

DEC 17 1997

Decision 97-12-065 December 16, 1997

**BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA**

Southern California Water Company, for an order authorizing it to increase gross revenues by \$429,300, or 15.0%, in 1998; \$429,300, or 15.0%, in 1999; \$429,300, or 15.0%, in 2000; and \$429,300, or 15.0%, in 2001, in the Bay Point District.

**ORIGINAL**

Application 97-03-029  
(Filed March 11, 1997)

Southern California Water Company, for an order authorizing it to increase gross revenues by \$556,900, or 12.8%, in 1998; \$556,900, or 12.8%, in 1999; and \$556,900, or 12.8%, in 2000; in the Arden-Cordova District.

Application 97-03-030  
(Filed March 11, 1997)

Southern California Water Company, for an order authorizing it to increase gross revenues by \$117,900, or 8.4%, in 1998; \$117,900, or 8.4%, in 1999; and \$117,900, or 8.4%, in 2000; and \$117,900, or 8.4%, in 2001; in the Los Osos District.

Application 97-03-031  
(Filed March 11, 1997)

O'Melveny & Myers, by Patricia A. Schmiede, Attorney at Law, for Southern California Water Company, applicant.

Alex Dongallo, for Bay Point Municipal Advisory Council and Karen A. Klaczynski, for herself; interested parties.

Peter G. Fairchild, Attorney at Law, and Sung Han, for Water Division.

## OPINION

### Summary of Decision

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

<u>District</u>	1998	<u>Percent</u>	1999	<u>Percent</u>
	<u>Amount</u> In thousands of Dollars		<u>Amount</u> In thousands of Dollars	
Arden Cordova	\$883.6	19.8%	\$15.8	0.3%
Bay Point	821.9	26.8%	48.4	1.2%
Los Osos	135.9	9.5%	67.0	4.3%

These increases are based on a rate of return on rate base of 9.27%, with a corresponding rate of return on common equity of 10.4%.

In addition, SCWC is authorized a rate increase for 2000 to account for attrition. The increases are \$20,200 or 0.36% for the Arden Cordova District, \$42,500 or 1.0 % in the Bay Point District, and \$64,400 or 3.9% in the Los Osos District.

### Background

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

On March 11, 1997, SCWC filed applications to increase the rates it charges for water service in three districts for test years 1998 and 1999 and attrition year 2000. The applications were consolidated for hearing. The districts and application numbers are:

Bay Point (Application (A.) 97-03-029), Arden-Cordova (A.97-03-030), and Los Osos (A.97-03-031).

According to SCWC, the rate increases are necessary to cover increases in operating costs since the utilities' last general rate cases for these districts.

A description of the three districts is included in application.<sup>1</sup> At the end of 1996, the Arden-Cordova District served 13,413 connections; the Bay Point District served 4,763 connections; and the Los Osos District served 3,052 connections.

#### **Public Participation Hearings**

Duly noticed public participation hearings were held in Bay Point, Los Osos, and Sacramento. Only a few customers attended the hearings in Los Osos and Sacramento. The customers were opposed to the proposed rate increases. The hearing in Bay Point was attended by several customers who complained about the poor water quality and amount of proposed rate increases.

#### **LWB's Reports**

LWB conducted its investigation of the requested rate increases. Based on its investigation, LWB prepared its report on SCWC's results of operations. LWB recommended that SCWC be granted lower than the requested increases for three districts.

#### **Evidentiary Hearings**

Evidentiary hearings were held on August 19, 1997 in Bay Point and August 20, 1997 in San Francisco before Administrative Law Judge Garde. Other than SCWC and LWB, Bay Point Municipal Advisory Council (BPMAC) and Karen Klaczynski, a customer representing herself, were the only other parties. At the hearing, SCWC and

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<sup>1</sup> See Report on The Results of Operation, Chapter 3, for each district. (Exhibits 2, 6 and 8.)

LWB announced that they had reached agreement on all issues. SCWC and LWB stated that they would file a late-filed exhibit (Ex. 12) containing the terms of their settlement.

On September 17, 1997, SCWC and LWB filed a joint motion for adoption of the settlements contained in the joint late-filed exhibit. A copy of the settlement was served to the other two parties.

No comments on the settlement were filed. Accordingly, the matter was submitted as of October 17, 1997, 30 days after the filing of the joint motion.

#### **The Settlement**

The settlement refers to resolution of all issues as set forth in the late filed Exhibit 12. The original estimates of SCWC and LWB, as well as the agreed upon estimates for results of operations, are shown in Tables 1 through 6. Other elements of ratemaking are included in Appendices B and C.

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

Table 1

RECONCILIATION EXHIBIT  
SOUTHERN CALIFORNIA WATER COMPANY  
ARDEN CORDOVA DISTRICT - A.97-03-030  
TEST YEAR 1998

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SUMMARY OF EARNINGS	Original Application	Increase	Final Stipulation	Increase	Original Staff
AT PRESENT RATES:					
Operating Revenues	4,354.3	111.2	4,465.5	(81.8)	4,547.3
Oper. & Maint. Expenses					
Purchased Water	0.0	0.0	0.0	0.0	0.0
Purchased Power	497.5	28.8	526.3	(67.4)	593.7
Pump Taxes	0.0	0.0	0.0	0.0	0.0
Chemicals	80.8	0.2	81.0	0.2	80.8
Common Cust Alloc	117.0	0.0	117.0	0.0	117.0
Postage	0.0	0.0	0.0	0.0	0.0
Uncollectibles	15.1	0.4	15.5	(0.3)	15.8
Oper-Labor	552.3	0.0	552.3	0.0	552.3
Oper-Others	147.9	13.9	161.8	4.0	157.8
Maint-Labor	134.2	0.0	134.2	0.0	134.2
Maint-Others	216.5	(31.0)	185.5	2.2	183.3
A&G Expenses					
Office Supplies	75.9	0.2	76.1	0.0	76.1
Insurance	0.0	0.0	0.0	0.0	0.0
Injuries & Damages	0.0	0.0	0.0	0.0	0.0
Pension & Benefits	18.1	(2.9)	15.2	(2.9)	18.1
Business Meals	2.7	0.0	2.7	0.0	2.7
Regulatory Comm	8.6	0.0	8.6	0.0	8.6
Outside Services	7.4	0.0	7.4	0.0	7.4
Misc	29.9	(2.6)	27.3	(0.1)	27.4
Alloc Gen Office	722.6	0.0	722.6	50.7	671.9
Maintenance	6.9	0.0	6.9	0.0	6.9
Rent	71.8	0.2	72.0	0.0	72.0
A&G Labor	53.4	(1.0)	52.4	1.3	51.1
Other Taxes					
Property Taxes	122.5	(2.2)	120.3	(1.9)	122.2
Payroll Taxes	50.6	9.3	59.9	0.2	59.7
Local Taxes	22.4	0.5	22.9	(0.5)	23.4
Depreciation	737.6	(12.6)	725.0	(11.4)	736.4
Income Taxes	103.3	49.4	152.7	(18.1)	170.8
Total Expenses After Taxes	3,794.9	50.7	3,845.6	(44.0)	3,889.6
Net Operating Revenues	559.4	60.5	619.9	(37.8)	657.7
Rate Base	12,538.3	(545.8)	11,992.5	(381.5)	12,374.0
Rate of Return	4.46%		5.17%		5.32%
AT PROPOSED RATES:					
Operating Revenues	5,439.5	(90.3)	5,349.2	(346.4)	5,695.6
Uncollectibles	18.9	(0.3)	18.6	(1.2)	19.8
Local Taxes	27.9	(0.4)	27.5	(1.7)	29.2
Income Taxes	576.3	(39.5)	536.8	(133.2)	670.0
Total Expenses After Taxes	4,277.2	(39.8)	4,237.4	(161.2)	4,398.6
Net Operating Revenues	1,162.3	(50.5)	1,111.7	(185.2)	1,297.2
Rate Base	12,538.3	(545.8)	11,992.5	(381.5)	12,374.0
Rate of Return	9.27%		9.27%		10.48%

Table 2

RECONCILIATION EXHIBIT  
SOUTHERN CALIFORNIA WATER COMPANY  
ARDEN CORDOVA DISTRICT - A.97-03-030  
TEST YEAR 1998

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SUMMARY OF EARNINGS	Original Application	Increase	Final Stipulation	Increase	Original Staff
<b>AT PRESENT RATES:</b>					
Operating Revenues	4,475.1	130.3	4,605.4	(120.0)	4,725.4
Oper. & Maint. Expenses					
Purchased Water	0.0	0.0	0.0	0.0	0.0
Purchased Power	507.6	32.9	540.5	(90.1)	630.6
Pump Taxes	0.0	0.0	0.0	0.0	0.0
Chemicals	82.2	0.4	82.6	0.4	82.2
Common Cust Alloc	119.1	0.0	119.1	0.0	119.1
Postage	0.0	0.0	0.0	0.0	0.0
Uncollectibles	15.6	0.5	16.0	(0.4)	16.4
Oper-Labor	600.1	0.0	600.1	0.0	600.1
Oper-Others	147.9	16.9	164.8	7.0	157.8
Maint-Labor	145.8	0.0	145.8	0.0	145.8
Maint-Others	188.8	(27.3)	161.5	3.9	157.6
A&G Expenses					
Office Supplies	77.3	0.4	77.7	0.0	77.7
Insurance	0.0	0.0	0.0	0.0	0.0
Injuries & Damages	0.0	0.0	0.0	0.0	0.0
Pension & Benefits	18.1	(2.6)	15.5	(2.7)	18.2
Business Meals	2.7	0.1	2.8	0.0	2.8
Regulatory Comm	8.6	0.0	8.6	0.0	8.6
Outside Services	7.6	0.0	7.6	0.0	7.6
Misc	30.4	(2.5)	27.9	0.0	27.9
Alloc Gen Office	735.6	0.0	735.6	50.1	685.5
Maintenance	7.0	0.1	7.1	0.0	7.1
Rent	73.1	0.3	73.4	0.0	73.4
A&G Labor	58.0	(1.0)	57.0	1.3	55.7
Other Taxes					
Property Taxes	131.6	(2.4)	129.2	(1.9)	131.1
Payroll Taxes	55.0	10.0	65.0	0.1	64.9
Local Taxes	23.0	0.6	23.6	(0.7)	24.3
Depreciation	786.9	4.1	791.0	8.1	782.9
Income Taxes	31.6	58.6	90.2	(42.1)	132.3
Total Expenses After Taxes	3,853.6	89.1	3,942.6	(67.0)	4,009.6
Net Operating Revenues	621.5	41.2	662.8	(53.0)	715.8
Rate Base	13,445.1	(746.7)	12,698.4	(363.6)	13,062.0
Rate of Return	4.62%		5.22%		5.48%
<b>AT PROPOSED RATES:</b>					
Operating Revenues	5,599.9	(70.6)	5,529.3	(384.1)	5,913.4
Uncollectibles	19.5	(0.3)	19.2	(1.4)	20.6
Local Taxes	28.8	(0.4)	28.4	(2.0)	30.4
Income Taxes	521.8	(30.1)	491.7	(156.9)	648.6
Total Expenses After Taxes	4,353.5	(1.3)	4,352.1	(184.1)	4,536.2
Net Operating Revenues	1,246.4	(69.3)	1,177.1	(200.0)	1,377.1
Rate Base	13,445.1	(746.7)	12,698.4	(363.6)	13,062.0
Rate of Return	9.27%		9.27%		10.54%

Table 3

RECONCILIATION EXHIBIT  
SOUTHERN CALIFORNIA WATER COMPANY  
ARDEN CORDOVA DISTRICT - A.97-03-030  
TEST YEAR 1993

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SUMMARY OF EARNINGS	Original Application	Increase	Final Stipulation	Increase	Original Staff
AT PRESENT RATES:					
Operating Revenues	2,854.4	208.5	3,062.9	(35.1)	3,098.0
Oper. & Maint. Expenses					
Purchased Water	1,140.4	66.0	1,206.4	(59.3)	1,265.7
Purchased Power	92.6	5.5	98.1	(5.1)	103.2
Pump Taxes	0.0	0.0	0.0	0.0	0.0
Chemicals	56.4	0.2	56.6	0.2	56.4
Common Cust Alloc	31.7	0.0	31.7	0.0	31.7
Postage	0.0	0.0	0.0	0.0	0.0
Uncollectibles	41.1	3.0	44.1	(0.5)	44.6
Oper-Labor	164.6	0.0	164.6	0.0	164.6
Oper-Others	110.2	(43.6)	66.6	(47.0)	113.6
Maint-Labor	142.9	0.0	142.9	0.0	142.9
Maint-Others	127.7	2.8	130.5	2.8	127.7
A&G Expenses					
Office Supplies	39.7	0.1	39.8	0.0	39.8
Insurance	0.0	0.0	0.0	0.0	0.0
Injuries & Damages	0.4	0.0	0.4	0.0	0.4
Pension & Benefits	13.9	0.0	13.9	(0.1)	14.0
Business Meals	1.4	0.0	1.4	0.0	1.4
Regulatory Comm	5.0	0.0	5.0	0.0	5.0
Outside Services	1.5	0.0	1.5	0.0	1.5
Misc	11.4	(6.0)	5.4	0.0	5.4
Alloc Gen Office	196.2	0.0	196.2	14.2	182.0
Maintenance	28.3	0.1	28.4	0.0	28.4
Rent	18.7	0.0	18.7	0.0	18.7
A&G Labor	31.6	(0.1)	31.5	3.7	27.8
Other Taxes					
Property Taxes	66.2	0.0	66.2	0.0	66.2
Payroll Taxes	23.2	0.0	23.2	(4.0)	27.2
Local Taxes	31.9	2.3	34.2	(0.4)	34.6
Depreciation	345.5	5.4	350.9	5.8	345.1
Income Taxes	(98.5)	75.2	(23.3)	23.5	(46.8)
Total Expenses After Taxes	2,664.0	110.9	2,774.9	(66.2)	2,840.9
Net Operating Revenues	190.4	97.6	288.0	31.1	257.1
Rate Base	7,975.4	(19.6)	7,955.8	54.8	7,901.0
Rate of Return	2.39%		3.62%		3.25%
AT PROPOSED RATES:					
Operating Revenues	3,859.4	24.9	3,884.3	(266.4)	4,150.7
Uncollectibles	55.5	0.4	55.9	(3.8)	59.7
Local Taxes	43.1	0.2	43.3	(3.0)	46.3
Income Taxes	332.1	(4.4)	327.6	(75.3)	402.9
Total Expenses After Taxes	3,120.2	26.6	3,146.7	(170.9)	3,317.4
Net Operating Revenues	739.2	(1.7)	737.5	(95.5)	833.6
Rate Base	7,975.4	(19.6)	7,955.8	54.8	7,901.0
Rate of Return	9.27%		9.27%		10.55%

Table 4

RECONCILIATION EXHIBIT  
SOUTHERN CALIFORNIA WATER COMPANY  
ARDEN CORDOVA DISTRICT - A.97-03-030  
TEST YEAR 1998

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SUMMARY OF EARNINGS	Original Application	Increase	Final Stipulation	Increase	Original Staff
AT PRESENT RATES:					
Operating Revenues	2,880.6	210.5	3,091.1	(86.8)	3,177.9
Oper. & Maint. Expenses					
Purchased Water	1,150.6	69.3	1,219.9	(86.6)	1,306.5
Purchased Power	93.3	5.8	99.1	(7.3)	106.4
Pump Taxes	0.0	0.0	0.0	0.0	0.0
Chemicals	98.1	0.5	98.6	0.5	98.1
Common Cust Alloc	32.3	0.0	32.3	0.0	32.3
Postage	0.0	0.0	0.0	0.0	0.0
Uncollectibles	41.4	3.1	44.5	(1.2)	45.7
Oper-Labor	179.0	0.0	179.0	0.0	179.0
Oper-Others	110.2	(41.3)	68.9	(44.7)	113.6
Maint-Labor	155.4	0.0	155.4	0.0	155.4
Maint-Others	129.2	5.0	134.2	5.0	129.2
A&G Expenses					
Office Supplies	40.0	0.2	40.2	0.0	40.2
Insurance	0.0	0.0	0.0	0.0	0.0
Injuries & Damages	0.4	0.0	0.4	0.0	0.4
Pension & Benefits	13.6	0.0	13.6	0.0	13.6
Business Meals	1.4	0.0	1.4	0.0	1.4
Regulatory Comm	5.0	0.0	5.0	0.0	5.0
Outside Services	1.6	0.0	1.6	0.0	1.6
Misc	11.6	(6.1)	5.5	0.0	5.5
Alloc Gen Office	199.8	0.0	199.8	14.1	185.7
Maintenance	28.8	0.1	28.9	0.0	28.9
Rent	19.0	0.1	19.1	0.0	19.1
A&G Labor	34.3	(0.9)	33.4	2.7	30.7
Other Taxes					
Property Taxes	70.0	(0.1)	69.9	0.1	69.8
Payroll Taxes	25.2	0.0	25.2	(4.3)	29.5
Local Taxes	32.2	2.3	34.5	(1.0)	35.5
Depreciation	365.7	17.0	382.7	17.9	364.8
Income Taxes	(171.8)	80.5	(91.3)	23.5	(114.8)
Total Expenses After Taxes	2,666.3	135.3	2,801.6	(81.3)	2,883.1
Net Operating Revenues	214.3	75.2	289.5	(5.5)	294.8
Rate Base	8,348.3	(37.3)	8,311.0	34.7	8,276.3
Rate of Return	2.57%		3.48%		3.56%
AT PROPOSED RATES:					
Operating Revenues	3,905.4	64.4	3,969.8	(292.7)	4,262.5
Uncollectibles	56.2	0.9	57.1	(4.2)	61.3
Local Taxes	43.6	0.7	44.3	(3.2)	47.5
Income Taxes	267.2	16.9	284.1	(64.5)	348.6
Total Expenses After Taxes	3,131.4	67.9	3,199.4	(174.5)	3,374.1
Net Operating Revenues	774.0	(3.5)	770.4	(118.2)	888.4
Rate Base	8,348.3	(37.3)	8,311.0	34.7	8,276.3
Rate of Return	9.27%		9.27%		10.73%



Table 5

RECONCILIATION EXHIBIT  
SOUTHERN CALIFORNIA WATER COMPANY  
ARDEN CORDOVA DISTRICT - A.97-03-030  
TEST YEAR 1998

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SUMMARY OF EARNINGS	Original Application	Increase	Final Stipulation	Increase	Original Staff
<b>AT PRESENT RATES</b>					
Operating Revenues	1,411.1	25.3	1,436.4	(14.4)	1,450.8
Oper. & Maint. Expenses	0.0	0.0	0.0	0.0	0.0
Purchased Water	121.1	3.7	124.8	(3.0)	127.8
Purchased Power	0.0	0.0	0.0	0.0	0.0
Pump Taxes	9.5	0.0	9.5	0.0	9.5
Chemicals	19.7	0.0	19.7	0.0	19.7
Common Cust Alloc	0.0	0.0	0.0	0.0	0.0
Postage	5.5	0.1	5.6	(0.1)	5.7
Uncollectibles	222.6	0.0	222.6	0.0	222.6
Oper-Labor	67.7	(18.3)	49.4	(23.3)	72.7
Oper-Others	68.9	0.0	68.9	0.0	68.9
Maint-Labor	64.7	(14.4)	50.3	1.3	49.0
Maint-Others					
A&G Expenses	13.4	0.0	13.4	0.0	13.4
Office Supplies	0.0	0.0	0.0	0.0	0.0
Insurance	0.0	0.0	0.0	0.0	0.0
Injures & Damages	15.2	0.0	15.2	0.0	15.2
Pension & Benefits	1.5	0.0	1.5	0.0	1.5
Business Meals	4.4	0.0	4.4	0.0	4.4
Regulatory Comm	1.9	0.0	1.9	0.0	1.9
Outside Services	3.9	(2.1)	1.8	0.0	1.8
Misc	121.8	0.0	121.8	7.9	113.9
Alloc Gen Office Exp	2.1	0.0	2.1	0.0	2.1
Maintenance	4.2	0.0	4.2	0.0	4.2
Rent	35.1	(4.9)	34.2	5.7	25.5
A&G Labor					
Other Taxes	34.5	0.0	34.5	0.0	34.5
Property Taxes	22.6	3.8	26.4	0.4	25.0
Payroll Taxes	0.0	0.0	0.0	0.0	0.0
Local Taxes	166.8	2.2	169.0	2.7	166.3
Income Taxes	112.1	28.2	140.3	3.1	137.2
Total Expenses After Taxes	1,123.2	(1.6)	1,121.6	(5.2)	1,127.8
Net Operating Revenues	287.9	26.9	314.6	(9.2)	323.0
Rate Base	4,288.3	(63.8)	4,224.5	3.0	4,221.5
Rate of Return	6.71%		7.45%		7.65%
<b>AT PROPOSED RATES:</b>					
Operating Revenues	1,607.5	(33.5)	1,574.0	(75.7)	1,649.7
Uncollectibles	6.3	(0.1)	6.2	(0.3)	6.5
Local Taxes	0.0	0.0	0.0	0.0	0.0
Income Taxes	158.2	2.2	200.4	(23.6)	224.0
Total Expenses After Taxes	1,210.0	(27.9)	1,182.2	(32.1)	1,214.8
Net Operating Revenues	397.5	(5.6)	391.6	(43.6)	434.4
Rate Base	4,288.3	(63.8)	4,224.5	3.0	4,221.5
Rate of Return	9.27%		9.27%		10.29%

RECONCILIATION EXHIBIT  
SOUTHERN CALIFORNIA WATER COMPANY  
ARDEN CORDOVA DISTRICT - A.97-03-030  
TEST YEAR 1998

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SUMMARY OF EARNINGS	Original Application	Increase	Final Stipulation	Increase	Original Staff
AT PRESENT RATES:					
Operating Revenues	1,405.3	30.7	1,436.0	(13.6)	1,449.6
Oper. & Maint. Expenses	0.0	0.0	0.0	0.0	0.0
Purchased Water	120.5	4.3	124.8	(3.8)	128.6
Purchased Power	0.0	0.0	0.0	0.0	0.0
Pump Taxes	9.7	0.0	9.7	0.0	9.7
Chemicals	20.1	0.0	20.1	0.0	20.1
Common Cust Alloc	0.0	0.0	0.0	0.0	0.0
Postage	5.5	0.1	5.6	(0.1)	5.7
Uncollectibles	242.6	0.0	242.6	0.0	242.6
Oper-Labor	67.7	(16.9)	50.8	(21.9)	72.7
Oper-Others	75.1	0.0	75.1	0.0	75.1
Maint-Labor	64.7	(13.4)	51.3	2.3	49.0
Maint-Others					
A&G Expenses	13.6	0.0	13.6	0.0	13.6
Office Supplies	0.0	0.0	0.0	0.0	0.0
Insurance	0.0	0.0	0.0	0.0	0.0
Injuries & Damages	15.5	0.1	15.6	0.1	15.5
Pension & Benefits	1.6	0.0	1.6	0.0	1.6
Business Meals	4.4	0.0	4.4	0.0	4.4
Regulatory Comm	2.9	0.0	2.9	0.0	2.9
Outside Services	4.0	(2.1)	1.9	0.0	1.9
Misc	124.0	0.0	124.0	7.8	116.2
Alloc Gen Office	2.1	0.0	2.1	0.0	2.1
Maintenance	4.3	0.0	4.3	0.0	4.3
Rent	42.6	(4.9)	37.7	4.8	32.9
A&G Labor					
Other Taxes	36.0	(0.4)	35.6	0.1	35.5
Property Taxes	24.6	4.2	28.8	0.4	28.4
Payroll Taxes	0.0	0.0	0.0	0.0	0.0
Local Taxes	175.3	5.5	180.8	8.5	172.3
Depreciation	75.4	26.2	101.6	(2.1)	103.7
Income Taxes					
Total Expenses Inc. Taxes	1,132.2	2.8	1,135.0	(3.8)	1,138.8
Net Operating Revenues	273.2	27.9	301.0	(9.8)	310.8
Rate Base	4,602.3	(120.2)	4,482.1	(2.0)	4,484.1
Rate of Return	5.94%		6.72%		6.93%
AT PROPOSED RATES:					
Operating Revenues	1,680.1	(39.5)	1,640.6	(88.4)	1,729.0
Uncollectibles	6.6	(0.2)	6.4	(0.4)	6.8
Local Taxes	0.0	0.0	0.0	0.0	0.0
Income Taxes	195.7	(4.9)	190.8	(34.9)	225.7
Total Expenses After Taxes	1,253.6	(28.7)	1,224.9	(36.9)	1,261.9
Net Operating Revenues	426.5	(10.8)	415.5	(51.5)	467.2
Rate Base	4,602.3	(120.2)	4,482.1	(2.0)	4,484.1
Rate of Return	9.27%		9.27%		10.42%

### **Discussion**

The settling parties have conformed with the steps set forth in Article 13.5 of Commission's Rules of Practice and Procedure. All active parties support the settlement, and no party has opposed the settlement. The parties have produced a settlement that will provide SCWC the needed rate increase to recover the cost of capital additions.

A copy of the settlement was served on the other two parties in the proceeding . No comments or protest have been filed.

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

- a. This settlement commands support of all active parties to this proceeding;
- b. Each party is adequately represented. We are confident that LWB adequately represents the interests of the ratepayers;
- c. The settling parties have asserted that no terms of this settlement contravenes any statutory provision or any decision of the Commission, and our independent review has brought none to light; and
- d. This settlement with its appendices, together with the record in the proceeding, conveys to us sufficient information to permit us to discharge our future regulatory obligations with respect to the parties and affected ratepayers. By adopting this settlement, we fulfill our primary obligation of setting just and reasonable rates.

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

### **Comments on ALJ's Proposed Decision**

ALJ's proposed decision was filed and mailed to the parties on November 14, 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 Ex. 12 and the motion for adoption of settlement, SCWC and LWB have reached settlement on all issues in this proceeding.

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

### **Conclusions of Law**

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

## **O R D E R**

### **IT IS ORDERED that:**

1. The settlement in Exhibit 12 between Southern California Water Company (SCWC) and the Large Water Branch (LWB) is approved.
2. The motion for approval of the settlement between SCWC and LWB is granted.
3. SCWC is authorized to file the revised schedule attached to this order as Appendix A. The filing shall comply with General Order (GO) 96-A. The effective date of the revised schedule shall be not earlier than January 1, 1998, or 5 days after the filing, whichever is later. The revised schedule shall apply to service rendered on or after the effective date.
4. On or after November 6, 1998, SCWC is authorized to file an advice letter, with appropriate work papers, requesting the step-rate increase for 1999, included in Appendix A or to file a proportionate lesser increase for those rates in Appendix A for Arden-Cordova, Bay Point, and Los Osos Districts in the event that a district's rate of return on rate base, adjusted to reflect rates then in effect and normal ratemaking adjustments for the 12 months ended September 30, 1998, exceeds the latest rate of return found reasonable for SCWC. This filing shall comply with GO 96-A. The requested step rates shall be reviewed by the Commission's Water Division to

determine their conformity with this order and shall go into effect upon Water Division's determination of conformity. Water Division shall inform the Commission if it finds that the proposed step rates are not in accord with this decision or other Commission decision. The effective date of the revised schedules shall be not earlier than January 1, 1998, or 30 days after filing, whichever is later. The revised schedule shall apply only to service rendered on or after the effective date.

5. On or after November 6, 1999 SCWC is authorized to file an advice letter, with appropriate work papers, requesting the step-rate increase for 2000, included in Appendix A or to file a proportionate lesser increase for those rates in Appendix A for 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 SCWC. This filing shall comply with CO 96-A. The requested step rates shall be reviewed by the Commission's Water Division to determine their conformity with this order and shall go into effect upon Water Division's determination of conformity. Water Division shall inform the Commission if it finds that the proposed step rates are not in accord with this decision or other Commission decision. The effective date of the revised schedules shall be not earlier than January 1, 2000, or 30 days after filing, whichever is later. The revised schedule shall apply only to service rendered on or after the effective date.

6. Since all issues raised in this consolidated proceeding have been resolved, Application (A.) 97-03-029, A. 97-03-030, and A. 97-03-031 are closed.

This order is effective today.

Dated December 16, 1997, at San Francisco, California.

P. GREGORY CONLON

President

JESSIE J. KNIGHT, JR.

HENRY M. DUQUE

JOSIAH L. NEEPER

RICHARD A. BILAS

Commissioners

**APPENDIX A**  
**Page 1 of 12**

Southern California Water Co.  
 Arden-Córdova District

Schedule No. AC-1  
**GENERAL METERED SERVICE**

**APPLICABILITY**

Applicable to all general metered water service.

**TERRITORY**

Arden Manor area located approximately six miles northeast of Sacramento and Rancho Córdova and vicinity, Sacramento County.

**RATES****QUANTITY RATES:**

For all water delivered, per 100 cu. ft. ....	\$0.373	(I)
	Per Meter	
Service Charge:	Per Month	
For 5/8 x 3/4-inch meter.....	\$3.90	(I)
For 3/4-inch meter.....	\$5.85	
For 1-inch meter.....	\$9.75	
For 1-1/2-inch meter.....	\$19.50	
For 2-inch meter.....	\$31.20	
For 3-inch meter.....	\$58.50	
For 4-inch meter.....	\$97.50	
For 6-inch meter.....	\$195.00	
For 8-inch meter.....	\$312.00	
For 10-inch meter.....	\$449.00	(I)

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

**SPECIAL CONDITIONS**

- Due to the undercollection in the balancing account, a surcharge of \$0.012 per Ccf of water use is to be added to the above Quantity Rate for a 12-month period beginning on January 1, 1998. (N)  
|  
(N)
- All bills are subject to the reimbursement fee set forth on Schedule No. UF.
- Service with 5/8 x 3/4-inch meters and 3/4-inch meters is available only to customers served with 5/8 x 3/4-inch meters and 3/4-inch meters as of the effective date of Advice Letter No. 945-W.
- To amortize the Income Tax Memorandum Account balance, a surcharge of \$0.002 is to be added to the Quantity Rate shown above for a 12-month period beginning on January 1, 1998. (N)  
|  
(N)
- To amortize the New Employee Memorandum Account balance (D.93-06-035), a surcharge of \$0.003 is to be added to the Quantity Rate shown above for a 12-month period beginning January 1, 1998. (N)  
|  
(N)

APPENDIX A  
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Southern California Water Co.  
Arden-Cordova District

## Schedule No. AC-1

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

Service Charges:	<u>1999</u>	<u>2000</u>
For 5/8 x 1/4-inch meter.....	\$ 0.00	\$ 0.05
For 1/4-inch meter.....	0.00	0.05
For 1-inch meter.....	0.00	0.10
For 1 1/2-inch meter.....	0.00	0.20
For 2-inch meter.....	0.00	0.30
For 3-inch meter.....	0.00	0.60
For 4-inch meter.....	0.00	1.00
For 6-inch meter.....	0.00	2.00
For 8-inch meter.....	0.00	3.00
For 10-inch meter.....	0.00	4.00

## Quantity Rates:

For all water delivered, per 100 cu. Ft.....	\$ 0.001	\$ 0.000
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**APPENDIX A**  
**Page 3 of 12**

Southern California Water Co.  
 Arden-Cordova District

**Schedule No. AC-2**  
**FLAT RATE SERVICE**

**APPLICABILITY**

Applicable to all flat rate water service. This schedule is closed to new installations.

**TERRITORY**

Arden Manor area located approximately six miles northeast of Sacramento and Rancho Cordova and vicinity, Sacramento County.

<b><u>RATES</u></b>	<b><u>Per Service Connection Per Month</u></b>	
For a single unit of occupancy, including premises not exceeding 12,000 sq. ft. in area.....	\$ 23.20	(I)
For a duplex including premises not exceeding 12,000 sq. ft. in area.....	\$ 46.50	(I)
a. For each additional detached unit of occupancy on the same premises and served from the same service connection.....	\$ 23.20	(I)
b. For each swimming pool equipped with a recirculating filter system, on the same premises and served from the same service connection.....	\$ 4.65	(I)

**SPECIAL CONDITIONS**

- The above flat rates apply to service connections not larger than one inch in diameter.
- Due to the undercollection in the balancing account, a surcharge of \$0.32 is to be applied to each bill for each single occupancy unit for a 12-month period beginning on January 1, 1998. (N)  
|  
(N)
- Due to the undercollection in the balancing account, a surcharge of \$0.64 is to be applied to each bill for each duplex for a 12-month period beginning on January 1, 1998. (N)  
|  
(N)
- For service covered by the above classification, if either the utility or the customer so elects, a meter shall be installed and service provided under Schedule No. AC-1, General Metered Service.
- All bills are subject to the reimbursement fee set forth on Schedule No. UF.
- To amortize the Income Tax Memorandum Account balance, a surcharge of \$0.090 is to be added to each bill for flat rate service for a 12-month period beginning on January 1, 1998. (N)  
|  
(N)
- To amortize the New Employee Memorandum Account balance (D.93-06-035), a surcharge of \$0.127 is to be added to each bill for flat rate service for a 12-month period beginning January 1, 1998. (N)  
|  
(N)

APPENDIX A  
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Southern California Water Co.  
Arden-Cordova District

## Schedule No. AC-2

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

	<u>1999</u>	<u>2000</u>
For a single unit of occupancy, including premises not exceeding 12,000 sq. ft. in area.....	\$ 0.05	\$ 0.10
For a duplex including premises not exceeding 12,000 sq. ft. in area.....	0.35	0.30
a. For each additional detached unit of occupancy on the same premises and served from the same service connection.....	0.05	0.10
b. For each swimming pool equipped with a recirculating filter system, on the same premises and served from the same service connection.....	0.40	0.30

## APPENDIX A

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Southern California Water Co.  
Bay Point District

Schedule No. BY-1

## GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

Portions of the City of Pittsburg and vicinity, Contra Costa County.

RATESQUANTITY RATES:

For all water delivered, per 100 cu. ft. ....	\$2.511	(I)
Service Charge:	<u>Per Meter</u> <u>Per Month</u>	
For 5/8 x 3/4-inch meter.....	\$15.60	(I)
For 3/4-inch meter.....	18.20	
For 1-inch meter.....	23.40	
For 1-1/2-inch meter.....	36.40	
For 2-inch meter.....	52.00	
For 3-inch meter.....	88.40	
For 4-inch meter.....	140.00	
For 6-inch meter.....	270.00	
For 8-inch meter.....	426.00	
For 10-inch meter.....	608.00	(I)

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

SPECIAL CONDITIONS

1. All bills are subject to the reimbursement fee set forth on Schedule No. UF.
2. Due to an undercollection in the Balancing Account, an amount of \$0.238/Ccf is to be added to the Quantity Rates above for a 36-month period ending on June 30, 2000.
3. To amortize the New Employee Memorandum Account balance (D.93-06-035), a sur- (N)  
charge of \$0.006 is to be added to the Quantity Rate shown above for a 12-month (N)  
period beginning January 1, 1998.

## APPENDIX A

Page 6 of 12

Southern California Water Co.  
Bay Point District

## Schedule No. BY-1

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

Service Charges:	<u>1999</u>	<u>2000</u>
For 5/8 x 1/4-inch meter.....	\$ 1.30	\$ 1.90
For 1/4-inch meter.....	3.20	4.05
For 1-inch meter.....	6.55	8.25
For 1 1/2-inch meter.....	14.90	18.75
For 2-inch meter.....	24.95	31.05
For 3-inch meter.....	48.60	60.00
For 4-inch meter.....	82.00	103.00
For 6-inch meter.....	166.00	207.00
For 8-inch meter.....	267.00	332.00
For 10-inch meter.....	384.00	479.00

## Quantity Rates:

For all water delivered, per 100 cu. Ft.....	(\$ 0.074)	(\$ 0.114)
--	------------	------------

APPENDIX A  
Page 7 of 12

Southern California Water Co.  
Los Osos District  
Schedule No. LO-1

GENERAL METERED SERVICE

**APPLICABILITY**

Applicable to all metered water service.

**TERRITORY**

Unincorporated areas south of the city of San Luis Obispo in the vicinity of Los Osos, San Luis Obispo County.

**RATES**

Quantity Rates:

For all water delivered, per 100 cu. ft. ....	\$1.615	
Service Charge:	Per Meter Per Month	
For 5/8 x 3/4-inch meter.....	\$16.75	(I)
For 3/4-inch meter.....	19.45	
For 1-inch meter.....	26.15	
For 1-1/2-inch meter.....	39.05	
For 2-inch meter.....	55.75	
For 3-inch meter.....	94.80	
For 4-inch meter.....	151.00	
For 6-inch meter.....	290.00	
For 8-inch meter.....	457.00	
For 10-inch meter.....	652.00	(I)

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

**SPECIAL CONDITIONS**

1. Due to the undercollection in the balancing account, a surcharge of \$0.108 per Ccf of water use is to be added to the above Quantity Rate for a 24-month period beginning on January 1, 1998. (N)  
I  
(N)
2. All bills are subject to the reimbursement fee set forth on Schedule No. UF.
3. To amortize the Income Tax Memorandum Account balance, a surcharge of \$0.022 is to be added to the Quantity Rate shown above for a 12-month period beginning on January 1, 1998. (N)  
I  
(N)
4. To amortize the New Employee Memorandum Account balance (D.93-06-035), a surcharge of \$0.008 is to be added to the Quantity Rate shown above for a 12-month period beginning January 1, 1998. (N)  
I  
(N)

## APPENDIX A

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Southern California Water Co.  
Los Osos District

Schedule No. LO-1

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

Service Charges:	<u>1999</u>	<u>2000</u>
For 5/8 x 3/4-inch meter.....	\$ 0.60	\$ 0.75
For 3/4-inch meter.....	2.25	2.35
For 1-inch meter.....	4.20	5.75
For 1 1/2-inch meter.....	13.00	14.15
For 2-inch meter.....	22.35	23.90
For 3-inch meter.....	44.20	48.00
For 4-inch meter.....	75.00	81.00
For 6-inch meter.....	152.00	166.00
For 8-inch meter.....	246.00	266.00
For 10-inch meter.....	354.00	384.00

## Quantity Rates:

For all water delivered, per 100 cu. Ft.....	\$ 0.028	\$ 0.008
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Appendix A  
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SOUTHERN CALIFORNIA WATER COMPANY  
ARDEN-CORDOVA DISTRICT

Comparison of typical bills for residential metered customers of various usage level and average level at present and authorized rates for the year 1998.

General Metered Service  
(2 - inch meters)

Monthly Usage (Cubic Feet)	At Present Rates	At Authorized Rates	Percent Increase
500	\$26.56	\$33.07	24.49%
2500	32.80	\$40.53	23.55%
5000	40.60	\$49.85	22.78%
7500	48.40	\$59.18	22.26%
10000	56.20	\$68.50	21.89%
12500	64.00	\$77.83	21.60%
16667 (Avg.)	77.00	\$93.37	21.26%
20000	87.40	\$105.80	21.05%

Appendix A  
Page 10 of 12

SOUTHERN CALIFORNIA WATER COMPANY  
ARDEN-CORDOVA DISTRICT

Comparison of typical bills for residential flat customers  
at present and authorized rates for the year 1998.

	At Present Rates	At Authorized Rates	Percent Increase
For a Single Unit of Occupancy, including premises not exceeding 12,000 sq. ft. in area.	\$19.15	\$23.20	21.15%
For each Duplex including premises not exceeding 12,000 sq. ft. in area.	\$38.40	\$46.50	21.09%



Appendix A  
Page 11 of 12

SOUTHERN CALIFORNIA WATER COMPANY  
BAY POINT DISTRICT

Comparison of typical bills for residential metered customers of various  
usage level and average level at present and authorized rates for the year 1998.

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

Monthly Usage (Cubic Feet)	At Present Rates	At Authorized Rates	Percent Increase
500	\$21.16	\$28.16	33.09%
1000	31.36	40.71	29.82%
1667 (Avg.)	44.97	57.46	27.76%
2000	51.77	65.82	27.14%
2500	61.98	78.38	26.46%
3000	72.18	90.93	25.98%
5000	113.00	141.15	24.91%
10000	215.05	266.70	24.02%

SOUTHERN CALIFORNIA WATER COMPANY  
LOS OSOS DISTRICT

Comparison of typical bills for residential metered customers of various  
usage level and average level at present and authorized rates for the year 1998.

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

Monthly Usage (Cubic Feet)	At Present Rates	At Authorized Rates	Percent Increase
500	\$21.68	\$24.83	14.51%
1000	29.36	32.90	12.06%
1475 (Avg.)	36.66	40.57	10.68%
2000	44.72	49.05	9.68%
2500	52.40	57.13	9.02%
3000	60.08	65.20	8.52%
5000	90.80	97.50	7.38%
10000	167.60	178.25	6.35%

(END OF APPENDIX A)

Appendix B

Page 1 of 12

SOUTHERN CALIFORNIA WATER COMPANY  
STIPULATED QUANTITIES  
ARDEN-CORDOVA DISTRICT - A.97-03-030

TEST YEARS 1998 & 1999  
.....

Schedule AC-1

Number of Metered Services

1998

1999

Meter Size

5/8 x 3/4 -inch meter

7

8

3/4

75

80

1

545

587

1-1/2

62

67

2

818

881

3

27

30

4

16

18

6

41

44

8

22

24

10

0

TOTAL METERED SERVICES

1,613

1,739

Schedule AC-2 Flat

Number of Flat Services

1998

1999

Single

10,954

10,954

Duplex

292

292

Additional Unit

0

0

Swimming Pool

939

939

TOTAL (overlaps considered)

11,245

11,245

TOTAL NUMBER OF SERVICES

12,859

12,985

## Appendix B

Page 2 of 12  
 SOUTHERN CALIFORNIA WATER COMPANY  
 STIPULATED QUANTITIES  
 ARDEN-CORDOVA DISTRICT - A.97-03-030  
 TEST YEARS 1998 & 1999

## WATER CONSUMPTION

<u>Classification</u>	<u>Service Connection</u>		<u>Usage (CCF/CUST)</u>		<u>Consumption (KCcf)</u>	
METERED SERVICES :						
	<u>1998</u>	<u>1999</u>	<u>1998</u>	<u>1999</u>	<u>1998</u>	<u>1999</u>
Commercial	1,537	1,657	2,000.0	2,000.0	3,074.0	3,314.0
Industrial	0	0	0.0	0.0	0.0	0.0
Public Authority	32	35	4,961.0	4,905.3	158.8	171.7
Irrigation	43	46	379.0	374.9	16.3	17.2
Contract	0	0	0.0	0.0	0.0	0.0
Other	1	1	10,140.0	10,027.0	10.1	10.0
Total Metered	1,613	1,739			3,259.2	3,513.0
FLAT SERVICES						
Commercial	11,246	11,246	326	322	3,666.2	3,621.2
Public Authority	0	0				
PRIVATE FIRE PROTECTI	406	437				
TOTAL CONNECTIONS	13,265	13,422			6,925.4	7,134.2
UNACCOUNTED WATER	6.7%				498.9	514.0
TOTAL WATER PRODUCTION					7,424.3	7,648.1
WELLS (KCcf)					6,310.7	6,500.9
PURCHASED WATER (KCcf)					0	0
SURFACE (KCcf)					1,113.6	1,147.2
					7,424.3	7,648.1

A. 97-03-030 /ALJ/WRI/CACD/

Page 3 of 12  
 Southern California Water Company  
 Arden-Cordova District

## Stipulated Quantities

(Dollars in thousands)

	<u>1998</u>	<u>1999</u>
PURCHASED POWER		
S. M. U. D.		
PG&E		
WELLS:		
Total Production (KCcf)	6310.7	6500.9
Kwh per CCF	0.8654	0.8654
Total Kwh (1000)	5461.5	5626.1
Unit Cost \$/Kwh	0.0759	0.0757
Energy Cost	\$414,691	\$425,897
BOOSTERS		
Total Production (KCcf)	7424.3	7648.1
Kwh per CCF	0.1955	0.1955
Total Kwh (1000)	1451.8	1495.6
Unit Cost \$/Kwh	0.0759	0.0757
Energy Cost	\$110,234	\$113,213
GAS (Therms)	1709.0	1760.0
PG&E \$/Therms	0.81257	0.80573
Total Gas Cost	\$1,389	\$1,418
Total Purchased Power	\$526,314	\$540,529
Total Chemical Cost	\$81,000	\$82,600

A 97-03-030

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Southern California Water Co.  
Arden-Cordova District

## RATE BASE

	1998 (Dollars in thousands)	1999
RATE BASE		
Utility Plant	30,450.0	32,403.3
Material & Sup.	14.8	14.8
Work. Cash. LdLg.	(140.5)	(140.5)
Depreciation Reserve	(6,432.3)	(7,231.9)
Adv. Construction	(8,244.0)	(8,172.2)
Contribution	(3,189.0)	(3,661.4)
G.O. Alloc.	833.1	842.6
ACRS & MACRS Depr.	(2,210.8)	(2,247.2)
Inv. Tax Cr.	(343.1)	(334.7)
Capitz. Items	156.4	159.3
Sliver	(5.7)	(5.7)
Tax Effect - Advances	787.6	766.4
Tax Effect - Contrib.	439.8	426.9
Deferred Revenues	(123.8)	(121.3)
Avg. RATE BASE	11,992.5	12,698.4

## Appendix B

Page 5 of 12

SOUTHERN CALIFORNIA WATER COMPANY  
STIPULATED QUANTITIES  
BAY POINT DISTRICT - A 97-03-029

TEST YEARS 1998 &amp; 1999

.....

## Schedule BY-1

Number of Metered Services19981999Meter Size

5/8 x 3/4 -inch meter

4,598

4,650

3/4

2

2

1

59

59

1-1/2

13

13

2

88

90

3

3

3

4

3

3

6

4

4

8

4

4

10

0

0

TOTAL METERED SERVICES

4,774

4,828

## Appendix B

Page 6 of 12  
 SOUTHERN CALIFORNIA WATER COMPANY  
 STIPULATED QUANTITIES  
 BAY POINT DISTRICT - A.97-03-029

TEST YEARS 1998 &amp; 1999

## WATER CONSUMPTION

<u>Classification</u>	<u>Service Connection</u>	<u>Usage (CCF/CUST)</u>	<u>Consumption (KCcf)</u>
METERED SERVICES :			
	<u>1998</u>	<u>1999</u>	<u>1998</u> <u>1999</u>
Commercial	4,740	4,793	200.0      200.0
Industrial	7	7	15,350.0      15,304.3
Public Authority	19	20	3,030.0      3,020.7
Irrigation	5	5	2,395.0      2,387.5
Contract	0	0	0.0      0.0
Other	3	3	3,405.0      3,394.0
	.....	.....	.....
Total Metered	4,774	4,828	1,135.2      1,148.3
PRIVATE FIRE PROTECTION	15	15	
	.....	.....	.....
TOTAL CONNECTIONS	4,789	4,843	1,135.2      1,148.3
UNACCOUNTED WATER	8.6%		106.8      108.0
			.....
TOTAL WATER PRODUCTION			1,242.0      1,256.3
WELL (KCcf)			27.0      27.0
PURCHASED WATER (KCcf)			1,215.0      1,229.3
			1,242.0      1,256.3



A. 97-03-029 /ALJ/WRI/CACD/

Page 7 of 12

Southern California Water Company  
Bay Point District

## Stipulated Quantities

(Dollars in thousands)

PURCHASED POWER		1998	1999
PG&E			
BOOSTERS			
Total Production (Kccf)		1242.0	1256.3
Kwh per CCF		0.6669	0.6669
Total Kwh (1000)		828.3	837.9
Unit Cost \$/Kwh		0.11849	0.11828
TOTAL Energy Cost		\$98,149	\$99,103
PURCHASED WATER			
Contra Costa Water District			
Purchased Water - AF		2,789	2,822
\$/AF		\$410.76	\$410.76
		\$1,145,758	\$1,159,243
Service Charge	2 @ \$104.50 per month	\$2,508	\$2,508
Demand Charge	2,551 @ \$1.90 per GPM	\$58,163	\$58,163
TOTAL Purchased Water		\$1,206,429	\$1,219,914
TOTAL Chemical Cost		\$96,600	\$98,600

A. 97-03-029

Page 8 of 12

Southern California Water Co.  
Bay Point District

## RATE BASE

	1998	1999
	(Dollars in thousands)	
RATE BASE		
Utility Plant	16,094.7	16,863.9
Material & Sup.	5.5	5.5
Work. Cash. LdLg.	147.2	147.2
Acquisition Adjustment	(640.8)	(647.5)
Depreciation Reserve	(2,972.0)	(3,392.3)
Adv. Construction	(2,417.6)	(2,321.5)
Contribution	(1,959.4)	(2,011.7)
G.O. Alloc.	226.4	228.9
ACRS & MACRS Depr.	(1,016.3)	(1,038.0)
Inv. Tax Cr.	(93.4)	(93.4)
Capitz. Items	151.1	147.7
Sliver	(16.3)	(16.3)
Tax Effect - Advances	309.5	300.2
Tax Effect - Contrib.	198.7	190.7
Deferred Revenues	(59.6)	(52.4)
Investment in Other Co.		
Avg. RATE BASE	7,957.7	8,311.0

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SOUTHERN CALIFORNIA WATER COMPANY  
 STIPULATED QUANTITIES  
 LOS OSOS DISTRICT - A.97-03-031

TEST YEARS 1998 &amp; 1999

\*\*\*\*\*

## Schedule LO-1

Number of Metered ServicesMeter Size

5/8 x 3/4 -inch meter

3/4

1

1-1/2

2

3

4

6

8

10

19981999

2,369

396

228

13

29

1

0

1

0

0

3,037

2,369

396

228

13

29

1

0

1

0

0

3,037

TOTAL METERED SERVICES

SOUTHERN CALIFORNIA WATER COMPANY  
STIPULATED QUANTITIES  
LOS OSOS DISTRICT - A.97-03-031

TEST YEARS 1998 & 1999

**WATER CONSUMPTION**

<u>Classification</u>	<u>Service Connection</u>		<u>Usage (CCF/CUST)</u>		<u>Consumption (KCcf)</u>	
<b>METERED SERVICES:</b>						
	<u>1998</u>	<u>1999</u>	<u>1998</u>	<u>1999</u>	<u>1998</u>	<u>1999</u>
Commercial	3,028	3,028	177.0	177.0	536.0	536.0
Industrial	0	0	0.0	0.0	0.0	0.0
Public Authority	8	8	2,437.6	2,421.1	19.5	19.4
Irrigation	0	0	0.0	0.0	0.0	0.0
Contract	0	0	0.0	0.0	0.0	0.0
Other	1	1	1,500.0	1,500.0	1.5	1.5
	-----				-----	
Total Metered	3,037	3,037			557.0	556.8
 PRIVATE FIRE PROTEC	9	9				
	-----				-----	
TOTAL CONNECTIONS	3,046	3,046			557.0	556.8
 UNACCOUNTED WATE	10.0%				61.9	61.9
					-----	
TOTAL WATER PRODUCTION					618.8	618.7
 WELL (KCcf)					618.8	618.7
PURCHASED WATER (KCcf)					0.0	0.0

A. 97-03-031 /ALJ/WRI/CACD/

Page 11 of 12

**Southern California Water Company  
Los Osos District**

**Stipulated Quantities**

**(Dollars in thousands)**

	<u>1998</u>	<u>1999</u>
<b>PURCHASED POWER</b>		
PG&E		
<b>WELLS:</b>		
Total Production (KCcf)	618.8	618.7
Kwh per CCF	1.9067	1.9067
Total Kwh (1000)	1179.9	1179.7
Unit Cost \$/Kwh	0.10539	0.10539
Energy Cost	\$124,346	\$124,326
<b>BOOSTERS</b>		
Total Production (KCcf)	618.8	618.7
Kwh per CCF	0.0000	0.0000
Total Kwh (1000)	0.0	0.0
Unit Cost \$/Kwh	0.0000	0
Energy Cost	\$0	\$0
<b>GAS (Therms)</b>	422.8	422.8
PG&E \$/Therms	1.19001	1.19269
Total Gas Cost	\$503	\$504
<b>Total Purchased Power</b>	\$124,849	\$124,830
<b>Total Chemical Cost</b>	\$9,500	\$9,700

A. 97-03-031

Page 12 of 12

Southern California Water Co.  
Los Osos District

## RATE BASE

	1998	1999
	(Dollars in thousands)	
RATE BASE		
Utility Plant	6,882.2	7,299.9
Material & Sup.	9.3	9.3
Work. Cash. LdLg.	88.8	88.8
Depreciation Reserve	(1,577.5)	(1,737.1)
Adv. Construction	(812.8)	(802.0)
Contribution	(288.2)	(288.1)
G.O. Alloc.	96.0	97.6
ACRS & MACRS Depr.	(359.3)	(367.2)
Inv. Tax Cr.	(13.7)	(13.3)
Capitz. Items	58.1	57.9
Sliver	(4.9)	(4.9)
Tax Effect - Advances	127.9	123.6
Tax Effect - Contrib.	21.8	20.4
Deferred Revenues	(3.2)	(2.8)
Investment in Other Co.		
Avg. RATE BASE	4,224.5	4,482.1

(END OF APPENDIX B)

RECONCILIATION EXHIBIT  
SOUTHERN CALIFORNIA WATER COMPANY  
ARDEN-CORDOVA DISTRICT - A.97-02-033  
TEST YEAR 1998

INCOME TAX CALCULATION	Original Application	Increase	Final Stipulation	Increase	Original Staff
AT PRESENT RATES:					
Total Operating Revenues	4,354.3	111.2	4,465.5	(81.8)	4,547.3
Operating Expenses	3,691.7	1.4	3,693.1	(25.7)	3,718.8
Interest on LTD	499.0	(16.1)	482.9	(17.6)	500.5
Book Depr'n (w/ G.O.)	(767.0)	12.6	(754.4)	12.6	(767.0)
Total Deductions	3,423.7	(2.2)	3,421.5	(30.8)	3,452.3
State Tax Depreciation	863.7	0.0	863.7	29.1	834.6
Other State Schedule M	(62.1)	0.0	(62.1)	0.0	(62.1)
8.84% -State Tax	11.4	10.0	21.4	(7.1)	28.5
Book Depr'n (w/ G.O.)	767.0	(12.6)	754.4	(12.6)	767.0
Tax Depr. - Flow Through	(74.5)	0.0	(74.5)	(2.5)	(72.0)
State Tax Deduction	11.4	10.0	21.4	(7.1)	28.5
Other Fed Schedule M	(59.2)	0.0	(59.2)	0.0	(59.2)
Def Rev Amort - Contrib	24.2	2.7	26.9	2.7	24.2
35.00% -Federal Tax	91.9	39.4	131.3	(11.0)	142.3
TOTAL INCOME TAX	103.3	49.4	152.7	(18.1)	170.8
AT PROPOSED RATES:					
Total Operating Revenues	5,439.5	(90.3)	5,349.2	(346.4)	5,695.6
Operating Expenses	3,701.0	(0.2)	3,700.8	(27.8)	3,728.6
Interest on LTD	499.0	(16.1)	482.9	(17.6)	500.5
Book Depr'n (w/ G.O.)	(767.0)	12.6	(754.4)	12.6	(767.0)
Total Deductions	3,433.0	(3.7)	3,429.3	(32.8)	3,462.1
State Tax Depreciation	863.7	0.0	863.7	29.1	834.6
Other State Schedule M	(62.1)	0.0	(62.1)	0.0	(62.1)
8.84% -State Tax	106.5	(7.6)	98.9	(30.3)	129.2
Book Depr'n (w/ G.O.)	767.0	(12.6)	754.4	(12.6)	767.0
Tax Depr. - Flow Through	(74.5)	0.0	(74.5)	(2.5)	(72.0)
State Tax Deduction	11.4	10.0	21.4	(7.1)	28.5
Other Fed Schedule M	(59.2)	0.0	(59.2)	0.0	(59.2)
Def Rev Amort - Contrib	24.2	2.7	26.9	2.7	24.2
35.00% -Federal Tax	469.8	(31.9)	437.9	(102.9)	540.8

RECONCILIATION EXHIBIT  
SOUTHERN CALIFORNIA WATER COMPANY  
ARDEN CORDOVA DISTRICT - A.97-03-030  
TEST YEAR 1999

INCOME TAX CALCULATION	Original Application	Increase	Final Stipulation	Increase	Original Staff
<b>AT PRESENT RATES:</b>					
Total Operating Revenues	4,475.1	130.3	4,605.4	(120.0)	4,725.4
Operating Expenses	3,822.0	30.7	3,852.6	(24.7)	3,877.3
Interest on LTO	535.1	(24.1)	511.0	(16.9)	527.9
Book Depr'n (w/ G.O.)	(816.9)	(4.1)	(821.0)	(4.1)	(816.9)
Total Deductions	3,540.2	2.5	3,542.6	(45.7)	3,588.3
State Tax Depreciation	1,141.0	(22.6)	1,118.4	167.4	951.0
Other State Schedule M	(62.1)	0.0	(62.1)	0.0	(62.1)
8.84% -State Tax	(12.7)	13.3	0.6	(21.3)	21.9
Book Depr'n (w/ G.O.)	816.9	4.1	821.0	4.1	816.9
Tax Depr. - Flow Through	(78.5)	0.0	(78.5)	(13.1)	(65.4)
State Tax Deduction	106.5	(7.6)	98.9	(7.6)	106.5
Other Fed Schedule M	(59.2)	0.0	(59.2)	0.0	(59.2)
Def Rev Amort - Contrib	22.9	1.8	24.7	1.8	22.9
35.00% -Federal Tax	44.3	45.3	89.6	(20.8)	110.4
TOTAL INCOME TAX	31.6	58.6	90.2	(42.1)	132.3

**AT PROPOSED RATES:**

Total Operating Revenues	5,599.9	(70.6)	5,529.3	(384.1)	5,913.4
Operating Expenses	3,831.7	29.0	3,860.6	(27.0)	3,887.6
Interest on LTO	535.1	(24.1)	511.0	(16.9)	527.9
Book Depr'n (w/ G.O.)	(816.9)	(4.1)	(821.0)	(4.1)	(816.9)
Total Deductions	3,549.9	0.8	3,550.6	(48.0)	3,598.6
State Tax Depreciation	1,141.0	(22.6)	1,118.4	167.4	951.0
Other State Schedule M	(62.1)	0.0	(62.1)	0.0	(62.1)
8.84% -State Tax	85.8	(4.3)	81.5	(44.5)	126.0
Book Depr'n (w/ G.O.)	816.9	4.1	821.0	4.1	816.9
Tax Depr. - Flow Through	(78.5)	0.0	(78.5)	(13.1)	(65.4)
State Tax Deduction	106.5	(7.6)	98.9	(7.6)	106.5
Other Fed Schedule M	(59.2)	0.0	(59.2)	0.0	(59.2)
Def Rev Amort - Contrib	22.9	1.8	24.7	1.8	22.9
35.00% -Federal Tax	436.0	(25.9)	410.1	(112.5)	522.6



09-Sep-97  
ERDSOUTHERN CALIFORNIA WATER COMPANY  
\*\*\*\*\*  
ARDEN CORDOVA DISTRICT

## DETERMINATION OF ATTRITION ALLOWANCE

PROPOSED RATES METHOD		(A)	(B)	NOTES
Line No			(\$000's)	
1	1996 Weighted Average Rate Base		\$12,658.4	See Rate Base Section
2	Operational and Financial Attrition			
3	Proposed Rate of Return in 1996	9.27%		
4	Rate of Return in 1999 @ 1996 rates	9.17%		
5	Operational Attrition	0.10%		L3 + L4
6	Proposed Rate of Return - 1996	9.27%		
7	Proposed Rate of Return - 1999	9.27%		
8	Financial Attrition	0.00%		L5 + L7
9	Total Attrition	...	0.10%	L5 + L8
10	Net Revenue Attrition		\$13.0	L1 + L9
11	Net-to-Gross Multiplier		1.79612	See Other Taxes Section
12	Gross Revenue Attrition Required		\$23.4	L10 x L11
			*****	

ERO  
09-Sep-97

## SOUTHERN CALIFORNIA WATER COMPANY

Derivation of  
Ratios of Uncollectibles and Local Taxes  
and Net-to-Gross Multiplier  
ARDEN-CORDOVA DISTRICT  
(Dollars in Thousands)

	(a)	(b)	(c)	(d)	(e)	(f)	(g)
	Components	1992	1993	1994	1995	1996	Five-Yr Total
		\$	\$	\$	\$	\$	\$
1	Gross Revenue	27928	30019	31131	35565	40095	184738
2	Local Taxes	152	184	184	139	207	848
3	% to revenues	0.544%	0.613%	0.527%	0.391%	0.518%	0.514%
4	Uncollectibles	61	135	97	131	142	573
5	% to revenues	0.244%	0.450%	0.310%	0.369%	0.353%	0.348%
6	Rates to be utilized						
7							
8	Uncollectibles *		0.348%				
9	Local Tax Rate *		0.514%				
10	CCFT rate *		8.840%				
11	FIT rate *		35.000%				
12			*****				
13	Net-to-Gross *		\$179812				
14			*****				
15							
16							
17	CALCULATION						
18							
19	1 - uncollectibles rate		0.9965225				
20	x Local rate		0.0051173				
21	Net for tax		0.9914052				
22	x CCFT rate		0.0876402				
23	x FIT rate		0.3485918				
24	Total Taxes Paid		0.4432447				
25	Net After Taxes		0.5567553				
26							
27	Net-to-gross		\$179812				
			*****				

Notes: The Net-to-Gross Multiplier is developed by summing a 4 or 5 year recorded history of uncollectibles, local taxes (i.e. street franchise taxes) and gross revenues, taking the ratios of uncollectibles and local taxes, respectively, to gross revenues, and combining with the applicable California and Federal Income Tax Rates

Uncollectibles referred to in this analysis refers to accounts that were written off and subsequently sent to collections.

RECONCILIATION EXHIBIT  
SOUTHERN CALIFORNIA WATER COMPANY  
BAY POINT DISTRICT -- A.97-03-029  
TEST YEAR 1998

INCOME TAX CALCULATION	Original Application	Increase	Final Stipulation	Increase	Original Staff
<b>AT PRESENT RATES:</b>					
Total Operating Revenues	2,854.4	208.5	3,062.9	(35.1)	3,098.0
Operating Expenses	2,762.5	35.7	2,798.2	(89.7)	2,887.9
Interest on LTD	317.4	(6.6)	310.8	0.3	310.5
Book Depr'n (w/ G.O.)	(374.9)	16.0	(358.9)	16.0	(374.9)
Total Deductions	2,705.0	45.1	2,750.1	(73.4)	2,823.5
State Tax Depreciation	490.9	(61.5)	429.4	(51.2)	480.6
Other State Schedule M	3.5	0.0	3.5	0.0	3.5
8.84% --State Tax	(30.5)	19.9	(10.6)	7.8	(18.4)
Book Depr'n (w/ G.O.)	374.9	(16.0)	358.9	(16.0)	374.9
Tax Depr. - Flow Through	(17.7)	2.1	(15.6)	1.7	(17.3)
State Tax Deduction	(30.5)	19.9	(10.6)	7.8	(18.4)
Other Fed Schedule M	4.3	0.0	4.3	0.0	4.3
Def Rev Amort - Contrib	12.1	0.0	12.1	0.0	12.1
35.00% --Federal Tax	(68.0)	55.3	(12.7)	15.7	(28.4)
TOTAL INCOME TAX	(98.5)	75.2	(23.3)	23.5	(46.8)
<b>AT PROPOSED RATES:</b>					
Total Operating Revenues	3,859.4	24.9	3,884.3	(266.4)	4,150.7
Operating Expenses	2,788.1	31.0	2,819.1	(95.6)	2,914.7
Interest on LTD	317.4	(6.6)	310.8	0.3	310.5
Book Depr'n (w/ G.O.)	(374.9)	16.0	(358.9)	16.0	(374.9)
Total Deductions	2,730.6	40.4	2,771.0	(79.3)	2,850.3
State Tax Depreciation	490.9	(61.5)	429.4	(51.2)	480.6
Other State Schedule M	3.5	0.0	3.5	0.0	3.5
8.84% --State Tax	56.1	4.0	60.1	(12.1)	72.2
Book Depr'n (w/ G.O.)	374.9	(16.0)	358.9	(16.0)	374.9
Tax Depr. - Flow Through	(17.7)	2.1	(15.6)	1.7	(17.3)
State Tax Deduction	(30.5)	19.9	(10.6)	7.8	(18.4)
Other Fed Schedule M	4.3	0.0	4.3	0.0	4.3
Def Rev Amort - Contrib	12.1	0.0	12.1	0.0	12.1
35.00% --Federal Tax	275.9	(8.4)	267.5	(63.2)	330.7

RECONCILIATION EXHIBIT  
SOUTHERN CALIFORNIA WATER COMPANY  
BAY POINT DISTRICT - A.97-03-029  
TEST YEAR 1999

INCOME TAX CALCULATION	Original Application	Increase	Final Stipulation	Increase	Original Staff
<b>AT PRESENT RATES:</b>					
Total Operating Revenues	2,880.6	210.5	3,091.1	(86.8)	3,177.9
Operating Expenses	2,838.1	55.0	2,893.1	(104.8)	2,997.9
Interest on LTD	332.3	(7.8)	324.5	(0.4)	324.9
Book Depr'n (w/ G.O.)	(395.7)	5.0	(390.7)	(17.1)	(373.6)
Total Deductions	2,774.7	52.2	2,826.9	(122.3)	2,949.2
State Tax Depreciation	683.8	(125.4)	558.4	(117.3)	675.7
Other State Schedule M	3.5	0.0	3.5	0.0	3.5
8.84% -State Tax	(51.4)	25.1	(26.3)	13.5	(39.8)
Book Depr'n (w/ G.O.)	395.7	(5.0)	390.7	17.1	373.6
Tax Depr. - Flow Through	(18.7)	2.1	(16.6)	1.9	(18.5)
State Tax Deduction	56.1	4.1	60.2	(12.0)	72.2
Other Fed Schedule M	4.3	0.0	4.3	0.0	4.3
Def Rev Amort - Contrib	11.3	0.0	11.3	0.0	11.3
35.00% -Federal Tax	(120.4)	55.4	(65.0)	10.0	(75.0)
<b>TOTAL INCOME TAX</b>	<b>(171.8)</b>	<b>80.5</b>	<b>(91.3)</b>	<b>23.5</b>	<b>(114.8)</b>
<b>AT PROPOSED RATES:</b>					
Total Operating Revenues	3,905.4	64.4	3,969.8	(292.7)	4,262.5
Operating Expenses	2,864.3	51.2	2,915.5	(110.0)	3,025.5
Interest on LTD	332.3	(7.8)	324.5	(0.4)	324.9
Book Depr'n (w/ G.O.)	(395.7)	5.0	(390.7)	(17.1)	(373.6)
Total Deductions	2,800.9	48.4	2,849.3	(127.5)	2,976.8
State Tax Depreciation	683.8	(125.4)	558.4	(117.3)	675.7
Other State Schedule M	3.5	0.0	3.5	0.0	3.5
8.84% -State Tax	36.9	12.5	49.4	(4.2)	53.6
Book Depr'n (w/ G.O.)	395.7	(5.0)	390.7	17.1	373.6
Tax Depr. - Flow Through	(18.7)	2.1	(16.6)	1.9	(18.5)
State Tax Deduction	56.1	4.1	60.2	(12.0)	72.2
Other Fed Schedule M	4.3	0.0	4.3	0.0	4.3
Def Rev Amort - Contrib	11.3	0.0	11.3	0.0	11.3
35.00% -Federal Tax	230.3	4.4	234.7	(60.3)	295.0

09-Sep-97  
ERDSOUTHERN CALIFORNIA WATER COMPANY  
BAY POINT DISTRICT

## DETERMINATION OF ATTRITION ALLOWANCE

## PROPOSED RATES METHOD

Line No		(a)	(b) (\$000's)	NOTES
1	1999 Weighted Average Rate Base		\$4,311.0	See Rate Base Section
2	Operational and Financial Attrition:			
3	Proposed Rate of Return in 1998	9.27%		
4	Rate of Return in 1998 @ 1998 rates	8.97%		
5	Operational Attrition	0.30%		L3 - L4
6	Proposed Rate of Return - 1998	9.27%		
7	Proposed Rate of Return - 1999	9.27%		
8	Financial Attrition	0.00%		L6 - L7
9	Total Attrition		0.30%	L5 - L8
10	Net Revenue Attrition		\$25.1	L1 x L9
11	Net-to-Gross Multiplier		1.82155	See Other Taxes Section
12	Gross Revenue Attrition Required		\$45.9	L10 x L11

ERO  
09-Sep-97

SOUTHERN CALIFORNIA WATER COMPANY  
\*\*\*\*\*  
Derivation of  
Ratios of Uncollectibles and Local Taxes  
and Net-to-Gross Multiplier  
BAY POINT DISTRICT  
(Dollars in Thousands)

	(a)	(b)	(c)	(d)	(e)	(f)	(g)
	Components:	1992	1993	1994	1995	1996	Five-Yr Total
		\$	\$	\$	\$	\$	\$
1	Gross Revenue	2441.9	2573.8	2611.3	2838.9	2887.8	13455.5
2	Local Taxes	25.3	28.7	28.5	32.3	39.4	150.2
3	% to revenues	1.036%	0.998%	1.015%	1.138%	1.364%	1.116%
4	Uncollectibles	31.8	36.1	37.1	55.3	33.3	193.6
5	% to revenues	1.303%	1.350%	1.421%	1.947%	1.153%	1.435%
6	Rates to be utilized						
7							
8	Uncollectibles *		1.435%				
9	Local Tax Rate *		1.116%				
10	CCFT rate *		8.840%				
11	FIT rate *		35.000%				
12			*****				
13	Net-to-Gross *		\$1,827.55				
14			*****				
15							
16							
17	CALCULATION:						
18							
19	1 - uncollectibles rate		0.9958129				
20	x Local rate		0.0110021				
21	Net for tax		0.9748105				
22	x CCFT rate		0.0861556				
23	x FIT rate		0.3411137				
24	Total Taxes Paid		0.4528194				
25	Net After Taxes		0.5471806				
26							
27	Net-to-gross		1,827.55				
			*****				

Notes: The Net-to-Gross Multiplier is developed by summing a 4 or 5 year recorded history of uncollectibles, local taxes (i.e. street franchise taxes) and gross revenues, taking the ratios of uncollectibles and local taxes, respectively, to gross revenues, and combining with the applicable California and Federal Income Tax Rates.

Uncollectibles referred to in this analysis refer to accounts that were written off and subsequently sent to collections.

RECONCILIATION EXHIBIT  
SOUTHERN CALIFORNIA WATER COMPANY  
LOS OSOS DISTRICT -- A.97-03-031  
TEST YEAR 1998

INCOME TAX CALCULATION	Original Application	Increase	Final Stipulation	Increase	Original Staff
AT PRESENT RATES:					
Total Operating Revenues	1,411.1	25.3	1,436.4	(14.4)	1,450.8
Operating Expenses	1,011.1	(29.8)	981.3	(8.3)	989.6
Interest on LTD	170.7	(6.1)	164.6	(0.1)	164.7
Book Depr'n (w/ G.O.)	(171.5)	(2.5)	(174.0)	(2.5)	(171.5)
Total Deductions	1,010.3	(38.4)	971.9	(10.9)	982.8
State Tax Depreciation	206.8	(60.3)	146.5	0.8	145.7
Other State Schedule M	(8.5)	0.0	(8.5)	0.0	(8.5)
8.84% --State Tax	17.9	10.9	28.8	(0.4)	29.2
Book Depr'n (w/ G.O.)	171.5	2.5	174.0	2.5	171.5
Tax Depr. - Flow Through	(49.7)	(0.1)	(49.8)	(14.8)	(35.0)
State Tax Deduction	17.9	10.9	28.8	(0.4)	29.2
Other Fed Schedule M	(8.0)	0.0	(8.0)	0.0	(8.0)
Def Rev Amort - Contrib	0.8	0.0	0.8	0.0	0.8
35.00% --Federal Tax	94.2	17.3	111.5	3.2	108.3
TOTAL INCOME TAX	112.1	28.2	140.3	3.1	137.2
AT PROPOSED RATES:					
Total Operating Revenues	1,607.5	(33.6)	1,573.9	(75.8)	1,649.7
Operating Expenses	1,011.9	(30.0)	981.9	(8.4)	990.4
Interest on LTD	170.7	(6.1)	164.6	(0.1)	164.7
Book Depr'n (w/ G.O.)	(171.5)	(2.5)	(174.0)	(2.5)	(171.5)
Total Deductions	1,011.1	(38.5)	972.6	(10.9)	983.6
State Tax Depreciation	206.8	(60.3)	146.5	0.8	145.7
Other State Schedule M	(8.5)	0.0	(8.5)	0.0	(8.5)
8.84% --State Tax	35.2	5.8	41.0	(5.7)	46.7
Book Depr'n (w/ G.O.)	171.5	2.5	174.0	2.5	171.5
Tax Depr. - Flow Through	(49.7)	(0.1)	(49.8)	(14.8)	(35.0)
State Tax Deduction	17.9	10.9	28.8	(0.4)	29.2
Other Fed Schedule M	(8.0)	0.0	(8.0)	0.0	(8.0)
Def Rev Amort - Contrib	0.8	0.0	0.8	0.0	0.8
35.00% --Federal Tax	162.9	(3.5)	159.4	(17.9)	177.3

RECONCILIATION EXHIBIT  
SOUTHERN CALIFORNIA WATER COMPANY  
LOS OSOS DISTRICT - A.97-03-031  
TEST YEAR 1999

INCOME TAX CALCULATION	Original Application	Increase	Final Stipulation	Increase	Original Staff
<b>AT PRESENT RATES:</b>					
Total Operating Revenues	1,405.3	30.7	1,436.0	(13.6)	1,449.6
Operating Expenses	1,056.8	(23.4)	1,033.4	(1.7)	1,035.1
Interest on LTD	183.2	(8.3)	174.9	(0.3)	175.2
Book Depr'n (w/ G.O.)	(180.1)	(5.8)	(185.9)	(5.8)	(180.1)
Total Deductions	1,059.9	(37.4)	1,022.5	(7.7)	1,030.2
State Tax Depreciation	243.4	(6.3)	237.1	0.0	237.1
Other State Schedule M	(8.5)	0.0	(8.5)	0.0	(8.5)
8.84% -State Tax	9.8	6.5	16.3	(0.6)	16.9
Book Depr'n (w/ G.O.)	180.1	5.8	185.9	5.8	180.1
Tax Depr. - Flow Through	(49.4)	0.0	(49.4)	(1.3)	(48.1)
State Tax Deduction	35.2	5.7	40.9	(5.8)	46.7
Other Fed Schedule M	(8.0)	0.0	(8.0)	0.0	(8.0)
Def Rev Amort - Contrib	0.7	0.0	0.7	0.0	0.7
35.00% -Federal Tax	65.6	19.6	85.2	(1.6)	86.8
<b>TOTAL INCOME TAX</b>	<b>75.4</b>	<b>25.2</b>	<b>101.6</b>	<b>(2.1)</b>	<b>103.7</b>
<b>AT PROPOSED RATES:</b>					
Total Operating Revenues	1,680.1	(39.5)	1,640.6	(88.4)	1,729.0
Operating Expenses	1,057.9	(23.8)	1,034.1	(2.0)	1,036.2
Interest on LTD	183.2	(8.3)	174.9	(0.3)	175.2
Book Depr'n (w/ G.O.)	(180.1)	(5.8)	(185.9)	(5.8)	(180.1)
Total Deductions	1,061.0	(37.8)	1,023.2	(8.0)	1,031.3
State Tax Depreciation	243.4	(6.3)	237.1	0.0	237.1
Other State Schedule M	(8.5)	0.0	(8.5)	0.0	(8.5)
8.84% -State Tax	34.0	0.4	34.4	(7.1)	41.5
Book Depr'n (w/ G.O.)	180.1	5.8	185.9	5.8	180.1
Tax Depr. - Flow Through	(49.4)	0.0	(49.4)	(1.3)	(48.1)
State Tax Deduction	35.2	5.7	40.9	(5.8)	46.7
Other Fed Schedule M	(8.0)	0.0	(8.0)	0.0	(8.0)
Def Rev Amort - Contrib	0.7	0.0	0.7	0.0	0.7
35.00% -Federal Tax	161.7	(5.2)	156.5	(27.7)	184.2



09-Sep-97  
EROSOUTHERN CALIFORNIA WATER COMPANY  
LOS OSOS DISTRICT

## DETERMINATION OF ATTRITION ALLOWANCE

PROPOSED RATES METHOD		(a)	(b)	NOTES
			(\$500's)	
Line No.				
1	1999 Weighted Average Rate Base		\$4,482.1	See Rate Base Section
2	Operational and Financial Attrition			
3	Proposed Rate of Return in 1998	9.27%		
4	Rate of Return in 1999 @ 1998 rates	8.45%		
5	Operational Attrition	0.82%		L3 + L4
6	Proposed Rate of Return - 1998	9.27%		
7	Proposed Rate of Return - 1999	9.27%		
8	Financial Attrition	0.00%		L6 + L7
9	Total Attrition		0.82%	L5 + L8
10	Net Revenue Attrition		\$36.7	L1 x L9
11	Net-to-Gross Multiplier		1.78764	See Other Taxes Section
12	Gross Revenue Attrition Required		\$65.6	L10 x L11
			*****	

ERO  
09-Sep-97

## SOUTHERN CALIFORNIA WATER COMPANY

Derivation of  
Ratio of Uncollectibles and Local Taxes  
and Net-to-Gross Multiplier  
LOS OSOS DISTRICT  
(Dollars in Thousands)

	(a)	(b)	(c)	(d)	(e)	(f)	(g)
	Components	1992	1993	1994	1995	1996	Five-Yr Total
		\$	\$	\$	\$	\$	\$
1	Gross Revenue	1273.7	1420.7	1342.8	1356.5	1376.3	8769.8
2	Local Taxes	0.0	0.0	0.0	0.0	0.0	0.0
3	% to revenues	0.000%	0.000%	0.000%	0.000%	0.000%	0.000%
4	Uncollectibles	4.5	5.1	3.8	7.2	6.0	26.6
5	% to revenues	0.354%	0.358%	0.286%	0.525%	0.432%	0.392%
6	Rates to be utilized						
7							
8	Uncollectibles *		0.392%				
9	Local Tax Rate *		0.000%				
10	CCFT rate *		8.840%				
11	FIT rate *		35.000%				
12			*****				
13	Net-to-Gross *		\$1,787.64				
14			*****				
15							
16							
17	CALCULATION						
18							
19	1 - uncollectibles rate		0.9960757				
20	x Local rate		0.0000000				
21	Net for tax		0.9960757				
22	x CCFT rate		0.0880531				
23	x FIT rate		0.3486265				
24	Total Taxes Paid		0.4406039				
25	Net After Taxes		0.5593961				
26							
27	Net-to-gross		1.78764				
			*****				

Notes: The Net-to-Gross Multiplier is developed by summing a 4 or 5 year recorded history of uncollectibles, local taxes (i.e. street franchise taxes) and gross revenues, taking the ratios of uncollectibles and local taxes, respectively, to gross revenues, and combining with the applicable California and Federal Income Tax Rates.

Uncollectibles referred to in this analysis refer to accounts that were written off and subsequently sent to collections.

(END OF APPENDIX C)

BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF CALIFORNIA

In the matter of the Applications of the )  
Southern California Water Company )  
(U 133 W) for an order authorizing it )  
to increase rates for water service in )  
its Bay Point Service Area )

---

Application No. 97-03-029  
(Filed March 11, 1997)

In the matter of the Applications of the )  
Southern California Water Company )  
(U 133 W) for an order authorizing it )  
to increase rates for water service in )  
its Arden-Cordova Service Area )

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Application No. 97-03-030  
(Filed March 11, 1997)

In the matter of the Applications of the )  
Southern California Water Company )  
(U 133 W) for an order authorizing it )  
to increase rates for water service in )  
its Los Osos Service Area )

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Application No. 97-03-031  
(Filed March 11, 1997)

SETTLEMENT

1.00 Introduction

1.01 This Settlement resolves all issues in the matter of the applications of Southern California Water Company (SCWC) for an increase in its general rates for its Arden-Cordova Customer Service Area (Arden-Cordova), its Bay Point Customer Service Area (Bay Point), and its Los Osos Customer Service Area (Los Osos). The parties to this Settlement are SCWC and the Large Water Branch (LWB) of the Water Division, collectively referred to as the "Parties".

1.02 LWB conducted an independent review of SCWC's applications. As part of this review, a public hearing was held in Arden-Cordova, Bay Point, and Los Osos. In

conclusion of that review, LWB submitted reports, dated July, 1997, indicating areas of disagreement with SCWC's applications. Subsequently, the Parties held a conference to discuss differences between SCWC's applications and LWB's reports. Those negotiations resulted in the resolution of all issues between the Parties.

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

	Arden-Cordova		Bay Point		Los Osos	
(\$000)	<u>1998</u>	<u>1999</u>	<u>1998</u>	<u>1999</u>	<u>1998</u>	<u>1999</u>
SCWC	\$1,085.3	\$ 7.6	\$1,005.2	\$7.9	\$196.5	\$ 78.7
LWB (Base)	\$ 801.1	\$ 0.9	\$817.7	(\$12.3)	\$96.2	\$ 61.4
(Advice)		\$ 60.0				
Settlement						
(Base)	\$883.6	\$ 15.8	\$ 821.9	\$48.4	\$135.9	\$ 67.0
(Advice)		\$60.0				

The base level represents an increase of 19.8% for 1998 and an increase of 0.3% for 1999 in Arden-Cordova, an increase of 26.8% for 1998 and an increase of 1.2% for 1999 in Bay Point, and an increase of 9.5% for 1998 and an increase of 4.3% for 1999 in Los Osos.

1.04 Attrition allowances are determined by the traditional methodology which was not disputed and resulted in the following increases for 2000: \$20,200 or .36% in Arden-Cordova, \$42,500 or 1.0% in Bay Point, and \$64,400 or 3.9% in Los Osos.

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 -- Supporting Calculations

Only areas of differences between the Parties are specifically addressed in the Settlement. All items relating to cost of service, including those discussed, are represented in Appendices A and B, using LWB's and SCWC's reports as supporting documents.

**2.00 Operating Revenues and Sales**

- 2.01 History in Arden-Cordova** - - The last increase in general rates for Arden-Cordova was authorized by Decision No. 95-05-041, in Application No. 94-09-018. Base rates were authorized to be increased to earn a return on ratebase of 9.36% for 1995. Step and Attrition increases were adjusted to reflect the rate of returns adopted by the Commission in subsequent cases. Resulting advice letters (950-W and 969-W) were approved to increase rates, reflecting a constant return on equity of 10.40% for 1996 and 1997.
- 2.02 History in Bay Point** - - The last increase in general rates for Bay Point was authorized by Decision No. 94-06-007, in Application No. 92-05-024. Base rates were authorized to be increased to earn a return on ratebase of 9.14% for 1994 and 9.04% in 1995, reflecting a constant return on equity of 10.10%. These rates are in effect today.
- 2.03 History in Los Osos** - - The last increase in general rates for Los Osos was authorized by Decision Nos. 93-09-074 and 92-01-025, in Application No. 92-05-024. Base rates were authorized to be increased to earn a return on

ratebase of 10.62% for 1992 and 10.60% in 1993, reflecting a constant return on equity of 11.75%. These rates are in effect today.

**3.00 Administrative and General Expenses**

**3.01 Allocations of General Office** - - The Parties agree that the stipulated administrative and general expenses developed in the analysis of the general office should be allocated to the districts in current dollars.

**3.02 Account 799, Miscellaneous** - - SCWC accepts as reasonable LWB's reduction of \$2,500 in Arden-Cordova, \$2,100 in Los Osos, and \$6,000 in Bay Point for expenses associated with non-recurring training.

**3.03 Administrative and General Labor** - - The Parties accept as reasonable a reduction of \$1,000 per test year for each district to reflect non-recurring training.

**4.00 Taxes**

**4.01 Payroll** - - The Parties agree that 8.10% is the appropriate tax for payroll.

**4.02 Net-to-Gross Multiplier** - - The Parties agree that the Super Fund Clean Up Federal Corporate Rate of 0.12% should not be included in the net - to - gross multiplier because the rate is no longer in effect.

**4.03 Deduction for Interest** - - The Parties agree that working cash should be excluded when calculating the deduction for interest.

**5.00 Operation and Maintenance Expenses**

- 5.01 Supply** - - The total supply for Bay Point is provided by two sources: raw water purchased from Contra Costa Water District and groundwater. Raw water is more expensive than groundwater. SCWC's use of groundwater saves customers \$25,467 each year. This savings is reflected in the total cost of supply.
- 5.02 Price of Purchased Water** - - The Parties agree that the price of purchased water in effect on October 1, 1997, should be used to calculate the expense of supply identified in the final decision for these applications.
- 5.03 Indices for Inflation** - - The Parties agree that the indices for inflation available on October 1, 1997, should be used to develop the final decision for these applications.
- 5.04 All Other Expenses Relating to Operations & Maintenance** - - The Parties agree to correct an error regarding the index for inflation used in the calculation of All Other Operations Expense and All Other Maintenance Expense.
- 5.05 Maintenance (Arden-Cordova)** - - SCWC agrees with LWB's recommendation for the average cost of a fiberglass door, thus reducing the cost from \$12,000 to \$6,000 in 1998 and from \$10,000 to \$5,000 in 1999. Accordingly, based on these prices, ratebase should be increased \$6,000 in 1998 and \$5,000 in 1999.

- 5.06 All Other Expenses Relating to Maintenance and Operations - - SCWC agrees with LWB's recommendation, as set forth below:

	Maintenance		Operations	
	<u>1998</u>	<u>1999</u>	<u>1998</u>	<u>1999</u>
Arden-Cordova	185.5	161.5	161.8	164.8
Bay Point	130.5	134.2	66.6	68.9
Los Osos	50.3	51.3	49.4	50.8

- 5.07 Conservation - - The Parties agree that the following expenses relating to conservation should be adopted:

	<u>1998</u>	<u>1999</u>
Arden-Cordova	\$10,000	\$10,000
Bay Point	\$3,500	\$3,500
Los Osos	\$5,000	\$5,000

SCWC will provide documentation on project spending levels. The next step or attrition filing shall be reduced correspondingly as appropriate if under-spending occurs.

## 6.00 Sales

### Methodology for Calculating Residential/ Commercial Usage per Customer - -

The Parties agree that a specifically detailed and mandated model should not be required for forecasting sales. While a specific formula may work well in one period, conditions may quickly change, resulting in an outdated model. Modeling customer sales should use currently available statistical tools such as EViews or TSP to provide flexibility.



6.01 Residential/ Commercial Usage per Customer - - The Parties agree to the following usages per customer:

<u>District</u>	<u>1998 &amp; 1999</u>
Arden-Cordova (metered)	2000 ccf
Arden-Cordova (flat rate)	326 ccf
Bay Point	200 ccf
Los Osos	177 ccf

6.02 Other Customers (Los Osos) - - The Parties agree that 1,500 ccf per year should be used for the average usage per customer in the category of "Other Customer".

7.00 Ratebase

7.01 Landscaping - - SCWC agrees to remove landscaping and fencing projects from Arden-Cordova (Mather \$5,000 and Kilgor \$5,000) and from Bay Point (Hill Street \$10,000).

7.02 Sampling - - SCWC agrees to withdraw its request for a station to sample water in the Los Osos (\$30,000) and Bay Point (\$5,000) Districts. The Parties agree to four stations in Arden-Cordova, which represents a reduction of \$28,000 from the original request of nine.

7.03 Turbidimeters (Arden-Cordova) - - SCWC provided additional information substantiating the benefits of turbidimeters and LWB now finds the associated expenditures to be reasonable.

- 7.04 Computer (Region I) - - SCWC initially sought to include \$40,500 for new computers, hardware, software, and miscellaneous items for the office. The Parties agree that funds related to upgrades of existing software (\$18,000) are reasonable for these applications.
- 7.05 Miscellaneous (Arden-Cordova) - - SCWC agrees with LWB's recommended funding of \$18,700 in 1998 and in 1999 for Miscellaneous Bowl Replacements, \$1,700 in 1998 and in 1999 for Minor Main Replacements, and \$1,900 in 1998 and in 1999 for Minor Pumping Plant Equipment and Structures.
- 7.06 Conservation (Arden-Cordova) - - The Parties agree on a reduction of \$7,000 in 1998 and in 1999 for conservation due to a recalculation of overhead, for a funding level of \$50,000. SCWC will provide documentation on project spending levels. The next step or attrition filing shall be reduced correspondingly as appropriate if under-spending occurs.
- 7.07 Conservation (Bay Point) - - The Parties agree on a funding level of \$32,000. SCWC will provide documentation on project spending levels. The next step or attrition filing shall be reduced correspondingly as appropriate if under-spending occurs.
- 7.08 Miscellaneous (Bay Point) - - The Parties agree to funding of \$3,000 in 1998 and in 1999 for Minor Main Replacements, and \$1,000 in 1998 and in 1999 for Minor Pumping Plant Equipment and Structures. The Parties also agree to a reduction of \$5,000 from 1997 levels for Miscellaneous Bowl Replacements, which results in funding of \$5,000 for 1998 and for 1999.

- 7.09 Miscellaneous (Los Osos) - - SCWC agrees with LWB's recommended funding of \$17,300 in 1998 and in 1999 for Miscellaneous Bowl Replacements, \$2,600 in 1998 and in 1999 for Minor Main Replacements, and \$1,600 in 1998 and in 1999 for Minor Pumping Plant Equipment and Structures.
- 7.10 Conservation (Los Osos) - - The Parties agree on a reduction of \$1,000 in 1998 and in 1999 for conservation due to a recalculation of overhead, for a funding level of \$15,000. SCWC will provide documentation on project spending levels. The next step or attrition filing shall be reduced correspondingly as appropriate if under-spending occurs.
- 7.11 Environmental Mitigation - Palomino Well (Los Osos) - - SCWC agrees to reduce the cost of the project to \$5,000.
- 7.12 Studies (Los Osos) - - SCWC agrees to consolidate engineering studies at the level of \$10,000 per year, and to remove separate studies, for a combined reduction of \$14,000 in 1997, \$9,000 in 1998 and \$10,000 in 1999.
- 8.00 Advice Letters
- 8.01 Christobal Projects (Arden-Cordova) - - Two projects, a manganese filter and a motor control center, are proposed at the Christobal well. The Parties agree that these projects will improve supply in Arden-Cordova. Given concerns regarding timing and perchlorate levels, however, the Parties agree not to include the projects in ratebase at this time. Instead, SCWC should be authorized to file an advice letter once each project is completed pending plant meeting all perchlorate regulations. Costs would then be subject to LWB's review.

8.02 Intertie with City of Folsom (Arden-Cordova) - - The Parties agree that the proposed intertie with the City of Folsom will improve supply in Arden-Cordova. Given concerns regarding timing and perchlorate levels, however, the Parties agree not to include this project in ratebase at this time. Instead, SCWC should be authorized to file an advice letter once the project is completed. Costs would then be subject to LWB's review. SCWC is currently recording these costs in a sub-account of its Lead and Copper Memorandum Account.

9.00 Cost of Capital

9.01 Due to the small percentage of total revenue represented by these applications, LWB and SCWC agree that it is reasonable to adopt in this proceeding the return on equity adopted for SCWC's districts in Decision No. 95-12-027.

9.02 Low Interest Cost of Debt - - The Parties agree that the benefit of the tax exempt notes should be passed on to all customers through incorporation in the cost of debt.

10.00 Rate Design

10.01 Service Charge (Bay Point) - - The Parties agree that rates should be designed according to Commission's policy set forth in Decision No. 86-05-064 authorizing the recovery of 50% of adopted fixed costs in service charges.

10.02 Balancing / Memorandum Accounts - - The Parties agree that the Supply Cost Balancing Accounts for Arden-Cordova, Bay Point, and Los Osos should be reviewed for amortization through September 30, 1997. The Parties also agree

to the continuation of the Supply Cost Balancing Account. Any memorandum account for which SCWC seeks amortization through this application should be forwarded to LWB with the Supply Cost Balancing Account.

**11.00 Waiver of Liability**

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

Dated: September 17, 1997



SUNG B. HAN  
Large Water Branch  
California Public Utilities Commission

Dated: September 16, 1997



SUSAN L. CONWAY  
Manager, Regulatory Affairs  
Southern California Water Co.

(END OF APPENDIX D)