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Decision 97-11-061 November 19, 1997

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Park Water Company, for general rate increase in its Central Basin Division Requesting Revenue Increase: In 1998 of \$1,385,807 or 9.7% above revenues generated by present rates in 1999 of \$609,600 or 3.9% above the revenues generated by the rates proposed for 1998, in 2000 of \$670,115 for 4.1% above the 1999 revenue requirements.

Application 97-03-032
(Filed March 12, 1997)

OPINION

ORIGINAL

Summary

This order approves the settlement agreement between Commission's Large Water Branch (LWB) and Park Water Company (Park). The settlement agreement provides for annual increases in Park's revenue requirement of 1% in 1998, 2.6% in 1999, and a 2.6% attrition increase in 2000.

Procedural Background

On March 12, 1997, Park filed its application seeking a revenue increase of 9.8% in 1998, 3.9% in 1999, and 4.1% for attrition year 2000.

On July 8, 1997, a public participation hearing before an Administrative Law Judge (ALJ) was held in Norwalk, California.

On July 18, 1997, the LWB filed its report on Park's request in which it proposed a 5.9% reduction in Park's rates for 1998 and no increases for the subsequent years.

In consultation with the assigned Administrative Law Judge, the parties held formal settlement negotiations in August and September 1997. Pursuant to a previously adopted schedule, evidentiary hearings which had been scheduled for August 27, 1997, were rescheduled at the request of the parties to allow for further negotiations. An interested party, Rod White appeared and made a statement on behalf of the residents of the City of Lynwood who are customers of Park. On September 3,

1997, the hearings re-convened and the parties informed the ALJ that they had reached an overall settlement.

On September 25, 1997, the parties filed the settlement agreement with joint motion requesting that the Commission approve the agreement as filed. The settlement agreement is Attachment A. On October 15, 1997, the parties supplemented their motion with late-filed Exhibit 10 which will be received into evidence. Also on that date, Park submitted errata to the Settlement Agreement. These revised pages have been incorporated into Attachment A.

Description of the Settlement Agreement

The major provisions of the settlement agreement are:

1. Park will increase its annual revenue requirement by 1% in 1998, 2.6% in 1999, and 2.6% in attrition year 2000.
2. Park will remove from its application amounts for additional storage (\$50,000 in 1997, \$500,000 in 1998, and \$650,000 in 1999, plus \$172,345 in 1997 relating to main directly associated with the proposed reservoir). Park will, however, be authorized to establish a memorandum account to track the capital costs associated with the construction of the proposed storage and if alternative sources currently under consideration are not pursued, then Park will seek Commission authorization to include the amounts in its rates.
3. Park's pipeline expansion above the amounts estimated in its last General Rate Case pursuant to its reprioritization of its capital budget are reasonable and will be included in calculating Park's rate base.
4. Park's pension and main office payroll have been revised downward to reflect additional information.
5. Park requested a return on equity of 12% for each year but the settlement agreement sets the rate at 10%.

Discussion

Commission Rule of Practice and Procedure 51(e) requires that settlement agreements be (1) reasonable in light of the whole record, (2) consistent with the law, and (3) in the public interest to be approved by the Commission.

a. Reasonable in Light of the Whole Record

The record in this case reveals that Park sought a substantial increase in rates and that through the settlement agreement will receive a modest increase with its return on equity being 10%. This modest increase will protect customers from excessive rates, while the rate of return will provide Park sufficient, but not excessive, return on its investment.

b. Consistent with the Law

None of the actions required by the settlement agreement are in violation of any statute or Commission rule or regulation.

c. In the Public Interest

The Commission is responsible for ensuring that the public is protected from excessive charges by monopoly service providers. As the detailed settlement agreement reveals, the Commission staff has undertaken an in depth issue-by-issue analysis of Park's proposed rates and capital investments and has excised those items which are unnecessary for reliable service to the public. At the same time, the proposed settlement agreement provides Park with sufficient capital and return to maintain a serviceable operation.

For these reasons, the Commission finds that the settlement agreement is reasonable in light of the whole record, is consistent with the law, and is in the public interest. The agreement is approved pursuant to Rules 51 through 51.10 of the Commission's Rules of Practice and Procedure. (See also San Diego Gas & Electric, 46 CPUC2d 538 (1992)(rules for all-party settlements).)

Findings of Fact

1. Park filed this application on March 12, 1997, seeking a revenue increase of 9.8% in 1998, 3.9% in 1999, and 4.1% for attrition year 2000.
2. A public participation hearing was held on July 8, 1997.
3. The parties filed a proposed settlement agreement on September 25, 1997.
4. The settlement agreement provides for annual increases in Park's revenue requirement of 1% in 1998, 2.6% in 1999, and a 2.6% attrition increase in 2000.

5. The settlement agreement resolves all matters relating to this proceeding.

Conclusions of Law

1. The settlement agreement is reasonable in light of the whole record, is consistent with the law, and is in the public interest.
2. The settlement agreement should be approved.
3. The rate increases provided in the settlement agreement should be effective for time periods set out in the agreement.
4. Exhibit 10 should be received into the evidentiary record.

O R D E R

IT IS ORDERED that:

1. The settlement agreement affixed hereto as Attachment A and made a part hereof is approved, and the parties are directed to comply with the terms set forth in the settlement agreement.
2. Exhibit 10 is accepted into the evidentiary record of this proceeding.
3. This proceeding shall be closed.

This order is effective today.

Dated November 19, 1997, at San Francisco, California.

P. GREGORY CONLON
President
JESSIE J. KNIGHT, JR.
HENRY M. DUQUE
JOSIAH L. NEEPER
RICHARD A. BILAS
Commissioners

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

In the matter of the Application of Park Water
Company (U 314 W) for authority to increase
rates as authorized by NOI 97-03-005

Application No. 97-03-032

SETTLEMENT

1.00 Introduction

1.01 The Parties to this Settlement are the Large Water Branch ("LWB") of the Water Division and Park Water Company ("Park")-collectively, the "Parties".

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

1.03 Park acknowledges that LWB is charged with representing the interests of customers of public utilities in the State of California, as required by Public Utilities Code Section 309.5, and nothing in this Settlement is intended to limit the ability of LWB to carry on that responsibility.

1.04 The Parties' negotiations have resulted in the resolution of all issues raised in Application 97-03-032 and in LWB's report dated July, 1997. In summary, the annual increases proposed by the Parties and those agreed to in the Settlement are as follows:

	<u>1998</u>	<u>1999</u>	<u>2000</u>
Park	9.7%	3.9%	4.1%
LWB	(5.9%)	---	---
Settlement	1%	2.6%	2.6%

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

Appendix A -- Summary of Earnings

Appendix B -- Rate Schedules

Appendix C -- Comparison of Rates

Appendix D -- Adopted Quantities, Rate Base Tables, and
Income Tax Calculations

2.00 Sales and Revenues

2.01 Consumption: After filing the Application, Park was asked by LWB to update the data used in its forecast of normalized residential consumption. In the process, Park discovered that some of the data used had not been correctly adjusted for bi-monthly billing. The correction of this error reduced Park's forecast from 159 to 150 Ccf/customer. After review of Park's corrected forecast and additional information, the Parties agree to use 156 Ccf/customer for residential consumption for each of the test years.

2.02 Revenues: Park has a subsidiary, Specialized Industrial Coatings Company (SICC), which is in the business of specialized coating application. This subsidiary uses a portion of Park's back lot. In a prior proceeding, Park and LWB's predecessor had agreed not to allocate this portion of Park's back lot to SICC but to allocate it to Park's Central Basin Division and include a rent from SICC to Central Basin in the Miscellaneous Revenues. In this proceeding, the Parties have agreed to allocate a portion of the back lot to SICC and, therefore, agree that the Miscellaneous Revenues should be reduced by \$6,000, the amount of the rent.

2.03 Park has a contract with the City of Bell Gardens under which it operates and provides billing services for a small water system owned by the City of Bell Gardens. After review of additional information provided by Park, the Parties agree that all expenses and allocations relating to that contract are appropriately charged to the City of Bell Gardens. The Parties agree that the adjustment in Other Income proposed by LWB should not be adopted.

3.00 Expenses of Operation and Maintenance

3.01 Escalation Factors: The Parties agree to use escalation factors recommended by LWB in its report. The Parties agree, however, that a 60/40 weighting of the Producer Price Index and the Compensation Per Hour indices should be used for all non-labor expenses subject to escalation.

3.02 Production: The Parties agree that power purchased, replenishment, leased water rights, and chemicals should reflect the stipulated amount of production. The Parties agree that the effective cost per kilowatt-hour and cost per therm should be based on the average rates charged by Southern California Edison Company and Southwest Gas Company during the period of September 1, 1995, to August 31, 1996. The Parties agree to calculate the expenses of purchased water, leased water rights, and replenishment based on the actual unit costs in effect on January 1, 1997.

3.03 The Parties agree that, due to certain improvements that will be made by Park in its system, minimum flow violations charged by Central Basin Municipal Water District (CBMWD), Park's primary purchased water provider, will be reduced from 80 A.F. to 60 A.F. The Parties agree to calculate the cost of purchased water assuming 60 A.F. of minimum flow violations.

3.04 Payroll: The Parties agree to use Park's methodology of calculating payroll which incorporates merit increases. The Parties agree to reduce estimated costs of overtime by \$8,000 and to use stipulated cost of living for 1998 and 1999. In addition, the stipulated payroll for 1998 and 1999 is corrected for errors in distribution contained in Park's estimates.

3.05 Other Expenses: Although they do not necessarily agree regarding the methodology used, the Parties agree to use LWB's estimates for Operation and Maintenance - Other (excluding the costs of production), adjusted for stipulated escalation, with two exceptions: 1) for Maintenance of Hydrants, the Parties agree that the recorded years do not reflect the level of maintenance necessary in the test years to address complaints from cities, customers, and fire departments and, therefore, agree that Park's estimate, adjusted for the stipulated escalation should be used and 2) the Parties agree that uniform costs should be increased by 1.5% in 1998 to reflect the impact of an additional employee.

4.00 Administrative and General Expenses

4.01 Payroll: Overall Payroll is allocated between Operations and Maintenance and Administrative and General Expenses. The discussion under Operation and Maintenance applies equally here.

4.02 Office Expense: The Parties agree that the costs of electricity and telephone show upward trends and that the expenses in the recorded period are not reflective of circumstances in the test years. The Parties agree to use Park's estimates for these two categories and to use LWB's estimates for the other categories of Office Expense.

4.03 Injuries & Damages: The Parties agree to use actual increases in premiums for liability insurance for the 1997-8 policy year and to assume no further increase in the basic rate for the test years. Premiums will increase slightly during the test years solely due to increases in payroll.

4.04 Workers Compensation Insurance: After further review of past estimates and actual costs for Park and its subsidiaries and further information from Park's insurance broker, the Parties agree to incorporate the actual change in premiums for 1997-8, which was composed of an increase of 5% in basic rates offset to 1.4% by a decrease in Park's Experience Modification Factor (EMF), and to assume that same increase of 5% per year in basic rates for the test years. The Parties agree that since Park's EMF is significantly below average and changes in experience are difficult to predict, no change in the EMF should be assumed. The Parties agree that premiums for Workers Compensation will also increase with payroll.

4.05 Medical Insurance: The Parties reviewed additional material including several years of historical information on Park's premiums for medical insurance and letters from Park's provider of health insurance regarding its methodology for setting Park's insurance premiums. The Parties agree to incorporate the actual changes in premium for the 1997-8 policy year. The Parties agree that the projected increases in medical cost of 10% in 1998 and 9% in 1999 are reflective of the premiums that will be set for Park's medical insurance absent some change in Park's experience. The Parties agree to assume that premiums will increase by the trend in medical costs. The Settlement also corrects an error in Park's spreadsheet used to calculate these expenses.

4.06 Disability Insurance: After review of additional information including the period of the policy and a letter from Park's insurance carrier, the Parties agree that estimates for

disability insurance should be based on the assumption of an increase of 10% in basic rates for the 1997-8 policy year and for the 1999-2000 policy year. The Parties agree that these premiums will also increase with payroll.

4.07 Pensions: After reviewing additional material provided by Park's actuarial firm, the Parties agree that Park must fund its pension plan and calculate the related expense in the test years. Also, the return of 3.8% earned by the plan in 1996 was net earnings and was low due to unusual expenses in the plan (resulting from the employees of Park's subsidiary, Santa Paula Water Works, Ltd., leaving the plan). Gross earnings were substantially higher. More recent information provided by the actuary demonstrates that the impact of the change in the plan's assumptions will be 13.22% rather than 25%. Park's initial estimate is also reduced due to reflection of stipulated payroll. With this in mind, the Parties agree that Park's revised Pension estimates are reasonable.

4.08 Regulatory Expenses: After review of the actual cost of Park's recent ratecases, the Parties agree that regulatory expenses should be based on Park's estimate for the current case.

4.09 Administrative Transfer Credit: The Parties agree that the Administrative Transfer Credit should be consistent with the capital expenditures assumed in the test years and be calculated according to the standard methodology used by Park.

4.10 Outside Services: After discussion and review, the Parties agree that activity in Outside Services in 1992 was not reflective of current circumstances, rendering that year an inappropriate basis for estimation, and that the fluctuation of these types of expenses needs to be provided for. Therefore, the Parties agree to estimate expenses for Outside Services based on an unadjusted average of 1993 through 1996.

4.11 Miscellaneous General Expense: Although using differing methodologies, the Parties derived estimates that differ very little. The Parties agree to use LWB's estimate adjusted for inflation.

4.12 Non-Utility Expense: After further review, the Parties agree that LWB's methodology overstates revenue received by Park through its operating contract with the City of Bell Gardens overstates that revenue recovery by extending the relationship in the cost plus portion to the flat rate portion. The revenue received, the difference between the expenses charged in (and thereby not charged to Central Basin) and the billings to Bell Gardens is less than the amount calculated by LWB and is necessary to recover the ratebase, depreciation and ad

valorem tax allocated to Bell Gardens which is not reflected in the expenses chargeable to Bell Gardens. The Parties agree, therefore, that the Non-Utility Expense proposed by LWB is not warranted.

5.00 Main Office Expenses

5.01 Payroll: After review, the Parties agree that the salary survey performed in 1995 by Peasley Accountancy Corp. (Peasley Survey) actually considered total compensation and found that executives of other companies, reflected in the average used by LWB, receive non-monetary compensation. By contrast, Park's executives have foregone non-monetary compensation in exchange for monetary compensation. Therefore, these average salaries cannot be applied to Park's executives without some adjustment to compensate for the non-monetary difference. The Parties also reviewed another study on Park's three Senior Vice Presidents (Chief Financial Officer, Senior VP-Rates, and the Information System Director who had since been promoted to a Senior Vice President position equivalent to Chief Administrative Officer) prepared by Watson/Wyatt in 1997 which found the salaries for these three positions to be competitive with those paid by other Class A water utilities. The Parties have determined that the Management Pay Per Customer Study performed by LWB includes only salaries of officers for each company and that, since the different companies have different numbers of officers with Park having more than most, this study does not demonstrate that Park's overall management salaries are unreasonable. The Parties agree that the salary of the President should be estimated as the average of regulated water companies as recommended by LWB, that the actual salaries should be used for the three positions supported by the Watson/Wyatt Study, and that the salary for the Vice President - Human Resources and Vice President - Engineering positions should be assumed equal to the average of the Peasley Survey with adjustment for the non-monetary incomparability. The Parties agree that the Assistant Vice President - Finances and the Confidential Clerk positions will be vacated and that the duties previously performed by Hugh and Nyri Wheeler in these capacities will be considered to be part of their duties as members of the Board of Directors. The Parties agree that the salary paid to the Secretary of the Corporation, @ \$11,000, per year, is reasonable and should be included for ratemaking.

5.02 Benefits and Workers Compensation: The insurance policies and benefit plans are the same for Main Office and Central Basin Division. The issues in Main Office are resolved according to the methodology discussed under Central Basin. The Settlement for Main Office

bases estimates on recorded 1996 rather than on 1995, which was the last full year available when Park prepared its filing, thereby correcting an error resulting from the fact that 1995 included an unusual non-recurring expense relating to pensions.

5.03 Auto Expense: After review of Park's records, the Parties agree that, with small exceptions, the costs for non-utility vehicles are not charged to this account so that adjustments by a ratio which includes non-utility vehicles is not appropriate. The Parties agree to reduce Park's estimate by \$4,792 for allocation of bulk supplies and some payroll to non-utility and then to proportion the remainder by a ratio of 5 to 7 to reflect the stipulated reduction in utility vehicles.

5.04 Office Expense: The Parties agree to use LWB's estimate for Data Processing ("D.P.") and Park's estimate for "Other", corrected for an error contained in Park's filing. In "Other", this category shows a consistent upward trend and does not fluctuate.

5.05 Telephone: The Parties agree to use LWB's estimate for "Other" and Park's estimate for DP, corrected for an error contained in Park's filing. Park estimate for DP includes charges for use of the Internet, the effect of more use of cellular phones, and costs associated with video conferencing that are not fully reflected in recorded expenses for 1996.

5.06 Meals & Travel: The Parties agree to use LWB's estimates. With video conferencing, Park can avoid some travel associated with training and various other activities.

5.07 Directors' Fees: After review of the compensation for members of the Board of Directors of other water companies and in consideration of the fact that Hugh & Nyri Wheeler will not receive salary for the activities they perform in addition to attendance at monthly directors' meetings, the Parties agree to use Park's estimate of \$41,250 (\$29,155 for directors' fees and \$12,095 for trustees' fees) for 1997, corrected for an error contained in Park's filing, and escalated to 1998 and 1999 using stipulated factors.

5.08 Outside Services: The Parties agree to the same methodology discussed under this category regarding Central Basin. The Settlement also reflects savings of \$6,000/yr beginning in mid-1998 due to the Financial Information System (FIS).

5.09 Insurance: The Parties agree to use LWB's estimate.

5.10 Maintenance of General Plant: After review and consideration of the expansion of Park's office in 1994-95, the Parties agree to use actual expenses for 1996 as a basis for

estimating maintenance of general plant. The Parties also agree that this account should include an amortization of \$2,500 per year for 35 years for coating as recommended by LWB.

5.11 Data Processing-Maintenance: The Parties agree that this account should be reduced by \$10,000 per year beginning in mid 1998 to reflect savings due to the FIS system.

6.00 Taxes Other Than Income Tax

6.01 Taxes on Payroll: The differences between LWB's and Park's estimated taxes on Payroll resulted entirely from the different estimates of Payroll. The Parties agree that the stipulated taxes will reflect the amount of stipulated Payroll.

6.02 Ad Valorem Taxes: The differences between LWB's and Park's estimates of Ad Valorem Taxes result solely from differences in estimates of plant. The Parties agree that the stipulated taxes should reflect the amount of stipulated plant balances.

7.00 Plant - Central Basin

7.01 Retirement of Wells: The Parties agree that Park should retire wells 31-A & 46-A and keep wells 13-B & 46-C. The latter wells provide back-up capacity. They are almost fully depreciated and cost only @ \$6,000 per well per year to operate and maintain. The Parties agree that this is a reasonable cost for the back-up capacity provided by these two wells.

7.02 Pipelines: The Parties have reviewed the circumstances which led to the increased costs of Park's expansion of its office above the amount estimated in the last GRC and to Park's re-prioritization of its capital budget and an independent appraisal of costs to acquire additional office space. The Parties agree that the amount Park actually spent for such expansion is reasonable. The Parties agree that construction of pipelines deferred from 1994 and 1995 due to re-prioritization remains reasonable and prudent. The Parties agree, based upon additional information and discussions, that a portion of one of the pipelines projected to be completed in 1999 at a cost of \$172,345, is directly associated with the construction of additional storage and should be excluded from consideration in this proceeding and instead addressed by advice letter (see discussion under Storage), but that the remainder of the pipelines proposed for 1999 are reasonable and should be included in this proceeding.

Relatedly, the Parties agree that \$20,000 of coating and patching done on the office during its expansion will no longer be used and useful when the new roof is installed in 1998 and should, therefore, be retired. The Parties agree that Park has reflected that retirement in its filing.

The Parties agree that Park's filing contained an error inasmuch as the expenditures in 1997 for the Compton Creek Crossing was not carried forward from the budget to subsequent workpapers. The Parties agree to correct this error by including the actual costs of the project (now completed) of \$50,104 in Construction Work In Progress (CWIP) balance as of December 31, 1996, and \$205,042 of expenditures for 1997.

7.03 New Valves: After additional review, the Parties agree that the valves proposed by Park should be installed to correct deficiencies discovered pursuant to a new valve exercising and checking program required by the State Department of Health Services. The Parties agree that operational problems and concerns of public safety require these improvements. The Parties expect that, since the program requires checking the entire system every three years, the number of additional valves required each year should decrease overtime.

7.04 Hydrants: Based on review of an outside engineering study prepared for the City of Bellflower, the Parties agree that additional hydrants are necessary to address inadequate hydrant spacing in certain areas of Park's Central Basin system. The Parties agree that concerns of public safety justify the installation of these hydrants.

7.05 Seismic Design/Construction: After additional review, the Parties agree that the seismic work proposed by Park addresses different areas than were dealt with during the expansion of the office in 1994 and 1995. The Parties also agree that, since Park does not carry earthquake insurance on its structures, the seismic work is reasonable. The Parties agree, however, to reduce the estimate for seismic design work by \$50,000 to eliminate duplication.

The Parties agree that the amount of retirement projected by Park upon completion of the new roof includes \$20,000 of expenditures for coating performed in 1994 & 1995 (see discussion under Pipeline).

7.06 Automated Meter Reading (AMR): Subsequent to filing its Application, Park was informed that the manufacturer of the equipment for AMR had canceled the proposed beta-test for 1997. The Parties agree that the proposed project for AMR should be postponed.

7.07 Continuous Property Records (CPR): After further review and investigation into the precise nature of the work on-going on this project and the benefits to be gained upon completion, the Parties agree that Park should continue the project at \$40,000 per year for three years, but that any additional expenditures will be considered unreasonable and should not be reflected in rates.

7.08 Connection with Metropolitan Water District (MWD): The Parties agree that the proposed connection with MWD is necessary to provide fireflow in an area identified by an outside engineering study prepared for the City of Bellflower. None of Park's existing connections with MWD is physically connected with or close enough to this area or is large enough to provide the necessary fireflow.

7.09 Storage: The Parties have reviewed the possibilities of alternate methods of addressing Park's deficiencies in storage, particularly a new idea involving a lease agreement with a local city which appears promising, and agree that, while additional storage is needed, alternate solutions should be explored before Park constructs its own reservoir. Therefore, the Parties agree to recommend to the Commission: 1) that the amounts proposed for the storage project (\$50,000 in 1997, \$500,000 in 1998, and \$650,000 in 1999, plus \$172,345 in 1997 relating to main directly associated with the proposed reservoir) be removed from this Application; 2) that Park be authorized to establish a memorandum account to track the capital costs associated with the construction of the storage and associated main, if alternate solutions do not work out; 3) that Park be authorized to file for the inclusion of that storage and associated main upon their completion and for recovery of the balance in that memorandum account by advice letter should such construction be completed prior to the next GRC. The Parties agree that, although actual cost of such a reservoir may exceed the amounts shown in this proceeding, Park will seek to include by advice letter prior to the next GRC only the amounts that were originally included in this filing. The Parties agree that, if some alternate solution to the problem of storage is employed, Park will file an application to incorporate the necessary impact on rates.

7.10 Tools & Equipment: The Parties agree that the increased level of expenditure in 1997 is for a new compressor and that periodically such large items must be replaced in addition to ongoing expenditure.

7.11 Office Furniture: The Parties agree to use LWB's estimate for this category.

7.12 Computers and Software: After review of current prices for personal computers and associated peripherals and software, the Parties agree to an estimate of \$25,000 for 1997.

7.13 Transportation Equipment: After review, the Parties agree that the vehicles proposed by Park to be replaced are trucks and are not associated with the issue of pool cars. The Parties also agree, after review of the age and milage of the trucks proposed to be replaced, that Park will replace two trucks per year, rather than three for 1998 and for 1999.

7.14 Pumping Equipment: The Parties agree that Park will defer the additional work on Pumping Equipment and Pumping Structures and Improvements planned for 1999 and assume that the work to be performed in 1999 will be equivalent to that done in 1998 and at the same cost.

8.00 Plant - Main Office

8.01 Furniture & Equipment: The Parties agree to base estimates on LWB's recommendation of one package of training materials in each quarter.

8.02 Transportation Equipment: Based on the stipulation regarding the appropriate number of corporate vehicles, the Parties agree that no vehicle needs to be replaced during the test years.

8.03 Communications Equipment: After discussion and review, the Parties agree to include Park's estimates for this category; Additional expenditures are for upgrading the phone system and paging system, as well as video-conferencing. The Parties expect that video-conferencing will result in savings in Meals & Travel and Seminars & Conferences, which have been reflected in the Settlement.

8.04 Computer Equipment - New: The Parties agree to include \$50,000 of hardware associated with FIS (see paragraph 8.05) and to exclude \$3,000 of miscellaneous equipment.

8.05 Management Information System (MIS): Park started its Financial Information System (FIS) at the end of last year by hiring consultants to investigate available packages and configurations and to advise Park on how to proceed through the project. Park's budgets for 1997 and 1998 were prepared with only a general knowledge of the project direction. Over the course of 1997, Park became aware that a more comprehensive solution on a new NT platform was available for approximately the same cost. This solution will allow Park to retire over \$900,000 of the existing mainframe and associated software when the FIS system is closed in 1998 rather than retiring only its old accounting system. The Parties reviewed additional material provided by Park, including a quantitative analysis regarding savings and avoided costs and incorporating the effect of the retirements, and agree that the current FIS proposal is reasonable and cost effective over its presumed useful life of ten years. The Parties agree that all the savings and avoided costs are reflected in this Settlement.

9.00 Depreciation

9.01 The Parties agree that depreciation and accumulated depreciation should be based on the stipulated rates on depreciation and the stipulated balances of plant incorporating stipulated adjustments, additions, and retirements.

10.00 Rate Base

10.01 Working Cash Allowance: The Parties agree that the lag days for Main Office Expense and Water Rights Leases contained in Park's filing were incorrect because they do not reflect the agreement reached in the last GRC. The Parties agree that the unamortized portion of the cost of coating in Maintenance of General Plant which the Parties agree to amortize in this Settlement should be included in Working Cash consistent with the treatment of amortization of the costs of tank coating. The Parties agree to revise the lag for Group Pension Expense from 56.47 days to 381 days to reflect annual rather than quarterly funding.

11.00 Adjustments to Plant Resulting From Audit**11.01 Main Office:**

a) After review, the Parties agree to LWB's proposed adjustments for Office Furniture & Equipment and Computer Equipment.

b) Based on review of additional recorded data, the Parties agree that the adjustment to Transportation Equipment should be revised to reflect a corporate fleet of five vehicles, with one car assigned to the President and four cars to the pool. The result is an adjustment of \$100,000.

11.02 Central Basin:

a) After review and discussion, the Parties agree to LWB's proposed adjustment to Office Furniture & Equipment, except that the exercise equipment will be allowed due to its beneficial impact on employees' health with resultant savings in insurance and costs of absenteeism. The result is an adjustment of \$3,538.

b) The adjustments to General Structures, Other Source of Supply and Pumping Structures all concern a proposed adjustment of 25% to SICC's billings. While they do not agree on the rationale for this adjustment, the Parties do agree, for purposes of this Settlement, to the amount of dollars to be adjusted. The adjustment for General Structures also involves an adjustment for allocation of the annex to Park's office. The Parties agree to revise this allocation from 20/80 to 50/50 resulting in an adjustment of \$17,818

c) The Parties agree, after review of additional information, that the adjustment for Transportation Equipment should be revised to reflect a fleet of four passenger vehicles, with the remaining vehicles to be transferred from Division's plant.

d) Telemetry: During discussions after issuance of LWB's Report, the Parties determined that retirements and transfer of Park's old telemetry system had not yet been recorded on the books. The Parties agree that the balances as of December 31, 1996, should be adjusted to reflect the retirement of \$151,141 of plant and the transfer of \$6,946 of plant.

11.03 Management Audit: In light of additional information provided by Park, LWB agrees to withdraw its recommendation for a management audit.

12.00 Allocations

12.01 Common Plant:

a) Land: Subsequent to issuance of its report, LWB revised this allocation to be consistent with its other positions in this proceeding. The Parties agree to use LWB's revised allocation of 21.5% for Non-Utility, 22.4% for Corporate, and 56.1% for Central Basin. The Parties also agree that SICC shall no longer pay rent if a portion of land is allocated to SICC (see Miscellaneous Revenues).

b) Communications Equipment: The Parties agree that a portion of the Corporate Communications Equipment (phone system) should be allocated to SICC based on the number of assigned extensions. This results in an allocation of 3.1%.

c) Computer and MIS Equipment: The Parties have reviewed information on the relative use of the computer and computer systems by SICC and Park's divisions and on various methodologies and now agree that a factor of 0.56% should be used for allocating of Computer and MIS Equipment to Non-Utility.

12.02 Main Office: The Parties agree to allocate a portion of the expenses of Data Processing to Non-Utility using the same allocation of 0.56% used for Computer and MIS Equipment. After review of changed conditions, including increased workload, since the loss of Park's subsidiary, Santa Paula Water Works, Ltd. in January, 1996, and the inability of Park to reduce workforce, the Parties agree that allocations of Main Office Expenses should be based on the divisions and subsidiaries currently in operation. This results in a 4-Factor Allocation to Central Basin of 43.0% and a 2-Factor Allocation of 38.79% to Data Processing after adjustment for the allocating to Non-Utility. The Parties agree that, if it acquires another subsidiary or

division during the test period, Park will correspondingly adjust the allocation factors for Central Basin's Main Office in its next step increase filing.

13.00 Audit Of Construction Work In Progress (CWIP)

Subsequent to issuance of the LWB's Report, discussions between the Parties indicated a need to review the balances of CWIP due to new information and changed circumstances.

13.01 Main Office:

a) Customer Information System : Park had incurred expenditures in-house in the effort of designing and programming a Customer Information System (CIS), to work on its existing HP 3000 platform. Now, however, Park will likely purchase a package to operate on its proposed NT platform. The Parties agree that the portion of CWIP associated with programming for the HP 3000 platform, though reasonably and prudently incurred at the time, will not be used and useful if an NT platform package is purchased. The Parties agree to reduce the balance of CWIP for this project by \$342,098. The Parties agree that a question exists whether this amount fits the Commission's stated criteria for recovery of abandoned plant and that a question also exists as to whether a portion of these expenditures were previously expensed in a prior proceeding. Therefore, the Parties agree that this amount should not be recovered in rates.

b) Safety Information System (SIS): For reasons similar to those expressed with regard to CIS, the Parties agree to reduce the balance CWIP of SIS by \$30,749, with no recovery in rates.

13.02 Central Basin:

a) Telemetry: The Parties have determined that Central Basin's balance of CWIP for its new telemetry system includes some expenditures for trying to keep the old system operable. The Parties agree that these expenditures do not represent plant that will be used and useful with the new system and so agree to reduce the balance of CWIP of this project by \$30,000, with no recovery in rates.

14.00 Income Tax

14.01 Having no methodological differences regarding income taxes, the Parties agree that stipulated Income Taxes should be calculated so as to be consistent with all other aspects of the Settlement.

The Parties agree that, with the exception of the surcharge to recover the undercollection in Park's balancing account, the service charges and commodity rates shall be designed according to the Commission's policy and the other charges requested by Park should be authorized.

15.01 Balancing Account Surcharge: Subsequent to this Settlement, Park was informed that a rebate made by MWD to CBMWD, Park's provider of water, will be passed along to Park. Park no longer anticipates having an undercollection at the end of 1997 and, therefore, withdraws its request for a surcharge. Park agrees to make a filing with LWB regarding disposition of its balancing account should the balance reach an amount equal to 5% of annual gross revenues.

15.02 Reconnection Fees: The Parties agree that Park's should increase its fee for reconnecting service to \$40 to bring it closer to the cost incurred. Therefore, the Parties request that the Commission authorize Park to revise Rule 11 in its tariffs to implement this increase.

15.03 Flat Rates: The Parties agree that Park's Schedule PR-2L, Limited Flat Rate Service should be terminated, as proposed by Park as of January 1, 1998.

16.00 Cost of Capital

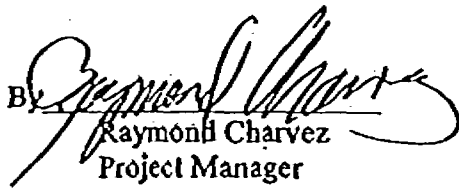
16.01 Rate of return is a function of capital structure, cost of debt, and return on equity. The various elements of this function agreed to by the Parties are shown in the following table:

	<u>Capital Structure</u>	<u>Cost</u>	<u>Weighted Cost</u>
1998			
Debt	41.40%	8.91%	3.69%
Common Equity	<u>58.60%</u>	<u>10.0%</u>	<u>5.86%</u>
Total	100.00%		9.55%
1999			
Debt	41.40%	8.89%	3.68%
Common Equity	<u>58.60%</u>	<u>10.0%</u>	<u>5.86%</u>
Total	100.00%		9.54%
2000			
Debt	41.40%	8.87%	3.67%
Common Equity	<u>58.60%</u>	<u>10.0%</u>	<u>5.86%</u>
Total	100.00%		9.53%

17.00 Summary of Earnings

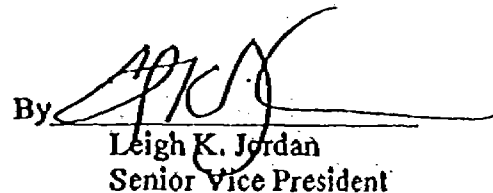
17.01 The Parties agree that the Summary of Earnings attached to this Settlement as Appendix A reflects all the items, conditions, and adjustments to which the Parties have agreed and that this schedule should be included in the Commission's decision in this proceeding

LARGE WATER BRANCH
WATER DIVISION

By 
Raymond Charvez
Project Manager

Dated: September 25 1997

PARK WATER COMPANY

By 
Leigh K. Jordan
Senior Vice President

Dated: September 24, 1997

(END OF ATTACHMENT A)

**APPENDIX A
PAGE 1 OF 2**

**PARK WATER COMPANY
SUMMARY OF EARNINGS
(Dollars In Thousands)**

LINE #	DESCRIPTION	1998 PRESENT	1998 PROPOSED
1.	REVENUES		
	Operating Revenues	\$14,211.3	\$14,352.5
	Deferred Revenues	(10)	(10)
	Other Income	0	0
	TOTAL REVENUES	14,221.2	14,362.4
2.	O&M EXPENSES		
	Payroll	313.0	313.0
	Operations - Other	92.4	92.4
	Purchased Water	5,569.4	5,569.4
	Purchased Power	138.3	138.3
	Replenishment Charges	232.5	232.5
	Leased Water Rights	207.9	207.9
	Chemicals	6.7	6.7
	Payroll - Customers	513.4	513.4
	Customers - Other	138.7	138.7
	Uncollectibles	81.1	81.9
	Payroll - Maintenance	319.4	319.4
	Maintenance - Other	695.9	695.9
	SUBTOTAL O&M	8,308.7	8,309.5
3.	A&G EXPENSES		
	Payroll	763.8	763.8
	Payroll - Benefits	470.2	470.2
	Insurance	289.8	289.8
	Reg. Comm. Expense	46.0	46.0
	Franchise Requirements	54.0	54.6
	Outside Services	161.9	161.9
	Office Supplies	159.9	159.9
	A&G Transferred	(57.9)	(57.9)
	Miscellaneous	35.7	35.7
	Rents	0	0
	Main Office Allocation (1)		
	A&G Expenses	1,062.0	1,062.0
	Data Processing	168.3	168.3
	SUBTOTAL A&G	3,153.7	3,154.3
4.	OTHER EXPENSES		
	Ad Valorem Taxes (1)	148.7	148.7
	Payroll Taxes (1)	193.2	193.2
	Depreciation (1)	603.2	603.2
	California Income Tax	98.8	111.1
	Federal Income Taxes	407.3	455.0
5.	TOTAL EXPENSES	12,913.5	12,974.9
6.	NET REVENUES	1,307.7	1,387.5
7.	RATE BASE	14,528.3	14,528.3
8.	RATE OF RETURN	9.00%	9.55%

(1) DEPRECIATION, AD VALOREM AND PAYROLL TAXES FROM PARK'S MAIN OFFICE HAVE BEEN INCLUDED IN THE APPROPRIATE LINE ITEM OF EXPENSE.

APPENDIX A
PAGE 2 OF 2

PARK WATER COMPANY
SUMMARY OF EARNINGS
(Dollars in Thousands)

LINE #	DESCRIPTION	1999	1999
		at 1998 PROPOSED	PROPOSED
1.	REVENUES		
	Operating Revenues	14,336.2	14,714.4
	Deferred Revenues	(8.4)	(8.4)
	Other Income	0	0
	TOTAL REVENUES	14,344.6	14,722.8
2.	O&M EXPENSES		
	Payroll	330.1	330.1
	Operations - Other	94.4	94.4
	Purchased Water	5,552.1	5,552.1
	Purchased Power	138.3	138.3
	Replenishment Charges	232.5	232.5
	Leased Water Rights	207.9	207.9
	Chemicals	6.8	6.8
	Payroll - Customers	538.8	538.8
	Customers - Other	140.3	140.3
	Uncollectibles	81.8	83.9
	Payroll - Maintenance	332.6	332.6
	Maintenance - Other	710.8	710.8
	SUBTOTAL O&M	8,366.3	8,368.5
3.	A&G EXPENSES		
	Payroll	797.1	797.1
	Payroll - Benefits	517.5	517.5
	Insurance	301.3	301.3
	Reg. Comm. Expense	46.0	46.0
	Franchise Requirements	54.5	55.9
	Outside Services	165.2	165.2
	Office Supplies	163.3	163.3
	A&G Transferred	(62.6)	(62.6)
	Miscellaneous	36.7	36.7
	Rents	0	0
	Main Office Allocation (1)		
	A&G Expenses	1,116.6	1,116.6
	Data Processing	176.5	176.5
	SUBTOTAL A&G	3,312.0	3,313.5
4.	OTHER EXPENSES		
	Ad Valorem Taxes (1)	171.0	171.0
	Payroll Taxes (1)	202.5	202.5
	Depreciation (1)	669.5	669.5
	California Income Tax	76.6	109.7
	Federal Income Taxes	323.9	452.1
5.	TOTAL EXPENSES	13,121.8	13,286.6
6.	NET REVENUES	1,222.8	1,436.2
7.	RATE BASE	15,054.0	15,054.0
8.	RATE OF RETURN	8.12%	9.54%

(1) DEPRECIATION, AD VALOREM AND PAYROLL TAXES FROM PARK'S MAIN OFFICE HAVE BEEN INCLUDED IN THE APPROPRIATE LINE ITEM OF EXPENSE.

(END OF APPENDIX A)

APPENDIX B

Page 1 of 10

PARK WATER COMPANY

Schedule No. PR-1

GENERAL METERED SERVICEAPPLICABILITY

Applicable to all metered water service.

TERRITORY

Within all service areas in Los Angeles County as delineated in the service area maps included in the tariff schedules.

RATES

	Per Meter Per Month
Per 100 cu. ft.	\$ 1.844
Service Charge:	
For 5/8 x 3/4-inch meter	\$ 9.10
For 3/4-inch meter	13.70
For 1-inch meter	22.80
For 1 1/2-inch meter	45.50
For 2-inch meter	73.00
For 3-inch meter	137.00
For 4-inch meter	228.00
For 6-inch meter	455.00
For 8-inch meter	728.00
For 10-inch meter	1,047.00
For 12-inch meter	1,957.00

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

SPECIAL CONDITIONS

1. All charges under this schedule to customers in the City of Norwalk subject to surcharge of 2.04 percent.
2. A late charge will be imposed per Schedule LC.
3. All bills subject to the reimbursement fee set forth on Schedule #UF.

APPENDIX B

Page 2 of 10

PARK WATER COMPANY

Schedule No. PR-1

GENERAL METERED SERVICE

AUTHORIZED STEP INCREASES

Each of the following increases in rates may be put into effect by filing a rate schedule which adds the appropriate increase to the rates at that time.

Quantity Rate	Rates to be Effective	
	<u>1-1-99</u>	<u>1-1-00</u>
For all water delivered per 100 cu ft.	\$ 0.037	\$ 0.03
Service Charge:		
For 5/8 x 3/4-inch meter	\$ 0.40	\$ 0.50
For 3/4-inch meter	0.60	0.70
For 1-inch meter	1.00	1.20
For 1 1/2-inch meter	2.00	2.50
For 2-inch meter	3.00	4.00
For 3-inch meter	6.00	7.00
For 4-inch meter	10.00	12.00
For 6-inch meter	20.00	25.00
For 8-inch meter	32.00	40.00
For 10-inch meter	46.00	57.00
For 12-inch meter	86.00	107.00

APPENDIX B

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PARK WATER COMPANY

Schedule No. PR-4F

NON-METERED FIRE SPRINKLER SERVICEAPPLICABILITY

Applicable only for water service to privately owned non-metered fire sprinkler systems and hydrants where water is to be used only in case of fire.

TERRITORY

Within all service areas in Los Angeles County as delineated on the service area maps included in the tariff schedules.

RATES

		Per Meter Per Month
Service Charge:		
For	2-inch meter	\$ 7.70
For	3-inch meter	10.20
For	4-inch meter	15.20
For	6-inch meter	22.40
For	8-inch meter	33.10
For	10-inch meter	48.80
For	12-inch meter	70.60

SPECIAL CONDITIONS

1. The fire protection service connection shall be installed by the utility the cost thereof paid by the applicant. Such payment shall not be subject to refund.
2. The minimum diameter for fire protection service shall be two (2) inches, and the maximum diameter shall be not more than the diameter of the main to which the service is connected.
3. If a distribution main of adequate size to serve a private fire protection system in addition to all other normal service does not exist in the street or alley adjacent to the premises to be served, then a service main from the nearest main of adequate capacity shall be installed by the utility and the cost paid by the applicant. Such payment shall not be subject to refund.

(Continued)

APPENDIX B

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PARK WATER COMPANY

Schedule No. PR-4F

NON-METERED FIRE SERVICE
(Continued)

4. Service hereunder is for private fire protection systems to which no connections for other than fire protection purposes are allowed and which are regularly inspected by the underwriters having jurisdiction, are installed according to specifications of the utility, and are maintained to the satisfaction of the utility. The utility may install the standard detector type meter approved by the board of Fire Underwriters for protection against theft, leakage or waste of water, and the cost paid by the applicant. Such payment shall not be subject to refund.
5. The utility undertakes to supply only such water at such pressure as may be available at any time through the normal operation of its system.
6. Any unauthorized use of water, other than for fire extinguishing purposes, shall be charged for at the regular established rate as set forth under Schedule No. PR-1, and/or may be the grounds for the immediate disconnection of the service without liability to the Company.
7. The utility reserves the right to limit the installation of private fire hydrant service to such areas where public fire hydrant does not exist or where public fire hydrant service is limited in scope to the detriment of the applicant.
8. A late charge will be imposed per Schedule No. LC.
9. All bills are subject to the reimbursement fee set forth on Schedule #UF.

APPENDIX B

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PARK WATER COMPANY

Schedule No. PR-4F

NON-METERED FIRE SPRINKLER SERVICE

AUTHORIZED STEP INCREASES

Each of the following increases in rates may be put into effect by filing a rate schedule which adds the appropriate increase to the rates at that time.

Size of Service		Rates to be Effective	
		<u>1-1-99</u>	<u>1-1-00</u>
For	2-inch meter	\$ 0.20	\$ 0.30
For	3-inch meter	0.30	0.40
For	4-inch meter	0.40	0.60
For	6-inch meter	0.60	0.90
For	8-inch meter	0.90	1.30
For	10-inch meter	1.30	1.90
For	12-inch meter	1.80	2.60

APPENDIX B
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PARK WATER COMPANY

Schedule No. PR-6

RECLAIMED WATER SERVICE

APPLICABILITY

Applicable to metered reclaimed water service.

TERRITORY

Within all service areas in Los Angeles County as delineated on the service area maps included in the tariff schedules.

RATES

Quantity Rate:

	Per Meter <u>Per Month</u>
Per 100 cu. ft. Service Charge:	\$ 1.394
For 5/8 x 3/4-inch meter	\$ 7.30
For 3/4-inch meter	11.00
For 1-inch meter	18.20
For 1 1/2-inch meter	36.40
For 2-inch meter	58.00
For 3-inch meter	110.00
For 4-inch meter	182.00
For 6-inch meter	364.00
For 8-inch meter	582.00
For 10-inch meter	838.00
For 12-inch meter	1,566.00

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

SPECIAL CONDITIONS

1. The user (customer) is responsible for on-site compliance with local, state, or federal regulations that may apply to the use of an approved reclaimed water source.
2. All charges under this schedule to customers in the City of Norwalk are subject to a surcharge of 2.04 percent.
3. A late charge will be imposed per Schedule No. LC.
4. All bills are subject to the reimbursement fee set forth on Schedule #UF.

APPENDIX B
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PARK WATER COMPANY

Schedule No. PR-6

RECLAIMED WATER SERVICE

AUTHORIZED STEP INCREASES

Each of the following increases in rates may be put into effect by filing a rate schedule which adds the appropriate increase to the rates at that time.

Quantity Rate	Rates to be Effective	
	<u>1-1-99</u>	<u>1-1-00</u>
For all water delivered per 100 cu ft.	\$ 0.037	\$ 0.03
Service Charge:		
For 5/8 x 3/4-inch meter	\$ 0.30	\$ 0.40
For 3/4-inch meter	0.40	0.60
For 1-inch meter	0.80	1.00
For 1 1/2-inch meter	1.60	2.00
For 2-inch meter	3.00	3.00
For 3-inch meter	4.00	6.00
For 4-inch meter	8.00	10.00
For 6-inch meter	16.00	20.00
For 8-inch meter	26.00	32.00
For 10-inch meter	36.00	46.00
For 12-inch meter	68.00	86.00

APPENDIX B

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PARK WATER COMPANY

Schedule No. PR-9CM

CONSTRUCTION AND OTHER TEMPORARY METERED SERVICEAPPLICABILITY

Applicable to all metered water service furnished for construction and other temporary purposes.

TERRITORY

Within all service areas in Los Angeles County as delineated on the maps included in the tariff schedules.

RATES

Monthly quantity rates and service charge listed in Schedule PR-1, General Metered Service will apply to service furnished under this schedule.

SPECIAL CONDITIONS

1. Where it is necessary to install or relocate a meter to furnish service under this schedule, and such meter may be connected to the utility's existing facilities, the following charges will apply:

- | | | |
|----|--|---------|
| a. | For installation and removal of the meter | \$25.00 |
| b. | For each relocation of the meter within the same local area as the original installation | \$12.50 |

2. Where no suitable outlet exists at the point where service is desired, the necessary facilities will be installed under the provisions of Rule No. 13, Temporary Service.

3. In case a meter is installed or used under conditions which are considered by the utility to subject the meter to unusual hazards, the applicant will be required to deposit with the utility the amount, shown in the table below, which corresponds to the size and type of meter installed:

<u>Size of Meter</u>	<u>Amount of Deposit</u>
5/8 x 3/4 or 3/4 inch	\$ 30.00
1-inch disc	60.00
1-1/2 inch	125.00
2-inch disc or torrent	200.00
2-1/2 inch Sparling Fire Hydrant	250.00
3-inch disc or torrent	650.00

The deposit less the cost of any repairs other than those due to normal depreciation, will be returned to the customer upon completion of the service for which the meter was installed.

4. A late charge will be imposed per Schedule No. LC.

APPENDIX B

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PARK WATER COMPANY

Schedule No. LC

LATE PAYMENT CHARGE

APPLICABILITY

Applicable to all service.

TERRITORY

Within the entire service area of the Company.

RATES

Late Charge: A late charge of 1.5% on unpaid balance subject to special conditions and minimum charge below:

Minimum Charge: The minimum charge is \$1.00

SPECIAL CONDITIONS

1. The balance is unpaid and subject to a late charge if the bill is Past-Due, or delinquent,
(T)
as defined in Rule No. 11, Section B.1.a.
(T)
2. The late charge should be imposed only once on a delinquent bill since the account would be shut off before a subsequent bill and then subject to the reconnection fee as authorized by Tariff Rule No. 11.
3. All bills shall be subject to the reimbursement fee as set forth on Schedule No. UF.

APPENDIX B

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PARK WATER COMPANY

Schedule No. UF

SURCHARGE TO FUND PUBLIC UTILITIES
COMMISSION REIMBURSEMENT FEE

APPLICABILITY

This surcharge applies to all water bills rendered under all tariff rate schedules authorized by the Commission.

TERRITORY

This schedule is applicable within the entire territory service by the utility.

RATES*

A 1.4% surcharge shall be added to all customer bills.

*In 1982 the Legislature established a Public Utility Commission Reimbursement Fee to be paid by all water and sewer system corporations to fund their regulation by the Commission. Public Utilities (PU) Code Sections 401-442. The surcharge to defray the cost of that fee is ordered by the Commission under authority granted by PU Code Section 403.

(END OF APPENDIX B)

APPENDIX C

PARK WATER COMPANY

COMPARISON OF RATES

	1998			
	PRESENT	ADOPTED	INCREASE	PERCENT
0	8.80	9.10	0.30	3.41%
10	27.24	27.54	0.30	1.10%
13 AVG.	32.77	33.07	0.30	0.92%
20	45.68	45.98	0.30	0.66%
30	64.12	64.42	0.30	0.47%
50	101.00	101.30	0.30	0.30%
	1999			
	PRESENT	ADOPTED	INCREASE	PERCENT
0	9.10	9.50	0.40	4.40%
10	27.54	28.31	0.77	2.80%
13 AVG.	33.07	33.95	0.88	2.66%
20	45.98	47.12	1.14	2.48%
30	64.42	65.93	1.51	2.34%
50	101.30	103.55	2.25	2.22%
	2000			
	PRESENT	ADOPTED	INCREASE	PERCENT
0	9.50	10.00	0.50	5.26%
10	28.31	29.11	0.80	2.83%
13 AVG.	33.95	34.84	0.89	2.62%
20	47.12	48.22	1.10	2.33%
30	65.93	67.33	1.40	2.12%
50	103.55	105.55	2.00	1.93%

NOTE: BASED ON MONTHLY CHARGES ACCORDING TO SCHEDULE NO. 1 FOR A 5/8 X 1/2 INCH METER

(END OF APPENDIX C)

APPENDIX D

Page 1 of 5

PARK WATER COMPANY

ADOPTED QUANTITIES

Net-to-Gross Multiplier	1.7700	
Uncollectibles Rate	0.57%	
Franchise Rate	0.38%	
Federal Tax Rate	34.12%	
State Tax Rate	8.84%	
1. <u>WATER CONSUMPTION (Kcfd)</u>	1998	1999
Domestic Water Sales	5409.3	5389.2
Unaccounted Domestic Water (2.0%)	<u>108.2</u>	<u>107.8</u>
Total Domestic Production	5517.5	5497.0
Reclaimed Water Sales	371.4	380.1
Unaccounted for Water (0.0%)	<u>0</u>	<u>0</u>
Total Reclaimed Production	371.4	380.1
2. <u>PURCHASED POWER</u>		
<u>Pumping Cost</u>		
Electric	\$137,473	\$137,473
Gas	<u>848</u>	<u>848</u>
Total	\$138,321	\$138,321
Cost per A.F.	\$ 95.80	\$ 95.80
3. <u>PURCHASED WATER</u>		
Central Basin MWD (A.F.)	8836	8789
Minimum Violations (A.F.)	60	60
City of Bellflower (A.F.)	<u>2400</u>	<u>2400</u>
Total Domestic Purch. Water (A.F.)	11236	11189
Reclaimed (A.F.)	853	873
Central Basin MWD (\$461/A.F.)	\$4,101,056	\$4,079,389
Service Charge	\$52,500	\$52,500
City of Bellflower (\$502/A.F.)	\$1,204,800	\$1,204,800
Service Charge	<u>\$ 5,400</u>	<u>\$ 5,400</u>
Total Domestic Purch. Water (\$)	\$5,363,756	\$5,342,089
Reclaimed		
First 25 A.F. Per Month \$260/A.F.	\$ 78,000	\$ 78,000
25-50 A.F. Per Month \$240/A.F.	\$ 72,000	\$ 72,000
Over 50 A.F. Per Month \$220/A.F.	<u>\$ 55,660</u>	<u>\$ 60,060</u>
Total Reclaimed	\$ 205,660	\$ 210,060
4. <u>REPLENISHMENT (1435 A.F. @ \$162/A.F.)</u>	\$ 232,470	\$ 232,470
5. <u>Leased Water Rights (1433.7 A.F. @ \$145/A.F.)</u>	\$ 207,887	\$ 207,887
6. <u>WATER USE (Ccf/Cust.)</u>		
Residential	156.0	156.0
Business	777.2	776.4
Industrial	8308.8	8308.8
Public Authority	645.1	504.3
Temporary	831.0	831.0
Resale	11484.3	11484.3
Reclaimed	10316.3	10002.6

APPENDIX D

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PARK WATER COMPANY

ADOPTED QUANTITIES

7. ADOPTED AVERAGE SERVICE BY METERDomestic Meter

	<u>1998</u>	<u>1999</u>
5/8 x 3/4"	25,291	25,321
3/4"	9	9
1"	605	609
1 1/2"	241	242
2"	285	285
3"	77	78
4"	30	31
6"	24	23
8"	4	4
Total Domestic Metered	26,566	26,602

Fire Service

2"	2	2
4"	26	26
6"	67	68
8"	57	59
10"	6	6
12"	4	4
Total Fire Service	152	155

Reclaimed

1 1/2"	2	2
2"	8	10
3"	17	17
4"	9	9
Total Reclaimed	36	38
TOTAL CUSTOMERS	26,754	26,795

APPENDIX D

Page 3 of 5

PARK WATER COMPANY

ADOPTED
RATE BASE SUMMARY
(Dollars in Thousands)

		1998	1999
AVERAGE BALANCES			
PLANT IN SERVICE		24,236.8	25,444.3
WORK IN PROGRESS		727.6	603.2
MATERIALS & SUPPLIES		82.3	85.6
WORKING CASH		1,136.7	1,102.6
SUBTOTAL		26,183.4	27,235.6
LESS			
DEPRECIATION RESERVE		8,544.2	9,137.2
ADVANCES		945.5	952.4
CONTRIBUTIONS		2,232.6	2,173.5
UNAMORTIZED ITC		117.3	111.9
DEFERRED INCOME TAX		1,376.4	1,478.8
SUBTOTAL		13,215.9	13,853.8
PLUS			
METHOD 5 ADJUSTMENT		107.1	101.1
NET DISTRICT RATE BASE		13,074.6	13,482.9
MAIN OFFICE ALLOCATION		1,453.7	1,571.1
TOTAL RATE BASE		14,528.3	15,054.0

APPENDIX D

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PARK WATER COMPANY

ADOPTED
INCOME TAX CALCULATIONS 1998
(Dollars in Thousands)

	PRESENT	PROPOSED
OPERATING REVENUES	14,221.2	14,362.4
EXPENSES		
OPERATIONS & MAINTENANCE	8,227.6	8,227.6
UNCOLLECTIBLES .57%	81.1	81.9
ADMINISTRATIVE & GENERAL	3,099.7	3,099.7
FRANCHISE FEES .38%	54.0	54.6
AD VALOREM TAXES	148.7	148.7
PAYROLL TAXES	193.2	193.2
AMORTIZATION ADJUSTMENT		
MEALS ADJUSTMENT	(10.8)	(10.8)
SUBTOTAL	11,793.5	11,794.8
DEDUCTIONS		
CA TAX DEPRECIATION	774.4	774.4
INTEREST	536.1	536.1
CA TAXABLE INCOME	1,117.2	1,257.1
CCFT @@ 8.9%	98.8	111.1
DEDUCTIONS		
FED. TAX DEPRECIATION	577.5	577.5
INTEREST	536.1	536.1
CA TAX	98.8	98.8
FIT TAXABLE INCOME	1,215.3	1,355.2
FIT (BEFORE ADJUSTMENT) 34.12%	414.7	462.4
PRORATED ADJUSTMENT		
INVESTMENT TAX CREDIT	(7.4)	(7.4)
NET FEDERAL INCOME TAX	407.3	455.0

APPENDIX D

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PARK WATER COMPANY

ADOPTED
INCOME TAX CALCULATIONS 1999
(Dollars in Thousands)

	AT 1998 PROPOSED	PROPOSED
OPERATING REVENUES	14,344.6	14,722.8
EXPENSES		
OPERATIONS & MAINTENANCE	8,284.6	8,284.6
UNCOLLECTIBLES .57%	81.8	83.9
ADMINISTRATIVE & GENERAL .38%	3,257.5	3,257.5
FRANCHISE FEES	54.5	55.9
AD VALOREM TAXES	171.0	171.0
PAYROLL TAXES	202.5	202.5
MEALS ADJUSTMENT	(11.2)	(11.2)
SUBTOTAL	12,040.5	12,044.1
DEDUCTIONS		
CA TAX DEPRECIATION	884.0	884.0
INTEREST	554.0	554.0
CA TAXABLE INCOME	866.0	1,240.7
CCFT @ 8.9%	76.6	109.7
DEDUCTIONS		
FED. TAX DEPRECIATION	667.0	667.0
INTEREST	554.0	554.0
CA TAX	111.1	111.1
FIT TAXABLE INCOME	971.9	1,346.6
FIT (BEFORE ADJUSTMENT) 34.12%	331.6	459.5
PRORATED ADJUSTMENT		
INVESTMENT TAX CREDIT	(7.7)	(7.4)
NET FEDERAL INCOME TAX	323.9	452.1

(END OF APPENDIX D)

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing entitled **MOTION FOR ADOPTION OF SETTLEMENT and SETTLEMENT** upon all known parties of record in this proceeding by mailing by first-class mail a copy thereof properly addressed to each party.

Dated at San Francisco, California this 25th day of September, 1997.

/s/ MARGARITA LEZCANO

Margarita Lezcano