

ORIGINAL

Decision No. 81625

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application)
of EAST PASADENA WATER COMPANY,
a California corporation, for
authority to increase its rates
charged for water service.

Application No. 53605
(Filed September 22, 1972)

Clayson, Stark, Rothrock & Mann,
by George G. Grover, Attorney
at Law, for applicant.
Mrs. Kurt Wallor, for herself,
interested party.
Howard J. Lindenmeyer and Ichiro
Nagao, for the Commission staff.

O P I N I O N

East Pasadena Water Company (applicant) furnishes general metered water service to approximately 2,541 customers in its service area, which is located principally in unincorporated territory of Los Angeles County between the cities of Arcadia and Pasadena and north of the city of Temple City, with a few customers within the cities of Arcadia and Temple City. It seeks an order of the Commission authorizing it to increase its presently effective general metered and private fire protection rates to provide an overall 26 percent increase in annual gross revenues amounting to \$44,478. In addition it proposes to consolidate its present two general metered service schedules (Schedules A-1 and B-1) into one service charge-type rate schedule.

Applicant also requests that the Commission rescind the special accounting ordered in Decisions Nos. 72136 and 73125 regarding previous offset rate increases for replenishment water and make-up water assessments.

A public hearing was held before Examiner Rogers in Arcadia on May 14, 1973. Prior to the hearing notice was published, posted, and mailed to consumers as required by the Commission. After the hearing the matter was argued and submitted.

Service Area A-1 is the smaller of the two service areas, with only 129 customers. The current tariff schedule for Area A-1 is slightly higher than the tariff schedule for Area B-1, which serves about 2,412 customers.

Water Supplies

Applicant's service area overlies portions of two ground-water basins. Area A-1 lies almost entirely within the Raymond Basin. About one-fourth of Area B-1 lies within Raymond Basin and the remainder of Area B-1, roughly south of Huntington Drive, lies in the Main San Gabriel Basin. The Raymond Basin was adjudicated in 1944. The Raymond Basin decree was modified in 1955 and provides that applicant is entitled to pump an average annual amount of 515 acre-feet. The costs for the Raymond Basin Watermaster service are apportioned in accordance with the 1955 decreed right. In fiscal year 1970-71 the cost for this service to applicant was \$236.73.

The unadjusted prescriptive right of applicant in the Main San Gabriel Basin (basin) is 1,407.69 acre-feet, which results in a pumper's share of 0.7114869 percent of the operating safe yield thereof. The operating safe yield of the basin will be determined each year by a court-appointed watermaster and is expected to vary. It is estimated that the operating safe yield of the basin in the early years of operation will be between 140,000 and 180,000 acre-feet. If the operating safe yield is determined to be 130,000 acre-feet, applicant will be allowed to pump free of replacement water assessment 1,281 acre-feet. If the operating safe yield were found to be 140,000 acre-feet, applicant's share of the pumpage free of replacement water assessment would be 996 acre-feet. All water pumped in excess of the annual pumper's share will be subject to

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a replacement water assessment levied by the watermaster which is expected to be \$35 to \$40 per acre-foot for excess pumping during fiscal year 1973-1974, payable by September 30, 1974. The annual rate will increase in subsequent years as the price of imported water is increased by the Metropolitan Water District of Southern California (MWD).

In addition to the replacement water assessment there will be an administrative assessment levied by the watermaster to cover costs of administration and make-up water costs. The administrative assessment is expected to be 25 cents to 50 cents per acre-foot per year, and it will apply to the total quantity of water pumped each year.

The applicant has paid groundwater pumping assessments to the Upper San Gabriel Valley Municipal Water District in the past for both basin replenishment and make-up water purposes. In previous years such assessments were higher than they have been in recent years. The applicant was previously granted offset increases to compensate for the make-up water and replenishment assessments. The offset rates were not reduced when the pump taxes were reduced because of the low earnings of the applicant at that time. The accounting practices required by the Public Utilities Commission have been, however, continued.

In 1971 the company pumped 1,591 acre-feet from the basin.

The only office of the applicant is located at 3725 East Mountain View Avenue, Pasadena, California.

Company Organization

The present officers are:

Officers

Anton Garnier, President
James Campbell, Vice President-Treasurer
Earl Olsen, Vice President
Christine Kelley, Secretary
Helen Horn, Assistant Treasurer
Leola Whiteley, Assistant Secretary

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By Decision No. 71024 dated July 26, 1966 in Application No. 47056, applicant was permitted to increase its B-1 rates. These rates were subsequently modified by Decision No. 72136 dated March 14, 1967 in Application No. 48805, and Decision No. 73125 dated September 26, 1967 in Application No. 49409 (the last two are offset increases). All other rates were set by Decision No. 57318 dated September 10, 1958 in Application No. 40096. Applicant seeks authority to equalize the rates, change the type of rates, and increase the private fire protection rates from \$1.00 per inch of diameter to \$2.00 per inch of diameter.

The present and proposed general metered rates are as follows:

Present Rates

Per Meter Per Month

Schedule A-I Schedule B-1

Quantity Rates:

First	500 cu.ft. or less	\$ 1.75	\$ 1.65
Next	2,500 cu.ft., per 100 cu.ft.	.20	.19
Next	2,000 cu.ft., per 100 cu.ft.	.15	.16
Over	5,000 cu.ft., per 100 cu.ft.	.12	.13

Minimum Charge:

For	5/8 x 3/4-inch meter	\$ 1.75	\$ 1.65
For	3/4-inch meter	2.15	2.45
For	1-inch meter	2.95	3.25
For	1-1/2-inch meter	5.75	5.30
For	2-inch meter	8.25	8.50
For	3-inch meter	15.00	13.25

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

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Proposed Rates

Per Meter Per Month

Service Charge:

For 5/8 x 3/4-inch meter	\$1.65
For 3/4-inch meter	. . . . .	1.80
For 1-inch meter	. . . . .	2.50
For 1-1/2-inch meter	. . . . .	3.30
For 2-inch meter	. . . . .	4.50
For 3-inch meter	. . . . .	8.25

Quantity Rates:

For all water delivered, per 100 cu.ft. \$0.185

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.

Decision No. 71024 found a rate of return of 6.5 percent on applicant's then average depreciated rate base to be reasonable. Applicant requests a rate of return of 6.09 percent on its average depreciated rate base.

The following table compares the applicant's and the staff's results of operation for the year 1972 (applicant's test year) at present and proposed rates and the year 1973 as estimated by the staff at present and proposed rates:

Item	Applicant		Staff		Staff	
	Company		Company		Company	
	Present	Proposed	Present	Proposed	Present	Proposed
	Rates	Rates	Rates	Rates	Rates	Rates
	1972		1972		1973	
Oper. Rev.	\$168,670	\$213,148	\$170,700	\$213,900	\$171,300	\$214,700
Oper. Exp.						
O & M Exp.	75,339	75,339	71,100	71,100	74,100	74,100
A & G Exp.	63,181	63,181	55,900	55,900	56,300	56,300
Deprec. Exp.	17,050	17,050	16,010	16,010	16,160	16,160
Non-Inc. Taxes	18,997	18,997	19,100	19,100	19,300	19,300
Inc. Taxes	200	11,437	1,160	18,840	180	17,190
Total Exp.	174,767	186,004	163,270	180,950	166,040	183,050
Net Oper. Rev.	(6,097)	27,144	7,430	32,950	5,260	31,650
Average Rate Base	445,426	445,426	427,300	427,300	422,600	422,800
Rate of Return	(1.37)%	6.09%	1.7%	7.7%	1.2%	7.5%

(Negative)

The staff recommends that the proposed rates be authorized.

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 suggestions and adjustments to which the applicant agreed at the hearing. Some of the adjustments were not accepted by the applicant. They principally concerned the accounting for losses on sale of equipment, the accounting for the sale of a portion of its system, the proper classification of a main extension as one to serve an individual or a subdivision with the resultant change in the amount to be refunded, and the proper recording of the contributions in aid of construction.

We have examined the staff adjustments and they are in accordance with the prescribed system of accounts, or policies set forth by this Commission. We find the adjustments recommended by the staff should be made on applicant's books.

Rate of Return

After adjustments the staff estimated a rate of return of 7.5 percent on applicant's rate base for the estimated year 1973. Based on applicant's capital structure of December 31, 1972, the proposed rates will produce a return on common equity of approximately 7.6 percent. Although somewhat higher than the rate of return indicated by applicant's showing, 7.5 percent is not an unreasonable rate of return on rate base and is in conformance with the rates of return being permitted for comparable water utilities.

Applicant will have a rate of return in 1972 of 1.7 percent at present rates and 7.7 percent at the proposed rates. For the estimated year 1973, applicant will have a rate of return of 1.2 percent at present rates and 7.5 percent at the proposed rates. These figures show a decline of 0.5 percent at the present rates and 0.2 percent at the proposed rates. Considering the rate of return of 7.5 percent recommended by the staff and recognizing that there is an annual decline in the rate of return of 0.2 percent, the increased rates authorized herein should produce an average return over the next five years of 7.1 percent. We find the return of 7.5 percent for the estimated year 1973 to be reasonable. We estimate that this rate of return will provide a return on common equity of 7.6 percent. Applying such rate of return to the adopted rate base indicates a need for \$31,650 in net revenues, or approximately \$26,390 more than the net revenues produced at existing rate levels. The rates hereinafter authorized should produce the required amount.

In view of the staff's calculated results of operations and its conclusions concerning the reasonableness of the proposed

rates, we find that the proposed increases should be authorized.

Rate Structure

Applicant proposes to change the form of rates for metered service from minimum charge to service charge. There was no objection to this proposal and authority to make the change will be granted.

Special Accounting

There was no objection to the applicant's request to be relieved from the special accounting requirements relative to offset increases specified in Decisions Nos. 72136 and 73125. This request will be granted.

Findings

1. The applicant is in need of additional revenues and the rates it proposes are reasonable.
2. The adopted estimates, referred to above, of operating revenues, operating expenses, and rate base for the year 1973 reasonably indicate the results of applicant's operations for the year 1973.
3. A rate of return of 7.5 percent on applicant's rate base and the corresponding 7.6 percent return on common equity are reasonable.
4. The increases in 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.
5. In compliance with Rule 23.1 of the Commission's Rules of Procedure:
 - a. The increased rates are expected to provide an increase of \$26,390 in applicant's annual net revenues.
 - b. The rate of return at the rates authorized on the adopted rate base is expected to be 7.5 percent for the test year 1973 as compared to 1.2 percent at present rates.

- c. The increases are cost-justified and do not reflect future inflationary expectations; the increases are reduced to reflect productivity gains; the increases are the minimum rates which are necessary to assure continued and adequate service; and 7.5 percent is the minimum rate of earnings on equity needed to attract capital at reasonable cost and which will not impair applicant's credit.

6. The request for authority to change from the minimum allowance-type rate structure to a service charge-type rate structure should be granted.

7. The accounting requirements relative to the basis for offset increases specified in Decision No. 72136 dated March 14, 1967 in Application No. 48805 continued in effect by Decision No. 73125 dated September 26, 1967 in Application No. 49409 should be terminated.

8. The staff accounting adjustments as shown in Table II.A. of Exhibit No. 2 are in conformance with the prescribed system of accounts or policies set forth by this Commission and should be made on applicant's books.

Conclusion

The Commission concludes that the application should be granted.

O R D E R

IT IS ORDERED that:

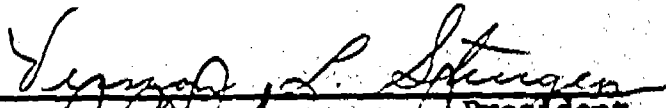
1. After the effective date of this order, applicant, East Pasadena Water Company, is authorized to file the revised rate schedules attached to the order as Appendix A. Such filing shall comply with General Order No. 96-A. The effective date of such revised schedules shall be four days after the date of filing. The revised schedules shall apply only to service rendered on and after the effective date thereof.


2. East Pasadena Water Company is relieved of the requirements of special accounting for offset revenue increases specified in Decisions Nos. 72136 and 73125.

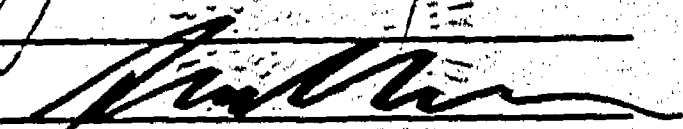
3. Applicant shall adjust its books of account to reflect the staff accounting adjustments shown in Table II.A. of the staff report, Exhibit No. 2, relating to sales of transportation equipment, sale of the Backus Plant, and an adjustment to a main extension contract. Applicant shall, within sixty days of the effective date of this decision, submit to this Commission its proposed journal entries to record the required staff adjustments.


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

Dated at San Francisco, California, this 24th day of JULY, 1973.



President






Commissioners

Commissioner William Simons, 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 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 vicinity, Los Angeles County.

(T)
|
(T)RATES

	Per Meter Per Month	
Service Charge:		
For 5/8 x 3/4-inch meter	\$ 1.65	(I)
For 3/4-inch meter	1.80	|
For 1-inch meter	2.50	|
For 1 1/2-inch meter	3.30	|
For 2-inch meter	4.50	|
For 3-inch meter	8.25	|
Quantity Rate:		
For all water delivered, per 100 cu.ft.	0.185	(I)

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.

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Schedule No. 3

PRIVATE FIRE PROTECTION SERVICE

APPLICABILITY

Applicable to all privately owned fire protection systems.

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 vicinity, Los Angeles County.

(T)
|
(T)

RATE

For each inch of diameter of fire sprinkler
service connection

Per Service
Per Month

\$ 2.00 (I)

SPECIAL CONDITIONS

1. The customer will pay, without refund, the entire cost of installing the fire sprinkler service, including a detector check meter or other suitable devices equal in size to service line requested. Complete fire sprinkler service will be the property of the utility.

2. The minimum diameter for the fire sprinkler service will be 3 inches, and the maximum diameter will be not more than the diameter of the main to which the service is connected.

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Schedule No. 3

PRIVATE FIRE PROTECTION SERVICE

SPECIAL CONDITIONS—Contd.

3. The customers' installation must be such as to effectively separate the fire sprinkler system from that of the customers' regular water service. As a part of the sprinkler service installation, there shall be a detector check, or other similar device acceptable to the Company, which will indicate the use of water. Any unauthorized use will be charged for at the regular established rate for General Metered Service and/or may be grounds for the Company discontinuing the fire sprinkler service without liability to the Company.

4. There will be no cross-connection between the fire sprinkler system supplied by water through the Company's fire sprinkler service to any other source of supply without the specific written approval of the Company. The specific approval will require, at the customer's expense, a special double check valve installation or other device acceptable to the Company. Any such unauthorized cross-connection may be the grounds for immediately discontinuing the sprinkler service without liability to the Company.