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ORIGINAL

Decision No. 78788

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the matter of the Application
of the SOUTHERN CALIFORNIA WATER
COMPANY for an order authorizing
it to increase on July 1, 1971 the
rates for water service in its
Central Basin, Simi Valley and
Southwest Districts to offset the
increase in the price of water
purchased from The Metropolitan
Water District of Southern
California.

)
Application No. 52530
(Filed April 2, 1971)

OPINION AND ORDER

By the application herein applicant seeks authority to revise its rates in its Central Basin, Simi Valley and Southwest Districts to offset the increased cost of water purchased from the Metropolitan Water District of Southern California.

The requested increases in revenues are as follows:

<u>District</u>	<u>Revenue Increase</u>	<u>Percent Increase</u>
Central Basin	\$ 38,636	1.39%
Simi Valley	41,460	6.07%
Southwest	<u>92,025</u>	2.32%
Total	<u>\$172,121</u>	

A. 52530 hjh *

The member agencies of Metropolitan Water District (MWD) which serve each of the applicant's districts involved in this application (Central Basin, West Basin and Calleguas Municipal Water Districts) have, by resolutions, increased the price of MWD water \$4.00 per acre foot over the price now in effect. This price increase becomes effective on July 1, 1971. This latest increase in the price for MWD water is a continuation of a series of increases that have occurred in recent years and which are to continue in the future. Applicant must pay the price levels set by the agencies in order to obtain water needed for service to its customers.

Shown below are the increases in MWD water prices and the dollar effect on applicant's expenses since rates were last set by the Commission for each of these districts. It is these direct increases in expenses that applicant seeks authority to offset in this application.

Date Prices Effective	Central Basin Municipal Water District		West Basin Municipal Water District		Calleguas Municipal Water Dist.
	Filtered Water	Softened and Filtered Water	Filtered Water	Softened and Filtered Water	Softened and Filtered Water
(Dollars Per Acre Foot)					
July 1, 1967	\$40.00	\$44.00	\$39.30	\$43.30	\$56.00
July 1, 1968	43.00	47.00	42.30	46.30	59.00
July 1, 1969	46.00	50.00	45.30	49.30	62.00
July 1, 1970	50.00	54.00	49.30	53.30	66.00
July 1, 1971	54.00	58.00	53.30	57.30	70.00

In recent offset rate proceedings^{1/} the Commission has authorized increased rates to offset increased price of MWD water based on the latest recorded results of operations. Because of the recentness of the full scale rate proceedings with respect to these three districts, including extensive applicant and Commission staff showings, the test year results of operations as adopted by the Commission in these rate proceedings have been used as the basis to determine the effect of the increase in price of MWD water and the required increase in unit cost of water to applicant's customers. The use of these adopted results is the most reasonable basis on which to determine the effect of the price increases, because the recorded results for the year 1970 reflect Federal income tax levels different from those on which the rates were set and 1970 results do not include the effect of recent rate changes for the full year.

After determining the unit rate increase necessary on test year adopted results, two additional tests on the results of operations on these districts were made by applicant. In the first test the proposed rates were tested against the recorded results of operation for 1970 adjusted solely to reflect full year effect of present rate levels. In the second test the recorded results of operations for the year 1970 were adjusted for average climatic conditions and present Federal income tax rates before applying the effects of the MWD price increase and rates proposed in this application.

<u>1/</u>	<u>District</u>	<u>Application</u>	<u>Decision</u>	<u>Decision Date</u>
	Central Basin	A-51165	D-76920	March 10, 1970
	Simi Valley	A-50460	D-75879	July 8, 1969)
				March 10, 1970)
	Southwest	A-51857	D-78154	January 5, 1971

The rates of return on various bases for the districts involved are shown below and demonstrate that the rate of return that the applicant will obtain after the increase in water rates requested herein, is not above that rate of return authorized for these districts by the Commission.

Summary of Tests of Effect of MWD Water Price
Increases and Proposed Rates on Rate of Return

	<u>Central Basin District</u>	<u>Simi Valley District</u>	<u>Southwest District</u>
<u>Recent Rate Application Test Year Basis</u>			
Test Year	1970 ^{2/}	1969	1971 ^{3/}
a. Authorized Rate of Return for Test Year	7.69%	7.00%	7.30%
b. Adjusted for effect of in- crease in MWD water prices to July 1, 1971 level	7.48	6.04	6.94
c. Further adjusted for effect of rates proposed in this application	7.69	7.00	7.30
<u>Year 1970 Recorded</u>			
a. Recorded	7.20	6.46	6.54
b. Adjusted to latest author- ized rates	7.59	6.57	7.23
c. Further adjusted for in- creased price of MWD water to July 1, 1971 level	7.28	5.96	6.72
d. Further adjusted for rates proposed in this appli- cation	7.50	6.95	7.07

^{2/} Test year 1970 Commission authorized rate of return of 7.69% (rounded in the text of the Decision to 7.7%) with .35% decline per year to average 7.3% for a 3 year period.

^{3/} Test year 1971 Commission authorized rate of return of 7.3% with a .15% increase per year to average 7.45% over a 3 year period.

Year 1970 Adjusted

a. Adjusted to latest authorized rates, normal climatic conditions and 1971 income tax rates	7.18	6.45	7.16
b. Adjusted for increased price of MWD water to July 1, 1971 level	6.90	5.84	6.68
c. Further adjusted for rates proposed in this application	7.10	6.82	7.03
<u>Commission Authorized Rate of Return for Year 1970</u>	7.69	7.00	7.15

The applicant requests increased rates as set forth in the application for each service area. It states that the proposed rates will not exceed those found reasonable in the last rate increase for each district pursuant to the decisions listed above. It further alleges that the increase in the Central Basin District reflects an increase of 0.4¢ per Ccf per month over present rates; that the increase in the Simi Valley District reflects an increase of 2.3¢ per Ccf per month, and that the increase in the Southwest District reflects an increase of 0.7¢ per Ccf per month over the present rates.

Copies of the application were served and published as required by this Commission. There were no protests.

The Commission staff reviewed and analyzed the application and prepared a report which has been received herein as Exhibit No. 1. This exhibit shows that the proposed rate increases will only offset increased costs of water and that the earnings which will be produced thereby will not exceed those previously authorized for each district and in effect when the herein considered application was filed.

Findings and Conclusions

The Commission finds that:

1. Applicant is in need of increased revenues to offset increases in costs of purchased water.
2. Applicant's estimates of the revenue increases required to offset the future effect of the increased costs of water are reasonable.
3. The increases in rates and charges authorized herein are justified; the rates and charges authorized herein are reasonable and the present rates and charges insofar as they differ from those prescribed herein are for the future unjust and unreasonable.
4. A public hearing is not necessary.

We conclude that the application should be granted.

IT IS ORDERED that Southern California Water Company is authorized to file after the effective date of this order the revised rate schedules attached to this order as Appendix A. Such filing shall comply with General Order No. 96-A. The effective date of the revised schedules shall be four days after the date of filing, or July 1, 1971, whichever shall be later, and they shall apply only to service rendered on and after the said effective date.

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

Dated at San Francisco, California, this 15th day of JUNE, 1971.

[Signature]
Chairman

[Signature]

[Signature]

[Signature]

[Signature]
Commissioners

Schedule No. CBA-1

Central Basin District

Artesia-Norwalk Tariff Area

METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

Portions of the Cities of Artesia, Cerritos, Downey, Hawaiian Gardens, Lakewood, Long Beach, Norwalk, Santa Fe Springs and vicinity in Los Angeles County and portions of the City of Los Alamitos and vicinity in Orange County.

RATES

Quantity Rates:	<u>Per Meter</u> <u>Per Month</u>
First 3,000 cubic feet, per 100 cubic feet	\$ 0.213 (I)
Over 3,000 cubic feet, per 100 cubic feet	0.199 (I)
 Service Charge:	
For 5/8 x 3/4-inch meter	\$ 1.90
For 3/4-inch meter	2.10
For 1-inch meter	2.70
For 1-1/2-inch meter	4.50
For 2-inch meter	7.00
For 3-inch meter	14.00
For 4-inch meter	21.00
For 6-inch meter	35.00
For 8-inch meter	60.00

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

Schedule No. CBB-1
Central Basin District
Bell-Florence Tariff Area
METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

Portions of the Cities of Bell, Bell Gardens, Cudahy, Downey, Huntington Park, Paramount, Pico Rivera, South Gate, Vernon and vicinity, Los Angeles County.

RATES

	<u>Per Meter</u> <u>Per Month</u>
Quantity Rate:	
Per 100 cubic feet	\$ 0.199 (I)
Service Charge:	
For 5/8 x 3/4-inch meter	\$ 1.60
For 3/4-inch meter	1.80
For 1-inch meter	2.40
For 1-1/2-inch meter	4.50
For 2-inch meter	7.00
For 3-inch meter	14.00
For 4-inch meter	21.00
For 6-inch meter	35.00
For 8-inch meter	60.00

The Service Charge is a readiness-to-serve charge applicable to all metered service and to which is to be added the quantity charge computed at the Quantity Rate.

Schedule No. CBA-11

Central Basin District

LIMITED METERED SERVICE

APPLICABILITY

Applicable to all metered water service furnished to the Metropolitan State Hospital, in the City of Norwalk.

TERRITORY

Within the established Central Basin District.

RATES

	<u>Per Meter</u> <u>Per Month</u>
Quantity Rate:	
Per 100 cubic feet	\$ 0.134 (I)
Service Charge:	
For 10-inch meter	\$90.00

The Service Charge is a readiness-to-serve charge applicable to all metered service and to which is to be added the quantity charge computed at the Quantity Rate.

SPECIAL CONDITION

1. Service under this schedule will be furnished only between the hours of 9:00 p.m. and 6:00 a.m. The utility will provide adequate controls to prevent use of water any other time.

Schedule No. SI-1

Simi Valley District

GENERAL METERED SERVICE

APPLICABILITY

TERRITORY

Portions of the City of Simi Valley and vicinity, Ventura County.

RATES

Per Meter
Per Month

Quantity Rates:

First 10,000 cubic feet, per 100 cubic feet	\$ 0.280	(I)
Over 10,000 cubic feet, per 100 cubic feet	0.251	(I)

Service Charge:

For 5/8 x 3/4-inch meter	\$ 2.60
For 3/4-inch meter	3.10
For 1-inch meter	4.65
For 1-1/2-inch meter	6.45
For 2-inch meter	10.30
For 3-inch meter	12.90
For 4-inch meter	27.85
For 6-inch meter	51.60
For 8-inch meter	72.25

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

Schedule No. SI-3M

Simi Valley District

LIMITED METERED IRRIGATION SERVICE

APPLICABILITY

Applicable to irrigation water delivered to parcels of land in excess of 5 acres in one ownership and devoted to the raising of commercial agricultural crops or livestock.

TERRITORY

Within certificated areas in Section 11 and 14 T. 2 N., R. 18 W., S.B.B.&M., Ventura County.

RATE

Quantity Rate:

Per acre-foot \$60.10 (I)

Schedule No. SW-1

Southwest District

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

All or portions of the Cities of Carson, Compton, El Segundo, Gardena, Hawthorne, Inglewood and Lawndale, the communities of Athens, Lennox and Moneta, and vicinity, Los Angeles County.

RATES

	<u>Per Meter</u> <u>Per Month</u>
Quantity Rates:	
First 10,000 cubic feet, per 100 cubic feet	\$ 0.218 (I)
Over 10,000 cubic feet, per 100 cubic feet	0.178 (I)
Service Charge:	
For 5/8 x 3/4-inch meter	\$ 1.85
For 3/4-inch meter	3.15
For 1-inch meter	4.25
For 1-1/2-inch meter	8.00
For 2-inch meter	10.50
For 3-inch meter	12.50
For 4-inch meter	16.00
For 6-inch meter	26.00
For 8-inch meter	32.00
For 10-inch meter	64.00

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