

WATER/RSK/JB5/jlj

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

DIVISION OF WATER AND AUDITS
Water and Sewer Advisory Branch

RESOLUTION NO. W-4845
October 14, 2010

R E S O L U T I O N

**(RES. W-4845), GOLDEN STATE WATER COMPANY (GSWC), REGION II.
ORDER AUTHORIZING RECOVERY OF A SURCHARGE OF \$345,929 IN
THE REGION II SERVICE AREA FOR ITS EXPENSES IN THE OUTSIDE
SERVICES MEMORANDUM ACCOUNT (OSMA) FOR THE YEAR 2008.**

SUMMARY

By Advice Letter (AL) No. 1371-W, filed on December 18, 2009, Golden State Water Company (GSWC) seeks Commission approval to: (1) recover expenses recorded in its Region II outside Services Memorandum Account (OSMA) for calendar year 2008, and (2) net-out the over collection balance of previously amortized amounts for OSMA for the years 2006 and 2007 against the balance for 2008. The net amount requested is \$369,376 to be recovered through a monthly surcharge of \$0.0124 per hundred cubic feet (Ccf) for twelve months starting February, 2010.

This resolution grants recovery of \$345,929 through a monthly surcharge of \$0.0116 per Ccf from all customer classes for twelve months starting November 1, 2010. Based on the proposed rates in Region II, a residential customer with a 5/8 x 3/4-inch meter, using 13 Ccfs per month will have an increase of \$0.16 or 0.30% from \$50.56 to \$50.71.

BACKGROUND

Decision (D.) 04-08-053 authorized Golden State Water Company (GSWC) to establish an interest bearing Outside Services Memorandum Account (OSMA) to track the ongoing costs of working with public agencies on water supply reliability and rate issues and to assist with Settlement negotiations and potential litigation to resolve disputes over long-term storage costs in the Region II service territory for each of the Test Years 2004 and 2005 and for the attrition year 2006.

The expenses that can be recorded in the OSMA are contained in a settlement agreement between the Office of Ratepayer Advocates (ORA), now the Division of Ratepayer Advocates (DRA) and GSWC, that was adopted in D.04-08-053.¹ GSWC was authorized to recover the costs through an annual advice letter filing after review for reasonableness.² In D.07-11-037, the Commission adopted the settlement agreement, extended the memorandum account treatment that was established in D.04-08-053 for Test Year 2007 and Escalation Year 2008, and authorized recovery of the OSMA through an annual AL filing.³

By AL No. 1371-W, filed on December 18, 2009, GSWC requests Commission approval to recover legal expenses recorded in its OSMA for 2008. GSWC also requests authorization to net-out the remaining over-collections balance of \$65,879 from the previous amortization (that was approved by Res. W-4690 on June 12, 2008) that expired in June 2009 with an over-collection balance recorded in the OSMA for 2006 and 2007 against the 2008 balance requested in AL No. 1371-W. GSWC requests recovery of the net balance through a monthly surcharge of \$0.0124 from all Region II customers for 12 months starting February 2010.

NOTICE

GSWC states that in compliance with General Order (G.O.) 96-B, Section III-G, and Water Industry Rule 3.1, GSWC distributed a copy of AL 1371-W to the Service List for Region II. GSWC also notified its Region II customers of the AL 1371-W filing by placing a legal advertisement in a newspaper of general circulation that serves the Region II service area. Since no individuals or utilities requested notification of the filing, GSWC did not notify those entities of the AL 1371-W.

¹ Decision (D.) 04-08-053, Ordering Paragraph Number 1 states:

1. The Joint Motion to Adopt Settlement between Southern California Water Company (SCWC) and the Office of Ratepayer Advocates (ORA) is granted. The Settlement and Stipulation (Settlement) attached to that motion and appended to this decision as Attachment A. is adopted.....”

² D. 04-08-053, Appendix A: Stipulation and Settlement, pg. 10.

³ D. 07-11-037, OP Number 3 states:

“Except for the amounts set forth in Paragraph 5.10 thereof, the terms of the Joint Stipulation filed by GSWC and the Division of Ratepayer Advocates (DRA) on August 4, 2006, which stipulation is annexed to this decision as Attachment A, are adopted.”

G.O. 96-B, Water Industry Rule 3.1 states in relevant part:

3.1 Method of Notice for Advice Letter Increasing Rates

“A utility shall give notice by bill insert or by separate mailing of an advice letter requesting approval of . . . a rate or charge increase, except that if the requested revenue increase is an offset increase of less than ten percent of the revenue requirement last authorized for the utility (or district of the utility for which the increase is requested), the utility may give notice of the requested increase by publishing a legal notice in a newspaper of local circulation . . .”

The Division of Water and Audits (DWA) instructed GSWC to re-notice AL 1371-W filing to affected customers because a memo account amortization is not an offset. Publishing a legal notice in a newspaper was not adequate for satisfying Industry Rule 3.1. GSWC was required to re-notice the AL 1371-W filing.

On June 11, 2010, GSWC re-noticed all affected customers regarding AL 1371-W to satisfy the requirements of G. O. 96-B, Industry rule 3.1.

On January 17, 2010, DWA suspended AL 1371-W for an initial period of 120 days. The AL was suspended for an additional 180 days on May 11, 2010, because additional information was required to complete the review of the AL filing.

PROTESTS

Twenty five (25) protests were received for AL 1371-W. The following reasons were cited:

- The surcharge is unaffordable, illegal and unreasonable.
- The surcharge is unfair to customers who were not residents in 2008.
- The notice of surcharge was not timely sent.
- The surcharge request should be through an application rather than an Advice Letter.
- The surcharge discriminates against multiple property owners.

DISCUSSION

GSWC has the burden of showing that recovery of OSMA balances from ratepayers is reasonable. In Res. No. W-4824, the Commission set forth four evaluation criteria for California-American Water Company when the utility seeks recovery of its Cease and Desist Memorandum Account. Ordering Paragraph No. 5 of Res. W-4824 states:

“5. California-American Water Company shall bear the burden when it requests recovery of the recorded costs, to show that they are not costs covered by other authorized rates, it is appropriate for ratepayers to pay for these categories of costs in addition to otherwise authorized rates, the utility acted prudently when it incurred these costs and the level of booked costs is reasonable.”

Res. W-4824 applied only to the Cease and Desist Memorandum Account in question and only to California-American Water Company. The Commission in Res W-4824 did not extend the evaluation criteria for other memorandum accounts, or to other utilities. Nonetheless, we find that the four evaluation criteria are reasonable and a useful guide in evaluating GSWC’s OSMA.

For GSWC’s OSMA, we will examine whether:

- i. The utility acted prudently when it decided to incur the particular costs for which it seeks recovery.
- ii. The utility paid reasonable amounts for the items or services it procured.
- iii. The costs have not been recovered in other authorized rates.
- iv. As a matter of policy, the ratepayers should pay for the categories of costs involved in addition to otherwise authorized rates.

We will review GSWC’s compliance with each of these criteria.

Was GSWC prudent when it decided to incur the costs booked to the OSMA?

GSWC established the memorandum account as a result of Commission Decision (D.) 04-08-053. The settlement agreement that was approved by this decision authorized specific categories of costs to be tracked in the OSMA. The costs booked are generally consistent with those the Commission authorized to be included in the OSMA related to water supply reliability. Therefore, GSWC was prudent when it decided to incur costs associated with water supply reliability booked to the OSMA.

Did GSWC pay reasonable amounts for the services it procured?

GSWC filed AL 1371-W as a Tier 3 filing. GSWC also submitted work papers to support its filing. The work papers included computations for ratepayer impact of the AL filing and invoices for the services rendered.

DWA's review requested GSWC to: map the billing entries to specific cost categorized in the adopted settlement agreement; cross reference the billing entries with each cost category; describe the due diligence process used by the utility to justify legal bills for outside counsel; and review the process used to justify the invoices included in the work papers. The information submitted was adequate for a reasonableness review of GSWC's AL filing except for the undemonstrated ratepayer benefit from lobbying expenses.

GSWC recorded \$434,774 in outside service-related expenses in the OSMA account for 2008. The OSMA expenses are entirely generated from law firm billings. DWA recommended reducing the OSMA balance permitted to be transferred to its revenue cost balancing account by \$24,046 before interest charges. Reductions are for: (1) undemonstrated ratepayer benefit from lobbying expenses, and (2) including erroneously charged legal expenses in the OSMA balance.

- (1) Undemonstrated ratepayer benefit from lobbying expenses

Decision (D.) 04-08-053 adopted the settlement agreement between DRA and GSWC for treatment of OSMA account balances. D.07-11-037 further extended the memorandum account treatment of the OSMA for 2007 and Test Year 2008.

Section 6.04 of the settlement agreement divides the type of expenses that can be included in the OSMA into two categories. The first category is expenses associated with ongoing annual issues. The second category is expenses associated with settlement issues.⁴

Annual issues include costs associated with working with public agencies on water supply reliability and rate issues. Some activities include participation in agency and Association meetings and hearings; review and responses to board and committee memoranda; meetings with stakeholders on water rights related issues; public testimony as needed; legal research to defend and support positions to protect ratepayers; and legal research and other actions to defend against legislation that has a negative impact on rates, water supply reliability or water rights affecting ratepayers.

⁴ D. 04-08-053, Appendix A, Section 6.04

Settlement issues include costs for participation in Conjunctive Use Working Group (CUWG) settlement negotiations and potential litigations to resolve disputes over long-term storage costs. Some activities include preparation and participation in CUWG meetings and related Technical Work Group meetings; research and review of technical documents; legal research on potential litigation to protect ratepayer long term storage costs; preparation for and litigation related to defending; and proposing statutory changes to protect long-term storage benefits to ratepayers.

A review of the settlement agreement indicates that "Lobbying Expenses" are not included in the type of expenses that can be included in the OSMA.

The Commission has historically denied recovery of the cost of legislative advocacy (lobbying) in setting utility rates. (See D.67369 (1964), D.84902 (1975), and D.86281 (1976).) In D.67369, the Commission concluded

Even conceding that such activity in a given instance may prove too beneficial to respondent's ratepayers, we hold that they should not be required to pay for costs of such legislative advocacy without having the opportunity to make their own judgments on what legislative proposals they would or would not favor and to designate who, if anyone, should advocate their interests before the Legislature. (62 CPUC 775, 854 (1964)).

In a certiorari review of the Commission's order in D.67369, the California Supreme Court disagreed with a utility's contention that in fixing rates an allowance of reasonable expenditures for legislative advocacy is appropriate. The Court concluded "we agree with the general policy of the commission that the cost of legislative advocacy should not be passed on to the ratepayers and find the disallowance proper." (*Pacific Tel. & Tel. Co. v. Public Util. Com.* 62 C.2d, 634,670 (1965))

In Resolution W-4690, dated June 12, 2008, GSWC was authorized to recover as part of the OSMA balances lobbying expenses recorded in the OSMA for calendar Years 2006 and 2007. Those expenses were inadvertently included as part of the expenses approved. Lobbying expenses are typically not included in rates unless it can be demonstrated that the lobbying activities have a ratepayer benefit. GSWC has not shown that recovery of lobbying expenses requested in the OSMA in 2008 have a ratepayer benefit.

GSWC recorded \$24,886 for lobbying expenses in the OSMA account. These costs should be excluded in the amortization of the balance in rates.

(2) Including erroneously charged legal expenses

GSWC erroneously included a charge \$160 for 0.8 hours of legal work at a rate of \$200 per hour despite an indication on the invoice that the work was at “no charge”.⁵ The \$160 for erroneously charged legal expenses should be disallowed.

Following the recommended reductions of \$25,046.00, GSWC should be reimbursed \$405,297 before interest for its legal and related expenses for 2008 included in the OSMA as shown in Table 1. After interest,⁶ the amount to be recovered by GSWC is \$411,341.

Have the costs being requested in the OSMA been covered by other authorized rates?

The costs booked in the OSMA were carved out of the last two general rate case decisions for Region II, D.04-08-053 and D.07-11-037, and were authorized to be tracked in the OSMA. As such, the costs being requested in the OSMA are not covered by other authorized rates.

Is it appropriate for ratepayers to pay for the costs booked in the OSMA in addition to otherwise-authorized rates?

In D.04-08-053, the OSMA was established to track the expenses associated with defending GSWC’s water supply in the Central and West Basins because of the uncertainty associated with the level of expenses for forecasting purposes. DRA and Golden State agreed that two categories of costs could be recorded in the OSMA. The first are costs attributable to working with public agencies on water supply reliability and rate issues. The second are costs associated with participation in the Conjunctive Use Working Group in settlement negotiations and potential litigation to resolve disputes over long-term storage costs. Both categories of costs deal with important ratepayer issues of water supply availability and rates. As such, we find it appropriate for ratepayers to pay for the costs booked in the OSMA to the extent discussed herein.

GSWC has satisfied the four criteria that have been enumerated in Resolution W-4824. Therefore, recovery of all prudently incurred costs should be allowed.

Over-collection of OSMA balances in 2006 and 2007

GSWC recorded a balance of \$65,379 from over-collections from previous amortizations of OSMA expenses incurred in 2006 and 2007 that were approved in Res. W-4690 dated

⁵ Invoice 424464 dated 9/24/2008.

⁶ Based on the three month non-commercial financial paper rate as reported in Federal Reserve Statistical release H.15. Interest for September through October 2010 is assumed @ 0.25%.

June 12, 2008. GSWC is requesting authorization to zero-out this over-collection balance that resulted from the amortization recovery that expired in June 2009. The balance on the over-collected amount including interest to October 31, 2010 is \$65,411. We agree that GSWC should be permitted to offset the over-collected amount with interest against the 2008 OSMA balance as adjusted.

Based on the above, the net amount to be amortized from the OSMA is \$345,929 shown in Table 1.

Table 1: Golden State Water Company

Computation of recovery amount

	Description	Amount	Accrued Interest ^{1, 2}	Total
	a	b	c	d=b+c
1	2008 Legal expenses in OSMA Balance	\$ 430,343	\$ 6,417	\$ 436,760
	Adjustment for disallowed amounts	\$ (25,046)	\$ (373)	\$ (25,419)
	<i>Sub-Total: 2008 Legal expenses in OSMA</i>	\$ 405,297	\$ 6,044	\$ 411,341
2	Overcollection for 2007 ³	\$ (65,398)	\$ (14)	\$ (65,411)
	Total	\$ 339,899	\$ 6,030	\$ 345,929

Notes

- Interest based on three month non-commercial financial paper rate as reported in Federal Reserve Statistical Release H.15. Interest for Sep[tember through October 2010 is assumed @ 0.25%
- Accrued interest computed to 10/31/2010
- Accrued interest computed from 12/01/2009 through 10/31/2010

The recovery of these expenses will be through a monthly surcharge of \$0.0116 per Ccf for twelve months starting November 1, 2010 from all customer classes. The surcharge is calculated by dividing the total amount to be recovered by the adopted annual sales. Based on the proposed rates in Region II, a residential customer with a 5/8 x 3/4 - inch meter, using 13 Ccfs per month will have an increase of \$0.15 or 0.30% from \$50.56 to \$50.71.

COMMENTS

Public Utilities Code § 311(g)(1) provides that resolutions must generally be served on all parties and subject to at least 30 days public review and comment prior to a vote of the Commission. This resolution was mailed on September 10, 2010 to GSWC and to the parties on the service list attached to Advice Letter No. 1371-W. Comments were received from GSWC on September 30, 2010 indicating concurrence with the Resolution.

FINDINGS AND CONCLUSIONS

1. In D.04-08-053, Ordering Paragraph (OP) Number 1, the Commission adopted a settlement agreement between the Office of Ratepayer Advocates (ORA), now the Division of Ratepayer Advocates (DRA), and Golden State Water Company (GSWC) regarding the establishment of an interest bearing Outside Services Memorandum Account.
2. The settlement agreement lists the expenses that are appropriate for inclusion in the Outside Services Memorandum Account.
3. According to the settlement agreement, GSWC is permitted to record in the Outside Services Memorandum Account ongoing expenses associated with working with public agencies on water supply reliability, rate issues, participation in the Conjunctive Use Working Group (CUWG), in settlement negotiations, and potential litigation to resolve disputes over long-term storage costs.
4. D.04-08-037 permitted GSWC to recover expenses recorded in the Outside Services Memorandum Account through an annual advice letter filing subject to reasonableness review.
5. In D.07-11-037, Ordering paragraph Number 3, the Commission approved the continuation of the settlement agreement and the memorandum account treatment that were established in D.04-08-053 for Test Year 2007 and Escalation Year 2008.
6. Golden State Water Company (GSWC) filed Advice Letter (AL) No. 1371-W on December 18, 2009 for its Region II.
7. The Division of Water and Audits suspended AL No. 1371-W because it needed additional information to complete the review of the AL filing.
8. The settlement agreement does not list "Lobbying Expenses" as a category of expenses that can be included in the Outside Services Memorandum Account.
9. GSWC's work papers are adequate for determining the reasonableness of entries in the OSMA except for lobbying expenses.
10. The Commission typically does not include lobbying expenses in rates unless a ratepayer benefit is demonstrated.
11. GSWC has not demonstrated that lobbying expenses in the OSMA were beneficial to ratepayers.

12. The Division of Water and Audits' recommendation to deny all lobbying expenses from the Outside Services Memorandum Account is reasonable.
13. In Resolution W-4690, dated June 12, 2008, GSWC was authorized to recover lobbying expenses recorded in the Outside Services Memorandum Account for calendar Years 2006 and 2007 without demonstrating a benefit to ratepayers.
14. The lobbying expenses that were approved in Resolution W-4690 are inconsistent with the Commission policy on recovery of lobbying expenses from ratepayers.
15. The Outside Services Memorandum Account contains an entry for erroneously charged legal expenses.
16. The Division of Water and Audits recommendation to deny erroneously charged legal expenses is reasonable.
17. GSWC over-collected expenses from previous amortizations of OSMA expenses incurred in 2006 and 2007. The amortization was pursuant to Resolution W-4690.
18. It is reasonable to zero out the over-collection balance against 2008 expenses in the Outside Services Memorandum Account.
19. The Division of Water and Audits recommendation for netting over-collections from prior amortizations of the Outside Services Memorandum Account for 2006 and 2007 against the 2008 Outside Services Memorandum Account balance is reasonable and should be approved.
20. In Resolution No. W-4824, the Commission set forth four evaluation criteria for California-American Water Company when the utility seeks recovery of its Cease and Desist Memorandum Account.
21. The Commission in W-4824 did not extend the evaluation criteria for other memorandum accounts, or to other utilities.
22. The four evaluation criteria set forth in W-4824 are reasonable and a useful guide in evaluating GSWC's OSMA.
23. GSWC established that it met the four criteria contained in W-4824 for review of requests for recovery of costs recorded in memorandum accounts.
24. GSWC was prudent when it decided to incur the costs booked to the Outside Services Memorandum Account.

25. GSWC paid reasonable amounts for the services it procured with the exceptions of lobbying expenses and the \$160 erroneously charged legal expense.
26. The costs being requested in the OSMA have not been covered by other authorized rates.
27. It is appropriate for ratepayers to pay for the costs booked in the OSMA in addition to otherwise-authorized rates.
28. GSWC has satisfied the four criteria for reimbursement of reasonably incurred costs in its Outside Services Memorandum Account balance.
29. The Division of Water and Audits recommendation for recovery of \$345,929 through a surcharge of \$0.0116 for all GSWC Region II customers spread over twelve months starting November 1, 2010 is reasonable and should be approved.

THEREFORE IT IS ORDERED THAT:

1. Golden State Water Company's Advice Letter No. 1371-W is approved with the modifications discussed herein.
2. Golden State Water Company shall, within five days of the effective date of this resolution supplement Advice Letter No. 1371-W incorporating the revised rate schedules attached to this resolution as Appendix A and concurrently cancel its presently effective Schedules Nos. ME-1-R, Metropolitan Customer Service Area Residential Metered Service; ME-1-NR, Metropolitan Customer Service Area Non-Residential Metered Service; and ME- 3, Metropolitan Customer Service Area Reclaimed Water Service. The rate schedules shall be effective November 1, 2010.
3. Golden State Water Company is authorized to recover \$345,929 for its Outside Services Memorandum Account through a monthly surcharge of \$0.0116 from all customer classes for twelve months starting November 1, 2010.

4. This resolution is effective today.

I certify that the foregoing resolution was duly introduced, passed, and adopted at a conference of the Public Utilities Commission of the State of California held on October 14, 2010; the following Commissioners voting favorably thereon:

/s/ PAUL CLANON

Paul Clanon
Executive Director

MICHAEL R. PEEVEY
President

DIAN M. GRUENEICH

JOHN A. BOHN

TIMOTHY ALAN SIMON

NANCY E. RYAN

Commissioners

APPENDIX A
Sheet 1

Schedule No. ME-1-R
Metropolitan District

RESIDENTIAL METERED SERVICE

APPLICABILITY

Applicable to all residential metered water services provided to single-family residential customers.

TERRITORY

Portions of the Cities of Artesia, Bell, Bell Gardens, Carson, Cerritos, Compton, Cudahy, Culver City, Downey, El Segundo, Gardena, Hawaiian Gardens, Hawthorne, Huntington Park, Inglewood, Lakewood, La Mirada, Lawndale, Long Beach, Norwalk, Paramount, Santa Fe Springs, South Gate, and the communities of Athens, Lennox, and Moneta and vicinity, Los Angeles County, and portions of the City of Los Alamitos, Orange County.

RATES

Quantity Rates:

First 1,200 cu. ft., per 100 cu. ft.	\$2.693
Over 1,300 cu. ft., per 100 cu. ft.	\$ 3.097

Service Charge:

	<u>Per Month</u>
For 5/8 x 3/4-inch meter	\$ 15.15
For 3/4-inch meter	22.75
For 1-inch meter	37.95
For 1-1/2-inch meter	75.85
For 2-inch meter	121.00
For 3-inch meter	228.00
For 4-inch meter	379.00
For 6-inch meter	759.00
For 8-inch meter	1,214.00
For 10-inch meter	1,745.00

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

(continued)

APPENDIX A
Sheet 2

Schedule No. ME-1-R
(continued)
Metropolitan District

RESIDENTIAL METERED SERVICE

SPECIAL CONDITIONS

1. All bills are subject to the reimbursement fee set forth on Schedule No. UF.
2. Residential customers are defined as all single family customers with one dwelling unit that are individually metered.
3. As authorized by the California Public Utilities Commission, an amount of \$0.143 per Ccf for Tier 1 and \$0.165 per Ccf for Tier 2 is to be added to the Quantity Rate for a period of 24 months, beginning on the effective date of Advice Letter 1380-W. This surcharge will recover the undercollection in the WRAM/MCBA Balancing Accounts, as of December 31, 2009.
4. Due to the increase in supply expenses, an amount of \$0.419 per Ccf is to be added to the Quantity Rates beginning on the effective date of Advice Letter 1384-W. This rate will remain in effect until the approval of the next General Rate Filing, which is Application No. 08-07-010 or Supply Expenses Offset Advice Letter, whichever comes first.
5. As authorized by the California Public Utilities Commission, an amount of \$0.09298 per Ccf for Tier 1 and \$0.10693 per Ccf for Tier 2 is to be added to the Quantity Rate for a period of 12 months, beginning on the effective date of Advice Letter 1400-W. This surcharge will recover the undercollection in the CARW Balancing Account, as of December 31, 2009.
6. As authorized by the California Public Utilities Commission, an amount of \$0.0116 per Ccf is to be added to the Quantity Rate for a period of 12 months beginning on the effective date of Advice Letter 1371-W. This surcharge will recover the under-collection in the Outside Services Memorandum Account. (N) | (N)

APPENDIX A
Sheet 3

Schedule No. ME-3
Metropolitan District

RECLAIMED WATER SERVICE

APPLICABILITY

Applicable to all metered reclaimed (non-potable) water service for irrigation and/or industrial use.

TERRITORY

Portions of the Cities of Artesia, Bell, Bell Gardens, Carson, Cerritos, Compton, Cudahy, Culver City, Downey, El Segundo, Gardena, Hawaiian Gardens, Hawthorne, Huntington Park, Inglewood, Lakewood, La Mirada, Lawndale, Long Beach, Norwalk, Paramount, Santa Fe Springs, South Gate, and the communities of Athens, Lennox, and Moneta and vicinity, Los Angeles County, and portions of the City of Los Alamitos, Orange County.

RATES

Quantity Rates:

For all water delivered, per 100 cu. ft. \$ 1.743

Per Month

Service Charge:

For 5/8 x 3/4-inch meter	\$ 12.45
For 3/4-inch meter	18.70
For 1-inch meter	31.15
For 1-1/2-inch meter	62.25
For 2-inch meter	99.60
For 3-inch meter	187.00
For 4-inch meter	311.00
For 6-inch meter	623.00
For 8-inch meter	996.00
For 10-inch meter	1,432.00

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

(continued)

APPENDIX A
Sheet 4

Schedule No. ME-3
(continued)
Metropolitan District

RECLAIMED WATER SERVICE

SPECIAL CONDITIONS

1. All bills are subject to the reimbursement fee set forth on Schedule No. UF.
2. As authorized by the California Public Utilities Commission, a surcredit of \$0.058 per Ccf is to be applied to the Quantity Rate for a period of 24 months, beginning on the effective date of Advice Letter 1380-W. This surcredit will recover the over collection in the MCBA Balancing Account, as of December 31, 2009.
3. Due to the increase in supply expenses, an amount of \$0.419 per Ccf is to be added to the Quantity Rates beginning on the effective date of Advice Letter 1384-W. This rate will remain in effect until the approval of the next General Rate Filing, which is Application No. 08-07-010 or Supply Expenses Offset Advice Letter, whichever comes first.
4. As authorized by the California Public Utilities Commission, an amount of \$0.08471 per Ccf is to be added to the Quantity Rate for a period of 12 months, beginning on the effective date of Advice Letter 1400-W. This surcharge will recover the undercollection in the CARW Balancing Account, as of December 31, 2009.
5. As authorized by the California Public Utilities Commission, an amount of \$0.0116 per Ccf is to be added to the Quantity Rate for a period of 12 months, beginning on the effective date of Advice Letter 1371-W. This surcharge will recover the under-collection in the Outside Services Memorandum Account.

(N)
|
|
(N)

APPENDIX A
Sheet 5

Schedule No. ME-1-NR
Metropolitan District

NON-RESIDENTIAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service except those covered under ME-1-R.

TERRITORY

Portions of the Cities of Artesia, Bell, Bell Gardens, Carson, Cerritos, Compton, Cudahy, Culver City, Downey, El Segundo, Gardena, Hawaiian Gardens, Hawthorne, Huntington Park, Inglewood, Lakewood, La Mirada, Lawndale, Long Beach, Norwalk, Paramount, Santa Fe Springs, South Gate, and the communities of Athens, Lennox, and Moneta and vicinity, Los Angeles County, and portions of the City of Los Alamitos, Orange County.

RATES

Quantity Rates:

For all water delivered, per 100 cu. ft. \$ 2.490

Service Charge:

	<u>Per Month</u>
For 5/8 x 3/4-inch meter	\$ 17.80
For 3/4-inch meter	26.70
For 1-inch meter	44.45
For 1-1/2-inch meter	88.95
For 2-inch meter	142.00
For 3-inch meter	267.00
For 4-inch meter	445.00
For 6-inch meter	889.00
For 8-inch meter	1,423.00
For 10-inch meter	2,046.00

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

(continued)

APPENDIX A
Sheet 6

Schedule No. ME-1-NR
(continued)
Metropolitan District

NON-RESIDENTIAL METERED SERVICE

SPECIAL CONDITIONS

1. All bills are subject to the reimbursement fee set forth on Schedule No. UF.
2. As authorized by the California Public Utilities Commission, an amount of \$0.131 per Ccf is to be added to the Quantity Rate for a period of 24 months, beginning on the effective date of Advice Letter 1380-W. This surcharge will recover the undercollection in the WRAM/MCBA Balancing Accounts, as of December 31, 2009.
3. Due to the increase in supply expenses, an amount of \$0.419 per Ccf is to be added to the Quantity Rates beginning on the effective date of Advice Letter 1384-W. This rate will remain in effect until the approval of the next General Rate Filing, which is Application No. 08-07-010 or Supply Expenses Offset Advice Letter, whichever comes first.
4. As authorized by the California Public Utilities Commission, an amount of \$0.08471 per Ccf is to be added to the Quantity Rate for a period of 12 months, beginning on the effective date of Advice Letter 1400-W. This surcharge will recover the undercollection in the CARW Balancing Account, as of December 31, 2009.
5. As authorized by the California Public Utilities Commission, an amount of (N)
\$0.0116 per Ccf is to be added to the Quantity Rate for a period of 12 months |
beginning on the effective date of Advice Letter 1371-W. This surcharge will |
recover the under-collection in the Outside Services Memorandum Account. (N)