

Decision 00-06-075 June 22, 2000

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the matter of the Application of the Southern California Water Company (U 133 W) for authority pursuant to Public Utilities Code Section 454 to restructure the water rates of its Barstow, Calipatria-Niland, Claremont, Desert, Orange County, San Dimas, San Gabriel and Wrightwood Districts into region-wide tariffs

Application 98-09-040
(Filed September 30, 1998)

Patricia A. Schmiede, Attorney at Law, and
Susan L. Conway, for Southern
California Water Company, applicant.
Peter G. Fairchild, Attorney at Law, and
Raymond A. Charvez, for Ratepayer
Representation Branch, Water Division,
protestant.

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OPINION

1. Summary

Southern California Water Company (SCWC) seeks authority to introduce single tariff pricing for eight water districts that comprise the company's Region III, located primarily in the Los Angeles area. The region-wide tariff would be phased in over three years and would replace stand-alone rates in the eight districts. The application is opposed by the Ratepayer Representation Branch (Branch) of the Commission's Water Division as inimical to traditional ratemaking based on cost of service within a district. The proposal, if adopted, would constitute the first time that the Commission has permitted single tariff pricing for non-contiguous water districts.

Based on the compelling need for rate relief in some of the smaller districts in the company's Region III, and on the demonstrated minimal impact of single tariff pricing in the other districts of Region III, as well as on the record as a whole, our order today grants the application with modifications. We adopt a program to allow our Water Division to monitor this pricing practice and to make recommendations for change, if any, at the time of the next general rate case for this region.

2. Procedural History and Background

SCWC filed this application on September 30, 1998, pursuant to Pub. Util. Code § 454, which governs proposed rate changes. Originally, the company sought broader relief, i.e., single tariff pricing for Region III, a three-tiered rate structure, 60% recovery of fixed costs in the service charge (as opposed to 50% for all other Class A water companies), and other ratesetting changes. Branch a month later timely filed its opposition.

A prehearing conference with Assigned Commissioner Duque was conducted on December 18, 1998. SCWC was cautioned by Branch and others

that the proposed three-tiered rate structure and 60% fixed cost recovery had industry-wide implications that would add time and complexity to consideration of single tariff pricing. At a second prehearing conference on February 10, 1999, the company amended its application to deal only with single tariff pricing. In a Scoping Memo issued on February 17, 1999, Commissioner Duque established dates for written testimony and hearing, and he directed that public participation hearings be conducted in each of the eight ratemaking districts affected by the application. Administrative Law Judge Walker was designated as the principal hearing officer.

Public participation hearings were held on four evenings during the week of March 29, 1999, in Apple Valley, Barstow, Morongo Valley and Calipatria, and on four evenings during the week of April 19, 1999, in Wrightwood, San Dimas, Claremont and Stanton. The hearings were widely publicized, and most were well attended. At each hearing, the company presented its plans for a region-wide rate and answered questions from ratepayers. Branch's opposition to single tariff pricing was explained

An evidentiary hearing on the application was conducted over four days beginning on June 28, 1999. The company presented its evidence through six witnesses, four of them company executives and two of them consultants who have dealt with single tariff pricing in other states. Branch presented its analysis of the application through its project manager. Representatives of Wrightwood, Calipatria/Niland and Barstow made brief opening statements. SCWC and Branch filed final briefs on September 7, 1999, and oral argument was conducted on September 14, 1999, before three Commissioners, at which time the matter was deemed submitted for decision.

Six months after this application was filed the company filed four general rate case (GRC) applications, A.99-03-065, -066, -067 and -068, which requested

revenue requirement increases in four of these districts: Wrightwood, Claremont, Barstow and Calipatria/Niland. These proceedings were resolved by settlement offered on August 13, 1999 and adopted by a concurrent decision today.

3. What the Company Proposes

SCWC proposes to implement a single metered tariff for all of the ratemaking districts in its Region III, set initially at a quantity rate of \$1.286 per hundred cubic feet of water (Ccf) and a monthly service charge of \$10.60 for most customers. No change in revenue requirement is proposed. The region-wide revenue requirement for the year 2000 would be calculated by adding together the currently authorized revenue requirement for each of the eight rate districts. The proposal contemplates no change in the existing components of rate design. In keeping with current Commission policy for Class A water companies, the service charge is designed to recover 50% of the combined fixed costs of the eight districts, and the quantity rate would recover the remainder of the revenue requirement.

There are four rate areas within Region III that have relatively few customers. These are Morongo Valley and Apple Valley in the Desert District (3,000 connections); the Calipatria-Niland District (1,200 connections), and the Wrightwood District (2,500 connections). These compare to the Orange County District (40,000 connections); San Dimas (16,000 connections); San Gabriel (12,000 connections); Claremont (10,000 connections), and Barstow (8,500 connections).

Under the company's proposal, single tariff pricing would result in an immediate 10% reduction in quantity rates and service charges in the Calipatria-Niland District, the Wrightwood District and the Apple Valley rate area. Morongo Valley, which now has the highest rates in Region III, would receive an immediate 25% reduction in quantity rates and service charge. These rates

would then be frozen until the region-wide rate has increased to meet the frozen rates. Based on its estimates of future revenue requirements, SCWC projects that rates in Calipatria-Niland would remain frozen until the year 2003; rates in the Apple Valley system would remain frozen until 2006; and rates in the Morongo Valley system and the Wrightwood District would remain frozen until 2015.

Quantity rates and service charges now in effect in the eight districts are:

DISTRICT	QUANTITY RATE	SERVICE CHARGE
Morongo Valley (Desert District)	\$3.296/Ccf	\$29.75
Wrightwood	\$2.551/Ccf	\$27.95
Apple Valley (Desert District)	\$2.340/Ccf	\$13.95
San Dimas	\$1.456/Ccf	\$10.40
Claremont	\$1.416/Ccf	\$23.35
Calipatria-Niland	\$1.232/Ccf	\$26.75
Orange County	\$1.237/Ccf	\$ 8.90
San Gabriel	\$1.184/Ccf	\$11.65
Barstow	\$0.872/Ccf	\$13.35

(Exhibit 6, at SLC-4.)

Under SCWC's proposal, new rates for the high-cost areas would be as follows:

DISTRICT	QUANTITY RATE	SERVICE CHARGE
Morongo Valley	\$2.472/Ccf	\$22.30
Wrightwood	\$2.296/Ccf	\$25.15
Apple Valley	\$2.106/Ccf	\$12.55
Calipatria-Niland (Exhibit 6, at SLC-4.)	\$1.109/Ccf	\$24.10

As to customers in the remaining five rate districts – Claremont, Orange County, San Dimas, San Gabriel and Barstow – SCWC proposes to equalize the service charge component immediately, while phasing in the quantity rate over a three-year period. The proposed service charge would be \$10.60 per month for a 5/8 x 3/4-inch meter, \$26.55 for a 1-inch meter, with higher charges for meters larger than 1 inch. The proposed rates for the year 2000 for these districts would be:

DISTRICT	QUANTITY RATE	SERVICE CHARGE
Barstow	\$1.066/Ccf	\$10.60
Orange County	\$1.220/Ccf	\$10.60
San Gabriel	\$1.286/Ccf	\$10.60
Claremont	\$1.416/Ccf	\$26.55
San Dimas (Exhibit 6, at SLC-4.)	\$1.456/Ccf	\$10.60

Under the company's three-year, phased-in approach, rates in the year 2000 would increase by 7% in the Barstow District; 3% in Orange County; 3% in San Gabriel; 4% in the Claremont District; and 0.4% in the San Dimas District. Claremont and San Dimas would retain their existing quantity rates until the third year.

SCWC also proposes to combine the existing balances in the balancing accounts and memorandum accounts in the eight rate districts for future amortization on a region-wide basis. The collective balance in the eight districts as of April 30, 1999, shows an overcollection of \$868,711, the bulk of it attributable to the San Gabriel District. The company proposes a one-time refund to customers of balances in excess of 10%, which would result in a one-time \$56 credit to each San Gabriel District customer. After the refund, all remaining balances would be merged, resulting in a minimal balance that does not require amortization.

The impact of the proposed single tariff pricing would differ depending on the meter size and usage of customers. The company has calculated the average annual water bill at stand-alone rates and the proposed regional rate for each of the eight districts for the years 1999 through 2015, and those calculations are set forth below. The calculations were not challenged at hearing and were received into evidence without objection as Exhibit 8, Attachment B.

AVERAGE ANNUAL WATER BILL

Claremont
28 Ccf per month (1" meter)

Year	At Stand-alone Rate	At Regional Rate	Annual Savings
1999	\$944	\$845	\$99
2000	\$981	\$896	\$85
2001	\$1,026	\$977	\$49
2002	\$1,093	\$1,083	\$10
2003	\$1,145	\$1,182	-\$37
2004	\$1,177	\$1,212	-\$34
2005	\$1,210	\$1,242	-\$32
2006	\$1,244	\$1,262	-\$19
2007	\$1,278	\$1,292	-\$15
2008	\$1,312	\$1,323	-\$11
2009	\$1,348	\$1,354	-\$7
2010	\$1,383	\$1,386	-\$2
2011	\$1,420	\$1,418	\$2
2012	\$1,457	\$1,450	\$7
2013	\$1,495	\$1,483	\$12
2014	\$1,534	\$1,517	\$17
2015	\$1,574	\$1,554	\$20

San Dimas
30 Ccf per month (5/8" meter)

Year	At Stand-alone Rate	At Regional Rate	Annual Savings
1999	\$647	\$584	\$63
2000	\$671	\$617	\$54
2001	\$695	\$669	\$26
2002	\$723	\$737	-\$14
2003	\$748	\$763	-\$16
2004	\$769	\$804	-\$35
2005	\$790	\$825	-\$35
2006	\$811	\$842	-\$31
2007	\$833	\$863	-\$30
2008	\$855	\$884	-\$28
2009	\$878	\$905	-\$27
2010	\$902	\$927	-\$25
2011	\$925	\$949	-\$24
2012	\$950	\$971	-\$22
2013	\$974	\$994	-\$20
2014	\$1,000	\$1,018	-\$18
2015	\$1,026	\$1,042	-\$17

San Gabriel Valley
21 Ccf per month (5/8" meter)

Year	At Stand-alone Rate	At Regional Rate	Annual Savings
1999	\$434	\$446	-\$11
2000	\$454	\$472	-\$18
2001	\$477	\$512	-\$35
2002	\$515	\$566	-\$51
2003	\$544	\$609	-\$65
2004	\$564	\$624	-\$61
2005	\$584	\$640	-\$57
2006	\$604	\$652	-\$49
2007	\$624	\$668	-\$45
2008	\$644	\$684	-\$40
2009	\$666	\$701	-\$35
2010	\$687	\$717	-\$30
2011	\$709	\$734	-\$25
2012	\$731	\$751	-\$20
2013	\$753	\$769	-\$15
2014	\$776	\$786	-\$10
2015	\$799	\$806	-\$6

Barstow
28 Ccf per month (5/8" meter)

Year	At Stand-alone Rate	At Regional Rate	Annual Savings
1999	\$503	\$553	-\$50
2000	\$535	\$585	-\$49
2001	\$604	\$634	-\$31
2002	\$732	\$699	\$33
2003	\$808	\$745	\$63
2004	\$818	\$764	\$54
2005	\$828	\$784	\$45
2006	\$839	\$800	\$39
2007	\$850	\$820	\$30
2008	\$860	\$839	\$21
2009	\$871	\$860	\$12
2010	\$883	\$880	\$3
2011	\$894	\$901	-\$7
2012	\$906	\$922	-\$17
2013	\$918	\$944	-\$26
2014	\$932	\$966	-\$34
2015	\$946	\$990	-\$44

Calipatria
18 Ccf per month (5/8" meter)

Year	At Stand-alone Rate	At Regional Rate	Annual Savings
1999	\$630	\$529	\$102
2000	\$917	\$529	\$388
2001	\$1,568	\$529	\$1,040
2002	\$1,943	\$529	\$1,414
2003	\$1,923	\$550	\$1,372
2004	\$1,904	\$565	\$1,340
2005	\$1,886	\$579	\$1,307
2006	\$1,868	\$589	\$1,279
2007	\$1,851	\$603	\$1,247
2008	\$1,834	\$618	\$1,216
2009	\$1,817	\$633	\$1,185
2010	\$1,801	\$647	\$1,154
2011	\$1,785	\$663	\$1,123
2012	\$1,770	\$678	\$1,092
2013	\$1,755	\$693	\$1,062
2014	\$1,741	\$709	\$1,032
2015	\$1,727	\$727	\$1,001

Desert
13 Ccf per month (5/8" meter)

Year	At Stand-alone Rate	At Regional Rate	Annual Savings
1999	\$768	\$479	\$289
2000	\$836	\$479	\$357
2001	\$924	\$479	\$444
2002	\$1,039	\$479	\$560
2003	\$1,099	\$479	\$620
2004	\$1,114	\$479	\$635
2005	\$1,130	\$479	\$651
2006	\$1,145	\$484	\$661
2007	\$1,161	\$495	\$665
2008	\$1,176	\$507	\$669
2009	\$1,192	\$519	\$673
2010	\$1,208	\$531	\$677
2011	\$1,223	\$543	\$680
2012	\$1,239	\$556	\$684
2013	\$1,256	\$568	\$687
2014	\$1,272	\$581	\$691
2015	\$1,289	\$595	\$693

Wrightwood
6 Ccf per month (5/8" meter)

Year	At Stand-alone Rate	At Regional Rate	Annual Savings
1999	\$568	\$467	\$101
2000	\$588	\$467	\$121
2001	\$682	\$467	\$215
2002	\$789	\$467	\$322
2003	\$794	\$467	\$327
2004	\$812	\$467	\$344
2005	\$829	\$467	\$362
2006	\$847	\$467	\$380
2007	\$866	\$467	\$399
2008	\$884	\$467	\$417
2009	\$903	\$467	\$436
2010	\$922	\$467	\$455
2011	\$941	\$467	\$474
2012	\$961	\$467	\$494
2013	\$981	\$467	\$514
2014	\$1,001	\$467	\$534
2015	\$1,022	\$411	\$611

Orange County
23 Ccf per month (5/8" meter)

Year	At Stand-alone Rate	At Regional Rate	Annual Savings
1999	\$454	\$476	-\$22
2000	\$477	\$504	-\$26
2001	\$510	\$547	-\$37
2002	\$560	\$604	-\$44
2003	\$595	\$648	-\$53
2004	\$613	\$664	-\$52
2005	\$631	\$681	-\$51
2006	\$649	\$695	-\$46
2007	\$667	\$712	-\$45
2008	\$685	\$729	-\$43
2009	\$704	\$746	-\$42
2010	\$723	\$764	-\$41
2011	\$742	\$782	-\$40
2012	\$761	\$800	-\$39
2013	\$781	\$819	-\$38
2014	\$801	\$838	-\$37
2015	\$821	\$858	-\$37

According to these calculations, customers in Calipatria-Niland would realize annual savings of as much as \$1,400 under the regional rate. Customers in the Desert District would realize annual savings of nearly \$700 per year, and customers in the Wrightwood District would realize annual savings of as much as \$600 per year. Under regional rates, customers in Claremont, San Dimas and Barstow would experience savings in some years and increases in other years. In Claremont, savings would be as great as \$85 per year, while increases would not exceed \$37 per year. In San Dimas, savings would reach \$54 per year, while increases would not exceed \$35 per year. In Barstow, savings would be as much as \$63 per year, while any increase would not exceed \$49 per year. The calculation projects no savings over the next 16 years in either San Gabriel or Orange County. Increases there are projected to average about \$34 and \$41 on an annual basis, respectively.

4. The Company's Case for Single Tariff Pricing

SCWC's witnesses state that the proposed regional rate is a pricing strategy, not a costing strategy. It allocates costs over a broader customer base (93,500 accounts), thus easing the impact in single districts of high-cost projects like well replacement and water quality facilities. Witness Janice A. Beecher, who heads her own regulatory consulting firm and who has testified on single tariff pricing before several state commissions, described what she views as the advantages of regional pricing:

"The primary advantages of single tariff pricing are that it can lower administrative and regulatory costs, enhance capital deployment, improve rate and revenue stability, and ensure affordability for customers of very small or extremely small water systems. Customer affordability can enhance the financial viability of the utility as a whole, which in turn can improve the utility's credit worthiness to lenders and reduce capital financing costs. A leading argument for single tariff pricing made by multi-system water

utilities is that each individual system eventually will require infusions of capital for improvements; only the timing varies. Equalizing rates smoothes the effect of cost spikes during periods of rising investment needs." (Exhibit 2, at 15-16.)

Beecher testified that single tariff pricing for multi-system water utilities is now generally accepted by commissions in eight states (Connecticut, Missouri, North Carolina, Oregon, Pennsylvania, South Carolina, Texas and Washington). It has been accepted on a case-by-case basis in 14 other states.¹ According to Beecher, three states (California, Maryland and Mississippi) have not approved single tariff pricing, and in the remaining states, the issue has not arisen or is not applicable because of a lack of jurisdiction or a lack of multi-system water utilities. (Exhibit 3, Attachment A.)

Consultant Diane K. Kiesling, a former commissioner for the Florida Public Service Commission who assisted the company in designing its Region III proposal, testified that SCWC already has a form of single tariff pricing in place. She stated that the Orange County District has one rate design, although it is made up of six separate water systems. Similarly, Calipatria, Morongo Valley and San Gabriel are each comprised of two systems, while Apple Valley includes four separate water systems.

Kiesling testified that while the small, high-cost systems in Region III will benefit immediately if single tariff pricing is adopted, even the districts that will see an increase in prices (Orange County, San Gabriel and Barstow) also benefit from this rate design because they are next in line for major infrastructure

¹ According to the testimony, states approving single tariff pricing on a case-by-case basis are Arizona, Delaware, Florida, Idaho, Illinois, Indiana, Massachusetts, New Hampshire, New York, New Jersey, Ohio, Vermont, Virginia, and West Virginia. (Exhibit 3, Attachment A.)

improvements and they will not have to bear these costs alone. For example, the company's testimony shows projected capital expenditures through the year 2002 of \$20.7 million in Orange County (most of it for water treatment and well replacement) and \$14.5 million in Barstow (most of it for arsenic and radon removal).

Susan L. Conway, SCWC's regulatory vice president, testified that single tariff pricing will more closely match the operational practices of the company. Financing is done on a company-wide basis, while staffing and resources are managed on a regional basis. Each of the water districts in Region III shares the costs of personnel based on the time employees devote to a particular district. Conway stated that company operations were reorganized in 1995 along regional lines, and this permitted a reduction in personnel from 510 to 463, with attendant savings to ratepayers.

James B. Gallagher, customer service vice president in Region III, testified that revenue requirements would continue to be calculated on a district-by-district basis under the regional pricing plan. The only difference under single tariff pricing, he said, is that total costs would be spread among all accounts, rather than just among customers in each water district. Management of the region would be unchanged, as would the analysis of which capital projects to pursue in a given year.

Joel A. Dickson, vice president for customer and operations support, testified that the company already has common rates for systems that are not interconnected, citing the separate water supply and system for Culver City, which is part of SCWC's Metropolitan District. Dickson on cross-examination denied that single tariff pricing constitutes an undue preference for the benefit of smaller districts. He stated that customers frequently subsidize each other within a district, noting the construction in the San Dimas District of a stone

reservoir that benefits 1,000 customers but is reflected in the rates of the district's 15,000 customers.

5. Branch's Opposition to Single Tariff Pricing

Branch in its analysis concluded that SCWC has failed to show ratepayer benefits that justify a change to single tariff pricing. Project Manager Raymond A. Charvez testified that the pricing method presents no savings or economies of scale that are not already in place. In Branch's view, the change to a regional tariff will result in improper subsidies to smaller districts, will send incorrect price signals to end users, and will do little more than enhance revenue collection for the company.

Branch presented evidence to show that SCWC was among Class A water companies that in 1992 approved policy guidelines developed by the Commission's then Division of Ratepayer Advocates that precluded a combination of water districts with the aim of having one district subsidize another. The guidelines established four criteria in considering whether districts should be combined:

1. The districts must be in close proximity to each other (no more than 10 miles apart).
2. Present and projected future rates of each district should be relatively close to the other districts, with no more than a 25% difference.
3. Sources of water supply should be similar.
4. The districts should be operated in a similar manner.
(Exhibit 15.)

By contrast, Branch asserts, the eight districts here are from 5 to 163 miles distant from each other; sources of water vary from ground water and company-owned wells to more expensive purchased water; and no district water system interconnects with the system of another district. Branch concedes that the eight districts have common operation, because of the regional organization, and it

does not challenge the assertion that projected rate increases under the single tariff plan are relatively modest.

Under traditional cost-of-service ratemaking, a water utility forecasts its expenses and plant on a test-year basis in each district under consideration, then seeks a rate of return based primarily on its equity investment. The result is the revenue requirement for that district. Branch agrees that excessive costs and inefficiencies will not be masked so long as SCWC continues to forecast revenue requirements on a district-by-district basis. However, under single tariff pricing, a district's revenue requirements will not be accurately reflected in the prices that ratepayers pay, resulting in a distortion of price signals.

Branch faulted the company for not exploring alternative solutions to the problem of small, high-cost districts. Branch testified that SCWC should have presented evidence that it sought to transfer its high-rate systems to public agencies. For example, the Morongo Valley system could have been offered to the County of San Bernardino. The Apple Valley system could have been offered to Park Water Company, which operates a larger system in an adjoining area. According to Branch, SCWC could have divested itself of struggling systems by urging local government agencies to take over the districts at book value (original cost plus improvements, less depreciation).

Branch's evidence also suggests that SCWC should have pursued legislation to create a state-wide fund collected from all water customers to provide lifeline rates to customers in high-rate districts.

6. Statements by Affected Communities

The Commission has received letters authorized by city councils in four of the communities affected by the single tariff pricing proposal. Additionally, Carol Goss, representing the Wrightwood Property Owners Association, addressed the Commission at hearing. On behalf of her group, she opposed the

company's application, arguing that small communities would lose their voice on capital projects if costs of those projects were spread over the entire region.

She stated:

"Wrightwood customers believe they should be involved in capital improvement decisions that are going to affect their rates. Under regionalization, Wrightwood's 2,500 water company customers would have virtually no voice in capital improvement programs for the 90,000-plus other customers, although Wrightwood would be required to help pay for them.

"If the company is willing to now overcharge Barstow to benefit Wrightwood, it follows of course that one day Wrightwood will certainly be overcharged to benefit other districts and probably benefit the water company as well.

"Regionalization will destroy our community's voice in decisions that critically affect its well-being and its standing to bring its grievances to the PUC for consideration." (Transcript, pp. 364-65.)

The City of Barstow also opposed regionalization, arguing that there was no justification for SCWC's position that Barstow's lower rates should be brought into parity with other districts. The City of Los Alamitos commented that "while the consolidation probably makes good business sense, it would severely impact ratepayers in the City of Los Alamitos." The Cypress City Council voted unanimously to oppose SCWC's application, stating that "(t)his is simply an attempt by SCWC to balance costly capital improvements on the backs of Orange County cities, with no direct benefit to Orange County." (Exhibit 14, Attachment E.)

The Calipatria City Council wrote to the Commission to state its support for single tariff pricing, stating that for its community that was far preferable than the substantial increases in stand-alone rates that the company had proposed in its general rate case. The community also asserted that it is

reviewing proposals for possible acquisition of the local water system.

(Application 98-09-040, Correspondence File.)

The City of Claremont and the City of San Dimas took no position on SCWC's application. However, the two cities retained an independent consultant to conduct an analysis of the SCWC proposal. The analysis concluded that Claremont would benefit from rate consolidation because of anticipated costs of correcting water quality problems in the years 2001 and 2002, while any increase in rates in San Dimas appeared to be minimal over the long term. (Exhibit 8, Attachment D.)

The Commission also has received several hundred letters from ratepayers, most of them representing smaller, high-rate districts and most of them favoring the company's regional rate plan.

7. Previous Rulings by This Commission

Single tariff pricing has been considered by this Commission in the past. In 1983, the Commission rejected a proposal by SCWC to consolidate three of its districts (Desert, San Bernardino and Metropolitan) into a single ratemaking unit. (Re Southern California Water Company (1983) 12 CPUC2d 69.) As it does here, the company sought the consolidation primarily to spread rates over a larger base and avoid rate increases of 200% or more in sparsely populated stand-alone districts. In considering the proposal, the Commission commented:

"In recent years the Commission has eliminated density zone rates of energy utilities and just recently has made available to Catalina Island the mainland electric rates of Southern California Edison Company. In a similar departure from a cost of service approach, applicant contends, Morongo Valley customers, and other similarly situated customers in small, noneconomical areas, should be incorporated into the larger operations of applicant." (12 CPUC2d at 78.)

Commission staff at the time opposed the consolidation request. It argued that the districts were between 30 and 100 miles distant from each other; each district had its own source of water supply; customers in the larger districts would be subsidizing those in smaller districts; and there would be no economies of scale in combining the districts for ratemaking purposes.

The Commission noted the need at that time to replace 60,000 feet of mains in Morongo Valley's Del Sur system, and it saw no justification for shifting much of the cost of that work to Metropolitan District customers until all other alternatives had been explored. Specifically, the Commission suggested that areas like the Desert District form community service districts to tax owners of vacant land for their share of water system costs. The Commission said:

"A consolidation of the type proposed by applicant may ultimately prove necessary. But it should not be undertaken as long as there is reason to believe that the community service districts serving the areas can bring about the needed participation in water system costs by the owners of vacant land, which, of course, benefits from the existence of the water system." (12 CPUC2d at 80.)

In 1992, the Commission staff and representatives of several large water companies developed "Guidelines for Combining of Water Utility Districts for Rate-Making and Public Utilities Commission Reporting Purposes." The guidelines established four criteria for considering combining of districts, i.e., districts must be in close proximity; no more than 25% rate differences; similar water supply; similar management.

The guidelines added:

"It was agreed that no districts would be combined for the express purpose of having one district subsidize another. It was also agreed that there was no specific intent in developing a single statewide rate for any of the multi-district water companies. The intent of this combining of districts is to reduce the regulatory case load for both the Public Utilities Commission staff and the individual water

utilities without adverse effect on the utilities' customers." (Exhibit 15, Guidelines, at 2-3.)

Following these guidelines, Suburban Water Systems in 1993 was permitted to combine its separate Whittier and La Mirada districts into a single Whittier/La Mirada District after a showing that the districts met the four criteria. (Re Suburban Water Systems (1993) 47 CPUC2d 568.²) In 1996, Suburban was authorized to combine the Whittier/La Mirada District with the San Jose Hills District for ratemaking and Commission reporting purposes. The Commission found that the districts were adjacent to one another and shared sources of water supply. (Re Suburban Water Systems (1996) 66 CPUC2d 59, 67.) In the latter decision, the fixed monthly service charge of the San Jose Hills District was to be increased over a three-year period to reach the level of the Whittier/La Mirada District, but each of the two districts would continue to have its own water production cost balancing account and separate quantity rates. (66 CPUC2d at 67.)

In a 1995 general rate case for six of its districts, SCWC and the Commission staff filed a settlement agreement that, among other things, provided for the consolidation of the Claremont, San Dimas and San Gabriel districts for ratemaking purposes. That provision of the settlement was protested by Claremont and, after negotiations, was modified to retain the stand-alone revenue requirements for the three districts. (Re Southern California Water Company (1995) 63 CPUC2d 1, 4.)

² Digest only. The full decision is available at 1993 Cal. PUC LEXIS 6.

8. How Other States Have Dealt With Single Tariff Pricing

The evidence shows that single tariff pricing is generally accepted in eight states and accepted on a case-by-case basis in 14 other states. In Texas, where regional rates are characterized as preferred, the state commission provides a simplified procedure for merging the rates of acquired systems with the rates of the acquiring utility. While single tariff pricing usually is requested by a regulated utility, at least one commission (New York) has imposed its use.³ In Pennsylvania, single tariff pricing has evolved from its application on the basis of physical interconnection to its application on the basis of common ownership.⁴

The 14 commissions that consider single tariff pricing on a case-by-case basis have approved some applications and rejected or modified others. In many states, according to SCWC's witnesses, only some of the multi-system utilities under commission jurisdiction are implementing single tariff pricing.

In an early case involving the West Virginia American Water Company, the West Virginia Public Service Commission considered whether single tariff pricing was consistent with the commission's general regulatory obligations. It concluded:

1. The company's single tariff pricing proposal resulted in a just, reasonable, sufficient and nondiscriminatory rate for all the customers of the company.
2. Each customer will pay the same rate for a like service made under the same or substantially similar circumstances and conditions.
3. Approval of the company's proposal was in compliance with the commission's duty to regulate utilities in order to

³ See, e.g., Re South County Water Corporation, 1998 WL 140913 (N.Y.P.S.C.).

⁴ Policy Statement Re: Incentives for the Acquisition and Merger of Small, Nonviable Water and Waste Water Systems (1996) 168 PUR4th 45.

provide the availability of adequate, economical and reliable utility services.

4. Single tariff pricing strikes a reasonable balance in the interest of current and future water consumers, the general interest of the state's economy, and the interest of the utility. (West Virginia Water Company, Case No. 81-126-W-42A.)

In a 1986 order, the Pennsylvania Public Utility Commission approved single tariff pricing for Western Pennsylvania Water Company, stating as its reasons:

1. A larger rate and revenue base ameliorates the impact of major capital additions needed from time to time in every service area.
2. A larger revenue base promotes flexibility in timing and financing major capital additions.
3. The impact of instability resulting from changes in sales volumes is mitigated when the effect of such factors is spread over a larger economic base.
4. The reduction of the number of accounting units and the number of individual rate filings results in administrative efficiency with a potential to reduce costs to ratepayers.
(Western Pennsylvania Water Company (1986) PUC R-850096, et al., 74 PUR4th 103, 147-48.)

Ten years later, in a general proceeding on acquisition incentives, the Pennsylvania Commission stated its belief "that every system and every ratepayer in the Commonwealth will eventually be in need of specific service improvements and at that point, the true benefits of single tariff pricing will be realized by all citizens in the Commonwealth." (Re Incentives (1996) Docket M-00950686, 168 PUR4th 45.)

Commissions in New Hampshire and other states have struggled with whether physical interconnection among water systems should be a prerequisite for single tariff pricing. As they note, that is a common justification for single

tariffs in telephone, electricity and gas industries. In Pennichuck Water Works, Inc. (1998; New Hampshire PUC) Order No. 22,883, a staff economist argued that water systems should remain on a stand-alone basis in order to reflect the true cost of each system, and that subsidy of some customers by other customers was inappropriate. The New Hampshire Commission nevertheless approved single tariff pricing, although noting that its approval did not establish a generic policy for the water industry. The commission also found that consideration of affordability is appropriate, adding:

"While New Hampshire law is replete with references to the appropriate standard for establishing a utility's rate base and rate of return, there appears to be no specific guidance on the point of rate consolidation or single tariff pricing. Thus in the absence of any legal impediment to utilizing single tariff pricing, our decision essentially becomes one of policy that is bound only by our statutory constraints that rates be just and reasonable and that we act in the public interest.

"First, traditional cost of service regulation already includes some measure of rate averaging in that customers are not charged the true costs of serving them on an individual basis. Second, and perhaps more important, stand alone rates in this case produce results for some customers that are well beyond the zone of 'just and reasonable.'" (Pennichuck, supra, at 10-11.)

In a 1993 case, the Illinois-American Water Company argued that its system, while not physically interconnected, was operationally related, stating:

"All operation and maintenance and construction activities are performed on a uniform basis throughout the five districts....All five districts utilize similar facilities, such as pumping stations and purification plants, transmission and distribution mains, storage reservoirs, service lines and meters....All five districts utilize the same engineering and construction standards, maintenance programs, operating procedures, inspection programs, budgeting and accounting procedures, types of materials and supplies and

management structure.” (Re Illinois-American Water Company (1993, Illinois Commerce Commission) 141 PUR4th 40, 85.)

In that case, the Illinois Commission approved partial rate consolidation and ordered the water company to submit a proposal for company-wide single tariff pricing.

In a parallel proceeding, Indiana-American Water Company argued before the Indiana Utility Regulatory Commission that single tariff pricing is justified in part on grounds that the company’s districts are managed by a single corporate structure and financed through a common capital structure. Having previously rejected the company’s proposals for single tariff pricing, the Indiana commission approved the request in December 1997, stating:

“As we move to the 21st century, we will have to deal with significant environmental issues, the expansion and rebuilding of the existing water utility infrastructure, and the need to make adequate utility service available to Indiana citizens who now lack that service. A pricing system like STP [single tariff pricing], which is consistent with the way in which other utility services and nonutility services are priced, will better allow the Company and its customers to deal with these issues....

“There will always be customers who over a given period of time will be required to pay higher rates than would result if they were included in some smaller or different customer group. But this does not mean that undue discrimination exists so long as they are paying an equivalent price for an equivalent product. Moreover, we must not forget that all of the customers today are the beneficiaries of water facilities built in the past, and the cost of developing these facilities was borne in large part by earlier generations of customers...” (In re Indiana-American Water Co., Inc. (1997, Indiana Utility Regulatory Commission) Cause No. 40703, at 77, 81.)

Several state commissions have implemented partial forms of rate consolidation. The Missouri Public Service Commission, concerned about rate shock, ordered a utility to maintain existing rate differentials while equalizing

future rate increases. (In re Missouri Cities Water Co. (1990) 30 Mo. P.S.C. (N.S.) 363, 365.) The Commission later found, for another company, that single tariff pricing was in the public interest. (In re Missouri-American Water Co. (1995) 4 Mo. P.S.C.3d 205.)

9. Commission Analysis

Whether to permit single tariff pricing is a policy question. There are compelling arguments on both sides of the issue, and we have considered them carefully. We conclude – on the facts of this case only – that advantages of single tariff pricing in SCWC's Region III outweigh the disadvantages. Accordingly, we grant the application, subject to the conditions set forth in our order. A region-wide tariff will benefit existing and future customers by stabilizing rates, making rates more affordable in the smaller rate districts, and facilitating investment in water supply infrastructure and water treatment facilities.

At the same time, we share Branch's concern that region-wide rates may encourage "rate creep" and lessen accountability because stand-alone district costs may be masked by a regional rate. Our order today requires the company to continue to calculate revenue requirements on a stand-alone district basis, as it has always done, with the results subject to analysis and recommendations by our staff and by the communities served within the region. Additionally, we require our Water Division to monitor the impact of single tariff pricing and report to us in the next general rate case for SCWC's Region III with any recommendations for change in this pricing mechanism.

An overriding concern that favors single tariff pricing is the affordability of water in several of the small communities in Region III. We agree with the observation of the New Hampshire Public Utilities Commission in a similar proceeding that "stand alone rates in this case produce results for some customers that are well beyond the zone of 'just and reasonable.'" (Pennichuck,

supra, at 11.) The California Legislature requires this Commission to seek ways to keep water affordable for all ratepayers. Pub. Util. Code § 739.8(a) states:

"Access to an adequate supply of healthful water is a basic necessity of human life, and shall be made available to all residents of California at an affordable cost."

Pub. Util. Code § 701.10 states in part:

"The policy of the State of California is that rates and charges established by the commission for water service provided by water corporations shall do all of the following:"

* * *

"(b) Minimize the long-term cost of reliable water service to water customers."

* * *

"(e) Promote the long-term stabilization of rates in order to avoid steep increases in rates."

The evidence in this case shows that the cost of water will continue to increase over the next decade as aging infrastructure is replaced and new water quality requirements are met. Before it agreed to defer a new treatment plant in Calipatria-Niland, the company in its GRC application was forecasting average rates for the 1,200 customers in that district of \$139.49 per month in the year 2000, \$233.30 in 2001 and \$322 per month in the year 2002. For Wrightwood, the GRC application proposed a general rate increase of 48.6% over three years. Planned main replacement and facilities for removal of arsenic, radon and manganese are expected to cost more than \$20 million in Orange County and \$14 million in Barstow. (Exhibit 8, Attachment A.)

While many of these increased costs can be deferred (and in fact were deferred in the GRCs), it is clear that the costs must eventually be included in the utility's revenue requirement. Commenting on water treatment costs, a ratepayer in Morongo Valley stated that he would rather die slowly from arsenic

poisoning than starve to death because of high water rates. In fact, the law does not give him that choice. SCWC and other public water companies are required by the Federal Safe Drinking Water Act and the California Safe Drinking Water Act to minimize contaminants in water. The Commission, in partnership with the Department of Health Services, is required to enforce these standards.⁵ By General Order 103, we require that "[a]ny utility serving water for human consumption or for domestic uses shall provide water that is wholesome, potable, in no way harmful or dangerous to health and, insofar as practicable, free from objectionable odors, taste, color and turbidity."

Critics of regional rates argue that one water system should not subsidize another. In fact, subsidization (or, as a less pejorative label, cost averaging) is common in telephone, electricity and gas rates and is widely practiced in municipal water systems. Except when one rate is established for one customer, all ratemaking involves some degree of cost averaging. For many water systems, costs are averaged among customers within classes, without regard to variations in the cost of service associated with differences in elevation or different water sources and facilities. The question is whether the subsidization in question constitutes undue discrimination in violation of Pub. Util. Code §§ 451 and 453 which, respectively, prohibit unjust and unreasonable rates and undue discrimination among customers. We conclude that single tariff pricing for these eight districts if properly implemented does not create unreasonable rates, nor does it constitute undue discrimination.

Whether undue discrimination exists is a "question [] of fact to be determined by the Commission in the exercise of its administrative function...."

⁵ See Hartwell Corporation, et al. v. Superior Court of Ventura County (Ct. App., First App. Dist.) 1999 Cal. App. LEXIS 805.

(Cal. Portland Cement Co. v. Southern Pacific Co. (1939) 42 CRC 92, 117.) The record before us demonstrates that ratepayers in these eight districts already enjoy benefits of regional operation. Capital projects are financed at a company level, not district by district. Since 1995, the eight districts have shared such resources as engineering, facilities planning and water quality testing and control. Replacement of infrastructure and construction of new plant is subject to the same standards of timing, financing and quality control. The services delivered to customers, including the quality of water, are similar or identical in all eight districts. Under these circumstances, and given the relatively modest impact of single tariff pricing on any given ratepayer, it cannot be said that cost sharing is unreasonable. Similarly, there is no evidence to suggest that acknowledged disadvantages of regional pricing (incorrect price signals to consumers, effect on water conservation) are significant factors in the districts involved in this application.

Branch argues that approval of single tariff pricing in this case represents a significant change in policy from traditional cost-of-service ratemaking. Primarily for that reason, the Commission rejected a similar proposal for regional rates in 1983. (Re Southern California Water Company, supra.) However, in that decision, we were careful to note that a consolidation of the type proposed by the utility "may ultimately prove necessary" if alternative means of relief for ratepayers could not be found. (Id., 12 CPUC2d at 80.) Specifically, we urged exploration of a community service district that could spread costs to owners of vacant land and seek other revenue through taxing authority. No such relief has developed in the past 17 years, and SCWC's attempt last year to impose a fee on owners of vacant lots in the Desert District received no support from the community and ultimately was withdrawn. (Re SCWC Reservation Fee, D.99-03-010.)

By the same token, Branch's suggestion that SCWC sell its high-rate districts to others would be more compelling if there were the slightest evidence that some willing buyer existed. There is no evidence that suggests that costs of operating these systems (and, hence, the rates paid by customers) would be significantly less under another operator.

In the intervening years since the Commission first considered single tariff pricing, the cost of treating and supplying water has increased dramatically. In terms of capital investment per revenue dollar, the provision of water service is the most capital-intensive public utility service. (Exhibit 3, Attachment B.) Compliance with the Safe Drinking Water Act is a driving force behind these costs. Since 1988, the list of substances which water companies must measure and ameliorate if excessive has grown from 17 to a current total of 100, consisting of 83 primary maximum contaminant levels (MCLs) and 17 secondary MCLs. (Hartwell Corporation, supra, at 19.)

Finally, we believe that Branch's reliance on our Water Division's 1992 guidelines for combining water utility districts is misplaced. As the testimony at hearing showed, the guidelines were intended then, and continue today, to set criteria for single tariff pricing that, when met, establish prima facie reasonableness of the proposed consolidation. A number of rate consolidations have been approved pursuant to the guidelines without opposition by the Commission's advocacy staff. The guidelines, however, implicitly permit proposals for broader rate consolidations, with the understanding that such proposals are likely to be protested by the advocacy staff in order that a full record can be developed for Commission consideration. That is what has occurred in this case.

We believe that single tariff pricing in this instance treats all customers fairly. For example, Barstow, which now has the lowest rates in the region, faces

capital expenses in the near future that are second only to those of the much larger Orange County District. Cost averaging will level the sharp rate increases likely to occur there on a stand-alone basis, since capital costs will be spread over a customer base of 93,500 rather than Barstow's 8,500. In time, every district will be in need of new plant and infrastructure improvements, and the same leveling of rate impact will occur.

As part of its regional pricing request, SCWC seeks authority to combine the remaining balances in its Supply Expense Balancing Accounts Income Tax Memorandum Accounts and Catastrophic Event Memorandum Accounts for each district into two regional accounts. The combined accounts show a total overcollection of \$868,771, the bulk of it attributable to the San Gabriel District. SCWC proposes to refund to customers balances in excess of 10% and merge the remaining balances. This would result in a one-time \$56 credit to each San Gabriel customer, with the remaining balance of \$213,102 in overcollections, or 0.4% of annual revenues for the region. In the future, amortization of the combined account would occur when the balance exceeds 2%. However, the record before us is insufficient for us to judge whether distribution of past memorandum account monies outside of a district in which such monies were collected might constitute retroactive ratemaking. Accordingly, our order today authorizes SCWC to amortize, or "zero out," the current overcollection or undercollection in each memorandum account within the district where each such account exists. SCWC is authorized to establish the two regional accounts it proposes for collections and disbursements on a prospective basis.

Cost averaging may not by itself satisfy the Legislature's requirement to make available an adequate supply of healthful water at an affordable cost. (Pub. Util. Code § 701.10.) In response to ratepayer comments at the eight public participation hearings, we are directing SCWC to prepare a lifeline rate plan for

Region III to mitigate the effects of high rates on low-income families. We will require SCWC to submit such a plan to the Commission for our review within 90 days of the date of today's decision.

Although the issue was not raised by any party, we have considered sua sponte whether the application before us triggers requirements of the California Environmental Quality Act (CEQA), Pub. Resources Code §§ 21000-21176. We conclude that the company's proposal is not a "project" under CEQA in that it has no direct or reasonably foreseeable indirect environmental effects.

(Kaufman & Broad-South Bay, Inc. v. Morgan Hill Unified School District (1992) 9 Cal.App.4th 464.)

We also note that since this application was filed, a revenue requirement increase in four of these districts has been approved. This affects the disposition of this proceeding, because the public notice provided in this proceeding did not include that revenue requirement. It is a long-standing policy of this Commission's Water Division that rate increases will not be granted in excess of the amounts noticed to ratepayers. Consequently, SCWC will need to modify its phase-in plan to allow for the notice provided on March 18, 1999. That notice limits the increases over three years, on an average customer basis, to \$3.74 for Orange County and \$1.94 for San Gabriel. The revised schedules attached to this decision as Appendix A include the increased revenue requirements authorized in the company's four-district GRC, but limit the rate increases in Orange County and San Gabriel to those amounts noticed in this proceeding.

Our approval of this application does not establish a generic policy. Rather, we regard single tariff pricing in this instance as an acceptable regulatory tool that is not incompatible with traditional cost-of-service ratemaking. We will require the water company here to continue to calculate its revenue requirements separately for each of these eight districts, subject to the

same regulatory and community review that now occurs in general rate cases that involve multiple stand-alone districts. The utility shall file an analysis along with these district annual reports, identifying the benefits and costs of regionalized rates. When the next rate case for this region next occurs, we will expect our Water Division to analyze whether the use of cost averaging has as a practical matter produced the beneficial results promised in this application. We also ask the Water Division at that time to recommend changes, if any, in the manner in which single tariff pricing and memorandum accounts are calculated and maintained. Meanwhile, in the future, we will continue to consider proposals for cost averaging on a case-by-case basis, with the burden on proponents of such plans to show substantial benefits in the public interest.

In Resolution ALJ 176-3002, dated October 22, 1998, the Commission preliminarily categorized this proceeding as ratesetting, and preliminarily determined that hearings were necessary. In view of this, it is not necessary to alter the preliminary categorizations in Resolution ALJ 176-3002.

The application is granted, subject to the terms and conditions set forth below.

10. Comments on Proposed Decision

The proposed decision of the administrative law judge in this matter was mailed to the parties in accordance with Pub. Util. Code § 311(d) and Rule 77.2 of the Rules of Practice and Procedure. SCWC supports the proposed decision, with minor technical changes. Those changes have been made where warranted. Branch objects to the proposed decision, essentially rearguing the positions it took in its post-hearing briefs. Pursuant to Rule 77.3, comments rearguing positions taken in briefs are accorded no weight. Additional changes to the text of the decision have been made in consultation with the advisory staff of the Water Division.

11. Further Notice Requirement and Comments

Following initial circulation of the proposed decision, Assigned Commissioner Duque directed SCWC to provide notice of the proposed change in rates through bill inserts or direct mail to ratepayers in each of the eight districts. In each district, the notice was to briefly describe this proceeding and the General Rate Case, state the amount and percentage of the rate change proposed for that district if the proposed decisions in this case and the General Rate Case are adopted (including rate changes attributable to later attrition increases), and invite ratepayers to comment within 30 days to the Commission's Public Advisor. The text of the notice was approved in advance by the Public Advisor. The requirement for this additional notice to ratepayers in the eight districts was intended to provide further compliance with Pub. Util. Code § 454.

The notice of rate changes was mailed to all 93,500 ratepayers on or about February 23, 2000. Eleven ratepayers had written to the Public Advisor by the end of March, with all of them objecting to an increase in rates in their districts. Several of those commenting urged that the company explore tiered rates to benefit low-volume users. Meanwhile, Branch and SCWC filed comments dealing with the period of amortization of existing balancing accounts. In response, we have made minor revisions to the decision to make it clear that SCWC may use a one-year amortization period for the Claremont, San Dimas, San Gabriel, Orange County, Wrightwood and Calipatria-Niland districts, a two-year amortization period for the Barstow District, and a four-year amortization period for the Desert District. We grant Branch's motion to late file its comments and SCWC's motion to file its response.

Findings of Fact

1. SCWC seeks to implement single tariff pricing, phased in over three years, in its Region III districts serving Morongo Valley, Wrightwood, Apple Valley, San Dimas, Claremont, Calipatria-Niland, Orange County, San Gabriel and Barstow.

2. The application was timely protested by the Ratepayer Representation Branch of the Water Division.

3. Revenue requirements of the Region III districts would not change under this decision, except for the four districts approved today in the GRC decision, but rates to meet those requirements would be spread among the 93,500 accounts in Region III.

4. Under the proposal, cost sharing would result in a 25% reduction in rates in Morongo Valley and a 10% reduction in Calipatria-Niland, Wrightwood and Apple Valley, with rates frozen at the new levels for as long as three year and as many as 15 years (Wrightwood and Morongo Valley).

5. Under single tariff pricing, rates are expected to be somewhat greater in some years and somewhat less in other years in the districts of Claremont, San Dimas and Barstow.

6. Under single tariff pricing, rates in San Gabriel and Orange County could increase over the next 16 years by a projected annual average of about \$34 and \$41, respectively.

7. Our public notice requirements limit the increases over three years, on an average customer basis, to \$3.74 for Orange County and \$1.94 for San Gabriel.

8. Single tariff pricing is now generally accepted by commissions in eight states, and it has been accepted on a case-by-case basis in 14 other states.

9. California has never permitted single tariff pricing for non-contiguous water districts, but single tariff pricing is common within districts that have non-contiguous water systems.

10. Under the SCWC proposal, the company would continue to calculate Region III revenue requirements on a district-by-district basis. Only the manner of assessing rates to meet revenue requirements would change.

11. The eight districts involved are from 5 to 163 miles distant from each other; sources of water vary from ground water and wells to purchased water, and no district water system interconnects with the system of another district.

12. SCWC arranges financing on a company-wide basis, while staffing and resources are managed on a regional basis; each of the water districts in Region III share the costs of personnel based on the time employees devote to a particular district.

13. Barstow, Los Alamitos, Cypress City and Wrightwood oppose regional rates. Calipatria supports regional rates. Claremont and San Dimas take no position, although their consultant concluded that those two cities would either benefit from or be indifferent to regional rates.

14. The Commission has received several hundred letters from ratepayers, most of them representing high-rate districts and most of them favoring the regional rate plan.

15. Single tariff pricing was considered and rejected by the Commission in a 1983 case involving SCWC.

16. Water Division guidelines developed with the water industry in 1992 disfavor regional rates unless districts are in close proximity to each other, have rates with no more than 25% differences, have similar water supply, and have similar management.

17. The water industry is a rising cost industry because of the cost of infrastructure replacement, compliance with Safe Drinking Water Act requirements and expansion to serve increased population.

18. There is no evidence to suggest that acknowledged disadvantages of regional pricing (incorrect price signals to consumers, effect on water conservation) are significant factors in the districts involved in this application.

19. SCWC should refund the amounts in its existing balancing accounts in these eight districts to the customers of those districts.

Conclusions of Law

1. A region-wide tariff will benefit existing and future customers in SCWC's Region III by stabilizing rates, making rates more affordable in the smaller rate districts, and facilitating investment in water supply infrastructure and water treatment facilities.

2. The California Legislature requires the Commission to seek ways to keep water affordable for all ratepayers.

3. Single tariff pricing does not constitute undue discrimination on the facts of this application.

4. Single tariff pricing is a ratemaking tool not incompatible with traditional cost-of-service ratemaking.

5. Whether to permit single tariff pricing is a policy question, to be decided on a case-by-case basis.

6. The company's proposal is not a project subject to requirements of CEQA.

7. The application should be approved as modified in this order.

8. SCWC should be required to continue to calculate revenue requirements on a stand-alone district basis, with the results subject to analysis and recommendations by our staff and by the communities served in the region.

9. This order should be made effective immediately so that SCWC can implement single tariff pricing in its Region III expeditiously.

O R D E R

IT IS ORDERED that:

1. The application of the Southern California Water Company (SCWC) for authority pursuant to Pub. Util. Code § 454 to restructure the water rates of its Barstow, Calipatria-Niland, Claremont, Desert, Orange County, San Dimas, San Gabriel and Wrightwood Districts into region-wide tariffs, as modified by this order, is granted.

2. SCWC is authorized to amortize, or "zero out," the current overcollection or undercollection in each Supply Expense Balancing Account, Income Tax Memorandum Account and Catastrophic Event Memorandum Account in each district where such accounts exist. SCWC is authorized to establish the two regional accounts, as proposed in the application, for collections and disbursements on a prospective basis.

3. SCWC is directed to continue to calculate revenue requirements on a stand-alone district basis for its Region III, and, provide an analysis of the results annually, with copies of the district annual reports, with such results subject to analysis and recommendations by the Commission's Water Division and by communities served within the region.

4. SCWC is directed to prepare a lifeline rate plan for Region III and, within 90 days of the date of this decision, file an application to submit such plan to the Commission for review and approval.



5. The Commission's Water Division is directed to monitor the impact of single tariff pricing and report to the Commission in the next general rate case for SCWC's Region III with any recommendations for change in this -- pricing mechanism.

6. SCWC is authorized to file the revised schedules attached to this order as Appendix A. The filing shall comply with General Order (GO) 96-A. The effective date of the revised schedules shall be not earlier than five days after the filing. The revised schedules shall apply to service rendered on or after the effective date.

7. SCWC shall make all books and records available for review and inspection upon Commission staff request.

8. Application 98-09-040 is closed.

This order is effective today.

Dated June 22, 2000, at San Francisco, California.

HENRY M. DUQUE
JOSIAH L. NEEPER
CARL W. WOOD
Commissioners

President Loretta M. Lynch, being necessarily
absent, did not participate.

I will file a dissent.

/s/ RICHARD A. BILAS
Commissioner

APPENDIX A

(36 Pages)

Southern California Water Co.
Claremont Customer Service Area

Schedule No. CM-1

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

The City of Claremont, portions of Montclair, Pomona, Upland, and adjacent unincorporated territory in Los Angeles and San Bernardino Counties excluding that area described in Schedule CMC-1.

RATES

QUANTITY RATES:

For all water delivered, per 100 cu ft..... \$1.380 (R)

Service Charge:	Per Meter Per Month	
For 5/8 x 3/4-inch meter.....	\$ 13.05	(I)
For 3/4-inch meter.....	19.60	
For 1-inch meter.....	32.65	
For 1 1/2-inch meter.....	65.30	
For 2-inch meter.....	104.00	
For 3-inch meter.....	196.00	
For 4-inch meter.....	327.00	
For 6-inch meter.....	653.00	
For 8-inch meter.....	1,045.00	
For 10-inch meter.....	1,502.00	(I)

The Service Charge is a readiness-to-serve charge which is applicable to all metered service and to which is to be 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.

Southern California Water Co.
Claremont Customer Service Area

Schedule No.CMC-1

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

Within the area north of Thompson Creek and the Padua Hills service area, Los Angeles County.

RATES

QUANTITY RATES:

For all water delivered, per 100 cu ft..... \$1.480 (R)

Service Charge:		Per Meter Per Month	
For 5/8 x 3/4-inch meter.....		\$ 13.05	(I)
For 3/4-inch meter.....		19.60	
For 1-inch meter.....		32.65	
For 1 1/2-inch meter.....		65.30	
For 2-inch meter.....		104.00	
For 3-inch meter.....		196.00	
For 4-inch meter.....		327.00	
For 6-inch meter.....		653.00	
For 8-inch meter.....		1,045.00	
For 10-inch meter.....		1,502.00	(I)

The Service Charge is a readiness-to-serve charge which is applicable to all metered service and to which is to be 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.

Southern California Water Co.
Claremont Customer Service Area

Schedule No. CM-7ML

LIMITED METERED SERVICE

APPLICABILITY

Applicable to all metered water service to the City of Claremont.

TERRITORY

The City of Claremont, Los Angeles County.

RATES

QUANTITY RATES:

For all water delivered, per 100 cu ft.....	\$0.690	(R)
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Service Charge:	<u>Per Meter</u> <u>Per Month</u>	
For 5/8 x 3/4-inch meter.....	\$ 13.05	(I)
For 3/4-inch meter.....	19.60	
For 1-inch meter.....	32.65	
For 1 1/2-inch meter.....	65.30	
For 2-inch meter.....	104.00	
For 3-inch meter.....	196.00	
For 4-inch meter.....	327.00	
For 6-inch meter.....	653.00	
For 8-inch meter.....	1,045.00	
For 10-inch meter.....	1,502.00	(I)

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

SPECIAL CONDITIONS

1. Parkway irrigation service provided to the City of Claremont under this tariff is limited to between the hours of 7:00 p.m. and 6:00 a.m.
2. All bills are subject to the reimbursement fee set forth on Schedule No. UF.

Southern California Water Company
San Dimas Customer Service Area

Schedule No. SD-1

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all general metered water service.

TERRITORY

San Dimas, Charter Oak and vicinity, Los Angeles County.

RATES

2000

Quantity Rates:

For all water delivered, per 100 cu. ft.....	\$ 1.498	(I)
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Service Charge:

Per Meter
Per Month

For 5/8 X 3/4-inch meter	\$ 10.75	(I)
For 3/4-inch meter	16.10	
For 1-inch meter	26.80	
For 1-1/2-inch meter	53.65	
For 2-inch meter	85.80	
For 3-inch meter	160.40	
For 4-inch meter	268.25	
For 6-inch meter	536.00	
For 8-inch meter	856.85	
For 10-inch meter	1,233.00	(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.

Southern California Water Company
San Gabriel Valley CSA

Schedule No. SG-1

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all general metered water service.

TERRITORY

Portions of the Cities of Arcadia, El Monte, Irwindale, Monrovia, Monterey Park, Rosemead, San Gabriel, Temple City and vicinity, Los Angeles County.

RATES

2000

Quantity Rates:

For all water delivered, per 100 cu. ft.....	\$ 1.209	(l)
--	----------	-----

Service Charge:

Per Meter
Per Month

For 5/8 X 3/4-inch meter	\$ 12.05	(l)
For 3/4-inch meter	18.10	
For 1-inch meter	30.15	
For 1-1/2-inch meter	60.30	
For 2-inch meter	96.50	
For 3-inch meter	181.00	
For 4-inch meter	302.00	
For 6-inch meter	603.00	
For 8-inch meter	965.00	
For 10-inch meter	1,387.00	

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.

Southern California Water Company
Barstow Customer Service Area

Schedule No. BA-1

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all general metered water service.

TERRITORY

Barstow and vicinity, San Bernardino County.

RATES

2000

Quantity Rates:

For all water delivered, per 100 cu. ft.....	\$ 1.141	(I)
--	----------	-----

Service Charge:

Per Meter
Per Month

For 5/8 X 3/4-inch meter	\$ 31.05	(R)
For 3/4-inch meter	19.60	(R)
For 1-inch meter	32.65	(I)
For 1-1/2-inch meter	65.30	
For 2-inch meter	104.00	
For 3-inch meter	196.00	
For 4-inch meter	327.00	
For 6-inch meter	653.00	
For 8-inch meter	1,045.00	
For 10-inch meter	1,502.00	(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.

Southern California Water Company
Calipatria-Niland Customer Service Area

Schedule No. CN-1

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

City of Calipatria and community of Niland, and adjacent territory in Imperial County.

RATES

2000

Quantity Rates:

For all water delivered, per 100 cu. ft.....	\$ 1.109	(R)
--	----------	-----

Service Charge:

Per Meter
Per Month

For 5/8 X 3/4-inch meter	\$ 24.10	(R)
For 3/4-inch meter	42.65	
For 1-inch meter	52.10	
For 1-1/2-inch meter	70.10	
For 2-inch meter	94.05	
For 3-inch meter	126.00	
For 4-inch meter	282.00	
For 6-inch meter	480.00	
For 8-inch meter	639.00	(R)

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

1. All bills are subject to the reimbursement fee set forth on Schedule No. UF.

Southern California Water Company
Calipatria-Niland Customer Service Area

Schedule No. CN-2

GENERAL FLAT RATE SERVICE

APPLICABILITY

Applicable to all flat rate water service.

TERRITORY

City of Calipatria and community of Niland, and adjacent territory in Imperial County.

RATES

2000
Service Connection
Per Month

1. For a single unit of occupancy, with inside plumbing, served through a ¾ inch service connection.....	\$41.20	(R)
2. For each single unit of occupancy, with inside plumbing, served through a 1-inch service connection.....	\$52.10	
3. For each additional unit of occupancy, with inside plumbing, on the same premises, and served from the same service connection of 1 or 2 above.....	\$23.85	
4. For a single unit of occupancy, without inside plumbing, served through a ¾ inch service connection.....	\$21.85	(R)

SPECIAL CONDITIONS

1. The above flat rates apply to service connections not larger than one inch in diameter.
2. All service not covered by the above classifications shall be furnished only on a metered basis.
3. 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. CN-1, General Metered Service.
4. All bills are subject to the reimbursement fee set forth on Schedule No. UF.

Southern California Water Company
Morongo Valley Customer Service Area

Schedule No.DEM-1

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

Morongo Valley and vicinity, San Bernardino County.

RATES

2000

Quantity Rates:

For all water delivered, per 100 cu. ft.....	\$ 2.472	(R)
--	----------	-----

Service Charge:

Per Meter
Per Month

For 5/8 X 3/4-inch meter	\$ 22.30	(R)
For 3/4-inch meter	28.15	
For 1-inch meter	36.95	
For 1-1/2-inch meter	56.15	
For 2-inch meter	80.60	
For 3-inch meter	137.00	
For 4-inch meter	217.00	
For 6-inch meter	417.00	
For 8-inch meter	656.00	
For 10-inch meter	937.00	

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.

Southern California Water Company
Apple Valley Customer Service Area

Schedule No.DEV-1

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

The vicinity of Victorville and Lucerne, San Bernardino County.

RATES

2000

Quantity Rates:

For all water delivered, per 100 cu. ft.....	\$ 2.106	(R)
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Service Charge:

Per Meter
Per Month

For 5/8 X 3/4-inch meter	\$ 12.55	(R)
For 3/4-inch meter	19.15	
For 1-inch meter	24.05	
For 1-1/2-inch meter	29.40	
For 2-inch meter	43.40	
For 3-inch meter	79.80	
For 4-inch meter	128.00	
For 6-inch meter	218.00	
For 8-inch meter	343.00	
For 10-inch meter	490.00	

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.

Southern California Water Company
Wrightwood Customer Service Area

Schedule No. WW-1

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all general metered water service.

TERRITORY

Wrightwood and vicinity, San Bernardino and Los Angeles Counties.

RATES

2000

Quantity Rates:

For all water delivered, per 100 cu. ft.....	\$ 2.296	(R)
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Service Charge:

Per Meter
Per Month

For 5/8 X 3/4-inch meter	\$ 25.15	(R)
For 3/4-inch meter	27.80	
For 1-inch meter	37.25	
For 1-1/2-inch meter	50.90	
For 2-inch meter	68.15	
For 3-inch meter	127.00	
For 4-inch meter	185.00	(R)

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

1. A new applicant for service shall advance an amount equal to the service charge for a period of twelve months. This advance will be credited to applicant's account against which charges for water service will be debited until the advance is depleted. When no credit remains applicant will be billed at the monthly rate above. No refund will be made upon disconnection of service if less than twelve continuous months.
2. All bills are subject to the reimbursement fee set forth on Schedule No. UF.

Southern California Water Company
Wrightwood Customer Service Area

Schedule No. WW-2

GENERAL METERED SERVICEAPPLICABILITY

Applicable to all general metered water service.

TERRITORY

Wrightwood and vicinity, San Bernardino and Los Angeles Counties.

RATES2000Quantity Rates:

For all water delivered, per 100 cu. ft.....	\$ 2.296	(R)
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Service Charge:

Per Meter
Per Month

For 5/8 X 3/4-inch meter	\$ 25.15	(R)
For 3/4-inch meter	27.80	
For 1-inch meter	37.25	
For 1-1/2-inch meter	50.90	
For 2-inch meter	68.15	
For 3-inch meter	127.00	
For 4-inch meter	185.00	(R)

Fire Service Charge:

For each inch of diameter of service connection.....	\$5.00
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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

1. A new applicant for service shall advance an amount equal to the service charge for a period of twelve months. This advance will be credited to applicant's account against which charges for water service will be debited until the advance is depleted. When no credit remains applicant will be billed at the monthly rate above. No refund will be made upon disconnection of service if less than twelve continuous months.
2. The Service Charge will be based on the meter size which would have otherwise been required absent the fire service requirement.
3. For the purposes of fire protection under this schedule, the utility will supply only such water at such pressure as may be available from time to time as a result of its operation of the system. The customer shall indemnify the utility and hold it harmless against the utility for any loss or damage resulting from service under this schedule. Section 774 of the Public Utilities Code limits the liability of the utility resulting from a claim regarding adequacy of pressure of supply for fire protection service.
4. All bills are subject to the reimbursement fee set forth on Schedule No. UF.

Southern California Water Company
Orange County CSA

Schedule No. OC-1

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all general metered water service.

TERRITORY

Barstow and vicinity, San Bernardino County. Portions of the Cities of Arcadia, El Monte, Irwindale, Monrovia, Monterey Park, Rosemead, San Gabriel, Temple City and vicinity, Los Angeles County. All or portions of the Cities of Cypress, La Palma, Los Alamitos, Placentia, Seal Beach, Stanton, Yorba-Linda and vicinity, Cowan Heights, Peacock Hills, Orange County.

RATES

2000

Quantity Rates:

For all water delivered, per 100 cu. ft.....	\$ 1.286	(l)
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Service Charge:

Per Meter
Per Month

For 5/8 X 3/4-inch meter	\$ 10.60	(l)
For 3/4-inch meter	15.95	
For 1-inch meter	26.55	
For 1-1/2-inch meter	53.10	
For 2-inch meter	84.95	
For 3-inch meter	159.00	
For 4-inch meter	266.00	
For 6-inch meter	531.00	
For 8-inch meter	850.00	
For 10-inch meter	1,221.00	(l)

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.

Southern California Water Co.
Claremont Customer Service Area

Schedule No. CMH-3M

MEASURED IRRIGATION SERVICE

APPLICABILITY

Applicable to all measured irrigation service.

TERRITORY

Within the City of Claremont, in Los Angeles County, bounded on the east by the County Line, on the south by Bluefield Drive and its easterly extension, on the west by Bonnie Brea Avenue and its northerly extension, on the north by the westerly extension of 21st Street.

RATES

QUANTITY RATES:

For all water delivered, per 100 cu ft..... \$ 0.255 (R)

TURN-ON CHARGE:

For each turn-on..... \$ 3.00

SPECIAL CONDITIONS

1. Consumption shall be computed for billing in units of hundred cubic feet for all water delivered.
2. Service shall be rendered according to a schedule of delivery to be set up annually by the utility.
3. The utility does not represent or guarantee that any water delivered hereunder is potable or of a quality suitable for human consumption. Any customer who uses said water or makes it available to others for human consumption shall take all necessary precautions to make the same potable and shall assume all risks and liabilities in connection therewith.
4. The utility does not guarantee a continuous and uninterrupted supply under this schedule and reserves the right to temporarily suspend the delivery of water when it is necessary to take the whole or part of the system out of service for the purpose of cleaning, maintaining and repairing or other essential improvements thereon; or for domestic purpose.
5. Water delivered to customers will be made and measured at the utility's conduits, or as near thereto as practicable.
6. This service is limited to existing irrigation customers of record who irrigate all or a reasonable part of their acreage each and every year.
7. The utility is not required to provide service under this schedule for the watering of lawns, golf courses, parks, memorial parks or cemeteries.
8. All bills are subject to the reimbursement fee set forth on Schedule No. UF.

Southern California Water Co.
Claremont Customer Service Area

Schedule No. CMP-3M

METERED IRRIGATION SERVICE

APPLICABILITY

Limited to irrigation service provided to Seyfarth Nursery, Severin Garth (or 4153 Mt. Baldy Road) and Larry Sloan only.

TERRITORY

Padua Hills and vicinity, located approximately 3 miles northeast of Claremont, Los Angeles County.

RATES

QUANTITY RATES:

For all water delivered, per 100 cu ft..... \$0.426 (R)

Service Charge: \$129.00 (I)

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

SPECIAL CONDITIONS

1. Service under this schedule is for Commercial usage only and may be provided through more than one meter combined for monthly billing.
2. Residential service will be provided only through a separate meter and billed under Schedule No. CMC-1, General Metered Service.
3. All bills are subject to the reimbursement fee set forth on Schedule No. UF.

Southern California Water Company
San Dimas Customer Service Area

Schedule No. SD-3

MEASURED IRRIGATION SERVICE

APPLICABILITY

Applicable to all measured irrigation service.

TERRITORY

San Dimas, Charter Oak and vicinity, Los Angeles County.

RATES

2000

Quantity Rates:

For all water delivered, per 100 cu. ft..... \$ 0.632 (l)

SPECIAL CONDITIONS

1. The Miner's inch is defined as a rate of flow equal to one-fiftieth of a cubic foot per second, or 72 cubic feet.
2. The minimum rate of delivery under this schedule is ten miner's inches.
3. A twenty-four (24) hour advance notice may be required before water is turned on under this schedule.
4. The utility does not represent or guarantee that any water delivered hereunder is potable or of a quality suitable for human consumption. Any consumer who uses said water or makes it available to others for human consumption shall take all necessary precautions to make the same potable and shall assume all risks and liabilities in connection therewith.
5. The utility does not guarantee a continuous and uninterrupted supply under this schedule and reserves the right to temporarily suspend the delivery of water when it is necessary to take the whole or part of the system out of service for the purpose of cleaning, maintaining and repairing or other essential improvements thereon; or for domestic purposes.
6. Water deliveries to customers will be made and measured at the utilities conduits, or as near thereto as practicable.
7. This service is limited to existing irrigation customers who irrigate all or a reasonable part of their acreage each and every year.
8. The utility is not required to provide service under this schedule for the watering of lawns, golf courses parks, memorial parks or cemeteries.
9. Turn on and turn off service will only be provided during the hours of 8:00 a.m. to 5:00 p.m. Monday through Friday.
No Irrigation service will be provided on weekends or holidays.

Southern California Water Company
Morongo Valley Customer Service Area

Schedule No. DEM-2H

HAULAGE FLAT RATE SERVICE

APPLICABILITY

Applicable to all water delivered from Company designated outlets for haulage by customers for domestic use.

TERRITORY

Morongo Valley and vicinity, San Bernardino County.

RATES

2000

Per Month

For water delivered for
domestic use only and when
hailed by the customer.....

\$ 25.00 (I)

SPECIAL CONDITIONS:

1. Each customer desiring to obtain water under this schedule must make an application for service to the utility.
2. Service under this schedule will be furnished only from Company designated outlets specified for haulage service consisting of ¾-inch hose bib with garden hose fitting located in Morongo Valley as follows:

Southwest corner of Sinilis Avenue and Juniper Avenue

3. All bills are subject to the reimbursement fee set forth on Schedule No. UF.

Southern California Water Company
Orange County District

Schedule No. OC-3M

METERED IRRIGATION SERVICE

APPLICABILITY

Applicable to irrigation service furnished on a metered basis to territory in this schedule.

TERRITORY

The incorporated City of Placentia.

RATES

2000

Quantity Rates:

For all water delivered, per 100 cu. ft.....	\$ 1.106	(I)
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Service Charge:

Per Meter
Per Year

For 2-inch meter	\$ 176.55	(I)
For 3-inch meter	209.30	
For 4-inch meter	472.90	
For 6-inch meter	664.75	
For 8-inch meter	1,107.90	(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.

Southern California Water Co.
Claremont Customer Service Area

Schedule CM-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.

SCHEDULE NO. CM-1

Service Charges:	<u>2001</u>	<u>2002</u>
For 5/8 x 3/4-inch meter.....	\$ 0.70	\$ 0.40
For 3/4-inch meter.....	1.00	0.60
For 1-inch meter.....	1.70	1.00
For 1 1/2-inch meter.....	3.35	2.00
For 2-inch meter.....	6.00	3.00
For 3-inch meter.....	10.00	6.00
For 4-inch meter.....	16.00	10.00
For 6-inch meter.....	34.00	20.00
For 8-inch meter.....	53.00	32.00
For 10-inch meter.....	77.00	46.00

Quantity Rates:

For all water delivered, per 100 cu. ft.....	0.000	0.000
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Southern California Water Co.
Claremont Customer Service Area

Schedule CMC-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.

SCHEDULE NO. CMC-1

Service Charges:	<u>2001</u>	<u>2002</u>
For 5/8 x 3/4-inch meter.....	\$ 0.70	\$ 0.40
For 3/4-inch meter.....	1.00	0.60
For 1-inch meter.....	1.70	1.00
For 1 1/2-inch meter.....	3.35	2.00
For 2-inch meter.....	6.00	3.00
For 3-inch meter.....	10.00	6.00
For 4-inch meter.....	16.00	10.00
For 6-inch meter.....	34.00	20.00
For 8-inch meter.....	53.00	32.00
For 10-inch meter.....	77.00	46.00

Quantity Rates:

For all water delivered, per 100 cu. ft.....	0.000	0.000
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Southern California Water Co.
Claremont Customer Service Area

Schedule CM-7ML

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.

SCHEDULE NO. CM-7ML

Service Charges:	<u>2001</u>	<u>2002</u>
For 5/8 x 3/4-inch meter.....	\$ 0.70	\$ 0.40
For 3/4-inch meter.....	1.00	0.60
For 1-inch meter.....	1.70	1.00
For 1 1/2-inch meter.....	3.35	2.00
For 2-inch meter.....	6.00	3.00
For 3-inch meter.....	10.00	6.00
For 4-inch meter.....	16.00	10.00
For 6-inch meter.....	34.00	20.00
For 8-inch meter.....	53.00	32.00
For 10-inch meter.....	77.00	46.00
Quantity Rates:		
For all water delivered, per 100 cu. ft.....	0.000	0.000

Southern California Water Co.
San Dimas Customer Service Area

Schedule SD-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.

SCHEDULE NO. SD-1

Service Charges:	<u>2001</u>	<u>2002</u>
For 5/8 x 3/4-inch meter.....	\$ 0.30	\$ 0.00
For 3/4-inch meter.....	0.45	0.00
For 1-inch meter.....	0.80	0.00
For 1 1/2-inch meter.....	1.50	0.00
For 2-inch meter.....	2.40	0.00
For 3-inch meter.....	5.00	0.00
For 4-inch meter.....	7.00	0.00
For 6-inch meter.....	15.00	0.00
For 8-inch meter.....	24.00	0.00
For 10-inch meter.....	35.00	0.00

Quantity Rates:

For all water delivered, per 100 cu. ft.....	0.032	0.000
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San Gabriel Valley CSA
Region 3

Schedule SG-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.

SCHEDULE NO. R3-1

Service Charges:	<u>2001</u>	<u>2002</u>
For 5/8 x 3/4-inch meter.....	\$ 0.30	\$ 0.00
For 3/4-inch meter.....	0.45	0.00
For 1-inch meter.....	0.80	0.00
For 1 1/2-inch meter.....	1.55	0.00
For 2-inch meter.....	2.45	0.00
For 3-inch meter.....	5.00	0.00
For 4-inch meter.....	7.00	0.00
For 6-inch meter.....	16.00	0.00
For 8-inch meter.....	25.00	0.00
For 10-inch meter.....	36.00	0.00
Quantity Rates:		
For all water delivered, per 100 cu. ft.....	0.039	0.000

Southern California Water Co.
Barstow Customer Service Area

Schedule BA-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.

SCHEDULE NO. BA-1

Service Charges:	<u>2001</u>	<u>2002</u>
For 5/8 x 3/4-inch meter.....	\$ 0.70	\$ 0.40
For 3/4-inch meter.....	1.00	0.60
For 1-inch meter.....	1.70	1.00
For 1 1/2-inch meter.....	3.35	2.00
For 2-inch meter.....	6.00	3.00
For 3-inch meter.....	10.00	6.00
For 4-inch meter.....	16.00	10.00
For 6-inch meter.....	34.00	20.00
For 8-inch meter.....	53.00	32.00
For 10-inch meter.....	77.00	46.00

Quantity Rates:

For all water delivered, per 100 cu. ft.....	0.085	0.063
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Southern California Water Co.
Calipatria-Niland Customer Service Area

Schedule CN-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.

SCHEDULE NO. CN-1

Service Charges:	<u>2001</u>	<u>2002</u>
For 5/8 x 3/4-inch meter.....	\$ 0.00	\$ 0.00
For 3/4-inch meter.....	0.00	0.00
For 1-inch meter.....	0.00	0.00
For 1 1/2-inch meter.....	0.00	0.00
For 2-inch meter.....	0.00	0.00
For 3-inch meter.....	0.00	0.00
For 4-inch meter.....	0.00	0.00
For 6-inch meter.....	0.00	0.00
For 8-inch meter.....	0.00	0.00
Quantity Rates:		
For all water delivered, per 100 cu. ft.....	0.000	0.000

Southern California Water Co.
Calipatria-Niland Customer Service Area

Schedule CN-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.

SCHEDULE NO. R3-1

	<u>2001</u>	<u>2002</u>
1. For a single unit of occupancy, with inside plumbing, served through a ¾ inch service connection	\$ 0.00	\$ 0.00
2. For a single unit of occupancy, with inside plumbing, served through a 1 inch service connection	\$ 0.00	\$ 0.00
3. For each additional unit of occupancy, with inside plumbing, on the same premises, and served from the same service connection of 1 or 2 above	\$ 0.00	\$ 0.00
4. For a single unit of occupancy, without inside plumbing, served through a ¾ inch service connection	\$ 0.00	\$ 0.00

Southern California Water Co.
Morongo Valley Customer Service Area

Schedule DEM-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.

SCHEDULE NO. DEM-1

Service Charges:	<u>2001</u>	<u>2002</u>
For 5/8 x 3/4-inch meter.....	\$ 0.00	\$ 0.00
For 3/4-inch meter.....	0.00	0.00
For 1-inch meter.....	0.00	0.00
For 1 1/2-inch meter.....	0.00	0.00
For 2-inch meter.....	0.00	0.00
For 3-inch meter.....	0.00	0.00
For 4-inch meter.....	0.00	0.00
For 6-inch meter.....	0.00	0.00
For 8-inch meter.....	0.00	0.00
Quantity Rates:		
For all water delivered, per 100 cu. ft.....	0.000	0.000

Southern California Water Co.
Apple Valley Customer Service Area

Schedule DEV-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.

SCHEDULE NO. DEV-1

Service Charges:	<u>2001</u>	<u>2002</u>
For 5/8 x 3/4-inch meter.....	\$ 0.00	\$ 0.00
For 3/4-inch meter.....	0.00	0.00
For 1-inch meter.....	0.00	0.00
For 1 1/2-inch meter.....	0.00	0.00
For 2-inch meter.....	0.00	0.00
For 3-inch meter.....	0.00	0.00
For 4-inch meter.....	0.00	0.00
For 6-inch meter.....	0.00	0.00
For 8-inch meter.....	0.00	0.00

Quantity Rates:

For all water delivered, per 100 cu. ft.....	0.000	0.000
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Southern California Water Co.
Wrightwood Customer Service Area

Schedule WW-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.

SCHEDULE NO. WW-1

Service Charges:	<u>2001</u>	<u>2002</u>
For 5/8 x 3/4-inch meter.....	\$ 0.00	\$ 0.00
For 3/4-inch meter.....	0.00	0.00
For 1-inch meter.....	0.00	0.00
For 1 1/2-inch meter.....	0.00	0.00
For 2-inch meter.....	0.00	0.00
For 3-inch meter.....	0.00	0.00
For 4-inch meter.....	0.00	0.00
Quantity Rates:		
For all water delivered, per 100 cu. ft.....	0.000	0.000

Southern California Water Co.
Wrightwood Customer Service Area

Schedule WW-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.

SCHEDULE NO. WW-2

Service Charges:	<u>2001</u>	<u>2002</u>
For 5/8 x 3/4-inch meter.....	\$ 0.00	\$ 0.00
For 3/4-inch meter.....	0.00	0.00
For 1-inch meter.....	0.00	0.00
For 1 1/2-inch meter.....	0.00	0.00
For 2-inch meter.....	0.00	0.00
For 3-inch meter.....	0.00	0.00
For 4-inch meter.....	0.00	0.00
Quantity Rates:		
For all water delivered, per 100 cu. ft.....	0.000	0.000

Southern California Water Co.
Orange County CSA

Schedule OC-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.

SCHEDULE NO. OC-1

Service Charges:	<u>2001</u>	<u>2002</u>
For 5/8 x 3/4-inch meter.....	\$ 0.20	0.00
For 3/4-inch meter.....	0.30	0.00
For 1-inch meter.....	0.50	0.00
For 1 1/2-inch meter.....	1.00	0.00
For 2-inch meter.....	1.60	0.00
For 3-inch meter.....	3.00	0.00
For 4-inch meter.....	5.00	0.00
For 6-inch meter.....	10.00	0.00
For 8-inch meter.....	16.00	0.00
For 10-inch meter.....	23.00	0.00

Quantity Rates:

For all water delivered, per 100 cu. ft.....	0.031	0.000
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Southern California Water Co.
Claremont Customer Service Area

Schedule CMH-3M

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.

SCHEDULE NO. CMH-3M

	<u>2001</u>	<u>2002</u>
Quantity Rates:		
For all water delivered, per 100 cu. ft.....	0.003	0.004

Southern California Water Co.
Claremont Customer Service Area

Schedule CMP-3M

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.

SCHEDULE NO. CMP-3M

Service Charges:	<u>2001</u>	<u>2002</u>
For 5/8 x 3/4-inch meter.....	\$ 3.00	\$ 2.00
For 3/4-inch meter.....	3.00	2.00
For 1-inch meter.....	3.00	2.00
For 1 1/2-inch meter.....	3.00	2.00
For 2-inch meter.....	3.00	2.00
For 3-inch meter.....	3.00	2.00
For 4-inch meter.....	3.00	2.00
For 6-inch meter.....	3.00	2.00
For 8-inch meter.....	3.00	2.00
For 10-inch meter.....	3.00	2.00

Quantity Rates:

For all water delivered, per 100 cu. ft.....	0.005	0.006
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Southern California Water Co.
San Dimas Customer Service Area

Schedule SD-3

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.

SCHEDULE NO. SD-3

Quantity Rates:	<u>2001</u>	<u>2002</u>
For all water delivered, per 100 cu. ft.....	0.014	0.004

Southern California Water Co.
Morongo Valley Customer Service Area

Schedule DEM-2H

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.

SCHEDULE NO. DEM-2H

	<u>2001</u>	<u>2002</u>
Rate per Meter:.....	\$ 1.00	\$ 0.20

Southern California Water Co.
Orange County District

Schedule OC-3M

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.

SCHEDULE NO. OC-3M

Service Charges:		<u>2001</u>	<u>2002</u>
For	2-inch meter.....	\$ 8.00	\$ 1.45
For	3-inch meter.....	9.00	1.70
For	4-inch meter.....	21.00	4.10
For	6-inch meter.....	28.00	5.25
For	8-inch meter.....	48.00	9.10

Quantity Rates:

For all water delivered, per 100 cu. ft.....	0.032	0.012
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(END OF APPENDIX A)

Dissent of Commissioner Richard A. Bilas:

This decision approves single tariff pricing for eight water districts that comprise Southern California Water Company's (SCWC's) Region III, located in Southern California. These water systems are not contiguous and none are physically interconnected. All districts have diverse water sources. Under this pricing mechanism current district rates will be equalized. Numerous customers will subsidize or pay a portion of the cost-of-services provided to customers residing in more sparsely populated districts where some of the current rates are high. I cannot support this rate subsidization because I believe that the decision provides insufficient evidence to justify departing from cost-based rates at this time. I find that this pricing mechanism imposes substantial risks on certain customers with no opportunity for those customers to see a reward.

It is true that the water industry is a rising cost industry. But the solution provided here does not attempt to reduce the costs of complying with new water quality regulations or replacing aging infrastructure. SCWC has made it clear that if this proposal is adopted there will be no reduction in costs. Instead, this solution simply shifts those costs to other customers.

The primary arguments in support of this proposal are rate stability and affordability. But in this case, affordability for a few is provided at a significant cost to many. This average pricing method requires that all customers in SCWC's larger, lower-cost districts subsidize all customers in the smaller, high-costs districts. Indeed, poorer customers in lower cost districts will subsidize wealthier customers in high cost districts. I find this economically inefficient and highly discriminatory.

In addition, this pricing mechanism will reduce efficiency. Consumption would be encouraged in the more expensive districts, and conservation would be undermined exactly where it is needed most. There may be customers from whom we would like to see consumption increase, but a lifeline rate would achieve a similar result for those customers without eliminating the necessary price signals for all other customers.

SCWC's application and its presentation appear driven in part by the dilemma of the impoverished people in the districts of Calipatria-Niland and Desert. No doubt many, perhaps most of the customers in those districts need relief from

high water rates so that they can continue to consume water in an amount adequate to insure their well being. However, that does not mean that all customers in those districts require relief from existing or projected rates or that the low-income ratepayers of subsidizing districts should be disregarded because their current rates are comparatively low.

If SCWC's application were confined to providing assistance to the poor people of Calipatria-Niland, the Desert and other districts, then I would enthusiastically support it. The one aspect of the decision that I support is the requirement that SCWC file an application for a lifeline rate. However, I am concerned that if this Commission adopts a surcharge to fund lifeline rates, combined with the single-tariff pricing subsidy adopted in this decision, may create a new affordability problem for many customers.

In theory, this pricing mechanism is supposed to provide each district with its "turn" at being subsidized. For example, under current rates, customers from Orange district will be overcharged to subsidize customers in the Desert districts, and one day in the future customers from the Desert Valley districts will be overcharged to subsidize customers from Orange. However, in the chart located at pages 8-9 of the PD, SCWC projects a comparison of regional rates and stand-alone district rates during the 17 year period beginning in 1999 and ending in 2015. With regional rates, the 52,000 customers residing in the districts of Orange (40,000 customers) and San Gabriel (12,000 customers) will pay each and every year more than the cost of their district-based water service to support the cost-of-service of customers in other districts. The 6700 customers of the Desert (3000 customers), Wrightwood (2500 customers) and Calipatria-Niland (1200 customers) Districts will financially benefit each of the 17 years by paying less than their district's cost of water service. I find it difficult to see how a small district in an arid region with significant water quality problems will ever be in a position to subsidize another district. It is far more likely that Orange or a similar district will continue to subsidize the smaller districts into perpetuity.

In summary, it is clear to me that this decision does not strike an appropriate balance between the interests of SCWC and the majority of its ratepayers. SCWC will benefit, as the rate stabilization will allow it to better earn its rate of return. SCWC will also benefit by gaining an advantage over other utilities in its ability to acquire other systems and protection against competition or the attempts of other purveyors to acquire its system. But the majority of Southern California

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D.00-06-075

Water Company's ratepayers will not benefit. The proposal will produce no economies of scale, no management, administrative, financing or operational efficiencies. There will be no affect on the cost or the manner of running the systems. Subsidizing ratepayers will get no benefit.

A handwritten signature in cursive script, reading "Richard A. Bilas".

RICHARD A. BILAS
Commissioner

San Francisco, California
June 22, 2000