

ORIGINAL

Decision No. 72136

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application
of EAST PASADENA WATER CO. for
authority to increase its rates
for water service to offset in-
creased costs of pumping due to
replenishment and make-up
assessments.

Application No. 48805
(Filed September 20, 1966)

O P I N I O N

East Pasadena Water Co. requests authority to increase rates for water service in its B-1 tariff area by \$7,990, or 5.88 per cent, based on test year revenues adopted in Decision No. 71024 dated July 26, 1966 in Application No. 47056. The stated purpose of the increase is to offset increased operating expenses resulting from two assessments, one levied pursuant to Water Code Section 71687.2 and the other scheduled to be levied pursuant to Reimbursement Contract in the Long Beach action,¹ by the Upper San Gabriel Valley Municipal Water District (Upper District).² The present rates in said tariff area became effective September 1, 1966 under authority granted in Decision No. 71024. That decision did not consider the aforesaid assessments.

1 Board of Water Commissioners of the City of Long Beach et al vs. San Gabriel Valley Water Company et al, Los Angeles Superior Court No. 722647. Judgment made effective as of October 1, 1963.

2 Upper District overlies a major portion of the main San Gabriel Valley Basin. It is now empowered, through Assembly Bill 1685 (1965) which was enacted to become Sections 71682/71689.9 and Section 71757 of the Water Code, to levy assessments for the operation of its basin replenishment program.

In addition to the B-1 tariff area, applicant serves customers in an area designated as the A-1 tariff area where the water supplied is pumped by applicant from the Raymond Basin and is not subject to the Upper District assessments. Water supplied to customers in the B-1 tariff area is pumped by applicant partly from the Raymond Basin and partly from the main San Gabriel Basin. Only the water pumped from the latter basin is subject to the assessments. In the year 1965, 1,408 acre-feet out of a total production for the B-1 tariff area of 1,629 acre-feet were pumped from the main San Gabriel Basin.

A Commission staff engineer has investigated the application and a report on the results thereof is received as Exhibit 1. Said exhibit indicates that there have been no appreciable changes in applicant's operations and the costs thereof with the exception of the assessments now in question since the detailed review of such operations under Application No. 47056, supra. Such should be the case in view of the minimal growth characteristics of applicant's stable and long-established service area.

Under these circumstances, an increase in rates to offset an increase in costs appears reasonable. To follow this indicated course requires determination of the increase in costs appropriate for rate fixing purposes. Bearing upon such a determination, which is made difficult by the variability and the lag characteristics of the assessments involved, are the following facts together with related cost estimates and observations:

1. Upper District has levied its first assessment. The rate is \$2.20 per acre-foot and applies to ground water production within the main San Gabriel Basin area of Upper District during fiscal year 1966-67. Applicant estimates its costs as \$3,098 thereunder through applying the \$2.20 rate to the 1,408 acre-foot of water pumped by applicant from the main San Gabriel Basin during calendar year 1965. The funds to be derived from this assessment are to be used for the purchase of replenishment and makeup water during water year 1966-67.

2. Upper District has expended substantial sums, approximately \$192,800 for water year 1963-64 and \$350,200 for water year 1964-65, during calendar year 1966 in providing makeup water to downstream users (Lower Area Parties) and complying with the other terms of the judgment in the Long Beach action. These expenditures are recoverable from the signatories to the Reimbursement Contract through assessments to be levied on or before June 1, 1967 and to be paid July 31, 1967. The assessment rates necessary to effect such recovery are expected to be slightly lower than \$1.12 per acre-foot for water year 1963-64 costs and \$2.10 per acre-foot for water year 1964-65 costs and are to be applied to the ground water production of calendar years 1964 and 1965. By applying these rates to assessable pumpages of 1,454 acre-feet for calendar year 1964 and 1,408 acre-feet for calendar year 1965, applicant estimates its cost as \$4,585 under the contemplated assessments.

3. The makeup water assessments provided for in Reimbursement Contract lag the water year in which a supply deficiency occurs with respect to the Lower Area Parties' entitlement by judgment. As an example: For any net makeup water requirement at the end of water year 1965-66 which must be supplied by Upper District during the ensuing water year, the costs incurred therefor are recoverable by Upper District through assessments leviable on or before June 1, 1968 and to be paid July 31, 1968.

4. Replenishment assessments levied pursuant to Water Code Section 71687.2 appear to involve less lag as evidenced by the current assessment which was determined upon considerations which included water levels in the main San Gabriel Basin during water year 1965-66.

5. Both types of assessments are dependent upon rainfall and other factors which make them subject to wide fluctuations.

It therefore appears that the level of the actual and scheduled assessments, enumerated as 1 and 2 above, is not necessarily a reasonable guide as to prospective levels over the next several years.

At this time two types of proposals concerning the treatment of these assessments for rate fixing purposes are before the Commission. In one, the instant application and Application No. 48633 of Suburban Water Systems, each applicant proposes to increase rates essentially by the amount necessary to recover annually the sum of its costs attributable to the assessment now levied and its costs attributable to the scheduled assessments, the latter reflecting costs for not one but two water years. In the other, Application No. 49061 of San Gabriel Valley Water

Company, it is proposed to increase rates to accomplish a similar annual recovery and concomitantly to adopt accrual accounting procedures designed to keep a continuous record of assessment costs and offset revenues. Under this procedure a proper balance could be maintained between offset revenues and the related costs by periodic adjustments to rates when authorized by the Commission.

A basic study, which has not been provided, is necessary to a comprehensive evaluation of this matter and should set forth estimated assessment levels based on results for water years 1966-67 and 1967-68 on an average year basis, thereby reflecting normal climatic conditions including long-term average annual rainfall. Before authorizing further increases, the Commission expects to have such an estimate available for its consideration.

The Commission notes that all pumpers within the main San Gabriel Basin do not participate in the costs of replenishment water for the basin and of makeup water to Lower Area Parties. Concern is therefore expressed that utilities under the Commission's jurisdiction, subject to assessments by Upper District, are being called upon to bear a share of the costs which rightfully should be borne by the nonparticipating pumpers.

The Commission finds that:

1. The record is inadequate to support the full offset rate increase sought.
2. An increase in rates for the B-1 tariff area is warranted to the extent of offsetting the increase in operating expenses represented by the current replenishment assessment of \$2.20 per

acre-foot. For this purpose the rates set forth in Appendix A to Exhibit 1, which are designed to develop additional annual gross revenues amounting to \$3,100, will be adopted.

3. The increases in rates and charges authorized herein are justified.

The Commission concludes that relief should be granted to the extent set forth in the order which follows. It does not appear that a public hearing is necessary, but applicant will be afforded an opportunity to request a hearing. The Commission does not wish to place an avoidable burden on applicant's limited resources, and is aware of the potential desirability of including as a part of the record in this proceeding the evidence to be adduced through Upper District representatives in Application No. 49061, supra.

O R D E R

IT IS ORDERED that East Pasadena Water Co. is authorized to file after the effective date of this order the revised schedule of rates attached to this order as Appendix A. Such filing shall comply with General Order No. 96-A. The effective date of the revised schedule shall be April 1, 1967 or four days after the date of the filing, whichever is later. The revised schedule shall apply only to service rendered on and after the effective date thereof.

The effective date of this order shall be twenty days after the date hereof unless before such effective date applicant shall have filed in this proceeding a written request for hearing, in which event the effective date of this order shall be stayed until further order of the Commission.

Dated at San Francisco, California, this 14th day of MARCH, 1967.

John Mitchell President
William K. Bernard
Robert
William Spencer
Neil P. Morrison Commissioners

APPENDIX A

Schedule No. B-1

GENERAL METERED SERVICEAPPLICABILITY

Applicable to all metered water service.

TERRITORY

The territory within and adjacent to the Cities of Temple City and Arcadia and adjacent to the Cities of Pasadena and San Marino, and as described on service area map as the B-1 area.

RATES

	<u>Per Meter</u> <u>Per Month</u>	
Quantity Rates:		
First 500 cu.ft. or less	\$ 1.61	(I)
Next 2,500 cu.ft., per 100 cu.ft.18	
Next 2,000 cu.ft., per 100 cu.ft.15	
Over 5,000 cu.ft., per 100 cu.ft.12	
Minimum Charges:		
For 5/8 x 3/4-inch meter	\$ 1.61	(I)
For 3/4-inch meter	2.25	
For 1-inch meter	3.00	
For 1 1/2-inch meter	5.00	
For 2-inch meter	8.00	
For 3-inch meter	17.00	

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