

Decision No. 65460**ORIGINAL**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of	)	
SAN GABRIEL VALLEY WATER COMPANY	)	
for authority to increase rates charged	)	Application No. 45131
for water service in the Whittier Tariff	)	Filed January 23, 1963
Area of its Whittier Division to Offset	)	
"Exchange Pool" water costs under	)	
Interim Agreement.	)	

O P I N I O N

By this application San Gabriel Valley Water Company seeks authority to increase rates by about 4 percent for metered water service to approximately 11,280 customers in the Whittier Tariff Area only, of its Whittier Division. Applicant's present rates in the Whittier Division have been in effect since January 1, 1963, as authorized by Decision No. 64572 dated November 27, 1962, in Application No. 43905.

Applicant is not proposing any change in its rates for service in its Merced Hills Tariff Area of its Whittier Division nor in its rates for limited flat rate service applicable to only three customers in the Whittier Division. The record shows that applicant's Merced Hills Tariff Area, which is not connected to the Whittier Tariff Area, is supplied solely with Colorado River water purchased from the Central Basin Municipal Water District. The Whittier Tariff Area which comprises the remainder of applicant's Whittier Division, is supplied with ground water from applicant's wells located within the boundaries of the Central and West Basin Water Replenishment District.

It is alleged that this application is not intended to provide a general increase in rates but is filed for the sole

purpose of requesting authorization of increased rates designed to produce revenue in the Whittier Tariff Area to offset the additional operating expenses caused by applicant's participation in the Exchange Pool agreement in the Central and West Basin Water Replenishment District.

By Decision No. 64308 dated September 25, 1962, in Application No. 44616, applicant, along with certain other water utilities, was authorized to enter into and carry out the terms of an Interim Agreement designed to bring into balance, pending final adjudication of litigation, the ground waters of the Central Basin by the temporary relinquishment of a portion of pumping rights of the parties according to a specified program of ground water conservation. Under this agreement the parties thereto agreed to reduce their ground water pumping and purchase more imported water for distribution. Since all users cannot import water directly into their systems the Exchange Pool was incorporated into the agreement so as to provide a means for all parties to share equitably in the added cost of imported water. Since the Merced Hills Tariff Area is supplied solely by imported water applicant does not consider it to be affected by the Exchange Pool operation.

The staff has prepared a memorandum report on applicant's request which includes analyses and estimates of increased operating expenses which will result from applicant's participation in the Exchange Pool as well as consideration of certain other factors including the effects of the investment tax credit. The staff exhibit is hereby received as Exhibit 1.

The staff's estimates of increased operating expenses under the Exchange Pool operation are in close agreement with

applicant's estimates except that the staff based its calculations on the average number of customers during the test year of 1962 rather than customers at year end 1962 as used by the applicant. Also the staff considered certain additional items of expense such as the increased cost of imported water and the increase in Social Security tax rate to 3-5/8%. A comparison between the staff's and applicant's estimates of such increased expenses and taxes over those considered by Decision No. 64572 may be summarized as follows:

Increased Expenses and Taxes

Item	Staff	Applicant
Cost of Exchange Pool Water	\$ 27,060	\$ 28,280
Watermaster Fee	760	760
Cost of MWD Water	300	-
Uncollectibles	100)	-
Franchise Tax	250)	363
Social Security Tax @ 3-5/8%	600	-
Total	29,070	29,403

In addition to the above items the staff in computing taxes based on income, developed an investment tax credit of \$5,700 based on normal growth of plant during 1962.

According to applicant's calculations the proposed rates attached as Exhibit C to the application will enable applicant to earn a 6.5% rate of return on an average depreciated rate base for the test year 1962, and which rate of return was found to be reasonable by Decision No. 64572. The staff's calculations indicate that the proposed rates would produce a 6.76% rate of return, due primarily to the staff's treatment of the investment tax credit.

The staff recommended certain specific revisions to the rates proposed by applicant so as to produce a 6.50% rate of return.

We adopt the staff's estimates as reasonable for the purposes of this proceeding and will authorize the increase in rates proposed by applicant except that they will be modified as recommended by the staff.

A summary of earnings for applicant's Whittier Division for the test year 1962 as adopted in Decision No. 64572 and as modified by the additional expenses considered herein by the staff both at present rates and at authorized rates follow:

## Test Year 1962

Item	Adopted by : D-64572		Adjusted	
	Present Rates	Authorized Rates	Present Rates	Authorized Rates
Operating Revenue	\$ 744,950	\$ 744,950	\$ 744,950	\$ 761,600
<u>Deductions</u>				
Operating Expenses	361,875	390,095	390,095	390,095
Taxes Other Than Income	65,305	66,155	66,155	66,155
Taxes Based on Income	95,450	74,000	74,000	83,100
Depreciation Expense	76,620	76,620	76,620	76,620
Subtotal	599,250	606,870	606,870	615,970
Net Revenue	145,700	138,080	138,080	145,630
Rate Base	2,241,600	2,241,600	2,241,600	2,241,600
Rate of Return	6.50%	6.16%	6.16%	6.50%

A comparison of present and authorized rates shows that bills for average domestic consumption of 1700 cubic feet per month will be increased by 5 cents per month or 1.1%. A bill for a medium industrial customer using 24,000 cubic feet per month will be increased by 6.5% and for a large industrial customer using 576,200 cubic feet per month will be increased by 7.6%.

We find that the increases in rates and charges authorized herein are justified, that the rates and charges authorized herein are reasonable, and that the present rates and charges, insofar as they differ from those herein prescribed, are for the future unjust and unreasonable.

We have considered the application and we find, in the circumstances, that a public hearing is not required.

ORDER

IT IS ORDERED that:

San Gabriel Valley Water Company is authorized to file with this Commission, after the effective date of this order and in conformity with General Order No. 96-A, the schedule of rates attached to this order as Appendix A and, upon not less than five days' notice to the Commission and to the public, to make such rates effective for service rendered on and after July 1, 1963.

The effective date of this order shall be twenty days after the date hereof.

Dated at San Francisco, California, this 27<sup>th</sup> day of MAY, 1963.

Commissioner George G. Grover, being necessarily absent, did not participate in the deliberations of the Commission

[Signature] Acting President

Frederick B. Holdhoff

[Signature]

Commissioner Everett C. McKeage, being necessarily absent, did not participate in the deliberations of the Commission  
Commissioners

APPENDIX A

Schedule No. WHW-1

WHITTIER DIVISION

Whittier Tariff Area

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

Portions of Whittier, Pico-Rivera, Montebello and Santa Fe Springs, and vicinity, Los Angeles County.

RATES

	<u>Per Meter</u> <u>Per Month</u>	
Quantity Rates:		
First 800 cu.ft. or less .....	\$ 2.75	(I)
Next 1,200 cu.ft., per 100 cu.ft. ....	.21	
Next 3,000 cu.ft., per 100 cu.ft. ....	.17	(I)
Over 5,000 cu.ft., per 100 cu.ft. ....	.14	(I)
Minimum Charge:		
For 5/8 x 3/4-inch meter .....	2.75	(I)
For 3/4-inch meter .....	3.75	
For 1-inch meter .....	5.75	
For 1 1/2-inch meter .....	9.75	
For 2-inch meter .....	13.85	
For 3-inch meter .....	23.50	
For 4-inch meter .....	37.00	
For 6-inch meter .....	74.00	(I)

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