

ORIGINAL

Decision No. 81425

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the matter of Application  
of TEMESCAL WATER COMPANY, a  
public utility corporation,  
for authority to increase its  
rates for general metered  
service. (P.U. Code S. 454)

Application No. 53529  
(Filed August 14, 1972)

Clayson, Stark, Rothrock & Mann,  
by George G. Grover, Attorney  
at Law, for applicant.

Lee Overholtzer, for self and  
stockholders of Plantation  
Mutual Water Co., interested  
parties.

Cyril M. Saroyan, Attorney at Law,  
and Andrew Tokmakoff, for the  
Commission staff.

O P I N I O N

Applicant is a public utility water corporation. It furnishes irrigation and industrial water in the vicinity of the city of Corona. It has applied for and received authority to furnish domestic water to a mobile home area but this service is minimal. The results herein referred to are relative to irrigation and industrial service only.

Public hearings on the application were held in Corona before Examiner Rogers on March 6 and 7, 1973. The matter was argued and submitted subject to receipt of transcript. Prior to the first day of hearing, notice thereof was published and posted as required. There were no protests.

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Applicant furnishes irrigation water and industrial water. In addition to increasing the rates, it proposes that the existing irrigation water annual service charge<sup>1/</sup> for each acre of irrigated land be abolished and charges for the actual water delivered substituted.

Decision No. 71028 dated July 26, 1966 in Application No. 47813 gives a concise outline of the applicant, its history, and operations, and will not be repeated herein except that it should be noted that applicant had secured part of its water from the Riverside Canal (Exhibit 1, Figure 3-1) which source has been eliminated, and that expenses and rate base have been adjusted to reflect the change.

The same decision found that a rate of return of 6.1 percent on its depreciated rate base was reasonable. By the instant application, applicant requests a return of only 3.68 percent. The staff, after making adjustments, found that for the 1972 test year at proposed rates applicant would have a return of 5.04 percent.

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<sup>1/</sup> \$21.60 per acre per year in Temescal Canyon and \$20.40 in Corona, plus in each instance a quantity rate.

The following table compares the applicant's and the staff's results of operations:

SUMMARY OF EARNINGS

Year 1972 Estimated

Item	Applicant		S t a f f	
	Present	Company	Present	Company
		Proposed Rates		Proposed Rates
Oper. Revenues	\$ 439,760	\$ 558,030	\$ 440,000	\$ 558,000
Oper. Expenses				
Oper. Exp.	358,690	358,690	337,540	337,540
Deprec. Exp.	39,620	39,620	34,940	34,940
Taxes, exc. Inc.	36,470	36,470	37,900	37,900
Income Taxes	530	57,630	4,720	66,030
Total Expenses	435,310	492,410	415,100	476,410
Net Operating Revenue	4,450	65,620	24,900	81,590
Average Rate Base	1,782,740	1,782,740	1,619,630	1,619,630
Rate of Return	0.25%	3.68%	1.54%	5.04%

A number of the differences between applicant and the staff resulted from the availability of later data at the time the staff report was prepared, and from staff corrections and adjustments to which applicant agreed at the hearing. Some of the adjustments proposed by the staff were not accepted by applicant. These principally concerned the accounting treatment for cement lining of pipe, the accounting treatment for a lease deposit, the question whether proceeds from the sale of an abandoned line should be treated as a contribution, and the computation of income tax expense for rate-making purposes.

The staff recommendation for the appropriate accounting for cement lining and lease deposits, and for the method of recording portions of the proceeds from the sale of an abandoned line to the State as contributions are in accordance with the prescribed system of accounts or policies set forth by this Commission. Therefore, these adjustments should be made on applicant's books of account.

After adjustments the staff estimates a rate of return of 5.04 percent at the proposed rates. Although somewhat higher than the rate of return indicated by applicant's showing, it is substantially below the rate of return of 6.1 percent which was found reasonable for applicant in Decision No. 71028 dated July 26, 1966 in Application No. 47813, and it is clearly within the range of reasonable earnings at the present time. Applicant's expert testified that higher rates have not been requested because of the possibility that they might prompt some irrigators to restrict their water purchases and thus might lead to loss of company revenue.

In view of the staff's calculated results of operations and its conclusions concerning the reasonableness of the proposed rates, applicant requested the sought relief be authorized without resolving the differences referred to above. Applicant pointed out the urgency of obtaining rate relief for the coming irrigation season, when a very substantial portion of the company's sales occur.

Because no opposition to the reasonableness of the requested rates has been offered and because the rate of return produced by the proposed rates is not unreasonable there is no need to resolve the differences between the staff's estimates and the company's estimates. The result of this decision is that applicant will be accorded a level of rates sufficient to earn the additional revenue requested in its application, and no more.

Findings

1. The increases in rates authorized should provide additional gross revenues which will enable applicant to meet its expenses of operation and earn a return of between 3.68 percent and 5.04 percent on its depreciated rate base.

2. Under the circumstances, the level of rates authorized by this decision is not unreasonable.

3. The staff Financial Examiner's accounting adjustments relating to cement lining of pipes and lease deposits, and his recommendation for recording a portion of the proceeds from the sale of an abandoned line to the State as a contribution, are proper for accounting purposes and should be made on applicant's books of account.

4. The increases in rates and charges authorized herein are justified and the present rates and charges, insofar as they differ from those authorized herein, are for the future unjust and unreasonable.

5. In compliance with Rule 23.1 of the Commission's Rules of Procedure:

- (a) The increased rates are expected to provide an increase not to exceed \$118,000 in applicant's annual revenues.
- (b) The rate of return on the adopted rate base is expected not to exceed 5.04 percent for the estimated year 1972 as compared to 1.54 percent at the present rates.
- (c) The increases are cost justified and do not reflect future inflationary expectations; the increases reflect productivity gains; the increases are the minimum rates which are necessary to assure continued and adequate service; and 5.04 percent is the minimum rate of return needed to attract capital at a reasonable cost and which will not impair applicant's credit.

Conclusion

The Commission concludes that the application should be granted.

O R D E R

IT IS ORDERED that:

1. Applicant shall adjust its books of account to reflect the staff accounting adjustments in the staff's report relating to the cement lining of pipe and the lease deposit, and the portion of the proceeds from the sale of an abandoned line considered to be a contribution. Applicant shall, within sixty days of the effective date of this decision, submit to this Commission its proposed formal entries to record the required staff adjustments.

2. After the effective date of this order, Temescal Water Company is authorized to file 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 such revised schedules shall be four days after the date of filing. The revised schedules shall apply only to service rendered on and after the effective date thereof.

The effective date of this order is the date hereof.

Dated at San Francisco, California, this 30<sup>th</sup> day of MAY, 1973.

William L. Sperry  
President  
William J. Brown  
Robert J. Brown  
Robert J. Brown  
Robert J. Brown  
Commissioners

Schedule No. 3M

(T)

MEASURED IRRIGATION SERVICE

APPLICABILITY

Applicable to all measured irrigation service.

(T)

TERRITORY

Corona, Temescal Canyon and vicinity, Riverside County.

(T)

RATES

Per Miner's  
Inch Day

(T)

For irrigation water delivered to the Lower Area  
in Corona and vicinity .....

\$1.52

(I)

For irrigation water delivered to the Upper Area  
in Temescal Canyon and vicinity .....

\$1.65

(I)

SPECIAL CONDITIONS

1. Application for service: Written application for service under the above schedules shall be made on or before the first day of the season or calendar year in which the service is desired. Applicants for service shall indicate the number of acres to be irrigated.

(T)

2. Service pressures: Water shall be delivered at pressures available.

(T)

(Continued)

Schedule No. 3M

MEASURED IRRIGATION SERVICE

SPECIAL CONDITIONS - Continued

3. Water potability: The water supplied under this schedule is untreated water from open ditches, canals, conduits, and flumes. The company does not represent or guarantee that any water delivered hereunder is potable or of a quality suitable for human consumption. Any customer who uses said water or makes it available or offers it to others for human consumption shall take all necessary precautions to make the same potable and shall assume all risks and liabilities in connection therewith.

4. A miner's inch day is defined as the volume resulting from a continuous flow of one-fiftieth of a cubic foot of water per second over a 24-hour period.

(T)

(T)

(T)

(T)



Schedule No. T-4M

MEASURED INDUSTRIAL SERVICE

APPLICABILITY

Applicable to all non-potable industrial service.

TERRITORY

The territory served by company's No. 5 line in Temescal Canyon, Riverside County, southerly of the north line of Sections 27 and 28 T4S R6W S8E.

RATES

	Per Meter Per Month	(T)
Quantity Rate:		
For each 100 cubic feet .....	\$ 0.10	(I)
Minimum Charge:		
For 1-inch meter .....	\$ 7.00	(I)
For 2-inch meter .....	28.00	(I)
For 4-inch meter .....	112.00	(I)

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

(Continued)

Schedule No. T-4M

MEASURED INDUSTRIAL SERVICE  
(Continued)

SPECIAL CONDITIONS

1. Water shall be delivered at available pressures.
2. The water supplied under this schedule is untreated water from open ditches, canals, conduits, and flumes. The company does not represent or guarantee that any water delivered hereunder is potable or of a quality suitable for human consumption. Any customer who uses said water or makes it available or offers it to others for human consumption shall take all necessary precautions to make the same potable and shall assume all risks and liabilities in connection therewith.
3. Delivery will be made at a constant rate of flow in integers of 24 hours and changes require 48 hours advance notice.

Schedule No. AA-6XZ

MEASURED EMERGENCY SERVICE

APPLICABILITY

Applicable to emergency water service furnished for resale purposes to "water purveyors" as hereinafter defined.

TERRITORY

Temescal Canyon, Corona and vicinity, Riverside County.

RATES

Per Meter (T)  
Per Month

Quantity Rate:

For each 100 cubic feet ..... \$ 0.10 (I)

DEFINITION

As used in this schedule, "water purveyor" means a public district whose principal function is the sale of water to retail customers, a water public utility, a city water department, or a mutual water company.

SPECIAL CONDITIONS

1. Service under this schedule will be made only during bona fide emergency when the water facilities or supplies of a nearby water purveyor are temporarily unable to provide necessary service to its customers or members.

(Continued)

Schedule No. AA-6XZ

MEASURED EMERGENCY SERVICE

SPECIAL CONDITIONS - Continued

2. Service under this schedule will be made only when, and as long as, in the judgment of the board of directors or the general manager of the company, the company has water available for such emergency service without interfering with its ability to provide service to all other customers under other schedules.

3. Service under this schedule will be made only to water purveyors who have made arrangements, satisfactory to the board of directors of the company, to provide to the company substantially equivalent reciprocal emergency service.

4. The cost of any special connection or other facilities necessary to make possible the delivery of water pursuant to this schedule shall be paid by such water purveyor, in addition to the charge specified in this schedule.

5. The water supplied under this schedule shall be delivered at available pressures.

6. The water supplied under this schedule may be untreated water from open ditches, canals, conduits, and flumes. The company does not represent or guarantee that any water delivered hereunder is potable or of a quality suitable for human consumption. Any customer who uses said water or makes it available or offers it to others for human consumption shall take all necessary precautions to make the same potable and shall assume all risks and liabilities in connection therewith.