

ORIGINAL

Decision No. 77122

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application)
of VALLECITO WATER COMPANY for)
authority to increase rates)
charged for water service to)
offset the increase in federal)
income taxes resulting from)
termination of the investment)
tax credit by the Tax Reform Act)
of 1969.)

Application No. 51745
(Filed March 3, 1970;
Amended March 10, 1970
and March 20, 1970)

OPINION AND ORDER

Decision No. 75763 dated June 10, 1969 in Application No. 50498 established rates for applicant's general metered and irrigation services but withheld authority to make such rates effective until certain conditions were complied with. Supplemental Decision No. 75134 dated September 3, 1969, authorized the placing in effect of the rates specified in Decision No. 75763, and they were made effective on September 12, 1969.

The rates authorized by Decision No. 75763 contained a special provision to compensate for the then effective 10 percent federal surtax. This provision reads as follows:

"Until the 10 percent surcharge to federal income tax is removed, bills computed under this tariff will be increased by 0.59 percent."

The federal surtax was reduced to 5 percent on January 1, 1970. By advice letter, the applicant amended the special condition to read:

"Until the 5 percent surcharge to federal income tax is removed, bills computed under this tariff will be increased by 0.295 percent."

Approximately 4,820 general metered customers and 130 irrigation customers are served by applicant.

The rates authorized by Decision No. 75763 allow for an investment tax credit of \$6,000 pursuant to the then effective federal statutes. The investment tax credit has been cancelled. Applicant now requests an adjustment in general metered rates only to reflect such change. No change is proposed in irrigation rates.

Copies of the application and the amendments to the application have been served in accordance with the Commission's rules of procedure. The Commission's staff has reviewed and analyzed the application as amended and prepared a report thereon which is filed herein as Exhibit No. 1.

Applicant has proposed to increase its general metered monthly service charges to compensate for the loss of the investment tax credit as follows:

Service Charge:	<u>Per Meter Per Month</u>		
	<u>Present Charge</u>	<u>Increase</u>	<u>Proposed Charge</u>
For 5/8 x 3/4-inch meter	\$ 2.20	\$.18	\$ 2.38
For 3/4-inch meter	2.40	.20	2.60
For 1-inch meter	3.30	.27	3.57
For 1½-inch meter	4.40	.35	4.75
For 2-inch meter	5.90	.48	6.38
For 3-inch meter	11.00	.88	11.88
For 4-inch meter	15.00	1.20	16.20
For 6-inch meter	25.00	2.00	27.00
For 8-inch meter	37.00	3.00	40.00

The requested increase will add from 18 cents per month for 5/8 x 3/4-inch meter to \$3.00 per month for an 8-inch meter. No changes are to be made in the quantity rates.

The staff exhibit shows that the proposed rate increase will offset the loss of the investment tax credit and that the earnings which will be produced under the conditions set forth in the application herein considered will not exceed the previously authorized rate of return of 7 percent on applicant's rate base. The staff recommends that the proposed rate increase be authorized.

Findings and Conclusions

The Commission finds that:

1. Applicant is in need of increased revenues to offset increases in federal income taxes resulting from the revocation of the investment tax credit.
2. Applicant's estimate of the increases required to offset the future effect of the change of the tax laws is reasonable.
3. The increase in rates and charges authorized herein is justified; the rates and charges authorized herein are reasonable and the present rates and charges in so far as they differ from those prescribed herein are for the future unjust and unreasonable.

A public hearing is not necessary.

The Commission concludes that the application should be granted and that the order herein should be effective immediately.

O R D E R

IT IS ORDERED that:

After the effective date of this order applicant, Vallecito Water Company, is authorized to file the revised rate schedule 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 four days after the date of filing. The revised schedule shall apply only to service rendered on and after the effective date thereof.

The effective date of this order shall be the date hereof.

Dated at San Francisco, California, this 21st day of APRIL, 1970.

Augusta
President

J. P. ...

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Commissioners

Commissioner William Symons, Jr., being necessarily absent, did not participate in the disposition of this proceeding.

APPENDIX A
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Schedule No. 1

GENERAL METERED SERVICEAPPLICABILITY

Applicable to general metered water service.

TERRITORY

Portions of the City of Industry, and vicinity, Los Angeles County.

RATES

Service Charge:	Per Meter Per Month	
For 5/8 x 3/4-inch meter	\$ 2.38	(I)
For 3/4-inch meter	2.60	
For 1-inch meter	3.57	
For 1 1/2-inch meter	4.75	
For 2-inch meter	6.38	
For 3-inch meter	11.88	
For 4-inch meter	16.20	
For 6-inch meter	27.00	
For 8-inch meter	40.00	(I)

Quantity Rates:	Zone 1	Zone 2
For the first 20,000 Cu. Ft., per 100 Cu.Ft.	\$.149	\$.189
For all over 20,000 Cu. Ft., per 100 Cu.Ft.	.114	.154

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

(Continued)

APPENDIX A
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Schedule No. 1

GENERAL METERED SERVICE
(Continued)

SPECIAL CONDITIONS

1. The boundaries of the zones are delineated on the tariff service area maps. Zone 1 includes areas generally lying below 700 feet elevation. Zone 2 includes areas generally above 700 feet elevation.

2. Until the 5% surcharge to federal income tax is removed, bills computed under this tariff will be increased by 0.295%.