commission's decision, the parties agree that federal income taxes should be revised.

Should the surcharge become effective at a later date, parties agree that the company should be able to record the expense increase in its previously approved tax memorandum account. The federal income tax rate used for this stipulation was 35.00%.

California State Income Tax

The current California State Franchise Tax Rate of 8.84% was used to estimate state income taxes.

Purchased Water Expenses

Consistent with Commission policy, the most current purchased water rates were used to estimate purchased water expenses.

Livermore Purchased Water Balancing Account

Parties agree that any potential costs or benefits resulting from participation in the Zone 7 in lieu program should not be included in the rate case or the balancing account.

Ad Valorem Taxes and Postage Balancing Account

In accordance with D. 94-06-033, parties agree that future expenses in these categories will no longer be tracked in the balancing account. However, the current balances will be recoverable through balancing account surcharges.

Surcharges and Surcredits

Consistent with Commission policy, parties agree that the surcharges and surcredits included in CWS' showing, updated for current account balances and the agreed upon customer and sales estimates, should be adopted.

Emergency Generators in Livermore

The City expressed concern about the Livermore district's level of fire protection in emergency situations. Accordingly, CWS agrees to meet with the City's Fire Marshall and determine what additional emergency power generation equipment may be required to meet the community's needs. LWB, CWS, and the City agree that an advice letter rate base offset may be filed to recover additional capital requirements if additional emergency generators are needed. Additionally, parties agree that prior to CWS' next GRC for the Livermore district a maximum of 3 additional emergency power generators with a maximum revenue impact of \$40,000 annually, may be requested by advice letter. Moreover, the parties agree that LWB may protest the need for additional generators if adequate justification has not been provided.

Pressure Complaints

During settlement discussions the City also expressed concern over an increase in pressure complaints from 1993 to 1995. Accordingly, CWS agrees to review the circumstances surrounding these complaints and report the results of its investigation and its proposed course of action if warranted.

Livermore District Rate Impact

CWS has requested both a general rate increase and a surcharge to recover balancing account undercollections. Additionally, effective January 1, 1997, the Alameda County

Flood Control and Water Conservation District Zone 7 (Zone 7) increased the cost of wholesale water by 6.5%. This increase equates to a 3.1% increase for CWS customers. The City was concerned with the combined rate impact the general rate case, balancing account surcharge, and Zone 7's increase would have on customers and proposed phasing in the increase. LWB and CWS support the City's recommendation and have agreed to defer CWS' balancing account recovery for one year. Accordingly, the 1997 GRC increase will be approximately 11.9% (13.8% General Rate Increase including 3.1% Zone 7 increase, less 1.9% memorandum account overcollections). On January 1, 1998 customers will experience an attrition increase of approximately 1.7% (including growth) and 12 months after the effective date of the GRC decision a surcharge for balancing account undercollections of 8.6% will take effect. Finally, LWB and CWS have agreed that \$54,000 should be added to the balancing account undercollection. This amount represents the estimated difference between balancing account interest and CWS' weighted cost of debt due to the balancing account surcharge deferral.

CWS generally agrees to all other LWB staff estimates not discussed above.

The City, the only other party to this proceeding, actively participated in the settlement discussions and raised several issues which are addressed above. Finally, the parties to this settlement waive their right to a 30 day comment period under Section 311 of the Public Utility Code.

Respectfully submitted,

/s/ Donald McCrae
Project Manager, LWB formerly
Division of Ratepayer Advocates
February 21, 1997

/s/ Francis S. Ferraro
Vice President, Regulatory Affairs
California Water Service Company
February 21, 1997

/s/ William A. Adams
Water Resources Manager
City of Livermore
February 19, 1997

APPENDIX D
Page 7PALOS VERDES DISTRICT
SUMMARY OF EARNINGS AND RATES OF RETURN
YEARS 1996 THROUGH 1998

TABLE 11-8

	PRESENT RATES			PROPOSED RATES	
	1996	1997	1998	1997	1998
OPERATING REVENUES	\$ 19,741.3	\$ 19,585.8	\$ 19,599.8	\$ 20,315.5	\$ 20,410.8
OPERATIONS EXPENSES					
PURCHASED WATER	10,014.9	10,318.6	10,318.5	10,318.6	10,323.6
GROUNDWATER EXTRACTION CHARGE	0.0	0.0	0.0	0.0	0.0
REPLENISHMENT ASSESSMENT	0.0	0.0	0.0	0.0	0.0
PURCHASED POWER	1,618.0	1,605.3	1,605.3	1,605.3	1,606.0
PURCHASED CHEMICALS	0.0	0.0	0.0	0.0	0.0
PAYROLL - DISTRICT	1,413.0	1,461.9	1,507.6	1,461.9	1,507.6
OTHER OPERATION & MAINTENANCE	858.3	641.4	651.5	642.0	652.2
OTHER ADMIN & GENERAL EXP	95.6	97.5	97.7	97.5	97.7
TOTAL O&M, A&G, AND MISC EXP	13,999.8	14,124.7	14,180.6	14,125.3	14,187.1
TAXES OTHER THAN INCOME					
AD VALOREM TAXES	280.5	282.6	284.7	282.6	284.7
LOCAL FRANCHISE TAXES & BUS LIC	204.6	203.0	203.0	210.5	211.4
PAYROLL TAXES	113.2	116.7	119.9	116.7	119.9
TOTAL GENERAL TAXES	598.3	602.3	607.6	609.8	616.0
DEPRECIATION	882.2	978.9	1,000.0	978.9	1,000.0
G.O. PRORATED EXPENSES					
PAYROLL AND BENEFITS	885.2	936.7	964.9	936.7	964.9
AD VALOREM TAXES	11.4	11.1	10.6	11.1	10.6
PAYROLL TAXES	32.4	35.3	36.3	35.3	36.3
OTHER PRORATED EXPENSES	502.9	505.0	514.5	505.0	514.5
TOTAL G.O. PRORATED EXPENSES	1,431.9	1,488.1	1,526.3	1,488.1	1,526.3
SUB-TOTAL OPERATING EXPENSES	16,912.2	17,194.0	17,314.5	17,202.1	17,329.4
TOTAL INCOME TAXES	695.2	525.4	474.1	640.0	604.7
TOTAL OPERATING EXPENSES	17,607.4	17,719.4	17,788.6	18,042.1	18,134.1
NET OPERATING REVENUE	2,133.9	1,869.4	1,811.2	2,273.4	2,276.7
DEPRECIATED RATE BASE	24,358.0	24,382.4	24,417.8	24,382.4	24,417.8
RATE OF RETURN					
YEAR	8.76%	7.67%	7.42%	9.32%	9.32%
CHANGE FROM PRIOR YEAR		-1.09%	-0.25%		0.00%

APPENDIX D
Page 8

LIVERMORE DISTRICT

SUMMARY OF EARNINGS AND RATES OF RETURN

TABLE 11-8

YEARS 1996 THROUGH 1998

	PRESENT RATES			PROPOSED RATES	
	1996	1997	1998	1997	1998
OPERATING REVENUES	\$ 6,426.7	\$ 6,431.5	\$ 6,517.9	\$ 7,377.3	\$ 7,500.5
OPERATIONS EXPENSES					
PURCHASED WATER	2,831.1	3,172.1	3,235.5	3,172.1	3,235.5
GROUNDWATER EXTRACTION CHARGE	0.0	0.0	0.0	0.0	0.0
REPLENISHMENT ASSESSMENT	0.0	0.0	0.0	0.0	0.0
PURCHASED POWER	264.8	269.0	272.5	269.0	272.5
PURCHASED CHEMICALS	1.7	1.1	1.1	1.1	1.1
PAYROLL - DISTRICT	683.4	705.8	726.9	705.8	726.9
OTHER OPERATION & MAINTENANCE	458.8	495.3	504.6	497.1	506.6
OTHER ADMIN & GENERAL EXP	62.2	64.2	64.2	64.2	64.2
TOTAL O&M, A&G, AND MISC EXP	4,402.0	4,707.5	4,804.8	4,709.3	4,806.8
TAXES OTHER THAN INCOME					
AD VALOREM TAXES	125.3	130.4	136.4	130.4	136.4
LOCAL FRANCHISE TAXES & BUS LIC	63.7	64.2	64.6	73.1	74.3
PAYROLL TAXES	54.9	56.4	57.9	56.4	57.9
TOTAL GENERAL TAXES	243.9	251.0	258.9	259.9	268.6
DEPRECIATION	409.2	500.3	525.2	500.3	525.2
G.O. PRORATED EXPENSES					
PAYROLL AND BENEFITS	412.8	436.7	449.9	436.7	449.9
AD VALOREM TAXES	5.3	5.2	5.0	5.2	5.0
PAYROLL TAXES	15.1	16.4	16.9	16.4	16.9
OTHER PRORATED EXPENSES	234.5	235.6	239.9	235.6	239.9
TOTAL G.O. PRORATED EXPENSES	667.7	693.9	711.7	693.9	711.7
SUB-TOTAL OPERATING EXPENSES	5,722.8	6,152.7	6,300.6	6,163.4	6,312.3
TOTAL INCOME TAXES	138.2	(19.8)	(68.8)	368.3	329.4
TOTAL OPERATING EXPENSES	5,861.0	6,132.9	6,231.8	6,531.7	6,641.7
NET OPERATING REVENUE	565.7	348.6	286.1	845.6	858.8
DEPRECIATED RATE BASE	8,902.7	9,068.3	9,211.1	9,068.3	9,211.1
RATE OF RETURN					
YEAR	6.35%	3.84%	3.11%	9.32%	9.32%
CHANGE FROM PRIOR YEAR		-2.51%	-0.73%		0.00%

Appendix D
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STIPULATED RATE INCREASE BY DISTRICT

General Rate Increase

District	Present Revenues Eff. 1/1/97	Stipulated 1997 Increases Based Upon Rates Eff. 1/1/97	Total Authorized 1997 Revenues	Percentage Increases Over 1997 Present Revenues
Palos Verdes	\$19,588,800	\$726,700	\$20,315,500	3.7%
Livermore	\$6,481,500	\$895,800	\$7,377,300	13.8%

Authorized 1997 Revenues	Stipulated 1998 Increases Based Upon Rates Eff. 12/31/97	Total Authorized 1998 Revenues	Percentage Increases Over 1997 Authorized Revenues
\$20,315,500	\$95,300	\$20,410,800	0.5%
\$7,377,300	\$123,200	\$7,500,500	1.7%

Balancing / Memorandum Accounts

District	Stipulated 1997 Balancing Acct. Recovery	Stipulated 1997 Memorandum Acct. Recovery	Total Annual Recovery	Percentage Increases Over 1997 Present Revenues
Palos Verdes	\$825,218	\$102,955	\$928,173	4.7%
Livermore	\$0	(\$123,174)	(\$123,174)	(1.9%)

Stipulated 1998 Balancing Acct. Recovery	Stipulated 1998 Memorandum Acct. Recovery	Total Annual Recovery	Percentage Increases Over 1997 Authorized Revenues
\$825,218	(\$13,898)	\$811,320	4.0%
\$645,257	(\$6,340)	\$638,917	8.6%

Total GRC & Balancing / Memorandum Accounts

District	Present Revenues Eff. 1/1/97	Stipulated 1997 Increases Including Bal / Mem Acct.	Total Authorized 1997 Revenue Recovery	Percentage Increases Over 1997 Present Revenues
Palos Verdes	\$19,588,800	\$1,654,873	\$21,243,673	8.4%
Livermore	\$6,481,500	\$772,628	\$7,254,128	11.9%

Revenues Eff. 1/1/98	Stipulated 1998 Increases Including Bal / Mem Acct.	Total Authorized 1998 Revenue Recovery	Percentage Increases Over 1997 Authorized Revenues
\$20,315,500	\$906,620	\$21,222,120	4.5%
\$7,377,300	\$762,117	\$8,139,417	10.3%

Appendix D
Page 10

Summary of Earnings and Rates of Return
Attrition Calculation

District	Gross Revenue Increase			
	1999		2000	
Livermore	\$	37,500	0.5%	\$ 37,500 0.5%
Palos Verdes	\$	77,400	0.4%	\$ 77,400 0.4%

(END OF APPENDIX D)

PALOS VERDES COMPARISON EXHIBIT

TABLE E-3

CALIFORNIA WATER SERVICE COMPANY
PALOS VERDES DISTRICT

OPERATING REVENUES

TEST YEAR 1998
(PRESENT RATES)

ITEM	CWS	LWB	SETTLEMENT
Metered Revenues			
COMMERCIAL	18,439.6	19,429.4	18,533.9
INDUSTRIAL	23.2	23.2	23.2
PUBLIC AUTHORITY	1,020.1	1,065.4	964.7
OTHER	15.5	15.5	15.5
TOTAL	19,498.4	20,553.5	19,537.3
Flat Rate Revenues			
PRIVATE FIRE	36.3	36.3	36.3
PUBLIC FIRE	1.3	1.3	1.3
OTHER	8.7	8.7	8.7
TOTAL	46.3	46.3	46.3
DEFERRED REVENUES	16.2	16.2	16.2
TOTAL OPERATING REVENUES	19,560.9	20,616.0	19,599.8

PALOS VERDES COMPARISON EXHIBIT

TABLE F-1

CALIFORNIA WATER SERVICE COMPANY
PALOS VERDES DISTRICT

OPERATION & MAINTENANCE EXPENSES

TEST YEAR 1997

ITEM	CWS	LWB	SETTLEMENT
<u>At Present Rates</u>			
OPERATING REVENUES	19,651.6	20,481.2	19,588.8
Uncollectible rate	0.08130%	0.08130%	0.08130%
Uncollectibles	16.0	16.6	15.9
OPERATIONS EXPENSES			
PURCHASED WATER	9,961.3	10,296.8	10,318.6
REPLENISHMENT ASSESSMENT	0.0	0.0	0.0
GROUNDWATER EXTRACTION	0.0	0.0	0.0
PURCHASED POWER	1,603.8	1,658.3	1,605.3
PURCHASED CHEMICALS	38.8	0.0	0.0
PAYROLL	932.6	932.6	932.6
POSTAGE	75.6	75.6	75.6
TRANSPORTATION	109.8	104.6	104.6
PURCHASED SERVICES			
SOURCE OF SUPPLY	1.0	1.0	1.0
PUMPING	30.5	20.7	24.9
WATER TREATMENT	4.5	4.5	4.5
TRANS. & DISTRIBUTION	98.6	98.4	98.4
CUSTOMER ACCOUNTING	57.8	48.8	56.5
CONSERVATION EXPENSES	219.0	6.0	6.0
TOTAL OPERATIONS EXPENSES	13,149.3	13,263.9	13,243.9
MAINTENANCE EXPENSES			
PAYROLL	288.3	288.3	288.3
TRANSPORTATION	35.6	33.1	33.1
STORES	34.3	34.2	34.2
CONTRACTED MAINTENANCE	194.2	186.7	186.7
TOTAL MAINTENANCE EXPENSES	552.4	542.3	542.3
TOTAL O & M EXPENSES (incl. uncollectibles)	13,701.7	13,806.2	13,786.2
<u>At Proposed Rates</u>			
OPERATING REVENUES	20,866.9	21,609.5	20,315.5
Uncollectible Rate	0.08130%	0.08130%	0.08130%
Uncollectibles	17.0	17.6	16.5
Total O&M Expenses (incl. uncollectibles)	13,702.7	13,807.2	13,786.8

PALOS VERDES COMPARISON EXHIBIT

TABLE F-2

CALIFORNIA WATER SERVICE COMPANY
PALOS VERDES DISTRICT

OPERATION & MAINTENANCE EXPENSES

TEST YEAR 1998

ITEM	CWS	LWB	SETTLEMENT
<u>At Present Rates</u>			
OPERATING REVENUES	19,560.9	20,616.0	19,599.8
Uncollectible rate	0.08130%	0.08130%	0.08130%
Uncollectibles	15.9	16.8	15.9
OPERATIONS EXPENSES			
PURCHASED WATER	9,907.7	10,374.1	10,323.6
REPLENISHMENT ASSESSMENT	0.0	0.0	0.0
GROUNDWATER EXTRACTION	0.0	0.0	0.0
PURCHASED POWER	1,596.1	1,672.0	1,606.0
PURCHASED CHEMICALS	40.7	0.0	0.0
PAYROLL	962.5	962.5	962.5
POSTAGE	75.6	75.6	75.6
TRANSPORTATION	114.1	106.9	106.9
PURCHASED SERVICES			
SOURCE OF SUPPLY	1.0	1.0	1.0
PUMPING	33.6	21.0	24.9
WATER TREATMENT	4.6	4.6	4.6
TRANS. & DISTRIBUTION	101.2	100.5	100.5
CUSTOMER ACCOUNTING	61.7	49.9	56.5
CONSERVATION EXPENSES	219.0	6.0	6.0
TOTAL OPERATIONS EXPENSES	13,133.7	13,390.9	13,284.0
MAINTENANCE EXPENSES			
PAYROLL	296.9	296.9	296.9
TRANSPORTATION	37.0	33.9	33.9
STORES	35.2	35.0	35.0
CONTRACTED MAINTENANCE	199.0	190.7	190.7
TOTAL MAINTENANCE EXPENSES	568.1	556.5	556.5
TOTAL O & M EXPENSES (incl. uncollectibles)	13,701.8	13,947.4	13,840.5
<u>At Proposed Rates</u>			
OPERATING REVENUES	20,906.5	21,834.2	20,410.8
Uncollectible Rate	0.08130%	0.08130%	0.08130%
Uncollectibles	17.0	17.8	16.6
Total O&M Expenses (incl. uncollectibles)	13,702.9	13,948.4	13,841.2

PALOS VERDES COMPARISON EXHIBIT

TABLE G-1

CALIFORNIA WATER SERVICE COMPANY
PALOS VERDES DISTRICT

ADMINISTRATIVE & GENERAL EXPENSES

TEST YEAR 1997

ITEM	CWS	LWB	SETTLEMENT
<u>At Present Rates</u>			
Operating Revenue (incl. uncoll.)	19,651.6	20,481.2	19,588.8
Effective Local Franchise Tax Rate	1.0266%	1.0266%	1.0266%
LOCAL FRANCHISE TAX	201.7	210.3	201.1
BUSINESS LICENSE	1.9	1.9	1.9
PAYROLL	241.0	241.0	241.0
TRANSPORTATION EXPENSES	5.4	5.4	5.4
PURCHASED SERVICES			
RENTS	0.0	0.0	0.0
ADMIN CHARGES TRF	0.0	0.0	0.0
NONSPECIFICS	100.2	82.1	92.7
MISCELLANEOUS EXPENSES			
AMORT. OF LIMITED TERM INV.	0.1	0.1	0.1
RATE MAKING ADJUSTMENTS			
DUES & DONATIONS	(0.7)	(0.7)	(0.7)
TOTAL A & G EXPENSES	346.0	327.9	338.5
(Incl. local franch. tax & bus. lic.)	549.6	540.1	541.5
<u>At Proposed Rates</u>			
Operating Revenue (incl. uncoll.)	20,906.5	21,834.2	20,315.5
Effective Local Franchise Tax Rate	1.0266%	1.0266%	1.0266%
LOCAL FRANCHISE TAX	214.6	224.1	208.6
BUSINESS LICENCE	1.9	1.9	1.9
TOTAL A & G EXPENSES	346.0	327.9	338.5
(Incl. local franch. tax & bus. lic.)	562.5	553.9	549.0

PALOS VERDES COMPARISON EXHIBIT

TABLE G-2

CALIFORNIA WATER SERVICE COMPANY
PALOS VERDES DISTRICT

ADMINISTRATIVE & GENERAL EXPENSES

TEST YEAR 1998

ITEM	CWS	LWB	SETTLEMENT
<u>At Present Rates</u>			
Operating Revenue (incl. uncoll.)	19,560.9	20,616.0	19,599.8
Effective Local Franchise Tax Rate	1.0266%	1.0266%	1.0266%
LOCAL FRANCHISE TAX	200.8	211.6	201.2
BUSINESS LICENSE @ 0.99093%	1.9	1.9	1.9
PAYROLL	248.2	248.2	248.2
TRANSPORTATION EXPENSES	5.7	5.6	5.6
PURCHASED SERVICES			
RENTS	0.0	0.0	0.0
ADMIN CHARGES TRF	0.0	0.0	0.0
NONSPECIFICS	111.2	83.9	96.1
MISCELLANEOUS EXPENSES			
AMORT. OF LIMITED TERM INV.	0.1	0.1	0.1
RATE MAKING ADJUSTMENTS			
DUES & DONATIONS	(0.7)	(0.7)	(0.7)
TOTAL A & G EXPENSES	364.5	337.1	349.3
(Incl. local franch. tax & bus. lic.)	567.2	550.6	552.4
<u>At Proposed Rates</u>			
Operating Revenue (incl. uncoll.)	20,906.5	21,834.2	20,410.8
Effective Local Franchise Tax Rate	1.0266%	1.0266%	1.0266%
LOCAL FRANCHISE TAX	214.6	224.1	209.5
BUSINESS LICENCE	1.9	1.9	1.9
TOTAL A & G EXPENSES	364.5	337.1	349.3
(Incl. local franch. tax & bus. lic.)	561.0	563.1	560.8

PALOS VERDES COMPARISON EXHIBIT

TABLE H-1

CALIFORNIA WATER SERVICE COMPANY
PALOS VERDES DISTRICT

TAXES OTHER THAN INCOME TAXES

TEST YEAR 1997

ITEM	CWS	LWB	SETTLEMENT
Metered Connections	(Thousands of \$)		
AD VALOREM TAXES	282.6	276.9	282.6
PAYROLL TAXES	116.7	116.7	116.7
Taxes other than income (present rates)	399.3	393.6	399.3
Taxes other than income (proposed rates)	399.3	393.6	399.3

TABLE H-2

CALIFORNIA WATER SERVICE COMPANY
PALOS VERDES DISTRICT

TAXES OTHER THAN INCOME TAXES

TEST YEAR 1998

ITEM	CWS	LWB	SETTLEMENT
Metered Connections	(Thousands of \$)		
AD VALOREM TAXES	284.6	279.4	284.7
PAYROLL TAXES	119.9	119.9	119.9
Taxes other than income (present rates)	404.5	399.3	404.6
Taxes other than income (proposed rates)	404.5	399.3	404.6

PALOS VERDES COMPARISON EXHIBIT

TABLE I-1

CALIFORNIA WATER SERVICE COMPANY
PALOS VERDES DISTRICT

TAXES BASED ON INCOME

TEST YEAR 1997

ITEM (Thousands of \$)	CWS	LWB	SETTLEMENT
OPERATING REVENUES (present rates)	19,646.1	20,481.2	19,588.8
DEDUCTIONS			
O & M EXPENSES	13,701.7	13,806.2	13,786.2
A & G EXPENSES	549.6	540.1	541.5
G.O. PRORATED	1,492.1	1,488.1	1,488.1
G.O. PRORATED ADJ.	0.0	0.0	0.0
TAXES NOT ON INCOME	399.3	393.6	399.3
INTEREST	1,007.3	1,006.2	978.7
TRANSPORT. DEPR. ADJ.	(43.3)	(43.3)	(43.3)
TOTAL	17,106.7	17,190.9	17,150.5
INCOME BEFORE TAXES	2,539.4	3,290.3	2,438.3
<u>California Corporate Franchise Tax (CCFT)</u>			
State Tax Depreciation	1,384.6	1,386.7	1,385.3
Taxable Income for CCFT	1,154.8	1,903.6	1,053.0
CCFT Rate	9.30%	8.84%	8.84%
TOTAL CCFT	107.4	168.3	93.1
<u>Federal Income Tax (FIT)</u>			
Federal Tax Depreciation	1,105.0	1,106.7	1,105.6
1996 State Income Tax	107.4	127.2	93.1
Preferred Stock Dividend Credit	5.7	5.7	5.7
Taxable Income for FIT	1,321.3	2,050.7	1,233.9
FIT Rate	35.12%	35.00%	35.00%
TOTAL FIT	464.0	717.7	432.2
TOTAL FIT & CCFT	571.4	886.0	525.3

PALOS VERDES COMPARISON EXHIBIT

TABLE I-2

CALIFORNIA WATER SERVICE COMPANY
PALOS VERDES DISTRICT

TAXES BASED ON INCOME

TEST YEAR 1998

ITEM (Thousands of \$)	CWS	LWB	SETTLEMENT
OPERATING REVENUES (present rates)	19,555.4	20,616.0	19,599.8
DEDUCTIONS			
O & M EXPENSES	13,701.8	13,947.4	13,840.5
A & G EXPENSES	567.2	550.6	552.4
G.O. PRORATED	1,536.4	1,526.3	1,526.3
G.O. PRORATED ADJ.	0.0	0.0	0.0
TAXES NOT ON INCOME	404.5	399.3	404.6
INTEREST	997.3	1,005.6	979.3
TRANSPORT. DEPR. ADJ.	(47.3)	(47.3)	(47.3)
TOTAL	17,159.9	17,381.9	17,255.9
INCOME BEFORE TAXES	2,395.5	3,234.1	2,343.9
<u>California Corporate Franchise Tax (CCFT)</u>			
State Tax Depreciation	1,405.6	1,415.1	1,409.3
Taxable income for CCFT	989.9	1,819.0	934.6
CCFT Rate	9.30%	8.84%	8.84%
TOTAL CCFT	92.1	160.8	82.6
<u>Federal Income Tax (FIT)</u>			
Federal Tax Depreciation	1,124.5	1,132.1	1,127.5
1996 State Income Tax	107.4	168.3	93.2
Preferred Stock Dividend Credit	5.7	5.7	5.7
Taxable Income for FIT	1,157.9	1,928.0	1,117.5
FIT Rate	35.12%	35.00%	35.00%
TOTAL FIT	406.7	674.8	391.1
TOTAL FIT & CCFT	498.8	835.6	474.1

PALOS VERDES COMPARISON EXHIBIT

TABLE J-1

CALIFORNIA WATER SERVICE COMPANY
PALOS VERDES DISTRICT

PLANT IN SERVICE

TEST YEAR 1997

ITEM (Thousands of \$)	CWS	LWB	SETTLEMENT
Plant in Service - BOY	45,089.4	45,085.0	45,085.0
Beginning Balance - CWP	-	-	-
Total BOY	45,089.4	45,085.0	45,085.0
Additions			
Utility Funded	1,042.9	1,020.7	1,023.2
Advances	128.9	128.9	128.9
Contributions	37.1	37.1	37.1
Gross Additions	1,208.9	1,186.7	1,189.2
Retirements	(141.6)	(141.6)	(141.6)
Change in CWP Balance	-	-	-
Plant in Service - EOY	46,156.7	46,130.1	46,132.6
+ Capitalized Interest Adjustment	180.7	178.8	179.0
Weighting Factor	48.5%	48.5%	48.5%
Weighted Average Plant in Service	45,787.7	45,770.7	45,772.1

PALOS VERDES COMPARISON EXHIBIT

TABLE J-2

CALIFORNIA WATER SERVICE COMPANY
PALOS VERDES DISTRICT

PLANT IN SERVICE

TEST YEAR 1998

ITEM (Thousands of \$)	CWS	LWB	SETTLEMENT
Plant in Service - BOY	46,156.7	46,130.1	46,132.6
Beginning Balance - CWP			
Total BOY	46,156.7	46,130.1	46,132.6
Additions			
Utility Funded	1,116.9	1,070.7	1,073.2
Advances	128.9	128.9	128.9
Contributions	37.1	37.1	37.1
Gross Additions	1,282.9	1,236.7	1,239.2
Retirements	(195.7)	(195.7)	(195.7)
Change in CWP Balance	-	-	-
Plant in Service - EOY	47,243.9	47,171.1	47,176.1
+ Capitalized Interest Adjustment	304.8	299.1	299.5
Weighting Factor	48.5%	48.5%	48.5%
Weighted Average Plant in Service	46,988.8	46,934.1	46,938.2

PALOS VERDES COMPARISON EXHIBIT

TABLE K-1

CALIFORNIA WATER SERVICE COMPANY
PALOS VERDES DISTRICT

DEPRECIATION RESERVE & EXPENSE

TEST YEAR 1997

ITEM (Thousands of \$)	CWS	LWB	SETTLEMENT
Depreciation Reserve - BOY	15,762.9	15,762.9	15,762.9
ACCRUALS			
TRANSPORTATION EQUIPMENT	31.0	31.0	31.0
OTHER PLANT IN SERVICE	1,102.6	846.6	978.9
CONTRIBUTED PLANT	60.6	60.6	54.0
TOTAL ACCRUALS	1,194.2	938.2	1,063.9
RETIREMENTS	(146.1)	(146.1)	(146.1)
NET ADDITIONS	1,048.1	792.1	917.8
DEPRECIATION ADJUSTMENT	(107.8)	20.2	(42.7)
DEPRECIATION RESERVE - EOY	16,703.2	16,575.2	16,638.0
Weighting Factor	48.50%	48.50%	48.50%
Weighted Average Depr. Reserve	16,218.9	16,156.9	16,187.3

PALOS VERDES COMPARISON EXHIBIT

TABLE K-2

CALIFORNIA WATER SERVICE COMPANY
PALOS VERDES DISTRICT

DEPRECIATION RESERVE & EXPENSE

TEST YEAR 1998

ITEM (Thousands of \$)	CWS	LWB	SETTLEMENT
Depreciation Reserve - BOY	16,703.2	16,575.2	16,638.0
ACCRUALS			
TRANSPORTATION EQUIPMENT	33.8	33.8	33.8
OTHER PLANT IN SERVICE	1,127.3	864.6	1,000.0
CONTRIBUTED PLANT	61.6	61.6	54.9
TOTAL ACCRUALS	1,222.7	960.0	1,088.7
RETIREMENTS	(184.6)	(184.6)	(184.8)
NET ADDITIONS	1,038.1	775.4	903.9
DEPRECIATION ADJUSTMENT	0.0	0.0	0.0
DEPRECIATION RESERVE - EOY	17,741.3	17,350.6	17,541.9
Weighting Factor	48.50%	48.50%	48.50%
Weighted Average Depr. Reserve	17,206.6	16,951.3	17,076.5

PALOS VERDES COMPARISON EXHIBIT

TABLE L-1

CALIFORNIA WATER SERVICE COMPANY
PALOS VERDES DISTRICT

WEIGHTED AVERAGE DEPRECIATED RATE BASE

TEST YEAR 1997

ITEM (Thousands of \$)	CWS	LWB	SETTLEMENT
WEIGHTED AVERAGE PLANT	45,787.7	45,770.7	45,772.1
WTD AVERAGE DEPR. RESERVE	16,218.9	16,156.9	16,187.3
NET UTILITY PLANT	29,568.8	29,613.8	29,584.8
Materials & Supplies	232.8	232.8	232.8
Working Cash - Gross	0.0	0.0	0.0
Working Cash - Lead/Lag	(140.4)	(215.9)	(198.8)
Working Cash - W/H Empl.	(3.4)	(3.4)	(3.4)
Total Working Cash	(143.8)	(219.3)	(202.2)
SUBTOTAL	29,657.8	29,627.4	29,615.4
DEDUCTION FROM RATE BASE			
Advances	2,221.4	2,221.4	2,221.4
Contributions	1,512.2	1,512.2	1,515.4
Reserve Amortization of Intangibles	0.9	0.9	0.9
Accumulated Deferred FIT	2,346.0	2,349.6	2,349.6
Accumulated Unamortized ITC	289.2	289.2	289.2
TOTAL DEDUCTIONS	6,369.7	6,373.3	6,376.5
ADDITIONS TO RATE BASE			
Accumulated Deferred Taxes - CIAC	107.2	107.2	107.2
Accumulated Deferred Taxes - Advances	231.5	231.5	231.5
TOTAL ADDITIONS	338.7	338.7	338.7
DISTRICT RATE BASE	23,626.8	23,592.8	23,577.6
PRORATED G.O. RATE BASE	804.8	804.8	804.8
AVERAGE RATE BASE	24,431.6	24,397.6	24,382.4

PALOS VERDES COMPARISON EXHIBIT

TABLE L-2

CALIFORNIA WATER SERVICE COMPANY
PALOS VERDES DISTRICT

WEIGHTED AVERAGE DEPRECIATED RATE BASE

TEST YEAR 1993

ITEM (Thousands of \$)	CWS	LWB	SETTLEMENT
WEIGHTED AVERAGE PLANT	46,988.8	46,934.1	46,938.2
WTD AVERAGE DEPR. RESERVE	17,206.6	16,951.3	17,076.5
NET UTILITY PLANT	29,782.2	29,982.8	29,861.7
Materials & Supplies	232.8	232.8	232.8
Working Cash - Gross	0.0	0.0	0.0
Working Cash - Lead/Lag	(126.1)	(215.2)	(191.6)
Working Cash - W/H Empl.	(3.4)	(3.4)	(3.4)
Total Working Cash	(129.5)	(218.6)	(195.0)
SUBTOTAL	29,885.5	29,997.0	29,899.5
DEDUCTION FROM RATE BASE			
Advances	2,350.4	2,350.4	2,350.4
Contributions	1,488.2	1,454.3	1,464.2
Reserve Amortization of Intangibles	1.0	1.0	1.0
Accumulated Deferred FIT	2,492.7	2,509.5	2,509.5
Accumulated Unamortized ITC	280.4	280.4	280.4
TOTAL DEDUCTIONS	6,612.7	6,595.6	6,605.5
ADDITIONS TO RATE BASE			
Accumulated Deferred Taxes - CIAC	111.3	111.3	111.3
Accumulated Deferred Taxes - Advances	249.3	249.3	249.3
TOTAL ADDITIONS	360.6	360.6	360.6
DISTRICT RATE BASE	23,633.4	23,762.0	23,654.6
PRORATED G.O. RATE BASE	763.2	763.2	763.2
AVERAGE RATE BASE	24,396.6	24,525.2	24,417.8

PALOS VERDES COMPARISON EXHIBIT

TABLE M

CALIFORNIA WATER SERVICE COMPANY
PALOS VERDES DISTRICT

NET-TO-GROSS MULTIPLIER

TEST YEARS 1997 & 1998

ITEM	CWS	LWB	SETTLEMENT
1) Uncollectibles (%)	0.08129%	0.08129%	0.08129%
2) Business License Rate	1.02660%	1.02660%	1.02660%
3) Subtotal (Line 1 + Line 2)	1.10789%	1.10789%	1.10789%
4) 1 - Subtotal (100% - Line 3)	98.89211%	98.89211%	98.89211%
5) CCFT (Line 4 * 9.3% by utility, 8.84% by LWB)	9.19697%	8.74206%	8.74206%
6) FIT (Line 4 * 35.12% by utility, 35% by LWB)	34.73091%	34.61224%	34.61224%
7) Total Taxes Paid (Line 3 + Line 5 + Line 6)	45.03577%	44.46219%	44.46219%
8) Net after taxes (1 - Line 7)	54.96423%	55.53781%	55.53781%
Net-to-Gross Multiplier (1/Line 8)	1.81935	1.80058	1.80058

TABLE A-1

CALIFORNIA WATER SERVICE COMPANY
LIVERMORE DISTRICT

SUMMARY OF EARNINGS

TEST YEAR 1997

ITEM	CWS	LWB	SETTLEMENT
At Present Rates			
OPERATING REVENUES	6,424.6	6,529.4	6,481.5
OPERATIONS EXPENSES			
OPERATION & MAINTENANCE	4,373.9	4,369.4	4,535.5
ADMINISTRATIVE & GENERAL	236.7	232.0	236.2
G.O. PRORATED EXPENSE	695.7	693.9	693.9
DEPRECIATION & AMORTIZATION	566.9	426.6	500.3
TAXES OTHER THAN INCOME	186.8	185.4	186.8
STATE CORP. FRANCHISE TAX	(10.6)	0.3	(18.3)
FEDERAL INCOME TAX	28.1	64.0	(1.5)
TOTAL OPERATING EXPENSES	6,077.5	5,971.6	6,132.9
NET OPERATING REVENUE	347.1	557.8	348.6
RATE BASE	9,102.3	9,090.6	9,068.3
RETURN ON RATE BASE	3.81%	6.14%	3.84%

LIVERMORE COMPARISON EXHIBIT

TABLE A-4

CALIFORNIA WATER SERVICE COMPANY
LIVERMORE DISTRICT

SUMMARY OF EARNINGS

TEST YEAR 1998

ITEM	CWS	LWB	SETTLEMENT
At Present Rates			
OPERATING REVENUES	6,426.9	6,618.4	6,517.9
OPERATIONS EXPENSES			
OPERATION & MAINTENANCE	4,435.7	4,510.1	4,629.6
ADMINISTRATIVE & GENERAL	243.6	237.0	241.2
G.O. PRORATED EXPENSE	716.4	711.7	711.7
DEPRECIATION & AMORTIZATION	595.9	447.6	525.2
TAXES OTHER THAN INCOME	194.2	191.6	194.3
STATE CORP. FRANCHISE TAX	(23.1)	(10.7)	(29.7)
FEDERAL INCOME TAX	(11.0)	29.9	(39.1)
TOTAL OPERATING EXPENSES	6,151.8	6,117.2	6,233.2
NET OPERATING REVENUE	275.1	501.2	284.7
RATE BASE	9,232.1	9,282.9	9,211.1
RETURN ON RATE BASE	2.98%	5.40%	3.09%

LIVERMORE COMPARISON EXHIBIT

TABLE B-1

CALIFORNIA WATER SERVICE COMPANY
LIVERMORE DISTRICT

WATER SALES PER AVERAGE CUSTOMER

TEST YEAR 1997

ITEM	CWS	LWB	SETTLEMENT
Metered Connections	(Ccf / Conn. / Year)		
COMMERCIAL	227.1	227.1	229.0
INDUSTRIAL	800.0	800.0	800.0
PUBLIC AUTHORITY	2,470.6	2,712.7	2,553.7
OTHER	1,007.1	1,007.1	1,007.1

TABLE B-2

CALIFORNIA WATER SERVICE COMPANY
LIVERMORE DISTRICT

WATER SALES PER AVERAGE CUSTOMER

TEST YEAR 1998

ITEM	CWS	LWB	SETTLEMENT
Metered Connections	(Ccf / Conn. / Year)		
COMMERCIAL	225.5	225.5	229.0
INDUSTRIAL	800.0	800.0	800.0
PUBLIC AUTHORITY	2,421.7	2,692.9	2,553.7
OTHER	1,000.0	1,000.0	1,000.0

LIVERMORE COMPARISON EXHIBIT

TABLE C-1

CALIFORNIA WATER SERVICE COMPANY
LIVERMORE DISTRICT

AVERAGE NUMBER OF CUSTOMERS

TEST YEAR 1997

ITEM	CWS	LWB	SETTLEMENT
Metered Services			
COMMERCIAL	15,153	15,153	15,153
INDUSTRIAL	3	3	3
PUBLIC AUTHORITY	136	136	136
OTHER	14	14	14
TOTAL	15,306	15,306	15,306
Flat Rate Services			
PRIVATE FIRE PROTECTION	170	170	170
PUBLIC FIRE PROTECTION	28	28	28
TOTAL	198	198	198
TOTAL SERVICES			
INCL. FIRE PROTECTION	15,504	15,504	15,504
EXCL. FIRE PROTECTION	15,306	15,306	15,306

LIVERMORE COMPARISON EXHIBIT

TABLE C-2

CALIFORNIA WATER SERVICE COMPANY
LIVERMORE DISTRICT

AVERAGE NUMBER OF CUSTOMERS

TEST YEAR 1998

ITEM	CWS	LWB	SETTLEMENT
Metered Services			
COMMERCIAL	15,368	15,368	15,368
INDUSTRIAL	3	3	3
PUBLIC AUTHORITY	138	138	138
OTHER	14	14	14
TOTAL	15,523	15,523	15,523
Flat Rate Services			
PRIVATE FIRE PROTECTION	175	175	175
PUBLIC FIRE PROTECTION	30	30	30
TOTAL	205	205	205
TOTAL SERVICES			
INCL. FIRE PROTECTION	15,728	15,728	15,728
EXCL. FIRE PROTECTION	15,523	15,523	15,523

LIVERMORE COMPARISON EXHIBIT

TABLE D-1

CALIFORNIA WATER SERVICE COMPANY
LIVERMORE DISTRICT

TOTAL SALES AND SUPPLY

TEST YEAR 1997

ITEM	CWS	LWB	SETTLEMENT
Metered Sales			
COMMERCIAL	3,441.4	3,504.9	3,470.0
INDUSTRIAL	2.4	2.4	2.4
PUBLIC AUTHORITY	336.0	368.9	347.3
OTHER	14.1	14.1	14.1
TOTAL	3,793.9	3,890.3	3,833.8
UNACCOUNTED FOR WATER	193.0	197.9	195.0
TOTAL WATER SUPPLY	3,986.9	4,088.2	4,028.8
COMPANY WELLS	1,072.1	1,072.1	1,072.1
PURCHASES - LEASED WELLS	127.0	127.0	127.0
PURCHASES - OTHER	2,787.8	2,889.1	2,829.7

LIVERMORE COMPARISON EXHIBIT

TABLE D-2

CALIFORNIA WATER SERVICE COMPANY
LIVERMORE DISTRICT

TOTAL SALES AND SUPPLY

TEST YEAR 1998

ITEM	CWS	LWB	SETTLEMENT
Metered Sales			
COMMERCIAL	3,466.0	3,602.3	3,519.3
INDUSTRIAL	2.4	2.4	2.4
PUBLIC AUTHORITY	334.2	371.6	347.3
OTHER	14.0	14.0	14.0
TOTAL	3,816.6	3,990.3	3,883.0
UNACCOUNTED FOR WATER	194.1	203.0	197.6
TOTAL WATER SUPPLY	4,010.7	4,193.3	4,080.5
COMPANY WELLS	1,072.1	1,072.1	1,072.1
PURCHASES - LEASED WELLS	127.0	127.0	127.0
PURCHASES - OTHER	2,811.6	2,994.2	2,881.4

LIVERMORE COMPARISON EXHIBIT

TABLE E-1

CALIFORNIA WATER SERVICE COMPANY
LIVERMORE DISTRICT

OPERATING REVENUES

TEST YEAR 1997
(PRESENT RATES)

ITEM	CWS	LWB	SETTLEMENT
Metered Revenues			
COMMERCIAL	5,821.6	5,893.6	5,857.5
INDUSTRIAL	3.7	3.7	3.7
PUBLIC AUTHORITY	485.4	511.9	500.0
OTHER	23.6	23.6	23.6
TOTAL	6,334.3	6,432.7	6,384.8
Flat Rate Revenues			
PRIVATE FIRE	35.4	35.4	35.4
PUBLIC FIRE	6.9	6.9	6.9
OTHER	10.3	10.3	10.3
TOTAL	52.6	52.6	52.6
DEFERRED REVENUES	44.1	44.1	44.1
TOTAL OPERATING REVENUES	6,431.0	6,529.4	6,481.5

LIVERMORE COMPARISON EXHIBIT

TABLE E-3

CALIFORNIA WATER SERVICE COMPANY
LIVERMORE DISTRICT

OPERATING REVENUES

TEST YEAR 1998
(PRESENT RATES)

ITEM	CWS	LWB	SETTLEMENT
Metered Revenues			
COMMERCIAL	5,824.5	5,977.9	5,892.5
INDUSTRIAL	3.7	3.7	3.7
PUBLIC AUTHORITY	483.9	515.4	500.4
OTHER	23.5	23.5	23.5
TOTAL	6,335.5	6,520.5	6,420.1
Flat Rate Revenues			
PRIVATE FIRE	36.4	36.4	36.4
PUBLIC FIRE	7.3	7.3	7.3
OTHER	10.3	10.3	10.3
TOTAL	54.0	54.0	54.0
DEFERRED REVENUES	43.8	43.8	43.8
TOTAL OPERATING REVENUES	6,433.3	6,618.4	6,517.9

LIVERMORE COMPARISON EXHIBIT

TABLE F-1

CALIFORNIA WATER SERVICE COMPANY
LIVERMORE DISTRICT

OPERATION & MAINTENANCE EXPENSES

TEST YEAR 1997

ITEM	CWS	LWB	SETTLEMENT
<u>At Present Rates</u>			
OPERATING REVENUES	6,431.0	6,529.4	6,481.5
Uncollectible rate	0.20647%	0.20647%	0.20647%
Uncollectibles	13.3	13.5	13.4
OPERATIONS EXPENSES			
PURCHASED WATER	2,915.7	3,019.8	3,172.1
REPLENISHMENT ASSESSMENT	0.0	0.0	0.0
GROUNDWATER EXTRACTION	0.0	0.0	0.0
PURCHASED POWER	321.6	269.0	269.0
PURCHASED CHEMICALS	25.6	1.1	1.1
PAYROLL	475.3	475.3	475.3
POSTAGE	50.1	50.1	50.1
TRANSPORTATION	40.0	35.5	36.9
PURCHASED SERVICES			
SOURCE OF SUPPLY	0.1	0.1	0.1
PUMPING	31.3	30.4	30.4
WATER TREATMENT	19.6	19.6	19.6
TRANS. & DISTRIBUTION	48.6	28.5	36.8
CUSTOMER ACCOUNTING	36.2	36.2	36.2
CONSERVATION EXPENSES	36.6	36.6	36.6
TOTAL OPERATIONS EXPENSES	4,014.0	4,015.7	4,177.6
MAINTENANCE EXPENSES			
PAYROLL	122.7	122.7	122.7
TRANSPORTATION	19.4	13.8	18.0
STORES	16.7	16.6	16.6
CONTRACTED MAINTENANCE	201.1	200.6	200.6
TOTAL MAINTENANCE EXPENSES	359.9	353.7	357.9
TOTAL O & M EXPENSES (incl. uncollectibles)	4,373.9	4,369.4	4,535.5
<u>At Proposed Rates</u>			
OPERATING REVENUES	7,488.8	7,619.4	7,377.3
Uncollectible Rate	0.20647%	0.20647%	0.20647%
Uncollectibles	15.5	15.7	15.2
Total O&M Expenses (incl. uncollectibles)	4,376.1	4,371.6	4,537.3

TABLE F-2

 CALIFORNIA WATER SERVICE COMPANY
 LIVERMORE DISTRICT

OPERATION & MAINTENANCE EXPENSES

TEST YEAR 1998

ITEM	CWS	LWB	SETTLEMENT
<u>At Present Rates</u>			
OPERATING REVENUES	6,433.3	6,618.4	6,517.9
Uncollectible rate	0.20647%	0.20647%	0.20647%
Uncollectibles	13.3	13.7	13.5
OPERATIONS EXPENSES			
PURCHASED WATER	2,940.3	3,128.6	3,235.5
REPLENISHMENT ASSESSMENT	0.0	0.0	0.0
GROUNDWATER EXTRACTION	0.0	0.0	0.0
PURCHASED POWER	323.4	275.8	272.5
PURCHASED CHEMICALS	26.9	1.1	1.1
PAYROLL	489.5	489.5	489.5
POSTAGE	50.9	50.9	50.9
TRANSPORTATION	41.6	35.9	38.2
PURCHASED SERVICES			
SOURCE OF SUPPLY	0.1	0.1	0.1
PUMPING	32.1	30.7	30.7
WATER TREATMENT	20.1	20.1	20.1
TRANS. & DISTRIBUTION	54.8	28.8	38.1
CUSTOMER ACCOUNTING	37.2	36.7	36.7
CONSERVATION EXPENSES	36.6	36.6	36.6
TOTAL OPERATIONS EXPENSES	4,066.8	4,148.5	4,263.5
MAINTENANCE EXPENSES			
PAYROLL	126.4	126.4	126.4
TRANSPORTATION	20.2	14.1	18.6
STORES	17.1	17.0	17.0
CONTRACTED MAINTENANCE	205.2	204.1	204.1
TOTAL MAINTENANCE EXPENSES	368.9	361.6	366.1
TOTAL O & M EXPENSES (incl. uncollectibles)	4,435.7	4,510.1	4,629.6
<u>At Proposed Rates</u>			
OPERATING REVENUES	7,587.3	7,803.3	7,500.5
Uncollectible Rate	0.20647%	0.20647%	0.20647%
Uncollectibles	15.7	16.1	15.5
Total O&M Expenses (incl. uncollectibles)	4,438.1	4,512.5	4,631.6

LIVERMORE COMPARISON EXHIBIT

TABLE G-1

CALIFORNIA WATER SERVICE COMPANY
LIVERMORE DISTRICT

ADMINISTRATIVE & GENERAL EXPENSES

TEST YEAR 1997

ITEM	CWS	LWB	SETTLEMENT
<u>At Present Rates</u>			
Operating Revenue (incl. uncoll.)	6,431.0	6,529.4	6,481.5
Effective Local Franchise Tax Rate	0.0000%	0.0000%	0.0000%
LOCAL FRANCHISE TAX	0.0	0.0	0.0
BUSINESS LICENSE @ 0.99093%	63.7	64.7	64.2
PAYROLL	107.8	107.8	107.8
TRANSPORTATION EXPENSES	4.5	4.1	4.2
PURCHASED SERVICES			
RENTS	19.5	19.5	19.5
ADMIN CHARGES TRF	0.0	0.0	0.0
NONSPECIFICS	40.1	34.8	39.4
MISCELLANEOUS EXPENSES			
AMORT. OF LIMITED TERM INV.	2.2	2.2	2.2
RATE MAKING ADJUSTMENTS			
DUES & DONATIONS	(1.1)	(1.1)	(1.1)
TOTAL A & G EXPENSES	173.0	167.3	172.0
(Incl. local franch. tax & bus. lic.)	236.7	232.0	236.2
<u>At Proposed Rates</u>			
Operating Revenue (incl. uncoll.)	7,488.8	7,619.4	7,377.3
Effective Local Franchise Tax Rate	0.0000%	0.0000%	0.0000%
LOCAL FRANCHISE TAX	0.0	0.0	0.0
BUSINESS LICENCE @ 0.99093%	74.2	75.5	73.1
TOTAL A & G EXPENSES	173.0	167.3	172.0
(Incl. local franch. tax & bus. lic.)	247.2	242.8	245.1

LIVERMORE COMPARISON EXHIBIT

TABLE G-2

CALIFORNIA WATER SERVICE COMPANY
LIVERMORE DISTRICT

ADMINISTRATIVE & GENERAL EXPENSES

TEST YEAR 1998

ITEM	CWS	LWB	SETTLEMENT
<u>At Present Rates</u>			
Operating Revenue (incl. uncoll.)	6,433.3	6,618.4	6,517.9
Effective Local Franchise Tax Rate	0.0000%	0.0000%	0.0000%
LOCAL FRANCHISE TAX	0.0	0.0	0.0
BUSINESS LICENSE @ 0.99093%	63.7	65.6	64.6
PAYROLL	111.0	111.0	111.0
TRANSPORTATION EXPENSES	4.7	4.2	4.2
PURCHASED SERVICES			
RENTS	19.5	19.5	19.5
ADMIN CHARGES TRF	0.0	0.0	0.0
NONSPECIFICS	43.6	35.6	40.9
MISCELLANEOUS EXPENSES			
AMORT. OF LIMITED TERM INV.	2.2	2.2	2.2
RATE MAKING ADJUSTMENTS			
DUES & DONATIONS	(1.1)	(1.1)	(1.1)
TOTAL A & G EXPENSES	179.9	171.4	176.7
(Incl. local franch. tax & bus. lic.)	243.6	237.0	241.2
<u>At Proposed Rates</u>			
Operating Revenue (incl. uncoll.)	7,587.3	7,803.3	7,500.5
Effective Local Franchise Tax Rate	0.0000%	0.0000%	0.0000%
LOCAL FRANCHISE TAX	0.0	0.0	0.0
BUSINESS LICENCE @ 0.99093%	75.2	77.3	74.3
TOTAL A & G EXPENSES	179.9	171.4	176.7
(Incl. local franch. tax & bus. lic.)	255.1	248.7	251.0

LIVERMORE COMPARISON EXHIBIT

TABLE H-1

CALIFORNIA WATER SERVICE COMPANY
LIVERMORE DISTRICT

TAXES OTHER THAN INCOME TAXES

TEST YEAR 1997

ITEM	CWS	LWB	SETTLEMENT
Metered Connections	(Thousands of \$)		
AD VALOREM TAXES	130.4	129.0	130.4
PAYROLL TAXES	56.4	56.4	56.4
Taxes other than income (present rates)	186.8	185.4	186.8
Taxes other than income (proposed rates)	186.8	185.4	186.8

TABLE H-2

CALIFORNIA WATER SERVICE COMPANY
LIVERMORE DISTRICT

TAXES OTHER THAN INCOME TAXES

TEST YEAR 1998

ITEM	CWS	LWB	SETTLEMENT
Metered Connections	(Thousands of \$)		
AD VALOREM TAXES	136.3	133.7	136.4
PAYROLL TAXES	57.9	57.9	57.9
Taxes other than income (present rates)	194.2	191.6	194.3
Taxes other than income (proposed rates)	194.2	191.6	194.3