

Decision 98-10-056 October 22, 1998

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of Citizens
Utilities Company of California for Authority to
Increase Rates and Charges for Water Service in
its Felton District.

Application 97-11-007
(Filed November 6, 1997)

ORIGINAL

In the Matter of the Application of Citizens
Utilities Company of California for Authority to
Increase Rates and Charges for Water Service in
its Larkfield District.

Application 97-11-008
(Filed November 6, 1997)

In the Matter of the Application of Citizens
Utilities Company of California for Authority to
Increase Rates and Charges for Water Service in
its Sacramento District.

Application 97-11-009
(Filed November 6, 1997)

E. Garth Black, Attorney at Law, Barbara Snider,
Attorney at Law, and Rod Jordan, for Citizens
Utilities Company of California, applicant.
Peter Fairchild, Attorney at Law, and Sung B. Han,
for Ratepayer Representation Branch of the
Commission's Water Division.

OPINION

Summary

This decision approves a modified settlement agreement between Citizens
Utilities Company of California (Citizens) and Ratepayer Representation Branch
of Water Division (RRB) in Citizens' test years 1998 and 1999 water general rate
cases. The Commission adopts the test year revenue requirement changes shown

in Table 2, below. Citizens is authorized to implement one set of combined 1998/1999 levelized rate increases in each district to be effective through the end of 1999, and step rate increases on January 1, 2000.

Background

Citizens is a California corporation and a subsidiary of Citizens Utilities Company, a Delaware corporation with administrative offices in Stamford, Connecticut. Citizens provides public utility water service to four California districts, three of which are the subjects of these applications: Felton (1,300 customers), Larkfield (2,100 customers) and Sacramento (54,000 customers). No application has been filed for Montara District. The last general rate increases for these districts were authorized by Decision 93-01-026 on January 8, 1993; there have been various other rate adjustments since that time.

Citizens derived its requests using a 9.10% rate of return on rate base and an 11.49% return on common equity for each year. Table 1 summarizes the increases requested in the applications.

Table 1
Citizens' Requested Increases

	Felton		Larkfield		Sacramento	
Test Year 1998	\$ 210,305	31.9%	\$ 481,362	38.3%	\$ 1,400,275	9.0%
Test Year 1999	34,846	4.0	0	0	1,274,163	7.4
Attrition Year 2000	34,846	3.8	0	0	1,274,163	6.9

The assigned Administrative Law Judge (ALJ) conducted a duly noticed public participation hearing in each district in February, 1998. Customer attendance was light in Sacramento, moderate to strong in Felton and very strong in Larkfield, reflecting the magnitudes of the proposed increases. Turnout in Larkfield District was so heavy that some customers had to be turned away for

lack of space, so the ALJ held a second public participation hearing in a larger facility in March, 1998 to accommodate them. While there were some complaints about service quality, customers' primary focus in both Felton and Larkfield was on the levels of the proposed increases. Almost all of those who made statements opposed higher rates.

Citizens and RRB entered appearances at the prehearing conference in San Francisco on February 17, 1998. There are no other parties. At the prehearing conference, the assigned ALJ granted the parties' joint motion to adopt a proceeding schedule that differed from the standard set forth in the Commission's *Rate Case Plan for Class A Water Utility General Rate Cases* by the addition of 62 calendar days before the beginning of evidentiary hearings. On March 9, 1998, the assigned Commissioner issued his Assigned Commissioner's Ruling Applying Article 2.5, SB 960 Rules and Procedures, ruling that a hearing was needed and thus the SB 960 rules would apply, categorizing the proceeding as ratesetting, defining the issues and proceeding schedule and designating the assigned ALJ as the principal hearing officer.

RRB mailed its exhibits and prepared testimony on April 6, 1998, recommending rate decreases in all three districts.

On May 8, 1998, the assigned ALJ granted the parties' second joint motion, postponing evidentiary hearings for a further 49 days to allow additional time to pursue settlement discussions.

At the evidentiary hearing on June 29, 1998, the parties tendered their joint Motion for Adoption of Settlement, attaching the executed Settlement (Exhibit 11). The proceeding was submitted for decision at the conclusion of the evidentiary hearing, with an exhibit making minor corrections to certain figures in the Settlement to be late-filed.

After the principal hearing officer's proposed decision was mailed, comments received, and the proposed decision placed on the Commission's agenda for consideration, the parties on September 24, 1998 tendered a joint petition to set aside submission for the limited purpose of receiving settlement modifications both have agreed should be made to correct an error in Larkfield District's plant balance. This decision accepts those modifications as though they had been part of the original settlement.

Discussion

The parties have submitted the modified Settlement included in this decision as Appendix D. The modified Settlement's 108 pages of joint comparative tables have been omitted from Appendix D due to their volume, but pertinent parts of those tables are summarized in Tables 3, 4 and 5 below and in Appendix C, Adopted Quantities and Calculations. Table 2 compares the parties' initial positions on revenue requirement change for each test year with what they propose in the modified Settlement.

Table 2
Revenue Requirement Changes

		Felton		Larkfield		Sacramento	
		1998	1999	1998	1999	1998	1999
Citizens' Request		\$ 210,305	\$ 34,846	\$ 481,362	\$ 0	\$1,400,275	\$1,274,163
RRB's Recommendation		(110,800)	(67,500)	(1,400)	(5,700)	(3,985,600)	848,700
Adopted	\$	65,900	41,300	166,500	16,700	(704,800)	1,348,500
Settlement	%	9.6%	5.4%	13.0%	1.1%	(4.6%)	9.0%

The modified Settlement indicates each of the areas of major difference between the parties' initial positions and summarizes how those differences were resolved. Final revenue requirements were based on an agreed-upon 9.6% return

on equity and 8.18% return on rate base. The parties' initial positions did not differ as to other elements of capital structure.

At the evidentiary hearing, Citizens introduced Exhibits 12, 13 and 14, its proposed rates to implement the agreed-upon revenue changes in Sacramento, Larkfield and Felton Districts respectively. While rates were not included in or referred to in the Settlement or the Motion, it was apparent from RRB's lack of objection that those rates also are a product in which both parties concur. The modified Settlement subsequently made minor downward revisions to Larkfield's proposed rates.

Citizens' rate changes for each district would be levelized, *i.e.*, rather than bringing rates to the test year 1998 authorized revenue levels immediately, revising them again at the beginning of test year 1999 and yet again for attrition year 2000, they would be set at an intermediate level for 1998 and 1999, and then adjusted only once to the full test year 1999 level at the beginning of 2000. There would be no provision for attrition adjustments.

The parties ask the Commission to adopt the summaries of earnings in Tables 3, 4 and 5.

Table 3
Felton District
Adopted Summary of Earnings
(Dollars in Thousands)

	1998	1999
Operating Revenues		
Water Service less PUC Fee	\$ 753.9	\$ 800.7
Other Water Revenues	0.1	0.1
Amortization of Deferred Revenues	0.7	0.6
Total Operating Revenues	754.7	801.4
Operating Expenses		
Payroll	208.0	215.2
Purchased Water	0.2	0.3
Purchased Power	24.9	26.5
Pumping Labor & Expense	0.2	0.2
Misc. Pumping	0.6	0.6
Water Treatment Labor & Expense	10.4	10.6
Misc. Treatment Expense	4.1	4.1
Chemicals and Filtering Materials	2.8	3.1
Storage Facilities Expenses	0.0	0.0
Transmission & Distribution	0.5	0.5
Meter Expense	0.1	0.1
Customer Installation	1.7	1.8
Misc. Transmission & Distribution	0.6	0.6
Maintenance Expense	25.8	26.2
Administrative & General	200.0	207.6
Uncollectibles	0.5	0.6
Subtotal	480.4	498.0
Depreciation Expense	57.9	65.0
Taxes Other Than Income	37.6	39.4
Deferred Income Tax Expense	0.7	0.6
Current Income Taxes	15.8	17.7
Total Operating Expenses	592.4	620.7
Net Operating Revenue	162.3	180.7
Average Rate Base	1,983.3	2,209.3
Return on Rate Base	8.18%	8.18%

Table 5
Sacramento District
Adopted Summary of Earnings
(Dollars in Thousands)

	1998	1999
Operating Revenues		
Water Service less PUC Fee	\$ 14,749.1	\$ 16,277.1
Other Water Revenues	19.4	19.4
Amortization of Deferred Revenues	26.9	24.9
Total Operating Revenues	14,795.4	16,321.4
Operating Expenses		
Payroll	1,508.3	1,606.8
Purchased Water	337.0	337.0
Purchased Power	1,765.8	1,779.4
Pumping Labor & Expense	18.4	18.7
Misc. Pumping	42.1	42.8
Water Treatment Labor & Expense	95.5	97.0
Misc. Treatment Expense	104.5	106.2
Chemicals and Filtering Materials	85.1	87.8
Storage Facilities Expenses	0.1	0.1
Transmission & Distribution	1.4	1.5
Meter Expense	10.7	10.8
Customer Installation	0.2	0.2
Misc. Transmission & Distribution	22.2	22.6
Maintenance Expense	241.3	242.6
Administrative & General	3,266.5	3,470.8
Uncollectibles	39.8	43.9
Subtotal	7,538.9	7,868.2
Depreciation Expense	2,921.9	3,352.3
Taxes Other Than Income	630.8	690.3
Deferred Income Tax Expense	34.3	30.4
Current Income Taxes	564.6	759.6
Total Operating Expenses	11,690.6	12,700.9
Net Operating Revenue	3,104.8	3,620.5
Average Rate Base	37,934.5	44,233.6
Return on Rate Base	8.18%	8.18%

The parties have tendered an "uncontested settlement" as defined in Rule 51(f), i.e., a settlement that "...is filed concurrently by all parties to the proceeding in which such... settlement is proposed for adoption by the Commission." Rule 51.1(e) requires that settlement agreements be reasonable in light of the whole record, consistent with law, and in the public interest. (See also *San Diego Gas & Electric*, 46 CPUC2d 538 (1992), for elaboration on the Commission's policy on all-party settlement proposals). The modified Settlement represents a resolution of all issues between the parties.

RRB's charge is to represent utility ratepayers, and it has earnestly upheld that purpose here. Citizens has similarly pursued its interests and those of its stockholders. The modified Settlement commands the sponsorship of the only two parties to this proceeding, and those parties are fairly reflective of the affected interests.

Citizens' application and supporting exhibits set out its initial position and its justification for the increase sought. RRB in turn distributed reports that established and supported its position. The modified Settlement with attached comparative tables, along with the proposed rates, fully defines the solution the parties have reached. All have been introduced in this proceeding for our examination. It is clear that the parties have arrived at a reasonable agreement in light of the whole record.

Likewise, the record in this proceeding provides sufficient information to permit the Commission to discharge its future regulatory obligations with respect to the parties and their interests.

Public Utilities (PU) Code § 454 provides no public utility shall change any rate except upon a showing before the Commission and a finding by the Commission that the new rate is justified. In this case, the parties have explained their initial positions and what adjustments each has made to arrive at the

summaries of earnings and revenue requirements in the modified Settlement. The rates they ask us to adopt bring Citizens' revenues up to necessary levels over the next 14 months in two relatively modest steps, thus avoiding rate shock and minimizing the number of rate changes in a short period. We have no hesitation in finding both the proposed rates and their supporting revenue requirements justified by the parties' showings. No provision of the modified Settlement is in violation of any statute or Commission decision or rule.

We thus conclude that the modified Settlement meets the requirements of Rule 51.1(e) in that it is reasonable in light of the whole record, consistent with law, and in the public interest.

We have summarized in Appendix A the 1998/1999 rates and the 2000 step rate increases which we are adopting in this decision. Appendix B shows the effects these increases will have on typical customers' bills.

For future reference, we also adopt the standard quantities and calculations set forth in Appendix C which form the bases for the adopted summaries of earnings.

Principal Hearing Officer's Proposed Decision

The principal hearing officer's proposed decision was initially filed with the Commission and served on all parties of record on August 13, 1998 as required by PU Code § 311(d). Citizens filed comments suggesting minor changes in Appendix C solely for clarification. Those changes were made, along with several other nonsubstantive changes. There were no other comments, and no party filed reply comments.

On September 24, 1998 the parties filed and served their joint petition to set aside submission for the limited purpose of receiving into the record settlement modifications both have agreed should be made to correct an error in Larkfield District's plant balance. The principal hearing officer's initial proposed decision

was subsequently withdrawn. This decision grants the petition, reopens the proceeding and accepts the settlement modifications into the record, and resubmits the proceeding as of September 24, 1998. The revised principal hearing officer's proposed decision was filed and served on October 6, 1998.

To allow the Commission to issue its decision more quickly, the parties have in their joint petition to set aside submission and their letters dated September 30, 1998 requested the Commission waive the 20-day and 5-day periods for comments and replies to comments and the 30-day waiting period prescribed by the Commission's Rule 77.2 and PU Code § 311(d). We will do so.

PU Code § 1701.3 requires the principal hearing officer to present the proposed decision to the full Commission at a public meeting, and to include a record of the number of days of hearing, the number of days that each commissioner was present, and whether the decision was completed on time. There was one day of prehearing conference and one day of evidentiary hearing in this case. Assigned Commissioner Henry Duque attended the prehearing conference. The proceeding schedule has twice been extended as permitted in the Rate Case Plan on the joint motion of all parties to allow them to pursue extended settlement discussions, and once pursuant to the parties' joint petition to set aside submission. This final decision is timely issued, prior to the date set forth in the scoping memo as modified to accommodate these extensions and well within the 18-month period set forth in SB 960.

Findings of Fact

1. Citizens and RRB have entered into the modified Settlement which resolves every issue in this proceeding.
2. The modified Settlement commands the sponsorship of all parties to this proceeding.

3. Citizens and RRB are fairly reflective of all of the affected interests in this proceeding.

4. No term of the modified Settlement contravenes statutory provisions or prior Commission decisions.

5. The modified Settlement, together with the record in this proceeding, conveys sufficient information to permit the Commission to discharge its future regulatory obligations with respect to the parties and their interests.

6. There is no known opposition to approving the modified Settlement.

7. The summaries of earnings presented in Tables 3, 4, and 5 and the quantities and calculations included as Appendix C which underlie them, are reasonable for ratemaking purposes.

8. The 1998/1999 levelized rates in Appendix A have been designed to produce revenues consistent with each district's adopted summary of earnings. The January 1, 2000 step rates in Appendix A have been designed to produce the revenues shown in each district's 1999 adopted summary of earnings.

Conclusions of Law

1. The modified Settlement is an "uncontested settlement" as defined in Rule 51(f).

2. The modified Settlement is reasonable in light of the whole record, consistent with law, and in the public interest.

3. The modified Settlement should be adopted.

4. The revised rates and step increases set forth in Appendix A are justified.

5. This decision should be made effective immediately to enable Citizens to implement its 1998/1999 levelized rates without delay.

O R D E R

IT IS ORDERED that:

1. The Petition to Set Aside Submission by Citizens Utilities Company of California (Citizens) and Ratepayer Representation Branch of the Commission's Water Division (RRB) is granted. The material attached to the Petition is received into the record and the proceeding submitted as of September 24, 1998.

2. Upon the joint stipulation of Citizens and RRB, the 20-day and 5-day periods for comments and replies to comments on the principal hearing officer's proposed decision prescribed by the Commission's Rules of Practice and Procedure, Rule 77.2, and the 30-day waiting period prescribed by Public Utilities Code § 311(d), are waived.

3. The Motion for Adoption of Settlement by Citizens and RRB is granted. The modified Settlement attached to this order as Appendix D, including the modifications accepted into the record in Ordering Paragraph #1 above, is adopted.

4. Citizens is authorized to file in accordance with General Order 96 Series and make effective on not less than five days' notice tariffs containing the 1998/1999 rate revisions shown in Appendix A to this order. The revised rates shall apply to service rendered on and after the tariffs' effective date.

5. Citizens is authorized to file in accordance with General Order 96 Series and make effective on not less than 30 days' notice and not sooner than January 1, 2000, tariffs implementing the step rate increases shown in Appendix A to this order. The revised rates shall apply to service rendered on and after the tariffs' effective date.

6. The summaries of earnings presented in Tables 3, 4 and 5, and the quantities and calculations included as Appendix C which underlie them, are adopted.

7. Applications (A.) 97-11-007, A.97-11-008 and A.97-11-009 are closed.

This order is effective today.

Dated October 22, 1998, at San Francisco, California.

RICHARD A. BILAS

President

P. GREGORY CONLON

JESSIE J. KNIGHT, JR.

HENRY M. DUQUE

JOSIAH L. NEEPER

Commissioners

Appendix A
Page 1

Authorized Rate Increases
Citizens Utilities Company of California
Sacramento District

Authorized Rates for 1998/1999	Step Rate Increase Effective 1/1/2000
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General Metered Service

Quantity Rate, for all water per 100 cubic feet	\$ 0.703	\$ 0.00
Service Charge, per meter per month		
5/8 x 3/4-inch meter	7.75	0.00
3/4-inch meter	9.80	0.00
1-inch meter	14.60	0.00
1½-inch meter	22.10	0.05
2-inch meter	41.40	0.10
3-inch meter	70.80	0.20
4-inch meter	108.30	0.35
6-inch meter	174.05	1.50
8-inch meter	277.90	3.00

Flat Rate Water Service

Lot 4,500 square feet or less	12.20	0.20
Lot 4,501 square feet or greater	16.50	0.20
Increment, each 1,000 square feet over 8,000	0.47	0.01
Additional house on lot	10.95	0.15

Private Fire Protection Service

4-inch service	18.25	0.15
6-inch service	30.40	0.25
8-inch service	42.80	0.35
10-inch service	53.15	0.40
12-inch service	76.20	0.60

Appendix A
Page 2

Authorized Rate Increases

Citizens Utilities Company of California
Felton District

Authorized Rates for 1998/1999	Step Rate Increase Effective 1/1/2000
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General Metered Service

Quantity Rate, for all water per 100 cubic feet	\$ 2.925	\$ 0.075
Service Charge, per meter per month		
5/8 x 3/4-inch meter	\$ 16.40	\$ 0.50
3/4-inch meter	24.35	0.75
1-inch meter	37.30	1.25
1½ -inch meter	64.30	2.45
2-inch meter	104.70	3.95
3-inch meter	197.45	7.35
4-inch meter	277.10	12.25
Conservation Discount		
Monthly Consumption	Discount	
0-5 Ccf	20%	
6-10 Ccf	15%	
11-15 Ccf	10%	
Over 15 Ccf	0%	

Private Fire Protection Service

4-inch service	\$ 21.15	\$ 0.65
6-inch service	31.75	0.95
8-inch service	42.30	1.30
10-inch service	84.85	2.55
12-inch service	119.45	3.60

Appendix A
Page 3

Authorized Rate Increases

Citizens Utilities Company of California
Larkfield District

Authorized Rates for 1998/1999	Step Rate Increase Effective 1/1/2000
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General Metered Service

Quantity Rate, for all water per 100 cubic feet	\$ 1.951	\$ 0.045
Service Charge, per meter per month		
5/8 x 3/4-inch meter	14.00	0.40
3/4-inch meter	21.50	0.65
1-inch meter	32.20	1.05
1½-inch meter	60.40	2.10
2-inch meter	78.45	3.35
3-inch meter	136.20	6.30
4-inch meter	197.00	10.50
6-inch meter	309.00	21.00
8-inch meter	599.40	33.60

Private Fire Protection Service

1½-inch service	4.35	0.15
4-inch service	8.70	0.30
6-inch service	13.10	0.40
8-inch service	17.50	0.55
10-inch service	21.85	0.70

End of Appendix A

APPENDIX B
PAGE 1

BILL COMPARISON

CITIZENS UTILITIES COMPANY OF CALIFORNIA
FELTON DISTRICT

1998/1999 Levelized Rates, and 2000 Step Increase

Comparison of typical bills for residential metered customers of various usage levels and average level at present and authorized rates for 1998/1999, and 2000.

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

Monthly Usage (cubic feet)	Present Rates	1998/99 Authorized Rates	Percent Increase	2000 Authorized Step Rates	Percent Increase
0	\$ 11.50	\$ 13.12	14.09%	\$ 13.52	3.05%
500	22.02	24.82	12.72	25.52	2.82
917 (avg.)	32.70	36.74	12.35	37.75	2.75
1000	34.55	38.80	12.30	39.87	2.76
2000	66.92	74.90	11.92	76.90	2.67
3000	93.19	104.15	11.76	106.90	2.64
5000	145.73	162.65	11.61	166.90	2.61
10000	277.08	308.90	11.48	316.90	2.59

(PUC Reimbursement Surcharge and Safe Drinking Water Bond Act surcharge not included in these figures)

APPENDIX B
PAGE 2

BILL COMPARISON

CITIZENS UTILITIES COMPANY OF CALIFORNIA
LARKFIELD DISTRICT

1998/1999 Levelized Rates, and 2000 Step Increase

Comparison of typical bills for residential metered customers of various usage levels and average usage level at present and authorized rates for 1998/1999, and 2000

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

Monthly Usage (cubic feet)	Present Rates	1998/99 Authorized Rates	Percent Increase	2000 Authorized Step Rates	Percent Increase
0	\$ 12.30	\$ 14.00	13.82%	\$ 14.40	2.86%
500	21.17	23.75	12.18	24.38	2.65
1000	30.04	33.51	11.55	34.36	2.53
1510 (avg.)	39.09	43.46	11.18	44.54	2.48
2000	47.78	53.02	10.97	54.32	2.45
3000	65.52	72.53	10.70	74.28	2.41
5000	101.00	111.55	10.45	114.20	2.37
10000	189.70	209.10	10.23	214.00	2.34

(PUC Reimbursement Surcharge not included in these figures)

APPENDIX B
PAGE 3

BILL COMPARISON

CITIZENS UTILITIES COMPANY OF CALIFORNIA
SACRAMENTO DISTRICT

1998/1999 Levelized Rates, and 2000 Step Increase

Comparison of typical bills for residential metered customers of various usage levels and average level at present and authorized rates for 1998/1999, and 2000.

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

Monthly Usage (cubic feet)	Present Rates	1998/99 Authorized Rates	Percent Increase	2000 Authorized Step Rates	Percent Increase
0	\$ 7.70	\$ 7.75	0.65%	\$ 7.75	0%
500	11.22	11.27	0.45	11.27	0
1000	14.73	14.78	0.34	14.78	0
1833 (avg.)	20.59	20.64	0.24	20.64	0
2000	21.76	21.81	0.23	21.81	0
3000	28.79	28.84	0.17	28.84	0
5000	42.85	42.90	0.12	42.90	0
10000	78.00	78.05	0.06	78.05	0

(PUC Reimbursement Surcharge not included in these figures)

APPENDIX B
PAGE 4

BILL COMPARISON

CITIZENS UTILITIES COMPANY OF CALIFORNIA
SACRAMENTO DISTRICT (Continued)

1998/1999 Levelized Rates, and 2000 Step Increase

Comparison of typical bills for residential flat rate customers of various classes at present and authorized rates for 1998/1999, and 2000.

Flat Rate Service

Description	Present Rates	1998/1999 Authorized Rates	Percent Increase	2000 Authorized Step Rates	Percent Increase
Lot 4,500 square feet or less	\$ 11.50	\$ 12.20	6.09%	\$ 12.40	1.64%
Lot 4,501 - 8,000 square feet	15.60	16.50	5.77	16.70	1.21
Increment, each 1,000 square feet over 8,000	0.45	0.47	4.44	0.48	2.13
Additional house on lot	10.35	10.95	5.80	11.10	1.37

(PUC Reimbursement Surcharge not included in these figures)

End of Appendix B

APPENDIX C PAGE 1

ADOPTED QUANTITIES AND CALCULATIONS

CITIZENS UTILITIES COMPANY OF CALIFORNIA FELTON DISTRICT ADOPTED QUANTITIES

Net-to-Gross Multiplier	1.68100
Uncollectible Rate	0.0703%
Federal Tax Rate	35.00%
State Tax Rate	5.35%

	1998	1999
<u>PURCHASED POWER</u>		
PG&E -- Effective Date - 1/1/98		
Production (kCcf)	217.5	232.0
Total kWh	154,396	164,704
kWh/Ccf	0.71	0.71
Unit Cost (\$/kWh)	0.161	0.161
Power Cost	\$24,900	\$26,500

<u>PURCHASED WATER</u>	\$200	\$300
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<u>CHEMICALS AND FILTERING MATERIALS</u>	\$2,800	\$3,100
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AVERAGE NUMBER OF METERED SERVICES (Schedule No. 1)

Meter Size	No. of Services	No. of Services
5/8 x 3/4-inch meter	1,269	1,272
3/4 -	3	3
1 -	25	28
1 - 1/2 -	7	7
2 -	14	14
3 -	1	1
4 -	1	1
6 -	0	0
8 -	0	0
Total Metered Services	1,320	1,326

WATER CONSUMPTION

Classification	Avg. Service Connections	1998 Usage (Ccf/Cust.)	Consumption (kCcf)	Avg. Service Connections	1999 Usage (Ccf/Cust.)	Consumption (kCcf)
Metered Service						
Residential	1,164	110.0	128.0	1,167	110.0	128.4
Non-Residential	156	388.4	60.6	159	388.4	61.8
Public Authority	0		0	0		0
Other	0		0	0		0
Subtotal	1,320		188.6	1,326		190.1
Flat Rate Customers	0		0	0		0
Private Fire Protection	9			9		
Total Connections	1,329			1,335		
Unaccounted Water, kCcf (9.88%)			20.8			20.8
Total Water Production			209.5			211.0
Well Water (kCcf)			209.4			211.0
Purchased Water (kCcf)			0.0			0.0

APPENDIX C
PAGE 2

ADOPTED QUANTITIES AND CALCULATIONS

CITIZENS UTILITIES COMPANY OF CALIFORNIA
LARKFIELD DISTRICT ADOPTED QUANTITIES

Net-to-Gross Multiplier	1.68791
Uncollectible Rate	0.4792%
Federal Tax Rate	35.00%
State Tax Rate	5.35%

<u>PURCHASED POWER</u>	<u>1996</u>	<u>1999</u>
PG&E -- Effective Date - 1/1/98		
Production (kCcf)	522.8	537.3
Total kWh	641,330	659,145
kWh/Ccf	1.2267	1.2267
Unit Cost (\$/kWh)	0.0842	0.0842
Total Purchased Power Cost	\$54,000	\$55,000

<u>PURCHASED WATER</u>		
Sonoma County Water Agency -- Effective Date - 4/15/97		
Total Ccf	244,973	244,973
Unit Cost (\$/Ccf)	0.8010	0.8010
Total Purchased Water Cost	\$196,200	\$196,200

<u>CHEMICALS AND FILTERING MATERIALS</u>	\$ 4,800	\$ 5,100
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AVERAGE NUMBER OF METERED SERVICES (Schedule No. 1)

<u>Meter Size</u>	<u>No. of Services</u>	<u>No. of Services</u>
5/8 x 3/4-inch meter	1,336	1,376
3/4 -	585	585
1 -	158	186
1-1/2 -	49	49
2 -	25	25
3 -	1	1
4 -	8	9
6 -	1	1
8 -	0	0
Total Metered Services	2,163	2,232

WATER CONSUMPTION

<u>Classification</u>	<u>Avg. Service Connections</u>	<u>1998 Usage (Ccf/Cust.)</u>	<u>Consumption (kCcf)</u>	<u>Avg. Service Connections</u>	<u>1999 Usage (Ccf/Cust.)</u>	<u>Consumption (kCcf)</u>
Metered Service						
Residential	1,944	181.2	352.3	2,012	181.2	364.6
Non-Residential	219	498.0	109.1	220	498.0	109.6
Public Authority	0			0		
Other	0			0		
Subtotal	2,163		461.3	2,232		474.1
Flat Rate Customers	0			0		
Private Fire Protection	33			34		
Total Connections	2,196			2,266		
Unaccounted Water, kCcf (11.78%)			61.6			63.3
Total Water Production (kCcf)			522.9			537.4
Well Water (kCcf)			277.9			292.5
Purchased Water (kCcf)			245.0			245.0

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ADOPTED QUANTITIES AND CALCULATIONS

CITIZENS UTILITIES COMPANY OF CALIFORNIA
SACRAMENTO DISTRICT ADOPTED QUANTITIES

Net-to-Gross Multiplier	1.6851
Uncollectible Rate	0.27%
Federal Tax Rate	35.00%
State Tax Rate	5.35%

<u>PURCHASED POWER</u>	<u>1998</u>	<u>1999</u>
PG&E -- Effective Date - 1/1/98		
Production (kCcf)	246.4	248.3
Total kWh	120,941	121,875
kWh/Ccf	0.49	0.49
Unit Cost (\$/kWh)	.1323	.1323
Power Cost	\$16,001	\$16,124
SMUD -- Effective Date - 1/1/98		
Production (kCcf)	24,397.0	24,585.5
Total kWh	23,582,102	23,764,298
kWh/Ccf	0.97	0.97
Unit Cost (\$/kWh)	0.0742	0.0742
Power Cost	\$1,749,792	\$1,763,311
Total Purchased Power Cost	\$1,765,800	\$1,779,400

<u>PURCHASED WATER</u>		
City of Sacramento -- Effective Date - 11/18/97		
Total Ccf	2,055,596	2,055,596
Unit Cost (\$/Ccf)	0.1639	0.1639
Total Purchased Water Cost	\$337,000	\$337,000

<u>CHEMICALS AND FILTERING MATERIALS</u>	\$ 85,100	\$ 85,100
---	------------------	------------------

AVERAGE NUMBER OF METERED SERVICES (Schedule No. 1)

<u>Meter Size</u>	<u>No. of Services</u>	<u>No. of Services</u>
5/8 x 3/4-inch meter	3,425	3,955
3/4 -	0	0
1 -	1,965	1,981
1 - 1/2 -	590	594
2 -	1,520	1,540
3 -	205	205
4 -	67	67
6 -	21	21
8 -	12	12
Total Metered Services	7,805	8,375

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ADOPTED QUANTITIES AND CALCULATIONS

CITIZENS UTILITIES COMPANY OF CALIFORNIA
SACRAMENTO DISTRICT ADOPTED QUANTITIES (Continued)

WATER CONSUMPTION

<u>Classification</u>	<u>Avg. Service</u> <u>Connections</u>	<u>1998</u> <u>Usage</u> <u>(Ccf/Cust.)</u>	<u>Consumption</u> <u>(kCcf)</u>	<u>Avg. Service</u> <u>Connections</u>	<u>1999</u> <u>Usage</u> <u>(Ccf/Cust.)</u>	<u>Consumption</u> <u>(kCcf)</u>
Metered Service						
Residential	3,151	220.0	693.2	3,666	220.0	806.5
Non-Residential	4,654	1,316.0	6,124.7	4,709	1,316.0	6,197.0
Public Authority	0			0		
Other	0			0		
Subtotal	7,805		6,817.9	8,375		7,003.6
Flat Rate Customers	46,319	334.3	15,484.4	46,279	334.3	15,471.1
Private Fire Protection	571			583		
Total Connections	54,695			55,237		
Unaccounted Water, kCcf (9.5%)			2,341.1			2,359.2
Total Water Production (kCcf)			24,643.5			24,833.8
Well Water (kCcf)			22,587.9			22,778.3
Purchased Water (kCcf)			2,055.6			2,055.6

AVERAGE NUMBER OF FLAT
RATE SERVICES

up to 4500 sq. ft.	5,483	5,483
4501 - 8000 sq. ft.	31,974	31,934
8001 - 9000 sq. ft.	3,764	3,764
9001 - 10000 sq. ft.	2,018	2,018
10001 - 11000 sq. ft.	1,402	1,402
11001 - 12000 sq. ft.	691	691
12001 - 13000 sq. ft.	386	386
over 13000 sq. ft.	601	601
Total	46,319	46,279
additional unit	1	1

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ADOPTED QUANTITIES AND CALCULATIONS
CITIZENS UTILITIES COMPANY OF CALIFORNIA
FELTON DISTRICT RATE BASE

	<u>1998</u>	<u>1999</u>
<u>RATE BASE (\$ 000)</u>		
Utility Plant in Service	2,648.6	2,881.7
Materials and Supplies	16.0	16.3
Working Cash	<u>75.6</u>	<u>79.1</u>
TOTAL ADDITIONS TO RATE BASE	2,740.2	2,977.1
 LESS DEDUCTIONS FROM RATE BASE:		
Reserve for Depreciation	609.6	636.7
Advances for Construction	45.7	60.8
Contributions in Aid of Construction	117.6	113.1
Accumulated Deferred Taxes, Taxable Advances For Construction:		
State	(2.4)	(4.3)
Federal	(0.3)	(0.2)
Accumulated Deferred Taxes, Taxable Contributions in Aid of Construction:		
State	(4.3)	(4.1)
Federal	(13.8)	(12.7)
Unamortized Deferred Revenue, Taxable C.I.A.C.	8.7	8.1
Accum. Deferred Federal Income Taxes, Depn. Timing Differences	144.4	151.1
TOTAL DEDUCTIONS FROM RATE BASE	<u>905.2</u>	<u>948.5</u>
NET DISTRICT RATE BASE	<u>1,835.0</u>	<u>2,028.6</u>
ADD: NET ADMIN OFFICE RATE BASE	148.3	180.7
TOTAL RATE BASE	<u>1,983.3</u>	<u>2,209.3</u>

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ADOPTED QUANTITIES AND CALCULATIONS

CITIZENS UTILITIES COMPANY OF CALIFORNIA
LARKFIELD DISTRICT RATE BASE

<u>RATE BASE (\$ 000)</u>	<u>1998</u>	<u>1999</u>
Utility Plant in Service	7,814.2	8,324.8
Materials and Supplies	36.8	37.5
Working Cash	116.2	122.4
TOTAL ADDITIONS TO RATE BASE	7,967.2	8,484.7
 LESS DEDUCTIONS FROM RATE BASE:		
Reserve for Depreciation	1,484.1	1,698.4
Advances for Construction	2,847.2	2,925.5
Contributions in Aid of Construction	252.3	241.4
Accumulated Deferred Taxes, Taxable Advances For Construction:		
State	(86.9)	(99.8)
Federal	(557.2)	(537.4)
Accumulated Deferred Taxes, Taxable Contributions in Aid of Construction:		
State	(5.9)	(5.6)
Federal	(41.0)	(37.9)
Unamortized Deferred Revenue, Taxable C.I.A.C.	23.6	21.9
Accum. Deferred Federal Income Taxes, Depn. Timing Differences	445.3	471.7
TOTAL DEDUCTIONS FROM RATE BASE	4,361.5	4,678.2
NET DISTRICT RATE BASE	3,605.7	3,806.5
ADD: NET ADMIN OFFICE RATE BASE	160.7	195.8
TOTAL RATE BASE	3,766.4	4,002.3

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ADOPTED QUANTITIES AND CALCULATIONS

CITIZENS UTILITIES COMPANY OF CALIFORNIA
SACRAMENTO DISTRICT RATE BASE

<u>RATE BASE (\$ 000)</u>	<u>1998</u>	<u>1999</u>
Utility Plant in Service	91,792.4	100,834.0
Materials and Supplies	123.6	126.0
Working Cash	229.6	246.7
TOTAL ADDITIONS TO RATE BASE	92,145.6	101,206.7
LESS DEDUCTIONS FROM RATE BASE:		
Reserve for Depreciation	25,854.1	28,610.2
Advances for Construction	30,667.6	30,554.3
Contributions in Aid of Construction	4,584.3	4,852.6
Accumulated Deferred Taxes, Taxable Advances For Construction:		
State	(766.3)	(840.3)
Federal	(7,310.5)	(7,082.1)
Accumulated Deferred Taxes, Taxable Contributions in Aid of Construction:		
State	(121.9)	(115.8)
Federal	(571.9)	(526.7)
Unamortized Deferred Revenue, Taxable C.I.A.C.	345.0	319.2
Accum. Deferred Federal Income Taxes, Depn. Timing Differences	3,781.5	3,944.4
TOTAL DEDUCTIONS FROM RATE BASE	56,461.9	59,715.8
NET DISTRICT RATE BASE	35,683.7	41,490.9
ADD: NET ADMIN OFFICE RATE BASE	2,250.8	2,742.7
TOTAL RATE BASE	37,934.5	44,233.6

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ADOPTED QUANTITIES AND CALCULATIONS

CITIZENS UTILITIES COMPANY OF CALIFORNIA
FELTON DISTRICT INCOME TAXES

<u>INCOME TAXES (\$ 000)</u>	<u>1998</u>	<u>1999</u>
Water Service Revenues, excluding P.U.C. Reimb. Fee	754.1	801.0
Other Water Revenues	0.1	0.1
Total Taxable Operating Revenues	754.2	801.1
DEDUCTIONS		
Operating Expenses, less Uncoil. and P.U.C. Reimb. Fee	479.9	497.4
Uncollectibles	0.5	0.6
Tax Depreciation, State	158.3	167.6
Taxes Other than Income	37.6	39.4
Deductible Expenses Capitalized	24.3	24.7
Interest Expense	64.7	72.0
SUBTOTAL, DEDUCTIONS	765.3	801.7
TAXABLE INCOME, CCFT	(11.1)	(0.6)
CCFT Rate	5.35%	5.35%
CURRENT CALIFORNIA CORPORATION FRANCHISE TAX	(0.6)	0.0
Plus Deferred Tax Exp., Depn. on Taxable Contributions	0.2	0.2
TOTAL STATE INCOME TAX EXPENSE	(0.4)	0.2
Taxable Income, CCFT	(11.1)	(0.6)
Plus Tax Depreciation, State	158.3	167.6
Less Tax Straight Line Depreciation, Federal	97.2	112.7
Less Prior Year CCFT	(4.8)	(3.9)
TAXABLE INCOME, FEDERAL	54.8	58.2
Federal Income Tax Rate	35.00%	35.00%
Current Federal Income Tax Expense	19.1	20.4
Amortization Of Investment Tax Credits	(2.7)	(2.7)
NET CURRENT FEDERAL INCOME TAX	16.4	17.7
Plus Deferred Tax Exp., Depn. on Taxable Contributions	1.1	1.0
Less Adjmt. to Def. Tax Exp. Due to Changes in Fed Tax Rate	(0.6)	(0.6)
DEFERRED FEDERAL INCOME TAX EXPENSE	0.5	0.4
TOTAL FEDERAL INCOME TAX EXPENSE	16.9	18.1
TOTAL INCOME TAX EXPENSE	16.5	18.3
DEFERRED TAX	0.7	0.6
CURRENT INCOME TAX	15.8	17.7
TOTAL INCOME TAX	16.5	18.3

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ADOPTED QUANTITIES AND CALCULATIONS

CITIZENS UTILITIES COMPANY OF CALIFORNIA
LARKFIELD DISTRICT INCOME TAXES

<u>INCOME TAXES (\$ 000)</u>	<u>1998</u>	<u>1999</u>
Water Service Revenues, excluding P.U.C. Reimb. Fee	1,442.1	1,504.2
Other Water Revenues	0.4	0.4
Total Taxable Operating Revenues	<u>1,442.5</u>	<u>1,504.6</u>
DEDUCTIONS		
Operating Expenses, less Uncoll. and P.U.C. Reimb. Fee	769.8	792.6
Uncollectibles	6.9	7.2
Tax Depreciation, State	359.6	391.7
Taxes Other than Income	62.5	65.6
Deductible Expenses Capitalized	26.3	26.7
Interest Expense	122.8	130.5
SUBTOTAL, DEDUCTIONS	<u>1,347.9</u>	<u>1,414.3</u>
TAXABLE INCOME, CCFT	<u>94.6</u>	<u>90.3</u>
CCFT Rate	5.35%	5.35%
CURRENT CALIFORNIA CORPORATION FRANCHISE TAX	<u>5.1</u>	<u>5.0</u>
Plus Deferred Tax Exp., Depn. on Taxable Contributions	0.3	0.3
TOTAL STATE INCOME TAX EXPENSE	<u>5.4</u>	<u>5.3</u>
Taxable Income, CCFT	94.6	90.3
Plus Tax Depreciation, State	359.6	391.7
Less Tax Straight Line Depreciation, Federal	288.3	323.6
Less Prior Year CCFT	(3.5)	3.0
TAXABLE INCOME, FEDERAL	<u>169.4</u>	<u>155.4</u>
Federal Income Tax Rate	35.00%	35.00%
Current Federal Income Tax Expense	59.0	54.4
Amortization Of Investment Tax Credits	(6.3)	(6.3)
NET CURRENT FEDERAL INCOME TAX	<u>52.7</u>	<u>48.1</u>
Plus Deferred Tax Exp., Depn. on Taxable Contributions	3.3	3.0
Less Adjmt. to Def. Tax Exp. Due to Changes in Fed Tax Rate	(0.9)	(0.9)
DEFERRED FEDERAL INCOME TAX EXPENSE	<u>2.4</u>	<u>2.1</u>
TOTAL FEDERAL INCOME TAX EXPENSE	<u>55.1</u>	<u>50.2</u>
TOTAL INCOME TAX EXPENSE	<u>60.5</u>	<u>55.5</u>
DEFERRED TAX	<u>2.7</u>	<u>2.4</u>
CURRENT INCOME TAX	<u>57.8</u>	<u>53.1</u>
TOTAL INCOME TAX	<u>60.5</u>	<u>55.5</u>

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ADOPTED QUANTITIES AND CALCULATIONS

CITIZENS UTILITIES COMPANY OF CALIFORNIA
SACRAMENTO DISTRICT INCOME TAXES

<u>INCOME TAXES (\$000)</u>	<u>1998</u>	<u>1999</u>
Water Service Revenues, excluding P.U.C. Reimb. Fee	14,749.5	16,281.5
Other Water Revenues	19.4	19.4
Total Taxable Operating Revenues	14,768.9	16,300.9
DEDUCTIONS		
Operating Expenses, less Uncoll. and P.U.C. Reimb. Fee	7,499.1	7,824.3
Uncollectibles	39.8	43.9
Tax Depreciation, State	3,612.6	4,136.4
Taxes Other than Income	630.8	690.3
Deductible Expenses Capitalized	368.7	374.7
Interest Expense	1,236.7	1,442.0
SUBTOTAL, DEDUCTIONS	13,387.7	14,511.6
TAXABLE INCOME, CCFT	1,381.2	1,789.2
CCFT Rate	5.35%	5.35%
CURRENT CALIFORNIA CORPORATION FRANCHISE TAX	74.0	96.0
Plus Deferred Tax Exp., Depn. on Taxable Contributions	6.2	5.9
TOTAL STATE INCOME TAX EXPENSE	80.2	101.9
Taxable Income, CCFT	1,381.2	1,789.2
Plus Tax Depreciation, State	3,612.6	4,136.4
Less Tax Straight Line Depreciation, Federal	3,180.7	3,708.3
Less Prior Year CCFT	208.3	117.2
TAXABLE INCOME, FEDERAL	1,604.8	2,100.1
Federal Income Tax Rate	35.00%	35.00%
Current Federal Income Tax Expense	562.0	735.0
Amortization Of Investment Tax Credits	(71.4)	(71.4)
NET CURRENT FEDERAL INCOME TAX	490.6	663.6
Plus Deferred Tax Exp., Depn. on Taxable Contributions	45.8	42.2
Less Adjmt. to Def. Tax Exp. Due to Changes in Fed Tax Rate	(17.7)	(17.7)
DEFERRED FEDERAL INCOME TAX EXPENSE	28.1	24.5
TOTAL FEDERAL INCOME TAX EXPENSE	518.7	688.1
TOTAL INCOME TAX EXPENSE	598.9	790.0
DEFERRED TAX	34.3	30.4
CURRENT INCOME TAX	564.6	759.6
TOTAL INCOME TAX	598.9	790.0

APPENDIX D

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

Citizens Utilities Company of California (U-87-W), for a general rate increase for the Felton District.)	A.97-11-007
Citizens Utilities Company of California (U-87-W), for a general rate increase for the Larkfield District.)	A.97-11-008
Citizens Utilities Company of California (U-87-W), for a general rate increase for the Sacramento District.)	A.97-11-009

SETTLEMENT

1.00 INTRODUCTION

1.01 In November, 1997, Citizens Utilities Company of California ("CUCC") filed three Applications requesting that the California Public Utilities Commission ("Commission") adjust general rates for its Felton, Larkfield, and Sacramento Districts for the years 1998, 1999, and 2000. The rates for these three Districts were last reviewed by the Commission in 1992, after which it issued Decision 93-01-026 (47 CPUC 2d 602, January 8, 1993) establishing rates for each of the three Districts for the years 1992, 1993, and 1994.

1.02 The Ratepayer Representation Branch ("RRB") of the Water Division conducted an independent review of CUCC's three applications. Public Participation Hearings were also held in each of the three districts. On April 6, 1998, RRB submitted a report for each district summarizing its position and indicating specific areas of disagreement with CUCC's three applications. Subsequently, CUCC and RRB held a series of meetings to discuss and resolve the differences between their positions. The negotiations resulted in resolution of all issues.

//

1.03 The parties to this Settlement are the RRB and CUCC (collectively referred to as "the Parties"). No one else requested to be involved or made an appearance in this proceeding. All items relating to cost of service and revenue requirements, including those addressed in the Settlement, are represented in the attached Joint Comparative Exhibits prepared by the Parties. Appendix A reflects the agreed costs and revenues for the Felton District for 1998; Appendix B - Felton District 1999; Appendix C - Larkfield District 1998; Appendix D - Larkfield District 1999; Appendix E - Sacramento District 1998; and Appendix F - Sacramento District 1999.

1.04 The Parties agree that the terms of this Settlement, if adopted by the Commission, will be binding, but not precedential.

1.05 The annual increases in revenue requested, recommended, and proposed for adoption are set forth below:

	FELTON		LARKFIELD		SACRAMENTO	
	1998	1999	1998	1999	1998	1999
CUCC's Requested	\$210,305	\$ 34,846	\$481,362	-0-	\$1,400,275	\$1,274,163
RRBs Recommended	(\$110,800)	(\$159,600)	(\$1,400)	(\$19,400)	(\$3,985,600)	(\$3,193,600)
Settlement	\$65,900	\$41,300	\$168,598 166,500	\$16,700	(\$704,800)	\$1,348,500

2.00 REVENUES

2.01 Two major areas of difference arose between CUCC's and RRB's calculations of revenue: average number of customers and consumption.

2.02 Average Number of Customers. RRB's reports for the three districts agreed with the average number of customers used in CUCC's applications. CUCC's initial filing was based on estimated numbers for 1997 through 1999. By the time the Parties negotiated, however, CUCC had actual numbers for 1997. Actual numbers for the Sacramento District were lower than had been

1 estimated by CUCC, and RRB agreed to use these rather those submitted with the application.

2
3 2.03 Consumption. CUCC and RRB also differed in the manner in which they estimated
4 consumption. RRB's figures for consumption were based in part on actual consumption and in part
5 on estimates for temperature and precipitation. CUCC based its calculations on actual parameters.
6 Agreement that the Parties should rely on actual numbers rather than estimates and account for
7 abnormal weather led to resolution of these issues.

8
9 2.04 Unaccounted Water. CUCC and RRB agreed on Unaccounted Water for the
10 Sacramento District of 9.5%. The Parties agreed to use an average of three years for Larkfield
11 (11.78%) and Felton (9.88%).

12
13 2.05 Miscellaneous Revenues. In 1997, CUCC settled a lawsuit for contamination of a
14 well in the Sacramento District. The well had been out of service for many years and had been
15 removed from ratebase. CUCC booked the net proceeds(\$422,700) from the litigation in a deferred
16 account. The Parties concurred that any agreement in this proceeding regarding these proceeds
17 would not set a precedent nor represent a waiver by CUCC of any rights to propose to use proceeds
18 from any future settlement in a different manner. The Parties agreed that CUCC should recover all of
19 its costs of the litigation and reflect the net proceeds from the litigation as a contribution to Plant in
20 1999.

21 **3.00 OPERATING AND ADMINISTRATIVE AND GENERAL EXPENSES**

22 **3.01 Sacramento District**

23 (a) Injuries and Damages. The differences in calculations result from CUCC's change in the
24 amount of coverage for excess damages versus general damages, which provides for more
25 overall insurance for the same cost. RRB's estimate was \$129,500 and CUCC's estimate
26 was \$146,200 for 1998. The Parties agreed that, with the changes in coverage, \$137,800 was
27 a reasonable expense for 1998 and \$140,300 for 1999.

1 (b) Pensions & Benefits. The differences between CUCC's and RRB's estimates flowed
2 from differences regarding employees and payroll, including CUCC's Incentive
3 Compensation Plan. Once the underlying issues were resolved, the Parties agreed that
4 \$428,700 was reasonable for 1998 and \$438,000 for 1999.

5
6 (c) Regulatory Expense. CUCC agreed to use RRB's estimate of \$48,600 for both 1998 and
7 1999, including expenses incurred in connection with the current proceeding.

8
9 (d) Miscellaneous Expense. RRB was concerned that CUCC's estimates included
10 expenditures unrelated to water service. CUCC supplied supplemental documentation
11 demonstrating that the expenses were in large part for conservation and were related to water
12 service. The Parties agreed that \$120,000 should be allowed for 1998 and \$121,700 for
13 1999.

14
15 (e) Administrative Expense. CUCC and RRB initially disagreed on the amount of
16 administrative costs to be allocated to the Districts from corporate headquarters in Stamford,
17 CT. CUCC provided extensive documentation detailing the functions, activities, costs, and
18 methods of allocation. After reviewing this documentation, RRB agreed to include \$675,000
19 of the requested Stamford corporate expenses for 1998 and \$685,600 for 1999. These
20 amounts represent 90.3% of the corporate expenses from Stamford initially requested by
21 CUCC. The Parties agree to use the same percentage to determine what should be the
22 allocation of these expenses to the Felton and Larkfield Districts. The Parties further agree
23 that the overall Administrative Expenses - Clearing for Sacramento should be \$1,576,200 in
24 1998 and \$1,624,500 in 1999.

25
26 (f) Transportation. Once issues relating to depreciation and plant were resolved, RRB and
27 CUCC agreed on expenses relating to transportation.
28

1 (g) Customer Account. CUCC historically contracted with an affiliate for billing and related
2 services. The affiliate can no longer provide billing, however, for CUCC. The system also
3 contained outdated technology and unable to deal with problems relating to the Year 2000.
4 The corporate parent's Public Services Sector developed a new system to provide billing and
5 other functions for all its subsidiaries, including CUCC, involved with water or wastewater.
6 RRB disagreed with (i) the amount requested by CUCC to customize the system for use in
7 California, (ii) the manner and amount of allocation of the cost of the system, and (iii) the
8 manner and amount of allocation of the cost of billing. The Parties agree costs associated
9 with billing should be allocated based on the number of bills and those associated with the
10 system should be allocated based on a formula using a combination of the number of bills
11 and the number of connections. The Parties agreed that the amount incurred by, and charged
12 to Sacramento should be \$632,700 for 1998 and \$747,700 for 1999.

13
14 (h) Uncollectibles. RRB and CUCC agree on a rate for uncollectibles of 0.27%.

15
16 (i) Purchased Water. As a result of spreading contamination of wells in Sacramento and the
17 need to obtain additional supply, CUCC negotiated a contract to purchase up to 2,580 acre-
18 feet of water per year for twenty years. The price includes both a fixed fee and a variable fee,
19 depending on the quantity used and the time of year. With declining groundwater and
20 increasing problems of contamination, this contract is the best way to guarantee customers
21 sufficient water for the future. CUCC agreed with RRB to lower charges by reducing the
22 amount of water it will draw in 1998. The resulting total expense for 1998 and 1999 is
23 \$337,000.

24 25 3.02 Felton District

26 (a) Injuries & Damages. The differences in calculations result from CUCC's change in the
27 amount of coverage for excess damages versus general damages, which provides for more
28

1 (c) Regulatory Expense. CUCC agreed to use RRB's estimate of \$3,300 for both 1998 and
2 1999 including expenses incurred in connection with the current proceeding.

3
4 (d) Miscellaneous Expenses. RRB was concerned that "Target Excellence" was implemented
5 to re-evaluate CUCC's strategies in response to competition. CUCC presented
6 documentation showing that Target Excellence was related to improving the quality of
7 service both externally with its customers and internally with its employees. A key element
8 of this program is training. CUCC presented supplemental documentation demonstrating
9 future and ongoing expenses and RRB accepted revised amounts of \$11,000 for 1998 and
10 \$11,200 for 1999.

11
12 (e) Administrative Expense. CUCC and RRB initially disagreed on the amount of
13 administrative costs to be allocated to the Districts from corporate headquarters in Stamford,
14 CT. The Parties agreed to use 90.3% of these expenses requested, resulting in overall
15 Administrative Expenses-Clearing of \$112,500 for 1998 and \$115,900 for 1999.

16
17 (f) Transportation Expense. Once issues relating to depreciation and plant were resolved,
18 RRB and CUCC agreed on expenses relating to transportation.

19
20 (g) Customer Account. CUCC historically contracted with an affiliate for billing and related
21 services. The affiliate can no longer provide billing, however, for CUCC. The system also
22 contained outdated technology and unable to deal with problems relating to the Year 2000.
23 The corporate parent's Public Services Sector developed a new system to provide billing and
24 other functions for all its subsidiaries, including CUCC, involved with water or wastewater.
25 RRB disagreed with (i) the amount requested by CUCC to customize the system for use in
26 California, (ii) the manner and amount of allocation of the cost of the system, and (iii) the
27 manner and amount of allocation of the cost of billing. The Parties agree costs associated
28

1 with billing should be allocated based on the number of bills and those associated with the
2 system should be allocated based on a formula using a combination of the number of bills
3 and the number of connections. The Parties agreed the amount incurred by and charged to
4 Larkfield should be \$37,600 for 1998 and \$43,000 for 1999.
5

6 (b) Uncollectibles. RRB and CUCC agreed on a rate for uncollectibles of 0.4792%.
7

8 4.0 PAYROLL

9 4.01 Felton. RRB agrees that the Felton District needs an additional employee due to the
10 new treatment plant, resulting in total payroll of \$208,000 for 1998 and \$215,200 for 1999.
11

12 4.02 Larkfield. Recognizing the need for an additional employee, the Parties agreed on total
13 payroll of \$179,400 for 1998 and \$184,800 for 1999.
14

15 4.03 Sacramento. The primary difference between RRB and CUCC related to the number of
16 employees. Reaching agreement on that number led to agreement on total payroll of \$1,508,300 for
17 1998 and \$1,606,800 for 1999.
18

19 5.0 PLANT

20 CUCC rearranged the priority of certain projects and revised its projections of projects.
21 Some projects were moved beyond Test Years 1998 and 1999. The Parties agree on average plant in
22 service for 1998 and 1999, as follows:
23

	<u>1998</u>	<u>1999</u>
24 Felton	\$ 2,648,000	\$ 2,881,700
25 Larkfield	\$ 7,814,200	\$ 8,314,800
26 Sacramento	\$91,792,400	\$100,834,000
27		
28		

1 **6.0 DEPRECIATION**

2 **6.01 Felton.** CUCC and RRB recalculated depreciation based on new balances of plant and
3 changes in rates, with a resultant composite of 2.61%. Depreciation is \$57,900 for 1998 and
4 \$65,000 for 1999.

5
6 **6.02 Larkfield.** CUCC and RRB recalculated depreciation based on new balances of plant
7 and changes in rates, with a resultant composite of 3.17%. Depreciation is \$235,000 for 1998 and
8 \$257,700 for 1999.

9
10 **6.03 Sacramento.** CUCC and RRB recalculated depreciation based on new balances of plant
11 and changes in rates, with a resultant composite of 3.37%. Depreciation is \$2,921,900 for 1998, and
12 \$3,352,300 for 1999.

13
14 **7.0 TAXES**

15 CUCC and RRB disagreed on how to calculate California income taxes. CUCC agreed to
16 use RRB's calculation of state income taxes using the unitary method.

17
18 **8.0 RETURN ON EQUITY**

19 The Parties agree on a return on equity of 9.6%, based on current financial conditions.

20
21 **9.0 WAIVER OF LIABILITY**

22 **8.01** The Parties agree that no signatory to this Settlement nor any member of RRB assumes
23 any personal liability as a result of this Settlement. The Parties further agree that no legal action may
24 be brought in any state or federal court or in any other forum against any individual signatory
25 representing the interests of CUCC, RRB, attorneys representing CUCC, or RRB itself involving
26 any matter related to this Settlement. All rights and remedies of the Parties are limited to those
27 available before the Commission.

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Dated: 6/29/98

Sung B. Han

SUNG B. HAN
Ratepayer Representation Branch
Water Division
California Public Utilities Commission

Dated: 6-29-98

Lawrence J. D'Addio

LAWRENCE J. D'ADDIO
General Manager
Citizens Utilities Company of California