

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY & COMPLIANCE DIVISION  
Water Utilities Branch

RESOLUTION NO. W-3432  
February 24, 1989

R E S O L U T I O N

(RES. W-3432) ARDEN WATER COMPANY, (AWC). ORDER  
AUTHORIZING A GENERAL RATE INCREASE PRODUCING ADDITIONAL  
ANNUAL REVENUE OF \$60,200 (28.9%) IN 1989, \$10,350 (3.9%)  
IN 1990, AND \$13,140 (4.7%) IN 1991.

AWC, by draft advice letter accepted by the Water Utilities Branch (Branch) on July 28, 1988, requested authority under Section VI of General Order (G.O.) 96-A and Section 454 of the Public Utilities Code to increase rates for water service by \$81,320 or 39.1% in 1989, \$20,180 or 7.0% in 1990, and \$27,710 or 9.0% in 1991. AWC's request shows 1989 gross revenue of \$208,110 at present rates increasing to \$289,430 at proposed rates in 1989, to \$309,610 in 1990, and to \$337,320 in 1991 to produce rates of return of 10.74% on rate base in 1989 and 10.75% in 1990 and 1991. AWC serves 1,056 metered customers in the Wofford Heights area near Lake Isabella, Kern County.

The present rates became effective February 25, 1985 pursuant to Resolution W-3223 which authorized a general rate increase.

The Branch made an independent analysis of AWC's summary of earnings. Appendix A presents AWC's and the Branch's estimated summary of earnings at present, requested and adopted rates for each of the three test years. Appendix A shows differences in revenues, expenses and rate base.

The Branch agrees with AWC's estimates for metered service revenues and fire protection revenues (all of the revenues from customers), but has lower estimates of other revenues. AWC's other revenues are those it earns by providing labor, office, and management services under contract to operate and maintain the nearby Split Mountain Water Company. The offsetting expenses are also included in the Appendix A summary of earnings. The Branch estimated lower combined office salaries and employee labor expenses than AWC, thereby reducing the amount to be charged to Split Mountain and reducing in turn the other revenue amount to be received from Split Mountain.

The differences in estimates for operating expenses are in purchased power, office salaries, employee labor, other plant maintenance, office supplies and expenses, professional services, pensions and benefits, uncollectibles, expenses capitalized, depreciation, payroll taxes, other taxes and income taxes.

The Branch's estimate of purchased power expense is higher than AWC's in each test year because the Branch based its estimate on Southern California Edison Company's rates effective on October 1, 1988, while AWC estimated its power expenses using the lower rates in effect on February 1, 1988. Because of a moratorium on new water connections, power consumption is expected to remain steady during the three test years. AWC's 1990 and 1991 purchased power estimates assume the addition of the new pumps required by the California Department of Health Services (DHS); the Branch recommends those costs be included in later offset rate filings, as explained below.

The Branch's \$18,680 estimate for office salaries is lower than AWC's \$20,330 estimate for test year 1989. Similar differences are carried into 1990 and 1991. Both the Branch and AWC used AWC's 1988 office salaries expense estimate as a base and escalated it to derive the 1989, 1990, and 1991 test year figures. AWC's escalation factors ranged from 10% to 14% per year for both office salaries and employee labor, but AWC cited no basis for them. The escalation factors used by the Branch for office salaries and employee labor expense were those recommended by the Advisory Branch of Commission Advisory and Compliance Division.

The combination of two factors makes the Branch's \$35,560 estimate for employee labor expense slightly higher than AWC's \$34,190 estimate for test year 1989 and slightly lower than AWC's in 1990 and 1991. The Branch accepted AWC's 1988 base figure, but used lower escalation factors as discussed above for office salaries. In examining employee labor in plant additions, the Branch found that AWC overallocated the portion that should be capitalized. The Branch corrected by increasing the amount chargeable to operating expense.

AWC's management salary figures for each test year were similarly based on escalation figures higher than expected inflation, but the Branch did not adjust this account because it agrees that the owner is currently underpaid. Despite the water supply problems described below, the Branch believes AWC is an especially well managed company for its size. Considering his wide-ranging duties which include much of the system engineering, all accounting, and the very competent preparation and support of his own rate case, the Branch concurs in the owner/manager's plan to increase his real pay rate over the three test years.

The Branch's \$410 estimate for other plant maintenance is much lower than AWC's estimate of \$1,280. AWC's estimate was based on averaging account totals which in two recorded years contained amounts that should have been charged to employee labor. The Branch estimate makes a correction for this error.

The Branch's estimate of \$5,300 for office supplies and expenses is lower than AWC's estimated \$8,520 because AWC has shown the same amount of \$3,220 in both contract work and office supplies and expenses. The Branch's adjustment corrects the duplicate entry.

The Branch's \$110 estimate for professional services is substantially less than AWC's estimate of \$36,110. AWC's estimate consists of \$110 for legal fees, \$12,000 for construction management for new wells and storage tanks to be added during the test years, and \$24,000 for routine engineering work.

Both AWC and the Branch agree that the \$12,000 for construction management should be capitalized as part of the cost of new plant; AWC's "expenses capitalized" adjustment addressed below includes an offsetting amount to accomplish that, while the Branch simply removed it from the professional services account to achieve the same end. The \$24,000 for routine engineering work AWC has included in this account is typically that done by its owner who is a licensed engineer; the proposed amount is far in excess of normal expense levels for this item because most of it is associated with plant construction and should be capitalized. The Branch has allowed adequate compensation for expensed engineering work in its management salary estimate discussed above.

The Branch's lower estimates of pensions and benefits result from the Branch's lower combined estimates for office salaries and employee labor.

The Branch's uncollectibles estimates are higher than AWC's because the Branch based them on a percentage of metered water revenues for each test year rather than assuming as AWC did that uncollectibles would remain constant.

AWC's summary of earnings shows a separate line for expenses capitalized, while the Branch considered capitalized amounts in each of its other expense items. The real differences in amounts capitalized are explained under employee labor and professional services above.

The Branch's \$13,760 depreciation estimate is lower than AWC's \$13,840 for test year 1989 and correspondingly lower for test years 1990 and 1991 because of the Branch's lower estimates of plant additions in each year.

The Branch's estimates for payroll taxes are slightly lower than AWC's because of the Branch's lower estimates of payroll.

Other taxes (Kern County franchise taxes) differ because they are based on 1% of customer revenues.

The Branch's figures for income taxes reflect current tax rates under the federal Tax Reform Act of 1986 and the corresponding state tax rates for 1989 through 1991. AWC did not include calculations supporting its income tax estimates.

The differences in rate base between AWC and the Branch are due to differences in plant in service, depreciation reserve, and working cash allowance estimates.

The Branch's estimates for average plant in service are lower than AWC's because the Branch removed the estimated costs for new wells and storage to be added each year pursuant to DHS requirements. The Branch recommends that rates be adjusted for these new items as they are added during the next three years. This subject is covered more fully in the discussion on service below.

The Branch's estimates for depreciation reserve are lower each year than AWC's because of the differences in plant additions and thus average plant in service.

The Branch's estimates for working cash are lower than AWC's because of differences in the estimates of operating expenses.

AWC's proposed summary of earnings shown in Appendix A indicates a rate of return of 10.74% at requested rates for 1989 and 10.75% for 1990 and 1991. The Branch recommends a rate of return of 10.50%, the midpoint of the 10.25% to 10.75% standard rate of return range recommended by the Accounting and Financial Branch of the Commission Advisory and Compliance Division for small, 100% equity financed water utilities.

AWC was informed of the Branch's differing views of revenues, expenses and rate base and has stated that it accepts the Branch's estimates.

A notice of AWC's proposed rate increase and public meeting was mailed to all customers on August 1, 1988. Two letters were subsequently received protesting the magnitude of the increase. When its investigation was completed, the Branch wrote replies explaining its findings and why it is recommending increases.

On August 24, 1988, an informal public meeting was held in Kernville, adjacent to the service area. A Branch engineer conducted the meeting and AWC's manager was there to answer questions. Sixty-five utility customers attended the meeting. Questions asked at the meeting related to low water pressure, water outages, and the magnitude of and need for the rate increases.

Branch engineers conducted a field inspection of AWC's service area and plant facilities on August 24, and 25, 1988. They checked visible portions of the system and methods of operation, audited the utility's books and talked to customers. Their inspection showed that the water system has been reasonably maintained and that, at the time of the inspection, the water service was satisfactory and water pressures met the requirements of G.O. 103, "Rules Governing Water Service Including Minimum Standards for Design and Construction." AWC has no outstanding Commission orders requiring system improvements.

According to DHS, AWC's water presently meets state quality standards. During the last two years, however, there have been a number of service outages, water samples that failed to meet health standards, and periods when iron and manganese concentrations were excessive. Because of these recurring outages and supply problems, DHS imposed a new connection moratorium on AWC on August 4, 1987, and on June 22, 1988 issued a citation stating the need for short term and long term improvements in AWC's supply and storage facilities. On September 2, 1988 DHS issued a follow-up compliance letter which directed AWC to deepen two existing wells, drill at least two new wells to produce no less than 175 gallons per minute, and install a minimum of 805,000 gallons of additional storage. A minimum of 100 gallons per minute of source capacity and 250,000 gallons of storage capacity are to be installed by May 31, 1989.

To provide the facilities required to satisfy the DHS citation and compliance letter, AWC estimates that it will need to make plant additions of approximately \$600,000 over the next three years. In order to finance that amount, it will need authorization for offset rate increases as the additions

are made. Most of the DHS-required additions were not included in the original draft advice letter increase request, so a second notice to AWC's customers was sent on November 22, 1988, informing them of what was needed and that future offset rate increases might be required to fund the improvements. No letters of protest were received.

On December 5, 1988, a second informal public meeting attended by 27 customers was held in Kernville. A Branch engineer conducted the meeting and AWC's manager and a DHS engineer were available to answer questions. Customers asked questions related to the need for the improvements, and rumors they had heard concerning the possible sale of the company. AWC's manager and the DHS engineer reiterated the need for the new facilities as soon as possible. The Branch engineer explained that the Branch would recommend that rates not increase until the facilities were inspected, approved and placed in full operation. Most customers were not pleased with the prospect of having to pay higher rates, but appeared to appreciate the need for the improvements.

The Branch believes that the long term solution to AWC's service and water supply problems, and those of other small, troubled water utilities in the Lake Isabella area, is consolidation under a larger entity with the financial resources to make the large plant investments needed. In late-January, 1989, Dominguez Water Corporation, the parent to nearby Kernville Domestic Water Company, announced that it had reached agreement to purchase AWC.

AWC has installed meters on all of its service connections and has made an extensive effort to educate customers in water conservation. Consumption has decreased significantly since customers became aware of AWC's water supply problems in 1987 and 1988. The Branch believes that the measures DHS is already requiring will allow AWC to meet its customers' future needs, and therefore recommends that the Commission not make additional orders in this informal rate case.

AWC's rates consist of a metered service schedule and a private fire protection service schedule. The Branch proposes to increase both schedules by approximately the same percentage. The Branch's proposed metered rate schedule includes a service charge which would recover revenue in proportion to 50% of AWC's fixed expenses, and a single metered quantity rate. This is consistent with the Commission's rate design policy for water companies established by Decision 86-05-064 effective May 28, 1986 which calls for phasing out lifeline rates, allows for reduction of multiple blocks to a single block and permits recovery of up to 50% of fixed expenses through the service charge.

The Branch recommends that the Commission authorize an increase in gross revenue of \$60,200 (28.9%) in 1989, \$10,350 (3.9%) in 1990, and \$13,140 (4.7%) in 1991. This increase provides a 10.50% rate of return on rate base in each test year.

At the Branch's recommended rates shown in Appendix B, the bill for a typical residential customer using 1,000 cubic feet per month would increase from \$14.72 to \$20.30 in 1989, to \$21.10 in 1990, and to \$22.10 in 1991, exclusive of the Safe Drinking Water Bond Act surcharge which will remain unchanged. A comparison of the present and recommended rates is shown in Appendix C.

Findings

1. The Branch's recommended summary of earnings (Appendix A) is reasonable and should be adopted.
2. The rates recommended by the Branch (Appendix B) are reasonable and should be authorized.
3. The quantities (Appendix D) used to develop the Branch's recommendations are reasonable and should be adopted.
4. AWC is being required by DHS to develop additional sources of water and install more storage. AWC should be allowed to file advice letters to begin recovering the reasonable costs of facilities required to comply with DHS's water supply and storage requirements as those facilities are completed and placed in service during the test years.

IT IS ORDERED that:

1. Authority is granted under Public Utilities Code Section 454 for Arden Water Company to file an advice letter incorporating the summary of earnings and revised rate schedules attached to this resolution as Appendices A and B respectively, and concurrently to cancel its presently effective rate Schedules No. 1 and 4. Its filing shall comply with General Order 96-A. The effective date of the revised rate schedules shall be the date of filing.
2. Arden Water Company is authorized to file advice letters to recover the reasonable costs of facilities required to comply with the Department of Health Services' water supply and storage requirements as expressed in its compliance letter of September 2, 1988. Such advice letter filings shall be limited to one filing per year during calendar years 1989, 1990, and 1991. Each filing shall seek to recover only the costs of those improvements that are completed and in service at the time of filing.
3. This resolution is effective today.

I certify that this resolution was adopted by the Public Utilities Commission at its regular meeting on February 24, 1989. The following Commissioners approved it:

G. MITCHELL WILK  
President  
STANLEY W. HULETT  
JOHN B. OHANIAN  
Commissioners

Commissioner Frederick R. Duda,  
being necessarily absent, did not  
participate.



VICTOR R. WEISSER  
Executive Director

APPENDIX A  
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ARDEN WATER COMPANY  
SUMMARY OF EARNINGS  
Test Year 1989

Item	Utility Estimated		Branch Estimated		Adopted Rates
	Present Rates	Requested Rates	Present Rates	Requested Rates	
<u>Operating Revenue</u>					
Metered	\$191,000	\$272,260	\$191,000	\$272,260	\$251,130
Private Fire	240	300	240	300	310
Other	16,870	16,870	16,810	16,810	16,810
Total Revenue	208,110	289,430	208,050	289,370	268,250
<u>Operating Expenses</u>					
Purchased Power	31,810	31,810	34,790	34,790	34,790
Other Vol Related Exp	4,740	4,740	4,740	4,740	4,740
Office Salaries	20,330	20,330	18,680	18,680	18,680
Employee Labor	34,190	34,190	35,560	35,560	35,560
Management Salaries	29,100	29,100	29,100	29,100	29,100
Contract Work	12,730	12,730	12,730	12,730	12,730
Materials	7,870	7,870	7,870	7,870	7,870
Transportation	3,890	3,890	3,890	3,890	3,890
Office Serv. & Rent	200	200	200	200	200
Other Plant Maint.	1,280	1,280	410	410	410
Office Supplies & Exp	8,520	8,520	5,300	5,300	5,300
Insurance	13,140	13,140	13,140	13,140	13,140
Professional Services	36,110	36,110	110	110	110
Pensions & Benefits	19,680	19,680	19,270	19,270	19,270
Uncollectibles	570	570	570	820	750
General Expense	270	270	270	270	270
Expenses Capitalized	(19,230)	(19,230)	-	-	-
Subtotal	205,200	205,200	186,630	186,880	186,810
Depreciation	13,840	13,840	13,760	13,760	13,760
Property Tax	6,570	6,570	6,570	6,570	6,570
Payroll Tax	7,210	7,210	6,900	6,900	6,900
Other Taxes	1,910	2,720	1,910	2,730	2,520
Income Taxes	200	12,310	600	18,190	11,840
Total Deductions	234,930	247,850	216,370	235,030	228,400
Net Revenue	(26,820)	41,580	(8,320)	54,340	39,850
<u>Rate Base</u>					
Average Plant	797,950	797,950	794,450	794,450	794,450
Avg. Depr. Reserve	262,300	262,300	262,260	262,260	262,260
Net Plant	535,650	535,650	532,190	532,190	532,190
Less: Advances	82,440	82,440	82,440	82,440	82,440
Contributions	111,410	111,410	111,410	111,410	111,410
Plus: Working Cash	37,960	37,960	33,320	34,030	33,890
Mat'l & Supplies	7,300	7,300	7,300	7,300	7,300
Rate Base	387,060	387,060	378,960	379,670	379,530
Rate of Return	(Loss)	10.74%	(Loss)	14.31%	10.50%

APPENDIX A  
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ARDEN WATER COMPANY  
SUMMARY OF EARNINGS  
Test Year 1990

Item	Utility Estimated		Branch Estimated		Adopted Rates
	Present Rates	Requested Rates	Present Rates	Requested Rates	
<b>Operating Revenue</b>					
Metered	\$191,000	\$291,370	\$191,000	\$291,370	\$261,150
Private Fire	240	300	240	300	320
Other	17,940	17,940	17,130	17,130	17,130
Total Revenue	209,180	309,610	208,370	308,800	278,600
<b>Operating Expenses</b>					
Purchased Power	32,530	32,530	34,790	34,790	34,790
Other Vol Related Exp	4,740	4,740	4,740	4,740	4,740
Office Salaries	22,910	22,910	19,520	19,520	19,520
Employee Labor	38,180	38,180	37,220	37,220	37,220
Management Salaries	35,280	35,280	35,280	35,280	35,280
Contract Work	13,030	13,030	13,030	13,030	13,030
Materials	7,870	7,870	7,870	7,870	7,870
Transportation	3,890	3,890	3,890	3,890	3,890
Office Serv. & Rent	200	200	200	200	200
Other Plant Maint.	1,280	1,280	410	410	410
Office Supplies & Exp	8,520	8,520	5,300	5,300	5,300
Insurance	13,140	13,140	13,140	13,140	13,140
Professional Services	36,110	36,110	110	110	110
Pensions & Benefits	20,970	20,970	20,140	20,140	20,140
Uncollectibles	570	570	570	870	780
General Expense	270	270	270	270	270
Expenses Capitalized	(20,820)	(20,820)	-	-	-
Subtotal	218,670	218,670	196,480	196,780	196,690
Depreciation	14,680	14,680	13,860	13,860	13,860
Property Tax	6,530	6,530	6,530	6,530	6,530
Payroll Tax	8,180	8,180	7,550	7,550	7,550
Other Taxes	1,910	2,910	1,910	2,920	2,620
Income Taxes	200	13,690	800	20,950	11,760
Total Deductions	250,170	264,660	227,130	248,590	239,010
Net Revenue	(40,990)	44,950	(18,760)	60,210	39,590
<b>Rate Base</b>					
Average Plant	834,900	834,900	797,940	797,940	797,940
Avg. Depr. Reserve	278,620	278,620	278,210	278,210	278,210
Net Plant	556,280	556,280	519,730	519,730	519,730
Less: Advances	78,100	78,100	78,100	78,100	78,100
Contributions	107,740	107,740	107,740	107,740	107,740
Plus: Working Cash	40,590	40,590	35,190	36,070	35,870
Mat'l & Supplies	7,300	7,300	7,300	7,300	7,300
Rate Base	418,330	418,330	376,380	377,260	377,060
Rate of Return	(Loss)	10.75%	(Loss)	15.96%	10.50%



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ARDEN WATER COMPANY  
SUMMARY OF EARNINGS  
Test Year 1991

Item	Utility Estimated		Branch Estimated		Adopted Rates
	Present Rates	Requested Rates	Present Rates	Requested Rates	
<b>Operating Revenue</b>					
Metered	\$191,000	\$318,010	\$191,000	\$318,010	\$273,790
Private Fire	240	300	240	300	350
Other	19,010	19,010	17,600	17,600	17,600
Total Revenue	210,250	337,320	208,840	335,910	291,740
<b>Operating Expenses</b>					
Purchased Power	32,530	32,530	34,790	34,790	34,790
Other Vol Related Exp	4,740	4,740	4,740	4,740	4,740
Office Salaries	25,570	25,570	20,450	20,450	20,450
Employee Labor	42,170	42,170	39,080	39,080	39,080
Management Salaries	42,720	42,720	42,720	42,720	42,720
Contract Work	13,340	13,340	13,340	13,340	13,340
Materials	7,870	7,870	7,870	7,870	7,870
Transportation	3,890	3,890	3,890	3,890	3,890
Office Serv. & Rent	200	200	200	200	200
Other Plant Maint.	1,280	1,280	410	410	410
Office Supplies & Exp	8,520	8,520	5,300	5,300	5,300
Insurance	13,140	13,140	13,140	13,140	13,140
Professional Services	36,110	36,110	110	110	110
Pensions & Benefits	22,400	22,400	21,160	21,160	21,160
Uncollectibles	570	570	570	950	820
General Expense	270	270	270	270	270
Expenses Capitalized	(22,680)	(22,680)	-	-	-
Subtotal	232,640	232,640	208,040	208,420	208,290
Depreciation	16,250	16,250	13,990	13,990	13,990
Property Tax	6,770	6,770	6,770	6,770	6,770
Payroll Tax	9,250	9,250	8,320	8,320	8,320
Other Taxes	1,910	3,180	1,910	3,180	2,740
Income Taxes	200	17,070	800	26,470	11,830
Total Deductions	267,020	285,160	239,830	267,150	251,940
Net Revenue	(56,770)	52,160	(30,990)	68,760	39,800
<b>Rate Base</b>					
Average Plant	905,440	905,440	803,440	803,440	803,440
Avg. Depr. Reserve	297,740	297,740	296,610	296,610	296,610
Net Plant	607,700	607,700	506,830	506,830	506,830
Less: Advances	69,150	69,150	69,150	69,150	69,150
Contributions	104,090	104,090	104,090	104,090	104,090
Plus: Working Cash	43,420	43,420	37,370	38,480	38,200
Mat'l & Supplies	7,300	7,300	7,300	7,300	7,300
Rate Base	485,180	485,180	378,260	379,370	379,090
Rate of Return	(Loss)	10.75%	(Loss)	18.12%	10.50%

APPENDIX B  
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ARDEN WATER COMPANY

Schedule No. 1

METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

Wofford Heights and vicinity, located approximately two miles south of Kernville in Kern County.

RATES

	1989	Effective		SDWBA Surcharge*	(T)   (T)
		Jan. 1 1990	Jan. 1 1991		
<u>Quantity Rate:</u>					
All water, per 100 cu.ft.	\$1.20(I)	\$1.24(I)	\$1.29(I)	\$0.12	
<u>Service Charge:</u>	<u>Per Meter Per Month</u>				
For 5/8 x 3/4-inch meter ..	8.30(I)	8.70(I)	9.20(I)	0.75	
For 3/4-inch meter .....	9.15	9.55	10.10	0.80	
For 1-inch meter .....	12.45	13.05	13.80	1.10	
For 1-1/2-inch meter .....	16.60	17.40	18.40	1.55	
For 2-inch meter .....	22.40	23.50	24.80	2.00	
For 3-inch meter .....	41.50	43.50	46.00	3.75	
For 4-inch meter .....	56.40(I)	59.20(I)	62.60(I)	5.10	

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 Rate.

(T)

\*SDWBA SURCHARGE

This surcharge is in addition to the regular monthly metered water bill. The total monthly surcharge must be identified on each bill. This surcharge is specifically for the repayment of the California Safe Drinking Water Bond Act loan as authorized by Decision No. 90267 in Application No. 58690.

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ARDEN WATER COMPANY

Schedule No. 4

PRIVATE FIRE PROTECTION SERVICE

APPLICABILITY

Applicable to all water service furnished to privately owned fire protection systems.

TERRITORY

Wofford Heights and vicinity, located approximately two miles south of Kernville, Kern County.

RATE

	Per Month			(T)
	1989	1990	1991	(T)
For each inch of diameter of service connection .....	\$2.60 (I)	\$2.70 (I)	\$2.90 (I)	

SPECIAL CONDITIONS

1. Service hereunder is for private fire protection systems to which no connections for other than fire protection purposes are allowed. The fire protection service connection shall be installed by the utility, according to the specifications of the Kern County Fire Department and the cost paid by the applicant. Such payment shall not be subject to refund. The utility may install the standard detector type meter approved by the American Insurance Association for protection against theft, leakage, or waste of water. The cost of these facilities will be paid by the applicant and not subject to refund. (C)

2. The minimum diameter for fire protection service shall be four inches, and the maximum diameter shall be not more than the diameter of the main to which the service is connected.

(Continued)

ARDEN WATER COMPANY

Schedule No. 4

PRIVATE FIRE PROTECTION SERVICE (Continued)

SPECIAL CONDITIONS (Continued)

3. From facilities installed prior to the amendment to General Order No. 103 by Decision No. 84334, dated April 15, 1975, the utility will supply only such water at such pressure as may be available from time to time as a result of its normal operation of the system.

From facilities installed after April 15, 1975, the utility shall supply water service for fire protection in accordance with Section VIII.1.a. of General Order No. 103 unless otherwise authorized by the Commission.

4. If a distribution main of adequate size to serve a private fire protection system in addition to all other normal service does not exist in the street or alley adjacent to the premises to be served, then a service main from the nearest existing main of adequate capacity shall be installed by the utility and the cost paid by the applicant. Such payment shall not be subject to refund.

APPENDIX C

ARDEN WATER COMPANY

COMPARISON OF RATES

A comparison of present rates with rates recommended by the Branch is shown below:

Metered Service:

	Present Rates	Per Meter Per Month		
		Recommended Rates		
		1989	1990	1991
<u>Service Charge:</u>				
For 5/8 x 3/4-inch meter ....	\$ 6.50	\$ 8.30	\$ 8.70	\$ 9.20
For 3/4-inch meter ....	7.15	9.15	9.55	10.10
For 1-inch meter ....	9.75	12.45	13.05	13.80
For 1-1/2-inch meter ....	13.00	16.60	17.40	18.40
For 2-inch meter ....	18.00	22.40	23.50	24.80
For 3-inch meter ....	33.00	41.50	43.50	46.00
For 4-inch meter ....	44.00	56.40	59.20	62.60

Quantity Rate (per 100 cubic feet):

First 300 cu. ft. ....	\$ 0.64			
Over 300 cu. ft. ....	0.90			
All water .....		\$ 1.20	\$ 1.24	\$ 1.29

A comparison of monthly bills at present and the Branch's recommended rates for customers with 5/8 x 3/4 meters is shown below:

Water Use 100 cu. ft.	Present Rates	Recommended Rates			Increase		
		1989	1990	1991	1989	1990	1991
0	\$ 6.50	\$ 8.30	\$ 8.70	\$ 9.20	27.7%	4.8%	5.7%
3	8.42	11.90	12.42	13.07	41.3	4.4	5.2
5	10.22	14.30	14.90	15.65	39.9	4.2	5.0
10 (average)	14.72	20.30	21.10	22.10	37.9	3.9	4.7
15	19.22	26.30	27.30	28.55	36.8	3.8	4.6
25	28.22	38.30	39.70	41.45	35.7	3.7	4.4
50	50.72	68.30	70.70	73.70	34.7	3.5	4.2

APPENDIX D

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ARDEN WATER COMPANY

ADOPTED QUANTITIES

Federal Tax Rates:	
First \$50,000	15%
Next \$25,000	25%
Next \$25,000	34%
State Tax Rate:	9.3%
Local Franchise Rate (Kern County):	1.0%
Uncollectible Rate:	0.3%

Expenses:	Test Years		
	1989	1990	1991
1. Purchased Power			
Southern California Edison Co.			
Rate Schedule	PA-1	PA-1	PA-1
Effective Date of Schedule	10/1/88	10/1/88	10/1/88
Kwh	354,859	354,859	354,859
\$/Kwh	0.08707	0.08707	0.08707
Energy Cost	\$ 30,897	\$ 30,897	\$ 30,897
Service Charge	2,248	2,248	2,248
Customer Charge	1,439	1,439	1,439
Subtotal	34,584	34,584	34,584
Rate Schedule	GS-TP	GS-TP	GS-TP
Effective Date of Schedule	10/1/88	10/1/88	10/1/88
Kwh	932	932	932
\$/Kwh	0.10536	0.10536	0.10536
Energy Cost	\$ 98	\$ 98	\$ 98
Customer Charge	108	108	108
Subtotal	206	206	206
Total Purchased Power	34,790	34,790	34,790
2. Purchased Water	None	None	None
3. Pump Tax - Replenishment Tax	None	None	None
4. Payroll			
Employee Labor	\$ 35,560	\$ 37,220	\$ 39,080
Office Salaries	18,680	19,520	20,450
Management Salaries	29,100	35,280	42,720
Total Payroll	83,340	92,020	102,250
Payroll Taxes	6,900	7,550	8,320
Pensions & Benefits	19,270	20,140	21,160
5. Ad Valorem Taxes	\$ 6,570	\$ 6,530	\$ 6,770
Tax Rate	1%	1%	1%
Assessed Value	\$ 657,493	\$ 652,712	\$ 676,694
6. Water Testing (in contract work)	2,160	2,160	2,160

APPENDIX D  
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	Test Years		
	1989	1990	1991
<u>Service Connections:</u>			
Metered			
5/8 X 3/4-inch .....	1,035	1,035	1,035
3/4-inch .....	3	3	3
1-inch .....	7	7	7
1-1/2-inch .....	11	11	11
Total	1,056	1,056	1,056
Private Fire (Diameter-inches)	10	10	10
<u>Metered Water Sales Used To Design Rates (Ocf):</u>			
	120,760	120,760	120,760

ADOPTED TAX CALCULATIONS

Line No.	Item	1989	1990	1991
1.	Operating Revenues	\$ 268,250	\$ 278,600	\$ 291,740
2.	Expenses	186,810	196,690	208,290
3.	Taxes Other Than Income	15,990	16,700	17,830
4.	Depreciation Expense	13,760	13,860	13,990
5.	Interest	0	0	0
6.	Taxable Income for State Tax	51,690	51,350	51,630
7.	State Tax (@ 9.3%)	4,810	4,780	4,800
8.	Taxable Income for FIT	46,880	46,570	46,830
9.	Federal Income Tax	7,030	6,980	7,030
10.	Total Income Tax	11,840	11,760	11,830

(END OF APPENDIX D)