

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

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RESOLUTION NO. W-3341

EVALUATION & COMPLIANCE DIVISION  
BRANCH/SECTION: Water Utilities  
DATE: October 16, 1986

RESOLUTION

WATER WEST CORPORATION, OAK HILLS DIVISION (WWC). ORDER AUTHORIZING A GENERAL RATE INCREASE PRODUCING \$36,240 OR 30.1% ADDITIONAL ANNUAL REVENUE IN 1986, \$2,500 OR 1.6% IN 1987, \$1,550 OR 1.0% IN 1988, AND AN INCREASE OF \$2,260 PER YEAR OR 1.9% IN 1986, 1.4% IN 1987, AND 1.4% IN 1988 TO AMORTIZE OVER A THREE-YEAR PERIOD THE PURCHASED POWER BALANCING ACCOUNT.

WWC, by draft advice letter received by the Water Utilities Branch (Branch) on February 11, 1986 requested authority under Section VI of General Order 96-A and Section 454 of the Public Utilities Code to increase rates for water service in its Oak Hills Division. The increases requested are \$45,100 or 36% for 1986, \$6,100 or 3.6% for 1987, and \$6,200 or 3.5% for 1988. WWC estimated that the proposed rates would produce a rate of return on rate base of 12.18% for 1986, 1987 and 1988. WWC serves approximately 554 metered customers in Oak Hills Subdivision and vicinity, east of Castroville, Monterey County.

The present rates have been in effect since August 7, 1985 pursuant to Resolution No. W-3268, which authorized an increase in rates to offset the effects of increased purchased power expenses. The last general rate increase was authorized by Resolution No. W-3124, dated October 19, 1983.

WWC originally filed on November 2, 1985 a Notice of Intention (NOI) to increase rates by a general rate increase application. In its NOI, WWC requested rate increases in 1986, 1987, and 1988 amounting to a 14.5% rate of return on rate base for each year. Subsequent to discussion with the Branch and based upon WWC's acceptance of the rate of return recommendation of 12.18% by the Financial and Accounting Branch (F&A) of Evaluation and Compliance Division (ECD), WWC agreed to process its rate increase request through the advice letter procedure rather than by application.

The Branch made an independent analysis of WWC's summary of earnings. Appendices A-1, A-2, and A-3 show comparisons of WWC's and the Branch's summary of earnings at present, requested and adopted rates for 1986, 1987, and 1988.

The differences between WWC's and the Branch's summary of earnings are in revenues, operating expenses and rate base. The quantities used to develop the Branch's recommendations and the adopted income tax calculations are shown in Appendix D.

WWC's estimate of operating revenues for 1986 at present rates is overstated by \$4,530 because WWC did not exclude the \$0.04 per Ccf (1 Ccf = one-hundred cubic feet) surcharge previously authorized for amortization of an undercollection in its purchased power balancing account.

The Branch's estimated operating expenses differ from WWC's in the areas of purchased power, materials, contract work, employee labor, office salaries, management expense, insurance, accounting and legal, general expense, office supplies, uncollectibles, vehicle expense, depreciation, property taxes, other taxes, and income taxes.

The Branch's purchased power estimates are lower than WWC's for each year because the Branch used the latest March 1986 energy rates which are lower and because the Branch's estimates of energy to be used are lower. For its estimates the Branch used the the average of the recorded kilowatt hours consumed per Ccf of water pumped for the years 1981 through 1985 adjusted for a planned improvement in pumping efficiency. The Branch noted that Well No. 1, which contributes over 90% of WWC's total water production, should have its efficiency improved to 60% from 49% as a result of a well rehabilitation project during 1986. WWC's estimates did not consider the increased efficiency.

The Branch's estimates of materials expenses are lower than WWC's. WWC's estimates of material expenses were based on an average of 1984 and 1985 recorded amounts escalated to 1986, 1987 and 1988 levels. The Branch noted that materials expenses were abnormally high in 1984 and 1985 compared to earlier years and therefore used the average of the last four years adjusted to 1985 dollars and escalated to 1986, 1987 and 1988 levels. All the Branch's escalation factors for this and other accounts were those recommended by the Research Branch of ECD.

The Branch's estimates of contract work are lower than WWC's. WWC's estimates are considerably higher than the recorded expenses in each of the last four years, with the exception of 1985. In 1985, more than half the recorded contract work expense was due to extraordinary repairs to the two main boosters at the Well No. 1 storage tank. The Branch notes that such repairs, while likely to occur again in the future, should be amortized to reflect the fact that they are unusual and do not occur annually. The Branch's estimate, therefore, used an average of the last four years' inflation adjusted expenses escalated to 1986, 1987 and 1988 levels with an adjustment to reflect amortization of the extraordinary repair amount over three years.

The Branch's and WWC's estimates of employee labor, office salaries, and management expenses are the same for 1986. Branch's estimates, however, are lower than WWC's estimates for 1987 and 1988. The Branch accepted WWC's estimates for 1986 because they were very close to independent estimates done by the Branch using adjusted recorded data. The escalation factors used by WWC to derive 1987 and 1988 estimates, however, were higher than those recommended by the Research Branch of ECD.

The Branch's insurance estimates for the test years are lower than WWC's. WWC's insurance estimates for all three years were based on speculative premium increases which were not supported in its workpapers and did not show any relationship to recorded costs. The Branch believes that WWC has already received the abnormal increase currently experienced by most water companies because premium quotations for 1985-1986 reflect a 34% increase over the previous year. The Branch, therefore, based its estimate on these latest figures with appropriate escalations for later years.

The Branch's estimated accounting and legal expenses are considerably lower than WWC's because WWC included in its estimates \$5,000 per year in formal rate case expenses. Since WWC has now opted for a rate increase by the advice letter procedure rather than by formal application, the Branch excluded this entire amount (\$15,000 amortized over three years, or \$5,000). The Branch made allowance for normal accounting and legal expenses which were estimated using past recorded data.

The Branch's estimates of general expenses are lower than WWC's. This is mainly due to differences in estimates of regulatory commission expense and employee benefits. The Branch's estimate of regulatory expense was based upon recorded costs for preparation of the advice letter. WWC's estimate was not supported by workpapers. The employee benefit estimates were based on the Branch's and WWC's respective payroll estimates.

The Branch's estimates of office supplies expenses are lower than WWC's, primarily due to differences in estimates of office machine expenses. WWC included in its estimates continuing expenses for leasing of office machines. The Branch's estimates were based on the fact that the lease for the present machines, which are in excellent shape, has expired and WWC now has the option to purchase each machine for \$1 each.

The Branch's estimates of uncollectibles are lower than WWC's. WWC used lump sum uncollectible amounts, while the Branch's estimates were based on a percentage of revenues to recognize that uncollectibles vary with revenues.

The Branch's vehicle expenses are lower than WWC's. The Branch's audit of repair invoices revealed that recorded vehicle expenses for the period 1982 through 1985 included approximately \$4,800 for the maintenance of two privately owned Mercedes Benz vehicles not used in WWC's operations. While WWC did not base its estimates specifically on recorded costs, the flat amounts it assumed for maintenance appeared to include some consideration of those costs. Because WWC initiated the leases on two of its three vehicles in 1984, the Branch based its estimate on a 1984-1985 average adjusted for maintenance of the two private vehicles, and escalated to 1986, 1987 and 1988 by appropriate factors.

The Branch's estimates of depreciation expenses are slightly higher than WWC's estimates for test years 1986 and 1987 and lower than WWC's for test year 1988. The Branch's 1986 and 1987 depreciation estimates are slightly higher because of differences in utility plant and contributed plant estimates. The Branch's 1988 depreciation estimate is lower because the Branch excluded the rehabilitation of Well No. 2, as explained in the section on rate base.

The Branch's estimates of property taxes for the test years are lower than WWC's because the Branch's estimates were based upon the latest property tax billings for fiscal 1965-1966 from Monterey County, with adjustment for the plant additions expected in test years 1966, 1967, and 1968.

The Branch's estimates of other taxes (franchise and payroll taxes) are lower than WWC's. The Branch's estimates of other taxes are based upon lower estimates of revenues on which franchise tax is based and lower adjusted estimates of operating labor subject to payroll taxes. In addition, the Branch included the latest social security tax rates.

The Branch's estimates of income taxes for the test years differ from WWC's because the Branch has different estimates of revenues and expenses.

The Branch's estimates of rate base are lower than WWC's because of differences in estimates for utility plant in service, depreciation reserve, advances for construction, and working cash allowance.

The Branch's estimate for average 1966 utility plant is slightly higher than WWC's estimate because the Branch included \$5,152 of plant improvements in the 1966 estimate while WWC included the same improvements in the 1967 estimate. The work was actually accomplished in 1966. Both the Branch and WWC included \$15,000 for the renovation of Well No. 1 mentioned under purchased power expense above. The Branch's estimates for 1967 and 1968 utility plant are lower than WWC's. WWC's 1967 utility plant is overstated by \$4,400 due to double counting of plant additions. This double counting error also affects the utility's 1968 plant. WWC included in its 1968 estimate \$15,000 for renovation of Well No. 2. The Branch excluded the renovation of this well because the efficiency of the well is 54%, which is fair for its size. It would be uneconomical to attempt to increase this efficiency when the well produces only 8.7% of WWC's water.

The Branch's estimates of depreciation reserve are higher than WWC's because the Branch used later recorded data. The recorded 1965 end-of-year depreciation reserve was about \$7,000 higher than WWC estimated.

The Branch's estimates of advances are lower than WWC's because the Branch used later recorded data. The recorded 1965 end-of-year advance account was about \$4,000 lower than WWC estimated.

The Branch's estimates of working cash are lower than WWC's due to the Branch's lower estimates for operating expenses.

WWC's estimate of rate base for 1966 erroneously included \$3,850 for construction-work-in-progress for plant that was already completed and in utility plant.

WWC was informed of the differences in revenues, operating expenses and rate base and has accepted the Branch's estimates.

As previously discussed, WWC has accepted the rate of return recommendation of 12.18% on rate base for each test year recommended by R&A of ECD.

Notice of the proposed increases was mailed to each customer on February 25, 1986. Only one protest letter was received from WWC's customer notice, and that customer was concerned with the percentage rate of increase far outstripping the rate of inflation. The Branch has written this customer explaining its recommendations on the requested increase.

The Branch's field investigation of March 24-25, 1986 revealed no outstanding service problems. Water pressures measured were in compliance with the Commission's General Order 103 (Rules Governing Water Service), and WWC's water quality is in compliance with Department of Health Services requirements. There are no Commission orders requiring system improvement, nor are there significant service problems requiring corrective action. This system has ample water supply, therefore a water conservation program is not needed.

WWC maintains a purchased power balancing account. In Advice Letter No. 77 WWC requested a three-year amortization of the accumulated undercollection in its purchased power balancing account. The Commission by Resolution No. W-3230, effective February 21, 1985 approved amortization over five years rather than three, resulting in a \$0.04 per Ccf surcharge on all water consumed. WWC is requesting that the Commission now modify the surcharge to zero out the undercollection by early 1989. This would facilitate the balancing account review process by making the break-even date coincide with the probable first test year for the next rate case (1989). The Branch has reviewed WWC's balancing account calculations and believes that WWC's request is reasonable. The increased costs of amortization when added to the Branch's recommended revenue increases for the test years result in overall revenue increases which are still lower than the increases WWC cited in its notice to customers. The additional amortization would amount to \$0.02 per Ccf for a total surcharge of \$0.06 per Ccf.

The present metered rate schedule consists of a service charge with a lifeline block of 300 cubic feet and a second block for consumption over 300 cubic feet. WWC's rates were converted from minimum rates to service charge type rates in its last general rate case in 1983. By D.86-05-064 the Commission adopted a new policy effective May 28, 1986 calling for recovery of up to 50% of a water company's fixed expenses through service charges. The new policy also calls for the phasing out of lifeline rates and allows for the reduction of multiple commodity blocks to a single block. Implementation of these is conditioned on no customer's bill being substantially more than the total system increase. WWC made its filing prior to the adoption of the new policy. On hearing of D.86-05-064, WWC, desiring an increase in the service charges, informally requested that the new policy be applied to its filing.

The Branch's recommended rate structure increases the portion of fixed expenses covered by service charges from about 41% at present rates to 48% at the Branch's recommended rates. In light of the substantial increases in the service charges (\$2.10 per month or 36.5% for residential users), the Branch recommends that the two commodity blocks be retained so that moderate to low users do not face a disproportionate increase in their monthly bills. A single block rate structure should be considered in WWC's next general rate increase filing. Appendix C shows a comparison of monthly rates and customer bills at present and the Branch's proposed rates.

The Branch recommends that WWC be authorized to increase its rates by \$36,240 (30.1%) in 1986, by a further \$2,500 (1.6%) in 1987, and a further \$1,550 (1.0%) in 1988. In addition, WWC should be authorized to increase the surcharge for amortizing the undercollection in its purchased power balancing account by \$0.02 per Ccf to \$0.06 per Ccf, or an additional \$2,260 per year (1.9% in 1986, 1.4% in 1987, and 1.4% in 1988).

At the Branch's recommended rates for 1986, 1987, and 1988, and including the purchased power balancing account surcharge, the monthly bill for a typical customer using 18 Ccf of water per month would increase from \$19.49 to \$25.49 in 1986, to \$25.86 in 1987, and to \$26.09 in 1988.

Since WWC's increased 1986 rates would be in effect for a short period, the Branch recommends that the usual requirement of filing a pro forma statement of earnings for the 12 months ending September 30, 1986 to justify the 1987 increase be waived. However, its 1988 increase should be accompanied by such justification.

The Commission's opinion, after investigation by the Branch, is that:

- a. The Branch's recommended Summary of Earnings statements (Appendices A-1, A-2, and A-3) are reasonable and should be adopted.
- b. The rates recommended by the Branch (Appendix B) are reasonable and should be authorized.
- c. The quantities (Appendix D) used to develop the Branch's recommendations are reasonable and should be adopted.
- d. WWC should be authorized to increase its purchased power balancing account surcharge to \$0.06 per Ccf from \$0.04 per Ccf to amortize the purchased power balancing account undercollection by 1989.

THE COMMISSION FINDS that the increased rates hereby authorized are justified and the present rates are, for the future, unjust and unreasonable.

IT IS RESOLVED that:

1. Authority is granted under Public Utilities Code Section 454 for Water West Corporation to file an advice letter incorporating the Summaries of Earnings and the revised rate schedule attached to this resolution as Appendices A-1, A-2, and B (page 1), and concurrently to cancel the presently effective rate schedule. Such filing shall comply with General Order 96-A. The effective date of the revised schedule shall be the date of filing.
2. Water West Corporation is authorized to file an advice letter incorporating the Summary of Earnings statement attached to this resolution as Appendix A-3 and requesting the step increases attached to this resolution as Appendix B, page 2. The advice letter shall include appropriate workpapers supporting its pro forma statement of earnings for the 12 months ending September 30, 1987. Water West Corporation shall reduce its request to the extent that its pro forma rate of return, adjusted to include the effect of the proposed increase, exceeds 12.18%. Such filing shall comply with General Order 96-A. The

requested step rates shall be reviewed by the staff to determine their conformity with this resolution and shall go into effect upon the staff's determination of conformity. The staff shall inform the Commission if it finds that the proposed step rates are not in accordance with this resolution, and the Commission may then modify the increase. The effective date of the revised schedules shall be no earlier than January 1, 1988, or 30 days after filing, whichever is later. The revised schedules shall apply only to service rendered on and after the effective date thereof.

3. WUC is authorized to increase its purchased power balancing account surcharge to \$0.06 per Ccf from \$0.04 per Ccf. The authorized surcharge increase is incorporated into the adopted rates in Appendix B, Page 1.

4. This resolution is effective today.

I certify that this resolution was adopted by the Public Utilities Commission at its regular meeting on October 16, 1986. The following Commissioners approved it:

  
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VICTOR R. WEISSER  
Executive Director

DONALD VIAL  
President  
VICTOR CALVO  
PRISCILLA C. GREW  
FREDERICK R. DUDA  
STANLEY W. HULETT  
Commissioners

APPENDIX A-1  
 Water West Corporation, Oak Hills  
 Summary of Earnings  
 (Estimated Year 1986)

Item	: Utility Estimated :		: Branch Estimated :		: Adopted :
	: Present :		: Requested :		
	: Rates :	: Rates :	: Rates :	: Rates :	
<b>Operating Revenues</b>					
Flat	0	0	0	0	0
Metered	\$124,940	\$170,000	\$120,410	\$170,000	\$156,650
Other	100	100	100	100	100
<b>Total Revenues</b>	<b>\$125,040</b>	<b>\$170,100</b>	<b>\$120,510</b>	<b>\$170,100</b>	<b>\$156,750</b>
<b>Operating Expenses</b>					
Purchased Power	19,200	19,200	17,390	17,390	17,390
Purchased Water	0	0	0	0	0
Materials Expenses	4,300	4,300	3,040	3,040	3,040
Contract Work	4,500	4,500	3,600	3,600	3,600
Employee Labor	7,200	7,200	7,200	7,200	7,200
Office Salaries	10,100	10,100	10,100	10,100	10,100
Management Expense	11,000	11,000	11,000	11,000	11,000
Insurance	2,900	2,900	2,610	2,610	2,610
Accounting, Legal	5,100	5,100	240	240	240
General Expenses	6,400	6,400	5,850	5,850	5,850
Office Supplies	4,800	4,800	4,540	4,540	4,540
Uncollectibles	900	900	590	830	770
Vehicle Expense	3,800	3,800	3,350	3,350	3,350
Office Rental	1,300	1,300	1,300	1,300	1,300
<b>Total Expenses</b>	<b>\$ 81,500</b>	<b>\$ 81,500</b>	<b>\$ 70,810</b>	<b>\$ 71,050</b>	<b>\$ 70,990</b>
Depreciation	13,600	13,600	13,798	13,798	13,798
Property Taxes	3,800	3,800	3,730	3,730	3,730
Other Taxes	5,100	6,340	5,110	6,100	5,820
Income Taxes	3,720	26,141	6,943	31,700	25,037
<b>Total Deductions</b>	<b>\$107,720</b>	<b>\$131,380</b>	<b>\$100,390</b>	<b>\$126,380</b>	<b>\$119,375</b>
<b>Net Revenue</b>	<b>17,320</b>	<b>38,720</b>	<b>20,120</b>	<b>43,720</b>	<b>37,375</b>
<b>Average Rate Base</b>					
Utility Plant	555,250	555,250	556,620	556,620	556,620
Depreciation Reserve	155,650	155,650	163,050	163,050	163,050
Net Plant	399,600	399,600	393,570	393,570	393,570
C.W.I.P.	3,850	3,850	0	0	0
Less: Advances	64,040	64,040	60,180	60,180	60,180
Contribution	38,150	38,150	38,230	38,230	38,230
Plus: Working Cash	15,210	15,210	10,250	10,250	10,250
Mats & Suppls	1,300	1,300	1,300	1,300	1,300
<b>Rate Base:</b>	<b>317,770</b>	<b>317,770</b>	<b>306,710</b>	<b>306,710</b>	<b>306,710</b>
<b>Rate of Return</b>	<b>5.45%</b>	<b>12.18%</b>	<b>6.56%</b>	<b>14.25%</b>	<b>12.18%</b>



APPENDIX A-2  
 Water West Corporation, Oak Hills  
 Summary of Earnings  
 (Estimated Year 1987)

Item	: Utility Estimated :		: Branch Estimated :		: Adopted :
	: Present :		: Requested :		
	: Rates :	: Rates :	: Rates :	: Rates :	
<b>Operating Revenues</b>					
Flat	0	0	0	0	0
Metered	\$171,200	\$177,300	\$157,500	\$177,300	\$160,000
Other	200	200	200	200	200
Total Revenues	\$171,400	\$177,500	\$157,700	\$177,500	\$160,200
<b>Operating Expenses</b>					
Purchased Power	19,300	19,300	16,170	16,170	16,170
Purchased Water	0	0	0	0	0
Materials Expenses	4,500	4,500	3,120	3,120	3,120
Contract Work	4,600	4,600	3,690	3,690	3,690
Employee Labor	7,600	7,600	7,445	7,445	7,445
Office Salaries	10,700	10,700	10,440	10,440	10,440
Management Expense	11,700	11,700	11,375	11,375	11,375
Insurance	4,500	4,500	2,610	2,610	2,610
Accounting, Legal	5,100	5,100	250	250	250
General Expenses	6,450	6,450	5,955	5,955	5,955
Office Supplies	5,000	5,000	4,730	4,730	4,730
Uncollectibles	950	950	770	870	780
Vehicle Expense	4,000	4,000	3,390	3,390	3,390
Office Rental	1,400	1,400	1,400	1,400	1,400
Total Expenses	\$ 85,800	\$ 85,800	\$ 71,345	\$ 71,445	\$ 71,355
Depreciation	14,000	14,000	14,050	14,050	14,050
Property Taxes	3,900	3,900	3,830	3,830	3,830
Other Taxes	5,900	6,700	5,910	6,320	5,960
Income Taxes	24,749	27,462	25,318	35,192	26,570
Total Deductions	\$134,350	\$137,860	\$120,455	\$130,840	\$121,765
Net Revenue	37,050	39,640	37,245	46,660	38,435
<b>Average Rate Base</b>					
Utility Plant	565,200	565,200	564,443	564,443	564,443
Depreciation Reserve	168,350	168,350	175,790	175,790	175,790
Net Plant	396,850	396,850	388,653	388,653	388,653
Less: Advances	51,540	51,540	47,684	47,684	47,684
Contribution	37,050	37,050	37,160	37,160	37,160
Plus: Working Cash	15,900	15,900	10,420	10,420	10,420
Matls & Suppls	1,400	1,400	1,400	1,400	1,400
Rate Base:	325,560	325,560	315,629	315,629	315,629
Rate of Return	11.38%	12.18%	11.80%	14.78%	12.18%

APPENDIX A-3  
 Water West Corporation, Oak Hills  
 Summary of Earnings  
 (Estimated Year 1988)

Item	: Utility Estimated :		: Branch Estimated :		: Adopted :
	: Present :		: Requested :		
	: Rates :	: Rates :	: Rates :	: Rates :	
<b>Operating Revenues</b>					
Flat	0	0	0	0	0
Metered	\$178,000	\$184,200	\$160,750	\$184,300	\$162,300
Other	300	300	300	300	300
Total Revenues	\$178,300	\$184,500	\$161,050	\$184,600	\$162,600
<b>Operating Expenses</b>					
Purchased Power	19,360	19,360	16,230	16,230	16,230
Purchased Water	0	0	0	0	0
Materials Expenses	4,600	4,600	3,230	3,230	3,230
Contract Work	4,700	4,700	3,800	3,800	3,800
Employee Labor	8,060	8,060	7,750	7,750	7,750
Office Salaries	11,340	11,340	10,870	10,870	10,870
Management Expense	12,400	12,400	11,840	11,840	11,840
Insurance	4,850	4,850	2,640	2,640	2,640
Accounting, Legal	5,100	5,100	260	260	260
General Expenses	6,650	6,650	6,170	6,170	6,170
Office Supplies	5,150	5,150	4,900	4,900	4,900
Uncollectibles	950	950	790	900	800
Vehicle Expense	4,100	4,100	3,330	3,330	3,330
Office Rental	1,500	1,500	1,500	1,500	1,500
Total Expenses	\$ 88,760	\$ 88,760	\$ 73,310	\$ 73,420	\$ 73,320
Depreciation	14,400	14,400	14,080	14,080	14,080
Property Taxes	4,000	4,000	3,950	3,950	3,950
Other Taxes	6,600	7,000	6,070	6,550	6,090
Income Taxes	26,536	29,300	26,075	38,160	26,833
Total Deductions	\$140,300	\$143,460	\$123,485	\$135,830	\$124,295
Net Revenue	38,000	41,040	37,565	48,770	38,305
<b>Average Rate Base</b>					
Utility Plant	574,900	574,900	564,440	564,440	564,440
Depreciation Reserve	181,100	181,100	190,890	190,890	190,890
Net Plant	393,800	393,800	373,550	373,550	373,550
Less: Advances	39,040	39,040	35,184	35,184	35,184
Contribution	36,000	36,000	36,118	36,118	36,118
Plus: Working Cash	16,640	16,640	10,730	10,730	10,730
Matls & Suppls	1,500	1,500	1,500	1,500	1,500
Rate Base:	336,900	336,900	314,478	314,478	314,478
Rate of Return	11.28%	12.18%	11.94%	15.51%	12.18%

APPENDIX B  
(Page 1)

Schedule No. 1  
(Oak Hills Division)

METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

Oak Hills Subdivision and vicinity, east of Castroville, Monterey County.

RATES

	<u>Per Meter Per Month</u>	
		<u>Effective 1/1/87</u>
Service Charge:		
For 5/8 x 3/4-inch meter .....	\$ 7.85 (I)	\$ 8.00 (I)
For 3/4-inch meter .....	10.10	10.30
For 1-inch meter .....	13.50	13.80
For 1-1/2-inch meter .....	17.50	18.00
For 2-inch meter .....	23.00	25.60
For 3-inch meter .....	40.00	41.00
For 4-inch meter .....	54.00 (I)	55.50 (I)

Quantity Rates:

First 300 cu.ft., per 100 cu.ft. ....	0.82 (I)	0.848 (I)
Over 300 cu.ft., per 100 cu.ft. ....	1.012 (I)	1.021 (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 monthly charge computed at the Quantity Rates.

NOTE: Quantity rates include \$0.06 per Ccf surcharge for amortization of undercollection in purchased power balancing account. (N)  
(R)

APPENDIX B  
(Page 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. 1

Effective  
1/1/88

Service Charge:

For 5/8 x 3/4-inch meter .....	\$0.10
For 3/4-inch meter .....	0.20
For 1-inch meter .....	0.25
For 1-1/2-inch meter .....	0.40
For 2-inch meter .....	0.50
For 3-inch meter .....	0.60
For 4-inch meter .....	0.70

Quantity Rates:

First 300 cu.ft., per 100 cu.ft. ....	0.01
Over 300 cu.ft., per 100 cu.ft. ....	0.007

(END OF APPENDIX B)

APPENDIX C

COMPARISON OF RATES

A comparison of present and Branch's recommended rates for metered service is shown below:

<u>METERED SERVICE</u>	<u>Per Meter Per Month</u>			
	<u>Present Rates</u>	<u>Recommended Rates</u>		
		<u>1986</u>	<u>1986</u>	<u>1987</u>
Service Charge:				
For 5/8 x 3/4-inch meter ....	\$ 5.75	\$ 7.85	\$ 8.00	\$ 8.10
For 3/4-inch meter ....	7.90	10.10	10.30	10.50
For 1-inch meter ....	10.80	13.50	13.80	14.05
For 1-1/2-inch meter ....	14.40	17.50	18.00	18.40
For 2-inch meter ....	19.40	23.00	25.60	26.10
For 3-inch meter ....	35.90	40.00	41.00	41.60
For 4-inch meter ....	48.90	54.00	55.50	56.20

Quantity Rates:

First 300 cu.ft., per 100 cu.ft.	\$ 0.58	\$ 0.82	\$ 0.848	\$ 0.858
Over 300 cu.ft., per 100 cu.ft.	0.80	1.012	1.021	1.028

NOTE: Recommended quantity rates for 1986, 1987, and 1988 include \$0.06 per Ccf for amortization of undercollection in purchased power balancing account.

A comparison of monthly customer bills at present with recommended 1986 rates for a 5/8 x 3/4-inch meter is shown below:

<u>Usage</u> <u>100 cu.ft.</u>	<u>Present</u> <u>Bills</u>	<u>Recommended</u> <u>Bills</u>	<u>Amount</u> <u>Increase</u>	<u>Percent</u> <u>Increase</u>
0	\$ 5.75	\$ 7.85	\$ 2.10	36.5
3	7.49	10.31	2.82	37.7
5	9.09	12.33	3.24	35.6
8	11.49	15.37	3.88	33.8
10	13.09	17.39	4.30	32.8
15	17.09	22.45	5.36	31.4
18 (Avg)	19.49	25.49	6.00	30.8
20	21.09	27.51	6.42	30.4
25	25.09	32.57	7.48	29.8
30	29.09	37.63	8.54	29.4
50	45.09	57.87	12.78	28.3

APPENDIX D  
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ADOPTED QUANTITIES  
Test Years 1986, 1987 and 1988

Name of Company: Water West Corporation  
District: Oak Hills Division

Net-to-Gross Multiplier: 2.10  
Federal Tax Rate: 46%  
State Tax Rate: 9.6%  
Local Franchise Tax Rate: 2.0%  
Business License: 0.0  
Uncollectible Rates: 0.49%

<u>Expenses</u>	<u>1986</u>	<u>1987</u>	<u>1988</u>
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1. Purchased Power (Electric)

Total Production - Ccf	125,200	125,700	126,300
kWh/Ccf	1.305	1.185	1.185
kWh	163,423	148,907	149,621
Energy Comm. Surcharge: (\$/kWh)	\$0.0002	\$0.0002	\$0.0002
Surcharge Expense	\$33	\$30	\$30

Pacific Gas & Electric Company

Schedule A-12 (Well #1)  
Effective Schedule Date: 3/13/86

kWh	149,880	135,314	135,959
\$/kWh used:	0.08569	0.08569	0.08569
Commodity Cost	\$12,843	\$11,595	\$11,650
Demand, kW	706	720	720
Demand Charge	\$1,200	\$1,224	\$1,224
Total Cost:	\$14,043	\$12,819	\$12,874

Schedule A-1p (Wells #2 & #3)  
Effective Schedule Date: 3/13/86

kWh	13,543	13,593	13,662
\$/kWh used:	0.09971	0.09971	0.09971
Commodity Cost	\$1,350	\$1,355	\$1,362
Service Charge	\$1,962	\$1,962	\$1,962
Total Cost:	\$3,312	\$3,317	\$3,324

2. Purchased Water:	None	None	None
3. Insurance Expense:	\$2,610	\$2,610	\$2,640

APPENDIX D  
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ADOPTED QUANTITIES  
Test Years 1986, 1987 and 1988

<u>Expenses</u>	<u>1986</u>	<u>1987</u>	<u>1988</u>
4. Payroll Expense:			
O&M Labor	\$7,200	\$7,445	\$7,750
Office Salaries	\$10,100	\$10,440	\$10,870
Management Expenses	\$11,000	\$11,375	\$11,840
5. Ad Valorem Taxes:			
Assessed Valuation	\$333,400	\$340,160	\$350,800
Tax Rate	1.119%	1.126%	1.126%

ADOPTED SERVICES BY METER SIZES  
(All Classes)  
Test Years 1986, 1987 & 1988

Service Connections

1. Meter Size	Number by Year		
	<u>1986</u>	<u>1987</u>	<u>1988</u>
5/8 x 3/4" .....	536	536	536
3/4" .....	16	19	21
1" .....	2	2	2
1-1/2" .....	0	0	0
2" .....	0	0	0
3" .....	0	0	0
4" .....	0	0	0
Total	554	557	559

2. Metered Water Sales to Design Rates:

Block 1	Range - Ccf	<u>1986</u>	<u>1987</u>	<u>1988</u>
		Usage - Ccf	Usage - Ccf	Usage - Ccf
	0-3 Ccf	19,900	20,000	20,100
Block 2	Over 3 Ccf	<u>93,300</u>	<u>93,800</u>	<u>94,200</u>
	Total	113,200	113,800	114,300

APPENDIX D  
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ADOPTED TAX CALCULATIONS

: Line : : No. :	Item	Adopted Rates					
		1986		1987		1988	
		CCFT	FIT	CCFT	FIT	CCFT	FIT
1.	Operating Revenues	\$156,750	\$156,750	\$160,200	\$160,200	\$162,600	\$162,600
2.	Operating Expenses	70,990	70,990	71,355	71,355	73,320	73,320
3.	Taxes Other Than Income	9,550	9,550	9,790	9,790	10,040	10,040
4.	Tax Depreciation	13,798	13,798	14,050	14,050	14,080	14,080
5.	Interest	5,700	5,700	5,300	5,300	4,900	4,900
6.	State Income Tax	-	5,444	-	5,732	-	5,785
7.	Sub-total Deduction	100,038	105,482	100,495	106,227	102,340	108,125
8.	State Taxable Income (SIT @ 9.6%)	56,712	-	59,705	-	60,260	-
		5,444	-	5,732	-	5,785	-
9.	Federal Tax. Income (FIT @ 46%)	-	51,268	-	53,973	-	54,475
	Surtax Exemption	-	23,583	-	24,828	-	25,058
		-	3,990	-	3,990	-	3,990
10.	Total Income Tax	5,444	<u>19,593</u>	5,732	<u>20,838</u>	5,785	<u>21,068</u>
			\$25,037		\$26,570		\$26,854