STATE OF CALIFORNIA GRAY DAVIS, *Governor*

PUBLIC UTILITIES COMMISSION
505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298

October 31, 2002

TO: ALL PARTIES OF RECORD IN APPLICATION 01-10-028

Decision 02-10-058 is being mailed without the Concurrence of President Loretta Lynch. The Concurrence will be mailed separately.

Very truly yours,

/s/ CAROL A. BROWN
CAROL A. BROWN, Interim Chief
Administrative Law Judge

CAB/avs

Mailed 10/31/2002

ALJ/MAB/avs

Decision 02-10-071 October 29, 2002

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of San Gabriel Valley Water Company (U 337 W) for Authority to Increase Rates Charged for Water Service in its Los Angeles County Division Revenues by $9,526,800 or 30.4% in 2002, $7,276,100 or 17.8% in 2003, $2,668,600 or 5.5% in 2004, and $2,668,500 or 5.2% in 2005.	Application 01-10-028 (Filed October 23, 2001)

ORDER CORRECTING ERROR

It has come to the Commission's attention that three rate schedules in Attachment C of Decision 02-10-058 do not conform to the text of the decision. Therefore, under the authority of Resolution A-4661,

IT IS ORDERED that pages 2, 4, and 6 of Attachment C of Decision 02-10-058 are corrected in conformance with the substitute pages, attached hereto.

Dated October 29, 2002, at San Francisco, California.

/s/ WESLEY M. FRANKLIN
WESLEY M. FRANKLIN
Executive Director

Schedule No. LA-1
(Continued)

Los Angeles County Tariff Area

GENERAL METERED SERVICE

RATES - Continued

	Per Battery Per Month	
For two 2-inch meters	$ 184.00	(I)
For three 2-inch meters	$ 277.00	|
For four 2-inch meters	$ 369.00	|
For two 3-inch meters	$ 346.00	|
For three 3-inch meters	$ 519.00	|
For two 4-inch meters	$ 577.00	|
For three 4-inch meters	$ 860.00	|
For one 8-inch meter, one 2-inch meter	$1,010.00	(I)

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

SPECIAL CONDITIONS

1. As authorized by the California Public Utilities Commission, all bills are subject to a one-time surcharge $1.58. This charge offsets the Department of Health Services fee and certain water testing expenses incurred under the Environmental Protection Agency's adopted National Primary Drinking Water Regulations.
2. All bills are subject to the reimbursement fee set forth on (L)
   Schedule No. AA-UF (L)

Schedule No. LA-6

(Continued)

Los Angeles County Tariff Area

RECLAIMED WATER METERED SERVICE

RATES - Continued

	Per Battery Per Month	
For two 2-inch meters	$ 184.00	(I)
For three 2-inch meters	$ 277.00	|
For four 2-inch meters	$ 369.00	|
For two 3-inch meters	$ 346.00	|
For three 3-inch meters	$ 519.00	|
For two 4-inch meters	$ 577.00	|
For three 4-inch meters	$ 860.00	|
For one 8-inch meter, one 2-inch meter	$1,010.00	(I)

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

SPECIAL CONDITIONS

1. The Quantity Rate is set at 85% of the Quantity Rate of Schedule No. LA-1.
2. The customer is responsible for compliance with all local, state, and federal rules and regulations that apply to the use of reclaimed water on the customer's premises.
3. The utility will supply only such reclaimed water at such pressure as may be available from time to time from the reclaimed water system. The customer shall indemnify the utility and save it harmless against any and all claims arising out of service under this schedule and shall further agree to make claims against the utility for any loss or damage resulting from service under this schedule.
4. As authorized by the California Public Utilities Commission, all bills are subject to a one-time surcharge $1.58. This charge offsets the Department of Health Services fee and certain water testing expenses incurred under the Environmental Protection Agency's adopted National Primary Drinking Water Regulations.
5. All bills are subject to the reimbursement fee set forth on Schedule No. AA-UF.

Schedule No. LA-3L
(Continued)

Los Angeles County Division

LIMITED IRRIGATION SERVICE

SPECIAL CONDITIONS – continued

3. This service shall not be used by the customer for any purpose other than irrigation when and as scheduled by the company.
4. The minimum charge will apply to each delivery schedule even though no water is used unless notice of cancellation of the scheduled delivery is given to the company at least two days before the scheduled delivery date.
5. As authorized by the California Public Utilities Commission, all bills are subject to a one-time surcharge $1.58. This charge offsets the Department of Health Services fee and certain water testing expenses incurred under the Environmental Protection Agency's adopted National Primary Drinking Water Regulations.
6. All bills are subject to the reimbursement fee set forth on Schedule No. AA-UF. (L) (L)

Decision 02-10-058 October 24, 2002

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of San Gabriel Valley Water Company (U 337 W) for Authority to Increase Rates Charged for Water Service in its Los Angeles County Division Revenues by $9,526,800 or 30.4% in 2002, $7,276,100 or 17.8% in 2003, $2,668,600 or 5.5% in 2004, and $2,668,500 or 5.2% in 2005.	Application 01-10-028 (Filed October 23, 2001)

OPINION AUTHORIZING INCREASE IN REVENUE

Summary

San Gabriel Valley Water Company (San Gabriel), Los Angeles Division is authorized to increase revenues by:

$3,435,700 (or 10.90%) for test year 2002
$1,554,800 (or 4.44%) for test year 2003
$1,552,500 (or 4.24%) for attrition year 2004
$1,552,500 (or 4.07%) for attrition year 2005

These revenue increases reflect a 9.4% rate of return in all years. San Gabriel's proposed California Alternative Rates for Water (CARW) tariff is rejected due to failure to meet applicable standards. The components of the Joint Recommendation relating to balancing and memorandum account amortization as well as forecasted water quality litigation costs are rejected.

Background and Procedural History

On August 8, 2001, San Gabriel filed its Notice of Intention to File General Rate Increase Application. Customers were advised of the proposed rate

increase through publication and bill inserts. On October 23, 2001, San Gabriel filed the above-captioned application seeking rate increases in its Los Angeles Division to produce an overall rate of return of 11.07% for the period 2002-2005.

San Gabriel stated that its revenue must be increased to enable it to meet expenses of furnishing water service to its customers, to maintain financial integrity and credit, to obtain and/or retain capital at reasonable costs, to continue compliance with all existing and emerging safe drinking water quality standards, and to provide a reasonable rate of return on investment. San Gabriel particularly emphasized the increasing costs of required water treatment to remove contaminants from groundwater supplies.

The Assigned Administrative Law Judge (ALJ) held a Prehearing Conference (PHC) on January 18, 2002. At the PHC, the parties resolved outstanding discovery issues and set a procedural schedule for the remainder of the proceeding.

On March 7, 2002, the Commission's Office of Ratepayer Advocates (ORA) distributed its Report on San Gabriel's requested rate increase. ORA recommended the following rate decreases for San Gabriel's Los Angeles Division: 13.7% for 2002, 3.8% for 2003. Rates for 2004 and 2005 would remain the same as 2003. ORA provided supporting analysis showing major adjustments to San Gabriel's proposal, including higher estimates of revenue, lower estimates of operating costs, lower forecasts of plant additions, and lower cost of capital.

Much of the difference between ORA's and San Gabriel's proposals relates to an event that occurred after San Gabriel filed the application but before ORA's report. San Gabriel had estimated about $20 million would be needed for treatment of groundwater contamination in its service territory, of which it

assumed about one-half would be provided by other parties responsible for the contamination. After filing this application, however, San Gabriel reached a tentative agreement with the responsible parties whereby they would pay all the costs associated with these treatment facilities. ORA, accordingly, reflected the decreased capital and expense cost forecasts in its Report.

A Public Participation Hearing (PPH) was held on March 14, 2002, in South El Monte. Three speakers offered comments. All opposed the proposed rate increase as creating an excessive burden on residential customers, particularly those on fixed incomes. Two of the three speakers, Ms. Figueroa and Mr. Perez, are members of the City of South El Monte City Council. In addition to opposing the proposed rate increase, these speakers also emphasized the importance of taking needed actions to address underground contamination affecting San Gabriel's water supply. The Commission also received 12 letters from customers. Virtually all opposed the proposed rate increase as being excessive, particularly given the current economic situation.

Evidentiary hearings were held in Los Angeles on March 25 and 26, 2002. During the hearings, the parties were able to resolve the differences in their proposals and to present a Joint Recommendation. (*See* Attachment A.) Additional public comment was also received from William Fice, who opposed the rate increase, particularly the requested rate of return.

The Joint Recommendation

The Joint Recommendation reflects the parties' agreement on numerous issues that, taken together, result in the revenue requirement increases listed above. The five major issues that impact San Gabriel's revenue requirement needs are addressed below.

1. Baldwin Park Groundwater Contamination Litigation

For many years, San Gabriel has been pursuing litigation against the parties responsible for contaminating San Gabriel's water supplies in the Baldwin Park area. At the time San Gabriel filed this application, the litigation was underway with an uncertain outcome. San Gabriel was certain, however, that expensive water contamination treatment facilities would be required for its B5 and B6 plants. San Gabriel had secured funding for half the costs from the United States Bureau of Reclamation. San Gabriel, therefore, requested the remaining half of the costs in its original proposal. In March 2002, however, San Gabriel reached a favorable settlement in the litigation, as discussed above. This settlement allowed San Gabriel to remove the following amounts from its request:

Test Year 2002	$2,415,400 (25% of requested increase)
Test Year 2003	$4,435,800 (60% of requested increase)

The specific effect of the settlement in the Test Years is reflected in the Joint Recommendation. Over the life of the settlement agreement, it is expected to save ratepayers approximately $50 million in capital costs and $75 million in expenses.

The parties also recommended that, if the polluters fail to pay the required amounts, San Gabriel should be authorized to record the amounts in a memorandum account for further consideration by the Commission.

2. Rate of Return Deficiency

San Gabriel's currently approved overall rate of return is 9.73%. At present rates, San Gabriel expects to realize an overall rate of return 7.61% in 2002.

The Joint Recommendation provides for an overall rate of return of 9.4%. To achieve this rate of return, San Gabriel's revenue requirement must be adjusted as follows: Test Year 2002, $2,362,800 increase; Test Year 2003, $128,500 decrease.

ORA originally proposed that San Gabriel receive a rate of return of 8.91%. ORA stated that it agreed to the Joint Recommendation rate of return (9.4%) as recognition for San Gabriel's success in negotiating the Baldwin Park contamination settlement. ORA found that the settlement garnered significant benefits for ratepayers, that San Gabriel should be rewarded for this outcome, and that such a reward will encourage San Gabriel and other public utilities to aggressively pursue actions that will provide similar benefits to ratepayers.

3. Expense Increase

In Test Year 2002 and 2003 expenses increase primarily due to general inflation, customer growth, additional required employees, a growing infrastructure, and increased water quality monitoring, testing and treatment. The increases are reflected both in expenses incurred directly by the Los Angeles Division as well as in common expenses allocated among all of San Gabriel's divisions.

4. Capital Additions

In the Joint Recommendation, the parties agreed to several modifications to San Gabriel's proposed capital budget for the Los Angeles Division. Specified trucks, two automobiles, and all emergency generators were removed. The parties agreed that the remote meter reading devices would be treated only as a pilot project. Well B11C and three reservoirs at wells B12 and B24 will be included in the capital budget. San Gabriel will have the opportunity to add the following projects to rate base through the advice letter process rather

than in this general rate case: three reservoirs at Plants 1 and B14, the B12 project, and, if constructed in 2002, the Plant G4 treatment project. No modifications were made to the allocated common plant additions proposed by San Gabriel. The capital budget reflected in the Joint Recommendation results in increases of $607,500 for Test Year 2002 and $1,018,900 for Test Year 2003.

5. Other Costs

The remainder of the revenue requirement increase - is the result of numerous minor adjustments including increased purchased power costs.

6. Evaluation of the Joint Recommendation

The Commission reviews Joint Recommendations pursuant to the standards also applicable to settlements. Both these types of agreements must be reasonable in light of the record, consistent with the law, and in the public interest. (D.00-02-048.) We approve the Joint Recommendation with the exception of the proposed CARW tariff, amortization of balancing and memorandum accounts, and forecasted water quality litigation expenses. We accept the Joint Recommendation's 9.4% overall rate of return for San Gabriel as within the range of reason for an efficiently run, large water utility. However, we do not accept or support the 9.4% rate of return as a reward for San Gabriel's litigation efforts. When a party contaminates the water source of a utility, is obliged to vigorously pursue the responsible party to recover damages for the injuries to the utility plant. That is the responsibility of competent management.

The parties to the Joint Recommendation are San Gabriel and ORA, the only active parties to this proceeding. The Joint Recommendation resolves all issues in this proceeding and the parties entered into it after having reviewed all direct and rebuttal testimony. The recommendations are the result of significant negotiation and compromise of the parties thereto on issues substantially

affecting their interests and constituents, and the parties agree that this is a fair resolution of their differences. For example, San Gabriel originally proposed adding 12 new employees. In the Joint Recommendation, San Gabriel withdrew its request for five of the 12 and ORA agreed to drop its opposition to the remaining seven. Overall, the Joint Recommendation results in a considerably lower rate increase than initially proposed by San Gabriel, and ORA is satisfied with this outcome. This significant reduction also addresses the ratepayers' concerns raised at the PPH. Finally, exclusive of the three issues listed below, the Joint Recommendation is not procedurally flawed and is not contrary to law or Commission policy.

The Joint Recommendation is a reasonable compromise of the dispute between San Gabriel and ORA. We conclude, therefore, that the Joint Recommendations is reasonable in light of the whole record, consistent with the law, and in the public interest. As discussed above, we adopt the Joint Recommendation's 9.4% rate of return for San Gabriel but for different reasons than expressed by the parties in the Joint Recommendation. As discussed in detail below, we reach a different conclusion with regard to the CARW tariff, amortization of balancing and memorandum accounts and forecasted water quality litigation expenses.

California Alternative Rates for Water Tariff Proposal

Although the parties resolved all issues as reflected in the Joint Recommendation, rate schedule CARW - California Alternative Rates for Water – requires further consideration. San Gabriel proposed that qualifying low-income customers would receive a 50% reduction in the service charge portion of their bill. ORA supported the proposal. However, below, we find that San Gabriel's proposal fails to meet our standards for such programs because

San Gabriel has not shown that all, or even most, low income residents would be eligible for the discount.

San Gabriel proposed that the CARW tariff would only apply to households that met specific income guidelines. San Gabriel stated that these guidelines were the same as those used by California electricity and gas utilities for their low-income rate programs. The income level qualifications are:

Household Members	Income Maximum
1 or 2	$22,000
3	$25,900
4	$31,100
5	$36,300
6	$41,500
7	$46,700
More than 7	[add $5,200 for each additional person]

In addition to the income level restrictions, the tariff proposed by San Gabriel also limits the applicability of this tariff to "households residing in permanent single-family accommodation with a one-inch or smaller meter."

San Gabriel estimated the revenue reduction for CARW participants that would be reallocated to all other customers would be:

Test Year 2002	$789,321
Test Year 2003	$834,595
Attrition Year 2004	$870,297
Attrition Year 2005	$898,934

San Gabriel estimated that all non-participating customers would see average increases of 7.7% in their monthly service charge, and an average overall increase of 2.2% to fund the program. San Gabriel further proposed that the estimated amounts would be compared to the actual revenue effects of the

program and the over or under collection recorded in a balancing account for amortization in its next general rate case.

We have examined the record on this issue and find it to be insufficient to support adoption of this program at this time. We have a long history of supporting programs that result in reduced rates for low-income customers of California's public utilities. *See, e.g.,* Re Universal Service and Compliance with the Mandates of Assembly Bill 3643, 68 CPUC 2d 524 (D.96-10-066). Such support, however, is tempered by requirements that the programs be carefully constructed to meet clearly identified needs in an efficient and equitable manner. We find, based on the record in this proceeding, that San Gabriel has not demonstrated that this low-income discount program, which is limited to persons residing in a single-family dwelling, will fairly reach all low-income persons in San Gabriel's service territory, and that the proposal suffers from other deficiencies as set out below.

The record on this issue is scant. San Gabriel's proposal consisted of a short sentence in its application and nine lines in its testimony, with an attached draft tariff. No testimony articulated the objective of the proposed tariff or stated a rationale for selecting the proposed rate design over alternatives. Most notably absent was any description or assessment of the need for this program. All in all, San Gabriel's proposal can best be described as well intentioned but incomplete.

In D.02-01-034, we approved a lifeline rate proposal by Southern California Water Company that provided for a 15% reduction in all components of each eligible customer's water bill. We approved this proposal rather than ORA's alternative rate design that waived the entire monthly service charge. ORA contended that the overall 15% rate reduction was contrary to our conservation goals. ORA pointed to our decision for California-American Water Company's

Monterey District,[1] as supporting the concept of reducing monthly service charges rather than discounts on all volumes of service. We rejected this comparison, noting that the Monterey District had a "carefully developed, inverted block rate structure that ties higher consumption levels to higher rates. All residential customers, not merely the low-income subset, pay higher rates for higher usage." D.02-01-034, 2002 Cal. PUC LEXIS 35, at page *16. Although approving the lifeline rate, we noted that we did not adopt it as a model for low-income rate relief in all Commission-regulated water companies.

Also in D.02-01-034, we addressed the issue of mobile home parks that provide master-metered water service to their tenants. We concluded that otherwise eligible mobile home park residents should not be excluded from the benefits of the proposed low-income program.

Turning now to San Gabriel's proposal, we find several components to be at odds with D.02-01-034 and our standards for low-income programs. First, San Gabriel chose a rate design that focuses on reducing the service charge component of a customer's bill. This rate design focus is similar to that used in California-American's Monterey District. However, San Gabriel elected only a 50% reduction, rather than the 100% reduction in Monterey. San Gabriel did not explain this rate design choice. We note also that San Gabriel's volumetric rate for water is the same across all consumption levels. As noted above, Monterey has an extensive inverted block rate design where higher levels of use are charged higher rates.

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[1] California-American Water Company, 69 CPUC 2d 398, 404 (D.96-12-005), revised by D.00-03-053.

Second, San Gabriel proposed to limit the applicability of this tariff to "households residing in permanent single-family accommodation with 1-inch or smaller meter." Thus, the CARW discount is only available to customers who reside in a single-family dwelling.[2] Occupants of multi-family housing, such as apartments, duplexes, and some condominiums, would be ineligible for the CARW discount. Multi-family housing, however, tends to be more affordable. Consequently, it is likely that a significant proportion of the low-income water users in San Gabriel's service territory reside in multi-family dwellings. These water users would not be eligible for San Gabriel's proposed CARW tariff. Thus, we are unable to conclude that the proposed tariff would be equitably offered to low-income persons.

Third, San Gabriel's limitations on the applicability of the tariff would also exclude sub-metered customers in mobile home parks or multi-family dwellings. As in D.02-01-034, these customers should be included in those customers eligible for the discount.[3]

San Gabriel determined that as a result of this program water users not eligible for the program will pay approximately 2.2% more per month. The increase will be paid by San Gabriel's customers with meters larger than one inch. Among the customers with larger meters are multiple-unit dwellings, such

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[2] San Gabriel provided no analysis of the cost of owning or renting a typical single-family dwelling in its service territory and the relationship of that cost to the income eligibility levels proposed for the CARW program.

[3] We note also that the income eligibility guidelines set out in D.02-01-034 are not consistent with those found in San Gabriel's draft tariff. Both sets of guidelines, however, purport to be replications of the guidelines for the energy utilities' low-income programs.

as apartment buildings, and businesses. San Gabriel has not explained how these customers will absorb the increase and not simply pass it through in higher rents or prices for goods and services. In the case of multiple-unit dwellings, we are particularly concerned that low-income residents could end up paying higher rent due to the surcharge for the program. Finally, San Gabriel's proposal contains no means or timetable to assess or evaluate the effectiveness of the program and to implement any needed modifications.

In sum, we agree with and fully support the concept of rate relief for low-income customers. Such rate relief, however, must be accomplished through a well-thought-out and even-handed program with specific identification of need, consideration of alternative means to address that need, justification for the selected components of the program, and a plan to assess, evaluate, and modify the program as necessary. At this point, San Gabriel's proposal does not meet these standards. Until these standards are met, our best course is to keep water prices as low as possible for all customers. Therefore, on the facts presented, we are unable to find the CARW reasonable in light of the record or consistent with the law and our decisions applicable to such programs. We are, therefore, constrained to reject San Gabriel's proposed CARW tariff. We do, however, intend to order San Gabriel to present a revised low-income discount proposal.

Amortization of Balancing and Memorandum Account Balances

In the first paragraph of item three[4] of the Joint Recommendation, the parties agree that San Gabriel shall amortize specified balances in its purchased

[4] The second paragraph relates to San Gabriel splitting its Los Angles County division water production balancing account into two separate balancing accounts – one for

Footnote continued on next page

water, purchased power, water quality litigation, and Department of Health Services/Environmental Protection Agency accounts. Other than the amortization of the Department of Health Services/Environmental Protection Agency memorandum account, this provision of the Joint Recommendation is not consistent with Commission policies on amortization of balancing and memorandum accounts.

As regards the purchased power and purchased water balancing accounts, in Order Instituting Rulemaking (OIR) 01-12-009, the Commission opened a proceeding to evaluate existing practices and policies for processing offset rate increases and balancing accounts for Class A water utilities. Since issuing the OIR, the Commission has not authorized amortization of balancing accounts due to the expectation that new rules for amortization would be issued in the OIR. A draft interim decision addressing collections prior to November 29, 2001, has been mailed and is being considered by the Commission. The draft interim decision sets out the Commission's policy for balancing accounts, including a

detailed standard for the earnings test, and gives the utilities 90 days to file advice letters as set out in the decision. The process envisioned in the interim draft decision would be applicable to all Class A water utilities, including San Gabriel, and would resolve pre-November 29, 2001, collections.

Pending resolution of the OIR, we cannot, absent further justification, authorize San Gabriel to amortize its balancing account balances in this proceeding. The amortization set out in the Joint Recommendation is not

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purchased water and one for pumped water and assessments. This portion of the Joint Recommendation is approved.

consistent with the draft interim decision and may be inconsistent with the Commission's final action. Consequently, we do not find this component of Joint Recommendation to be reasonable and it is, therefore, rejected. Balancing account issues will be resolved in the OIR proceeding.

Similarly, as regards the Water Quality Litigation memorandum account, the record does not reflect whether or to what extent the amounts recorded in this account pertain to costs associated with defense of water quality litigation. This type of costs, in contrast to litigation costs where San Gabriel is the plaintiff, are under consideration by the Commission as a follow-up to the California Supreme Court's decision in Hartwell v. Superior Court of Ventura County, and the Commission's subsequent decision in its own investigation, D.00-11-014. In Hartwell, the Court held that water utilities subject to the Commission's jurisdiction are subject only to suit for violation of water quality standards. However, prior to Hartwell, numerous water utilities accumulated substantial legal fees in defense of contamination lawsuits. The Commission ordered the Water Division to prepare an Order Instituting Investigation/Rulemaking to address follow-up water quality regulation issues, such as the disposition of defense costs in memorandum accounts for all Class A utilities. Thus, to the extent San Gabriel's Water Quality Litigation memorandum account reflects defense costs, these costs must be disaggregated and remain in the memorandum account awaiting disposition via the upcoming proceeding. For the plaintiff litigation costs, we will allow San Gabriel to file an advice letter seeking amortization consistent with our policies for such filings.

Forecasted Water Quality Litigation Expenses

In item nine of the Joint Recommendation, the parties agree to the following forecast for outside legal expenses:

	Water Quality Litigation	Total Outside Legal Expense
Test Year 2002	$606,281	$818,438
Test Year 2003	$618,940	$849,539

With the information currently in the record, we are unable to approve the Joint Recommendation for forecasted outside legal expenses for water quality litigation. The forecasted amount for outside legal expenses exclusive of water quality litigation is not subject to this conclusion and is approved as part of the overall agreement.

The parties based this forecast on ten years of recorded legal costs, separating such costs recorded in water quality litigation memorandum accounts. As explained by San Gabriel's witness at the hearing, the memorandum account specifications only allow San Gabriel to record in the memorandum account any amount that exceeds the forecasted amount included in rates. The Joint Recommendation proposes to include this forecast of litigation costs in revenue requirement.

Consistent with Commission policy and precedent, we must reject inclusion of this forecast amount in revenue requirement. Historic water quality litigation costs have included defense of contamination lawsuits. Since the California Supreme Court's decision in Hartwell v. Superior Court of Ventura County, and the Commission's subsequent decision in its own investigation, D.00-11-014, water utilities should see a substantial reduction in the need to defend water quality lawsuits. Consequently, relying on a decade of historic costs as a basis to project future costs is not reasonable. Moreover, by including a forecast amount in revenue requirement, rather than subjecting the entire amount to memorandum account review, the Commission would be precluded from reviewing the litigation costs to determine, for example, the

outcome of the litigation and whether the expenses might be recoverable from insurance coverage. For these reasons, we find that including a forecast of water quality litigation costs is unreasonable. This conclusion does not affect San Gabriel's authorization to record amounts in the water quality memorandum account for later review and consideration by the Commission. The attached revenue requirement and the rate design tables to be prepared will reflect removal of the forecasted amount for outside legal services for water quality litigation costs.

Comments on Proposed Decision

The proposed decision of the ALJ in this matter was mailed to the parties in accordance with Pub. Util. Code § 311(d) and Rule 77.1 of the rules of Practice and Procedure. San Gabriel filed comments. No other comments or reply comments were filed.

Assignment of Proceeding

Henry Duque is the Assigned Commissioner and Maribeth Bushey is the assigned Administrative Law Judge in this proceeding.

Findings of Fact

1. As set forth in the ORA and San Gabriel Summary of Joint Recommendation and accompanying tables, attached hereto as Attachment A, San Gabriel and ORA reached a joint recommendation to resolve all outstanding issues in this proceeding.

2. Comments from members of the public opposed San Gabriel's initial proposed rate increase.

3. The Joint Recommendation sets forth a rate increase that is substantially less than San Gabriel's initial proposal.

4. The Joint Recommendation was the result of negotiation and compromise between the parties after all testimony had been filed.

5. San Gabriel did not present sufficient evidence to enable the Commission to fulfill its responsibilities under Pub. Util. Code § 739.8 to consider rate relief for low income ratepayers.

6. Low-income persons residing in multi-family dwellings or master metered mobile home parks are not eligible for the CARW discount program.

7. San Gabriel did not present sufficient evidence to support the selected components of its proposed CARW tariff.

8. The Department of Health Services/Environmental Protection Agency memorandum account balance listed in paragraph 3 of the Joint Recommendation should be amortized over 12 months.

9. The Commission opened R.01-12-009 to evaluate existing practices and policies for processing offset rate increases and balancing accounts for Class A water utilities and expects to address existing account balances in the proceeding.

10. The purchased power and purchased water balancing account balances listed in paragraph 3 should be addressed in R.01-12-009.21

11. The record does not reflect whether or to what extent the amounts recorded in the Water Quality Litigation memorandum account pertain to costs associated with defense of water quality litigation.

12. The forecast for outside legal expenses should exclude amounts for water quality litigation; specifically, exclude $ 606,281 for test year 2002, and 618,940 for test year 2003.

13. Water quality litigation costs should substantially decline from historic levels and existing memorandum accounts are available for these types of costs.

14. The 9.4% overall rate of return for San Gabriel proposed in the Joint Recommendation is within the range of reason and appropriate as a reasonable return for an efficiently, well run utility.

Conclusions of Law

1. With the exception of the CARW tariff, balancing account and memorandum account amortization and forecasted outside legal services for water quality litigation, the Joint Recommendation as modified herein is reasonable in light of the record, consistent with the law, and in the public interest.

2. The revenue increases reflected in the Joint Recommendation as modified herein will result in just and reasonable rates for San Gabriel's Los Angeles Division.

3. The revenue increases reflected in the Joint Recommendation as modified herein should be approved for San Gabriel's Los Angeles Division.

4. San Gabriel's proposed CARW tariff does not equitably offer a discount to all low-income persons residing in San Gabriel's service territory.

5. San Gabriel did not present sufficient evidence to enable the Commission to fulfill its responsibilities under Pub. Util. Code § 739.8 to consider rate relief for low income ratepayers.

6. As currently proposed, San Gabriel's CARW tariff does not meet Commission standards for low income discount programs.

7. As currently proposed, San Gabriel's CARW tariff should be rejected.

8. The Joint Recommendation's proposed treatment of purchased power and purchased water balancing accounts is not reasonable and is rejected. Balancing account issues will be resolved in the Rulemaking proceeding.

9. The Joint Recommendation's proposal to amortize the balance in the Water Quality Litigation memorandum account, to the extent such balance includes costs associated with defense of water quality litigation, is unreasonable and rejected.

10. The Joint Recommendation's inclusion of a forecasted amount for outside legal services for water quality litigation is unreasonable and rejected.

11. San Gabriel should be allowed to file an advice letter setting out which, if any, of the amounts included in the Water Quality Litigation memorandum account balance are for litigation defense, and to seek amortization of the non-defense related balance.

O R D E R

IT IS ORDERED that:

1. Excluding the California Alternative Rates for Water tariff proposal, the purchased power and purchased water balancing accounts, water quality litigation memorandum account, and forecasted costs for outside legal services for water quality litigation, the Joint Recommendation between San Gabriel Valley Water Company (San Gabriel) and the Office of Ratepayer Advocates (ORA) is adopted.

2. San Gabriel is authorized to increase revenues in its Los Angeles Division:

   $3,435,700 (or 10.90%) for test year 2002
   $1,554,800 (or 4.44%) for test year 2003
   $1,552,500 (or 4.24%) for attrition year 2004
   $1,552,500 (or 4.07%) for attrition year 2005

3. San Gabriel is authorized to file in accordance with General Order 96-A, and to make effective on not less than five days' notice, tariffs containing the test year 2002 increases for its Los Angeles District as provided in the revenue

requirement tables in Attachment B and the rate design tables in Attachment C. The revised rates shall apply to service rendered on and after the tariffs' effective date.

4. On or after November 5, 2002, but no later than March 5, 2003, San Gabriel is authorized to file an advice letter, with appropriate supporting workpapers, requesting the step rate increase for 2003 included in Appendix B, or to file a lesser increase in the event that the rate of return on rate base for its respective district, adjusted to reflect the rates then in effect and normal rate-making adjustments for the 12 months ending September 30, 2002, exceeds the lesser of (a) the rate of return found reasonable by the Commission for San Gabriel for the corresponding period in the most recent rate decision, or (b) the rate of return found reasonable in this case. This filing shall comply with GO 96-A. The requested step rates shall be reviewed by the Commission's Water Division (Division) to determine their conformity. The Division shall inform the Commission if it finds that the proposed rates are not in accord with this decision. The effective date of the revised tariff schedule shall be no earlier than January 1, 2003, or 40 days after filing, whichever is later. The revised schedules shall apply to service rendered on and after their effective date. Should a rate decrease be in order, the rates shall become effective January 1, 2003.

5. On or after November 5, 2003, but no later than March 5, 2004, San Gabriel shall be authorized to file an advice letter, with appropriate supporting workpapers, requesting the attrition rate increase for 2004 included in Appendix B, or to file a letter increase in the event that the rate of return on rate base for its respective district, adjusted to reflect the rates then in effect, and normal rate-making adjustments for the 12 months ending September 30, 2003,

exceeds the letter of (a) the rate of return found reasonable by the Commission for SCWC for the corresponding period in the most recent rate decision, or (b) the rate of return found reasonable in this case. This filing should comply with GO 96-A. The requested attrition rate increase shall be reviewed by the Division to determine their conformity. The Division shall inform the Commission if it finds that the proposed rates are not in accord with this decision. The effective date of the revised tariff schedule shall be no earlier than January 1, 2004, or 40 days after filing, whichever is later. The revised schedule shall apply to service rendered on and after their effective date. Should a rate decrease be in order, the rates shall become effective January 1, 2003.

6. On or after November 5, 2004, but no later than March 5, 2005, San Gabriel shall be authorized to file an advice letter, with appropriate supporting workpapers, requesting the attrition rate increase for 2005 included in Appendix B, or to file a letter increase in the event that the rate of return on rate base for its respective district, adjusted to reflect the rates then in effect, and normal rate-making adjustments for the 12 months ending September 30, 2005, exceeds the letter of (a) the rate of return found reasonable by the Commission for SCWC for the corresponding period in the most recent rate decision, or (b) the rate of return found reasonable in this case. This filing should comply with GO 96-A. The requested attrition rate increase shall be reviewed by the Division to determine their conformity. The Division shall inform the Commission if it finds that the proposed rates are not in accord with this decision. The effective date of the revised tariff schedule shall be no earlier than January 1, 2005, or 40 days after filing, whichever is later. The revised schedule shall apply to service rendered on and after their effective date. Should a rate decrease be in order, the rates shall become effective January 1, 2003.

7. San Gabriel is authorized to file advice letters seeking to recover in rates the reasonable costs of the capital additions specified in the Joint Recommendation.

8. San Gabriel is authorized to record in a memorandum account for later consideration by the Commission any and all costs subject to the Baldwin Park Settlement Agreement but not paid by the polluters.

9. San Gabriel is authorized to add a special condition to Rate Schedule Nos. LA-1, LA-3L, and LA-6, stating the amortization rates and limiting the amortization of DHS/EPA memorandum account to not more than twelve months.

10. Consistent with applicable Commission policy, San Gabriel is authorized to file an advice letter seeking amortization of the amounts in the Water Quality Litigation memorandum account, excluding those amounts related to defense of water quality lawsuits.

11. San Gabriel's purchased power and purchased water balancing account balances will be addressed in Rulemaking 01-12-009.

12. San Gabriel's proposed California Alternative Rates for Water tariff is rejected. Within 180 days of the effective date of this order and in consultation with the Commission's Water Division, San Gabriel shall file an application with a low-income water rate proposal that fully and completely addresses the matters discussed in this Order and contained in Pub. Util. Code § 739.8 including but not limited to: availability of the program to all low income families served with water directly or indirectly by San Gabriel; costs of the program; conservation effects of the program; and ratemaking treatment of program costs.

13. Application 01-10-028 is closed.

This order is effective today.

Dated October 24, 2002, at San Francisco, California.

HENRY M. DUQUE
CARL W. WOOD
GEOFFREY F. BROWN
MICHAEL R. PEEVEY
Commissioners

I will file a concurrence.

/s/ LORETTA M. LYNCH
President

ATTACHMENT A

Application No. 01-10-028
Exhibit No. 13 (late filed)
Witness: jointly sponsored
Date: April 10, 2002

ORA and San Gabriel
Summary of Joint Recommendation

1. Rate of Return on Rate Base: 9.4%.

   References: Tr. 51-55, 189-200, 206-207; Ex. 2, 3, 4, 6, and 10

   Basis: ORA is in agreement with the rate of return on rate base in recognition of San Gabriel's comprehensive settlement agreement with certain potentially responsible parties (PRPs) and the associated ratepayer benefits. San Gabriel agreed on this compromise rate of return based on the overlap of the forecasted ranges of reasonable rates of return from independent San Gabriel and ORA expert witness analyses.

2. ORA withdraws its Operational Working Cash recommendation (reduction of $12 million from rate base).

   References: Tr. 207-210; Ex. 7 (pp. 39-40 and Tables L-1 & L-2), Ex. 12 (p.2-1 to 2-4)

   Basis: San Gabriel provided further explanation and evidence that these funds primarily involve proceeds that were received from eminent domain proceedings in another division, are no longer in San Gabriel's bank account, and have since been re-invested by San Gabriel in utility plant, thereby reducing the need to incur additional short-term and long-term debt and the resulting interest expense thereon.

3. Amortization of all balancing and memorandum accounts (as of December 31, 2001), subject to refund pursuant to further audit (if necessary) by staff and potential disallowance by the Commission. ORA agrees that no adjustment is necessary to the Water Quality Litigation Memorandum Account for CWA legal fees ($61,000) that were assessed to pay CWA's legal counsel.

   San Gabriel agrees to prospectively split its Los Angeles County division water production balancing account into two separate balancing accounts: one for purchased water and one for pumped water and assessments, in accordance with the Commission's standard balancing account procedures. San Gabriel has been maintaining the balancing account pursuant to a stipulation with DRA, which was approved by the Commission in the last Los Angeles County division general rate case.

The December 31, 2001, balances in the DHS memorandum account has been corrected for a recently received invoice to $72,159.

The Water Quality Legal Memorandum Account is greater than 5% of annual revenues and will be amortized over 24 months, while all other balancing and memorandum accounts are less than 5% of annual revenues and will be amortized over 12 months.

The balances to be amortized are as follows:

Purchased Water	$324,679
Purchased Power	$288,033
Water Quality Litigation	$2,230,359
DOHS/EPA	$72,159

Reference: Tr. 211-227; Ex. 7 (pp. 11-14); Ex. 9 (pp. 12-2 to 12-3); Ex. 12 (pp. 1-8 to 1-10, 1-15 to 1-16, and 3-3 to 3-7)

Basis: San Gabriel begins cash recovery of the expenditures it has already and continues to incur. Staff has reviewed invoices supporting San Gabriel's entries and retains the right to further examine all entries in these accounts and to recommend disallowance of any entry found to be unreasonable or otherwise not includable in the balancing or memorandum account. By beginning amortization of these accounts now, future ratepayers are protected from the unamortized growth (principle and interest) in the account balances.

San Gabriel has provided further explanation of the reasons CWA engaged the legal services of its legal counsel. San Gabriel will provide copies of earnings statements for recorded years 1997-2001, which were previously provided to Water Division in connection with the Commission's OIR 01-12-009, updated for recorded 2001.

4. "Unmetered & Unaccounted For" water percentage of 5.5%.

References: Tr. 227-228; Ex. 7 (pp. 4-5); Ex. 9 (p. 4-4)

Basis: San Gabriel recommended a 5-year average (6.0%), while ORA recommended using the latest recorded year (4.9%). The agreed upon figure (5.5%) represents a trend of the more recent data.

5. San Gabriel will reduce its request for all capital-related and expense-related costs of Plant B5 and B6 treatment plant additions to reflect the pending comprehensive settlement agreement with the PRPs. San Gabriel will maintain a complete accounting of all entries to

the memorandum account. Interest will be added to this account only if and when the polluters fail to comply with the comprehensive agreement.

References: Tr. 228-238; Ex. 7 (pp. 1-2 and 33); Ex. 9 (pp. 8-2 to 8-3); Ex. 12 (pp. 1-1 to 1-8, 3-1 to 3-3, and 4-6 to 4-9)

Basis: San Gabriel filed its application when negotiations with the PRPs were still ongoing. Fifty percent of the capital costs was included in rate base in the application as originally filed while the remaining 50% had been committed from governmental agencies. The details of the comprehensive settlement, although still awaiting formal court approval, are now known and provide for additional outside funding. San Gabriel is willing to withdraw the costs expected to be covered by other parties, if it is provided balancing account protection for any variances in the amounts San Gabriel ultimately incurs for the construction and operation of the new treatment plant facilities and compensation San Gabriel receives for the construction and operation of the new treatment facilities.

6. ORA agrees to eliminate the "Rate Shock Cost Adj." line item ($2.1 million) on Table A-2 of its report.

References: Tr. 238; Ex. 7 (Table A-2); Ex. 12 (pp. 3-7 to 3-8)

Basis: San Gabriel provided further explanation of the adjustment it used for its attrition calculation. The withdrawal by San Gabriel of Plant B5 and B6 treatment project expenses now expected to be paid by outside parties also eliminates any need for a "rate shock" adjustment.

7. San Gabriel agrees to update its proposal to reflect the October 31, 2001 estimates of 2002 and 2003 escalation rates provided by M.G. Lyons of ORA Monopoly Regulation Branch as applied to forecast certain test year labor and non-labor-related expenses.

References: Tr. 238-239; Ex. 7 (p. 7 and Attachment A)

Basis: The more current information was not available when San Gabriel filed its application.

8. San Gabriel agrees to replace its estimated 2001 capital additions data with recorded 2001 information.

References: Tr. 239; Ex 7 (p. 33)

Basis: This more current information was not available when San Gabriel filed its application.

9. For Outside Legal Fees, San Gabriel and ORA agree on $818,438 for Test Year 2002 and $849,539 for Test Year 2003. Of these amounts, $606,281 in 2002 and $618,940 in 2003 are related to Water Quality Litigation, and are subject to a memorandum account true-up through advice letter filings and in subsequent general rate cases to amortize balances, as the Commission may approve. The amounts subject to memorandum account treatment will be listed separately in the results of operation.

   References: Tr. 239-242; Ex 12 (pp. 1-14 to 1-15)

   Basis: ORA did not forecast any legal expenses for the test years, believing that all ongoing legal proceedings would be subject to memorandum account treatment. San Gabriel explained that issues would arise in the future that require outside legal services but the costs of which would not be recordable in a memorandum account. San Gabriel has provided ten years of recorded legal fees (isolating those included in the memorandum account), allowing ORA to agree with a revised forecast of outside legal expenses for the Test Years.

10. ORA agrees to reduce the "Redundant Facilities" line items from $864,000 to $86,328, and San Gabriel agrees that the Well B4C (deepening) should be excluded from rate base ($149,202 of plant and $62,874 of accumulated depreciation) during the Test Years.

    References: Tr. 168-169 and 249-251; Ex. 7 (Tables L-1 & L-2)

    Basis: San Gabriel explained its plans to restore the Plant B6 facilities to active service as soon as the new treatment facilities, now under construction, are completed. San Gabriel has no definitive plans at this time to re-activate Well B4C, which was taken out of service because of contamination of the groundwater.

11. San Gabriel and ORA agree to an uncollectibles rate of 0.1448%.

    References: Tr. 242

    Basis: San Gabriel initially used a forecast of 0.1800% based on a 6-7 year recorded average. ORA initially used the 2000 recorded rate of 0.1104%. After a review of recorded uncollectible rates from 1988 through 2001, San Gabriel and ORA agreed to use a five-year average.

12. ORA agrees to the $10,000 per year expense for the Internet Service.

    References: Tr. 242-243; Ex. 7 (p. 26)

    Basis: ORA originally misinterpreted this amount as a capital expenditure. As of January 1, 2002, the Commission requires the utility to maintain rate and other information on a

website. Additionally, San Gabriel required faster line speed for data exchange causing the company to upgrade its Internet service provider.

13. ORA drops its opposition to certain existing positions and agrees to the following new positions: draftsman, programmer, engineer, field assistant, and three water treatment operators. San Gabriel agrees to withdraw its request for the following new positions: rate analyst, energy analyst, property manager, accounting clerk, and commercial clerk.

    References: Tr. 243; Ex. 7 (pp. 7-8 and 21-24); Ex. 12 (pp. 5-2 to 5-9)

    Basis: This compromise is based on a detailed discussion of San Gabriel's needs and the positions requested. Two Water Treatment Operators will be funded under the comprehensive settlement agreement with the PRPs. The third Water Treatment Operator is required due to increasing testing and reporting requirements as well as the extensive pollution in the basin.

14. For the lead-lag study, ORA agrees to the utility's 259 days for franchise fees (Paragraph 9.5) and 35.4 for revenue lag days (Paragraph 9.8) as filed by San Gabriel in exchange for San Gabriel agreeing to 13 lag days for FICA (Paragraph 9.6) and 90 lag days for PUC charges (Paragraph 9.7) as recommended by ORA.

    References: Tr. 243; Ex. 7 (pp. 38-39); Ex. 12 (pp. 2-4 to 2-5)

    Basis: ORA and San Gabriel have reviewed more closely the requirements for the payments of fees and charges.

15. Remaining issues regarding plant additions are compromised and resolved as follows:

    - San Gabriel will eliminate specified trucks ($105,000) and two automobiles ($46,000).
    - San Gabriel will eliminate all emergency generators ($205,000)
    - San Gabriel will reduce fire hydrants additions from $100,000 to $80,000 per year
    - ORA agrees to the remote Firefly meter reading devices for 2001 and 2002 as a pilot project ($800,000), but San Gabriel will request by advice letter any additional units if they prove to be cost-beneficial.
    - ORA agrees that Well B11C ($250,000) is needed because of the reduced production rate of Well B11A.
    - San Gabriel agrees not to include, in the adopted Test Year 2002 or 2003 rate base, the Garvey land purchase ($400,000) to relieve a shortage of parking space at San Gabriel's El Monte offices.

- ORA agrees to allow in base rates a total of three reservoirs ($2.1 million) at Plant B12 (1) and B24 (2). Reservoirs ($2.4 million) at Plants 1 (1) and B14 (2) will be added to rates by advice letter after they are constructed.
- The B24 treatment project ($1.5 million) will be added to rates by advice letter. The Plant G4 treatment ($900,000) will be deferred to Test Year 2003, but if constructed in 2002, may be added to rates by advice letter.
- ORA agrees to common plant additions as filed by San Gabriel.

References: Tr. 244-246; Ex. 7 (pp. 33-36); Ex. 12 (pp. 2-12 to 2-14, 4-1 to 4-8, and 5-17)

Basis: San Gabriel and ORA conducted detailed discussions regarding the need for, the estimated cost of, and the scheduled timing of the various requested projects. San Gabriel provided more current information, which was not available at the time the application was filed, regarding the timing and scheduling of planned plant additions.

16. San Gabriel and ORA agree to Emergency Sales to the City of Industry at 132,225 Ccf/year for all test and attrition years. Supply costs will be adjusted to reflect these sales.

References: Tr. 246; Ex. 7 (pp. 4 and 6); Ex. 12 (pp. 3-8, 4-8 to 4-9, and 5-16 to 5-17)

Basis: [276.55 Ccf/yr. x 1700 residential customers x 13.5 months] / 4 years.

17. ORA will accept all of San Gabriel salary levels as of March 1, 2002. For ratemaking purposes, ORA's October 31, 2001, labor inflation factors will be applied to those salaries, for Test Years 2002 and 2003, except for the six executive salaries.

References: Tr. 246; Ex. 7 (p. 20); Ex. 12 (pp. 1-10 to 1-13)

Basis: The company provided to ORA current salary surveys.

18. ORA accepts the method authorized in past rate cases for the allocation of the Chairman's and the President's salaries and the company's allocation of officers' and other employees' time, fringes, and overhead to affiliate companies as set forth in the Application. ORA agrees to drop the 1% allocation of Common Plant and the 5% allocation of Administrative Salaries.

References: Tr. 247-248; Ex. 7 (pp. 16-20); Ex. 12 (pp. 1-13, 2-6 to 2-10, and 5-9 to 5-12); D.92-04-032; D.93-09-036

Basis: The company provided to ORA detailed information about the allocation of the Chairman's and President's salaries and the allocation of the time, fringes, and overhead of the officers' and other employees' time devoted to the affiliates. The company also provided copies of previous Commission decisions confirming the procedures for allocations.

19. The parties have agreed to accept San Gabriel's estimates of employee pension benefits.

References: Tr. 248; Ex. 7 (pp. 26 & 29); Ex. 12 (p. 5-14)

Basis: San Gabriel's employee pension benefits have not changed from those approved in prior general rate cases.

20. The parties have agreed to accept San Gabriel's employee benefits for health and dental insurance.

References: Tr. 248; Ex. 7 (pp. 27 & 29-30); Ex. 12 (pp. 5-14 to 5-16)

Basis: San Gabriel provided ORA with estimated increases from its insurance brokers.

21. The parties have agreed to accept San Gabriel's workers' compensation insurance policy expenses.

References: Tr. 249; Ex. 7 (p. 31); Ex. 12 (p.5-16)

Basis San Gabriel provided ORA with estimated increases from its insurance brokers.

22. For all property and liability insurance policies, Staff agreed there is no need for any further allocation of the premium to affiliate companies.

References: Tr. 249; Ex. 7 (pp. 30-31)

Basis: The insurance company calculates and separately bills the respective affiliates for the premium applicable to each.

23. The parties agree that postage will increase by 9% in Test Year 2002.

References: Tr. 249; Ex. 7 (p. 28)

Basis: San Gabriel provided ORA with the U. S. Postal Service's proposed rate increase to take effect in summer of 2002.

24. ORA took no issue with and recommended adoption of San Gabriel's proposed low income tariff (Schedule No. CAR-W) and balancing account.

References: Ex. 7 (pp. 42-43); Ex. 9 (p. 12-3)

Basis: Public Utilities Code Section 739.8 requires the Commission to consider programs to provide relief to low-income ratepayers as well as incentives to conserve water. Discounting the service charge portion of the rates should not be contrary to achieving conservation goals inasmuch as the amount of the customer's bill will remain proportional to the amount of water used. The balancing account will allow a true-up of the discounts actually provided until a better forecast of participation rates can be made in a subsequent general rate case.

Application No. 01-10-028
San Gabriel Valley Water Company
Los Angeles County Division
COMPARISON EXHIBIT
Test Year 2003

(Dollars in Thousands)

	Joint Recomm. 2002 (a)	San Gabriel As Filed (b)	Change (c)	Joint Recomm. 2003 (d)	Change (e)	ORA Report (f)
Operating Revenues	$35,730.0	$48,242.9	($10,862.9)	$37,380.0	($10,520.0)	$26,860.0
Operating Expenses						
Purchased Water & Assessments	$6,965.6	$8,237.5	($1,257.2)	$6,980.3	($124.5)	$6,855.8
Purchased Power	$4,115.0	$7,510.0	($3,036.5)	$4,473.5	$48.8	$4,522.3
Payroll	$3,761.9	$3,994.8	($137.5)	$3,857.3	($368.8)	$3,488.5
Uncollectibles	$51.7	$86.8	($32.7)	$54.1	($24.5)	$29.7
Other O & M	$1,390.3	$2,882.3	($1,500.2)	$1,382.1	$12.9	$1,395.0
Pensions & Benefits	$1,215.1	$1,318.5	$0.0	$1,318.5	($195.6)	$1,122.9
Franchise Fees	$357.3	$480.9	($107.1)	$373.8	($105.2)	$268.6
Other A & G	$133.9	($37.3)	$202.8	$165.5	($247.3)	($81.8)
Legal Expense (memo account)	$606.3	$1,200.0	($581.1)	$618.9	($618.9)	$0.0
Bank Charges	$43.3	$44.6	$0.0	$44.6	($44.6)	$0.0
Subtotal	$18,640.4	$25,718.2	($6,449.5)	$19,268.6	($1,667.7)	$17,601.0
Allocated Common	$2,644.1	$2,762.7	($34.5)	$2,728.2	($570.8)	$2,157.4
Total Operating Expense	$21,284.5	$28,480.9	($6,484.0)	$21,996.8	($2,238.5)	$19,758.4
Depreciation	$2,520.3	$3,147.9	($437.6)	$2,710.3	($132.1)	$2,578.2
Ad Valorem Taxes	$835.2	$1,045.6	($134.5)	$911.1	($33.5)	$877.6

Application No. 01-10-028
San Gabriel Valley Water Company
Los Angeles County Division
COMPARISON EXHIBIT
Test Year 2003

(Dollars in Thousands)

Payroll Taxes	$349.6	$376.0	($15.7)	$360.3	($39.9)	$320.4
Total Expense before Income Taxes	$24,989.6	$33,050.4	($7,071.8)	$25,978.5	($2,444.0)	$23,534.6
Net Revenue Before Income Taxes	$10,740.4	$15,192.5	($3,791.1)	$11,401.5	($8,076.0)	$3,325.4
State Income Tax	$682.1	$1,033.8	($286.4)	$747.4	($776.0)	($28.6)
Federal Income Tax	$2,921.8	$4,117.0	($1,102.3)	$3,014.7	($2,820.6)	$194.1
Rate Shock Cost Adj.	$0.0	$0.0	$0.0	$0.0	($2,061.1)	($2,061.1)
Total Expenses	$28,593.5	$38,201.2	($8,460.5)	$29,740.6	($8,101.7)	$21,639.0
Net Operating Revenues	$7,136.5	$10,041.7	($2,402.4)	$7,639.4	($2,418.3)	$5,221.0
Rate Base	$75,942.9	$90,710.5	($9,398.4)	$81,312.1	($22,583.8)	$58,728.3
Rate of Return	9.40%	11.07%		9.40%		8.89%
Present Revenues		$40,966.8	($5,091.4)	$35,875.4	($7,958.1)	$27,917.3
Proposed Increase		$7,276.1	($5,771.5)	$1,504.6	($2,561.9)	-$1,057.3
		17.8%		4.2%		-3.8%

(END OF ATTACHMENT A)

ATTACHMENT B

ATTACHMENT B

San Gabriel Valley Water Company
Los Angeles County Division
SUMMARY OF EARNINGS and RATES OF RETURN

(Dollars in Thousands)

	Test Year 2002	Test Year 2003
Operating Revenues	$34,963.2	$36,580.9
Operating Expenses		
Purchased Water & Assessments	$6,965.6	$6,980.3
Purchased Power	$4,115.0	$4,473.5
Payroll	$3,761.9	$3,857.3
Uncollectibles	$50.6	$53.0
Other O & M	$1,390.3	$1,382.1
Pensions & Benefits	$1,215.1	$1,318.5
Franchise Fees	$349.1	$365.3
Other A & G	$133.9	$165.2
Outside legal services (memo account)	$0.0	$0.0
Bank Charges	$43.3	$44.6
Subtotal	$18,024.9	$18,639.7
Allocated Common	$2,644.1	$2,728.2
Total Operating Expense	$20,668.9	$21,368.0
Depreciation	$2,520.3	$2,710.3
Ad Valorem Taxes	$835.2	$911.1
Payroll Taxes	$349.6	$360.3
Total Expense before Income Taxes	$24,374.0	$25,349.6
Net Revenue Before Income Taxes	$10,589.2	$11,231.3
State Income Tax	$626.0	$668.6
Federal Income Tax	$2,826.7	$2,923.2
Total Expenses	$27,826.7	$28,941.5
Net Operating Revenues	$7,136.5	$7,639.4
Rate Base	$75,942.9	$81,312.1
Rate of Return	9.40%	9.40%

ATTACHMENT B
Page 2 of 5
San Gabriel Valley Water Company
Los Angeles County Division

Adopted Quantities
(Dollars in Thousands)

	Test Year 2002			Test Year 2003			
	Unit Cost		Total Cost		Total Cost		
	$	Ac-Ft.	$000	Ac-Ft.	$000		
Water Cost & Assessments							
Main SGV Basin							
Safe Yield		190,000.0		190,000.0			
Share of OSY		19,142.0		19,142.0			
Replacement Water Assessment	$246.65	16,782.0	$4,139.292	16,839.5	$4,153.471		
Cyclic Storage	$246.65	3,000.0	$739.9500	3,000.0	$739.950		
Leased Water Rights	$221.99	500.0	$110.995	500.0	$110.995		
Watermaster Assessment	$7.00	38,568.8	$269.982	38,620.0	$270.340		
In Lieu Assessment	$0.50	38,568.8	$19.284	38,620.0	$19.310		
Association Assessment	$0.34	38,190.6	$12.985	38,568.8	$13.113		
WQA Authority Assessment	$8.71	19,911.2	$173.427	19,911.2	$173.427		
SGV Protective Assessment			$0.100		$0.100		
Subtotal			$5,466.0		$5,480.7	38,568.8	38,620.0
Central Basin							
Purchased Water	$478.00	914.7	$437.2	914.7	$437.2		
Meter Charge	$1,200.00		$14.4		$14.4		
Replenishment	$112.00	4,598.4	$515.0	4,598.4	$515.0		
Reclaimed Water	$276.00	173.7	$47.9	173.7	$47.9		
Leased Water Rights	$240.00	2,000.0	$480.0	2,000.0	$480.0		
Administrative Assessment	$0.30	2,616.0	$0.8	2,616.0	$0.8		
Association Assessment	$0.65	2,616.0	$1.7	2,616.0	$1.7		
Watermaster Service Assessment			$2.5		$2.5		
Subtotal			$1,499.6		$1,499.6	5,686.8	5,686.8

ATTACHMENT B
Page 2 of 5
San Gabriel Valley Water Company
Los Angeles County Division

Adopted Quantities
(Dollars in Thousands)

Total		44,255.6	$6,965.6	44,306.8	$6,980.3
Purchased Power Cost (SCE 6/3/01, D.01-05-064)					
PA-1	Kilowatt-Hrs.	$0.132477	2,964,698	$0.132467	2,967,637
	Cost		$392.8		$393.1
PA-2	Kilowatt-Hrs.	$0.116162	889,879	$0.116145	890,761
	Cost		$103.4		$103.5
GS-1	Kilowatt-Hrs.	$0.257535	6,337	$0.257449	6,343
	Cost		$1.6		$1.6
GS-2	Kilowatt-Hrs.	$0.267919	25,239	$0.267654	25,264
	Cost		$6.8		$6.8
TOU-8	Kilowatt-Hrs.	$0.148164	18,724,628	$0.161782	18,743,189
	Cost		$2,774.3		$3,032.3
TOU-PA-A	Kilowatt-Hrs.	$0.130468	91,233	$0.130438	91,323
	Cost		$11.9		$11.9
TOU-PA-B	Kilowatt-Hrs.	$0.100524	2,907,991	$0.100506	2,910,874
	Cost		$292.3		$292.6
TOU-PA-5	Kilowatt-Hrs.	$0.102358	3,626,112	$0.102334	3,629,706
	Cost		$371.2		$371.4
TOU-GS-2B	Kilowatt-Hrs.	$13.003111	12,214	$21.079912	12,226
	Cost		$158.8		$257.7
Back-Up	Kilowatt-Hrs.	$0.123457	16,200	$0.158333	16,200
Generation	Cost		$2.0		$2.6
Total Kwhrs			29,264,531		29,293,523
Total Power Cost			$4,115.0		$4,473.5
Cost per Kwh			$0.14062		$0.15271

ATTACMENT B
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San Gabriel Valley Water Company
Los Angeles County Division
Adopted Quantities
(Dollars in Thousands)

	Schedule LA-1		Schedule LA-6	
	2002	2003	2002	2003
Number of Services by meter size				
5/8 x 3/4-in.	34,492	34,578	0	0
3/4-In.	3,173	3,180	0	0
1-in.	5,604	5,619	0	0
1.5-in.	1,038	1,039	0	0
2-in.	1,168	1,170	4	4
3-in.	15	15	1	1
4-in.	10	10	2	2
6-in.	10	10	0	0
8-in.	15	15	0	0
10-in.	3	3	0	0
2-2-in.	141	141	0	0
3-2-in.	26	26	0	0
4-2-in.	8	8	0	0
2-3-in.	1	1	0	0
3-3-in.	1	1	0	0
2-4-in.	5	5	0	0
3-4-in.	2	2	0	0
1-8, 1-2-in.	1	1	0	0
Total	45,713	45,824	7	7
Metered Sales (KCcf)	18,184.7	18,159.4	33.2	33.2

	No. of Services		Usage - KCcf		Avg. Usage - Ccf	
	2002	2003	2002	2003	2002	2003
Residential	44,764	44,874	12,379.5	12,409.9	276.55	276.55
Commercial	471	472	3,257.9	3,264.8	6,917	6,917
Industrial-Small	93	94	77.0	77.8	828	828
Industrial-Large	65	64	1,111.2	1,094.1	17,096	17,096
Public Authority-Small	203	203	110.4	110.4	544	544
Public Auithority-Large	117	117	1,073.1	1,073.1	9,172	9,172
Emergency Service	1	1	132.2	132.2	132,226	132,226
Irrigation	5	5	0.4	0.4	87	87
Reclaimed Water-Spec, Contract	2	2	42.5	42.5	21,231	21,231
Reclaimed Water-Tariff	5	5	33.2	33.2	6,634	6,634
	45,726	45,837	18,217.5	18,238.6		
Private Fire	1,003	1,028				
	46,729	46,865	18,217.5	18,238.6		
Water Loss (5.5%)			1,060.3	1,061.5		
Total Water Produced (KCcf)			19,277.8	19,300.1		
Water Production (AF)						
Purch.Water.Central Basin (AF)			914.7	914.7		
Reclaimed (AF)			173.6	173.6		
Well (AF)			43,167.3	43,218.5		
Total Water (AF)			44,255.6	44,306.8		

ATTACHMENT B
Page 4 of 5
San Gabriel Valley Water Company
Los Angeles County Division
COMPUTATION OF TAXES ON INCOME
(Dollars in Thousands)

Description	Test Year 2002	Test Year 2003
Operating Revenues	$34,963.2	$36,580.9
Deductions		
Operating Expenses, excluding Depreciation & Income Taxes	$21,853.7	$22,639.3
Interest Expense	$2,117.5	$2,253.2
Subtotal	$23,917.1	$24,892.5
State Tax Calculation		
Taxable Income Before Deductions	$10,922.0	$11,688.4
Less: Depreciation-State	$3,910.7	$4,124.8
State Taxable Income	$7,081.3	$7,563.6
State Corporate Franchise Tax at 8.84%	$626.0	$668.6
Federal Tax Calculation		
Taxable Income Before Deductions	$10,922.0	$11,688.4
Less: Depreciation-Federal (book)	$2,520.3	$2,710.3
Less: State Corp. Franchise Tax	$0.0	$626.0
Federal Taxable Income	$8,471.7	$8,352.1
Federal Tax at 35%	$2,965.1	$2,923.2

ATTACHMENT B
Page 5 of 5
San Gabriel Valley Water Company
Los Angeles County Division

Utility Plant, Depreciation Reserve, and Rate Base
(Dollars in Thousands)

	2002	2003
Utility Plant		
Plant BOY	112,258.5	120,560.8
CWIP	173.2	173.2
Utility add.	8,320.0	9,030.0
Co. Budget Plant subt.	8,493.2	9,203.2
Advances	0.0	0.0
Contributions	500.0	500.0
Total Add.	8,820.0	9,530.0
Retirements	(517.7)	(517.7)
Plant EOY	120,734.0	129,746.3
Wgt. Plant Add.	4,151.2	4,506.2
Avg. Plant.wtg.	116,582.9	125,240.2
Depreciation Reserve		
Reserve BOY	28,491.0	31,015.5
Contribution	295.3	307.6
Deprec. Expense	2,520.3	2,710.3
Clearing Account	193.7	202.2
Total Accrual	3,009.3	3,220.1
Retirements	(484.8)	(484.8)
Reserve EOY	31,015.5	33,750.8
Wgt.Accr.Add.	1,262.3	1,367.7
Avg.Depr.Res.wtg.	29,753.3	32,383.2
RATE BASE		
Utility Plant	116,582.9	125,240.2
Materials & Supplies	373.3	392.0
Work.Cash Allowance	843.8	750.2
Depreciation Reserve	(29,753.3)	(32,383.2)
Advances.Construction	(1,906.0)	(1,832.7)
Contributions	(6,872.6)	(7,071.1)
Deferred Taxes	(6,958.3)	(7,540.4)
Deferred ITC	(264.2)	(252.4)
Redundant Facilities	(86.3)	(86.3)
Taxes on Advances and CIAC	534.5	508.1
District Rate Base	72,493.8	77,724.4
Common Utility Allocation	3,449.1	3,587.7
Average RATE BASE	75,942.9	81,312.1

ATTACHMENT C

Schedule No. LA-1

Los Angeles County Tariff Area

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

Portions of Arcadia, Baldwin Park, El Monte, City of Industry, Irwindale, La Puente, Montebello, Monterey Park, Pico Rivera, Rosemead, San Gabriel, Sante Fe Springs, South El Monte, West Covina, Whittier and vicinity, Los Angeles County.

RATES

Quantity Rates:

For all water delivered, per 100 cu. ft.	$1.3132	(I)

Service Charge:

For 5/8 x ¾-inch meter	$ 11.53	(I)
For ¾-inch meter	$ 17.30	|
For 1-inch meter	$ 28.83	|
For 1-½-inch meter	$ 57.65	|
For 2-inch meter	$ 92.20	|
For 3-inch meter	$ 173.00	|
For 4-inch meter	$ 288.30	|
For 6-inch meter	$ 580.00	|
For 8-inch meter	$ 920.00	|
For 10-inch meter	$1,330.00	|
For 12-inch meter	$1,900.00	|
For 14-inch meter	$2,540.00	(I)

(Continued)

Schedule No. LA-1
(Continued)

Los Angeles County Tariff Area

GENERAL METERED SERVICE

RATES - Continued

	Per Battery Per Month	
For two 2-inch meters	$ 184.00	(I)
For three 2-inch meters	$ 277.00	|
For four 2-inch meters	$ 369.00	|
For two 3-inch meters	$ 346.00	|
For three 3-inch meters	$ 519.00	|
For two 4-inch meters	$ 577.00	|
For three 4-inch meters	$ 860.00	|
For one 8-inch meter, one 2-inch meter	$1,010.00	(I)

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

SPECIAL CONDITIONS

3. All bills are subject to the reimbursement fee set forth on (L)
   Schedule No. AA-UF (L)

Schedule No. LA-6

Los Angeles County Tariff Area

RECLAIMED WATER METERED SERVICE

APPLICABILITY

Applicable to all reclaimed water metered service.

TERRITORY

Portions of Arcadia, Baldwin Park, El Monte, City of Industry, Irwindale, La Puente, Montebello, Monterey Park, Pico Rivera, Rosemead, San Gabriel, Sante Fe Springs, South El Monte, West Covina, Whittier and vicinity, Los Angeles County.

RATES

Quantity Rates:

For all water delivered, per 100 cu. ft. $1.1163 (I)

Service Charge:

For 5/8 x ¾-inch meter	$ 11.53	(I)
For ¾-inch meter	$ 17.30	|
For 1-inch meter	$ 28.83	|
For 1-½-inch meter	$ 57.65	|
For 2-inch meter	$ 92.20	|
For 3-inch meter	$ 173.00	|
For 4-inch meter	$ 288.30	|
For 6-inch meter	$ 580.00	|
For 8-inch meter	$ 920.00	|
For 10-inch meter	$1,330.00	|
For 12-inch meter	$1,900.00	|
For 14-inch meter	$2,540.00	(I)

(Continued)

Schedule No. LA-6
(Continued)

Los Angeles County Tariff Area

RECLAIMED WATER METERED SERVICE

RATES - Continued

	Per Battery Per Month	
For two 2-inch meters	$ 184.00	(I)
For three 2-inch meters	$ 277.00	|
For four 2-inch meters	$ 369.00	|
For two 3-inch meters	$ 346.00	|
For three 3-inch meters	$ 519.00	|
For two 4-inch meters	$ 577.00	|
For three 4-inch meters	$ 860.00	|
For one 8-inch meter, one 2-inch meter	$1,010.00	(I)

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

SPECIAL CONDITIONS

7. The Quantity Rate is set at 85% of the Quantity Rate of Schedule No. LA-1.
8. The customer is responsible for compliance with all local, state, and federal rules and regulations that apply to the use of reclaimed water on the customer's premises.
9. The utility will supply only such reclaimed water at such pressure as may be available from time to time from the reclaimed water system. The customer shall indemnify the utility and save it harmless against any and all claims arising out of service under this schedule and shall further agree to make claims against the utility for any loss or damage resulting from service under this schedule.

10. All bills are subject to the reimbursement fee set forth on Schedule No. AA-UF.

Schedule No. LA-3L

Los Angeles County Division

LIMITED IRRIGATION SERVICE

APPLICABILITY

Applicable to all measured irrigation service limited to existing irrigation customers at January 1, 1975, who annually utilize this service.

TERRITORY

Portions of the community of Hacienda Heights and vicinity, Los Angeles County.

RATES

	Per Service Connection		
Quantity Rates:	Zone1	Zone 2	
First 1,800 cu. ft. or less … …….	$38.86	$43.21	(I)
Over 1,800 cu. ft. per 100 cu. ft…….	$1.5051	$1.6807	(I)
Minimum Charge:			
For each irrigation delivery scheduled ……	$38.86	$43.21	(I)

The Minimum Charge will entitle the customer to the quantity of water which that minimum charge will purchase at the Quantity Rates.

SPECIAL CONDITIONS

1. The boundaries of the zones are delineated on the tariff service area maps. Zone I includes areas generally lying below 700 feet elevation. Zone II includes areas generally above 700 feet elevation.

2. Irrigation water is not scheduled for delivery on Saturday or Sunday. Off-schedule irrigation water is available only by pre-arrangement at the office of company at least two days in advance of delivery.

Schedule No. LA-3L
(Continued)

Los Angeles County Division

LIMITED IRRIGATION SERVICE

SPECIAL CONDITIONS – continued

3. This service shall not be used by the customer for any purpose other than irrigation when and as scheduled by the company.
4. The minimum charge will apply to each delivery schedule even though no water is used unless notice of cancellation of the scheduled delivery is given to the company at least two days before the scheduled delivery date.
5. All bills are subject to the reimbursement fee set forth on Schedule (L)
   No. AA-UF. (L)

Schedule No. LA-4

Los Angeles County Division

PRIVATE FIRE SERVICE

APPLICABILITY

Applicable to water service furnished to private fire systems and to private fire hydrants.

TERRITORY

Portions of Arcadia, Baldwin Park, El Monte, City of Industry, Irwindale, La Puente, Montebello, Monterey Park, Pico Rivera, Rosemead, San Gabriel, Sante Fe Springs, South El Monte, West Covina, Whittier and vicinity, Los Angeles County.

RATE

	Per Service Per Month	
For each inch of diameter of service connection ……..	$9.65	(I)

SPECIAL CONDITIONS

1. The customer will pay, without refund, the entire cost of the private fire service facilities.
2. The private fire service facilities shall be installed by the utility or under the utility's direction and shall be the sole property and subject to the control of the utility, with the right to alter, repair, replace and the right to remove upon discontinuance of service.
3. The minimum diameter for the private fire service connection will be 4 inches. The maximum diameter shall not be larger than the diameter of the water main to which the private fire service facilities are attached unless said main is circulating, in which case with the approval of the utility the maximum diameter may be larger by not more than 2 inches than the diameter of said circulating main.

Schedule No. LA-4
(Continued)

Los Angeles County Division

PRIVATE FIRE SERVICE

4. If a water main of adequate size is not available adjacent to the premises to be served, then a new main from the nearest existing main of adequate size will be installed by the utility at the cost of the customer. Such cost shall not be subject to refund.
5. The private fire service facilities will include a detector check valve or other similar device acceptable to the utility which will indicate the use of water. The facilities may be located within the customer's premises or within the public right of way adjacent thereto. Where located within the premises, the utility and its duly authorized agents shall have the right of ingress to and egress from the premises for all purposes related to said facilities. In the event the installation is solely a private fire hydrant facility, the requirement for a detector check valve or other similar device may be waived.
6. All bills are subject to the reimbursement fee set forth on Schedule (L)
   No. AA-UF. (L)

Schedule No. LA-9C

Los Angeles County Division

CONSTRUCTION AND TANK TRUCK SERVICE

APPLICABILITY

Applicable to temporary water service furnished for construction purposes and for water delivered to tank trucks from fire hydrants or other outlets.

TERRITORY

Portions of Arcadia, Baldwin Park, El Monte, City of Industry, Irwindale, La Puente, Montebello, Monterey Park, Pico Rivera, Rosemead, San Gabriel, Sante Fe Springs, South El Monte, West Covina, Whittier and vicinity, Los Angeles County.

RATES

For sidewalk construction, per 100 sq. ft.	$ 0.564	(I)
For street curb construction, per 100 lineal ft.	$ 1.106	|
For trench settling, per lineal foot of section of trench 2 feet by 4 feet	$ 0.039	|
For sprinkling subgrade of street and roadway construction in application of oil or any form of patented oil paving or surfacing, or for rolling and settling subgrade, per 3,000 square feet of roadway	$ 7.74	|
For compaction of fill, per cubic yard of fill material	$ 0.067	|
For water delivered to tank wagon or truck, per 100 gallons	$ 0.176	(I)

Minimum Charge	Per Month	
For any service render under this schedule	$29.48	(I)

SPECIAL CONDITIONS

1. An applicant wishing to obtain water deliveries under this schedule must first obtain a written permit from the utility.

Schedule No. LA-9C
(Continued)

Los Angeles County Division

CONSTRUCTION AND TANK TRUCK SERVICE

2. Where water is to be obtained from public fire hydrants, a permit must be obtained from the fire protection district or other public agency having jurisdiction.
3. For other temporary uses the quantity of water used shall be estimated or metered by the utility. Charges for such water shall be at the quantity rate for General Metered Service applicable to the tariff area within which the water is delivered.
4. An applicant for service under this schedule must pay the utility in advance the net cost of installing and removing any facilities necessary to provide such service.

Schedule No. LA-9CL

Los Angeles County Division

SERVICE TO TRACT HOUSES DURING CONSTRUCTION

APPLICABILITY

Applicable to water service for house construction where houses are being constructed as part of a real estate development.

TERRITORY

Los Angeles County Division, Los Angeles County.

RATES

For each lot for the construction period	$ 10.22	(I)

SPECIAL CONDITIONS

1. This service is available only to real estate developers or builders who make application prior to installation of mains and services and who undertake the construction of houses as part of the development. At its option the utility may provide the service if application is made after mains and services have been installed.
2. Water service under this tariff schedule is only to be used for house construction. It does not include water use for landscaping or other tract improvement work.
3. When each house passes final inspection water service under this schedule will be terminated.
4. All bills are subject to the reimbursement fee set forth on Schedule No. AA-UF.

SAN GABRIEL VALLEY WATER COMPANY

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, No. 6

	2003	2004	2005
Service Charges:			
For 5/8 x ¾-inch meter	$0.63	$0.51	$0.52
For ¾-inch meter	$0.94	$0.77	$0.78
For 1-inch meter	$1.57	$1.26	$1.32
For 1-1/2-inch meter	$3.15	$2.55	$2.60
For 2-inch meter	$5.10	$4.10	$4.10
For 3-inch meter	$9.40	$7.70	$7.80
For 4-inch meter	$15.70	$12.80	$13.00
For 6-inch meter	$30.00	$20.00	$30.00
For 8-inch meter	$50.00	$40.00	$50.00
For 10-inch meter	$70.00	$60.00	$60.00
For 12-inch meter	$110.00	$116.00	$118.00
For 14-inch meter	$140.00	$155.00	$157.00
For two 2-inch meters	$11.00	$8.00	$8.00
For three 2-inch meters	$15.00	$12.00	$13.00
For four 2-inch meters	$20.00	$17.00	$16.00
For two 3-inch meters	$19.00	$15.00	$16.00
For three 3-inch meters	$28.00	$23.00	$24.00
For two 4-inch meters	$31.00	$26.00	$26.00
For three 4-inch meters	$50.00	$40.00	$40.00
For one 8-inch, one 2-inch meter	$60.00	$41.00	$59.00
Quantity Rates:			
For all water delivered, per 100 cu. ft	$0.0529	$0.0585	$0.0578
Quantity Rates: (SCH. 6 Reclaimed Water)			
For all water delivered per 100 cu. ft.	$0.0449	$0.0497	$0.0491

SAN GABRIEL VALLEY WATER COMPANY

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.

	2003	2004	2005
SCHEDULE No. LA-3L-Limited Irrigation Services			
First 1,800 cu. ft or less – Zone I	$2.12	$1.72	S1.75
First 1,800 cu. ft. or less – Zone II	$2.36	$1.91	$1.95
Over 1,800 cu. ft. – Zone I	$0.0606	$0.0658	$0.065
Over 1,800 cu. ft. – Zone II	$0.0677	$0735	$0.0727
Minimum Charge – Zone I	$2.12	$1.72	$1.75
Minimum Charge – Zone II	$2.36	$1.91	$1.95
SCHEDULE No. LA-4-Private Fire Protection			
For each inch of diameter of service connection	$0.30	$0.43	$0.42
SCHEDULE No. LA-9C-Construction & Tank Truck Service			
For sidewalk construction per 100 sq. ft.	$0.032	$0.025	$0.026
For street curb construction per 100 ft.	$0.063	$0.050	$0.049
For trench settling per linear foot	$0.003	$0.001	$0.002
For sprinkling subgrade per 3,000 sq. ft	$0.440	$0.350	$0.350
For compaction of fill, per cubic yard	$0.004	$0.003	$0.003
For water delivered to tank truck, Per 100 gallons	$0.010	$0.008	$0.008
Minimum Charge	$1.68	$1.32	$1.32
SCHEDULE No. LA-9CL-Service to Tract Houses			
During Construction	$0.58	$0.46	$0.046
For each lot for the construction period			

(END OF ATTACHMENT C)