

ORIGINAL

Decision No. 81655

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application
of SUBURBAN WATER SYSTEMS, a
California corporation, for
authority to Increase its Rates
Charged for Water Service to
Offset Increased and New Assess-
ments on Water Produced from the
Main San Gabriel Basin.

Application No. 54096
(Filed June 6, 1973)

O P I N I O N

Suburban Water Systems (applicant) request authority to increase its rates for water service as hereinafter indicated. Applicant furnishes water service to approximately 45,000 general metered customers in two areas referred to as the San Jose Hills area and the Whittier area, in the county of Los Angeles. The San Jose Hills area is located in or adjacent to the cities of West Covina, La Puente, Industry, and Glendora. The Whittier area is located near the city of Whittier and includes adjacent unincorporated areas.

During the calendar year 1972 applicant employed an average of 124 persons and on April 30, 1973 it had 125 employees.

Applicant's present metered rates were established by Decision No. 79912 dated April 4, 1972 in Application No. 52505. In that decision rates were authorized which were expected to produce an average rate of return of 7 percent.

Applicant requests authority to increase its rates by 1.5 cents or 1.6 cents per 100 cubic feet to offset increased and new assessments which will be levied against its production of water from the Main San Gabriel Basin after July 1, 1973.

Applicant alleges that by virtue of the final settlement of the adjudication of the Main San Gabriel Basin in the Superior

Court action known as Upper San Gabriel Valley Municipal Water District vs. City of Alhambra, et al., No. 924128, the conditions and magnitude of the assessments against water produced from the Main San Gabriel Basin have been substantially changed, and that under the new procedures adopted by the Watermaster in accordance with the adjudication, there will be three assessments:

1. A Replacement Assessment

It is the purpose of this assessment to provide funds to the Watermaster for the purchase of imported water to replace the water pumped by each pumper during the prior fiscal year in excess of that pumper's share of safe yield of the Basin. The assessment will be determined and levied on or before August 15 of each year (payable in full on or before September 20 of each year), based on the quantity of excess water produced during the prior Watermaster year, July 1 through June 30. Applicant states that the assessment rate will start at \$30 per acre-foot of excess production, and will increase as the cost of supplemental water available to the Watermaster increases. It states that the safe yield has been set, for the year beginning July 1, 1973, at 210,000 acre-feet, of which applicant's pumper's share is 12.46593 percent, or 26,178.46 acre-feet; that the Watermaster has estimated a reduction of the safe yield of the Basin to 170,000 acre-feet by the Watermaster year 1977-78, which will provide applicant with a pumper's share of only 21,192.08 acre-feet; and that during the calendar year 1972, applicant produced 33,799.3 acre-feet from the Basin.

2. Watermaster Administrative Costs

Applicant states that it is the purpose of this assessment to provide funds for the administrative costs of the Watermaster; that the assessment will be levied at the same time as the Replacement Assessment, and will be based on the total quantity of water pumped by each pumper during the prior Watermaster year; and that this assessment has been set at 35 cents per acre-foot for the year 1973-74.

3. Make-up Obligation

Applicant alleges that it is the purpose of this assessment to provide funds to the Watermaster to fulfill the obligations of the Judgment in Los Angeles Superior Court Action No. 722647 known as Long Beach, et al. vs. San Gabriel Valley Water Company, et al., which obligation was assumed by the Watermaster under terms of the adjudication in Action No. 924128; that this assessment will be based on production up to each pumper's share of safe yield (it excludes excess pumpage); and that the rate for this assessment is currently 3-1/2 cents per acre-foot.

Applicant states that in order to recover these assessments it proposes an offset in the form of an additive to the commodity charge in applicant's filed tariff Schedule No. 1, Metered Service, and to all contract rates for irrigation, service to governmental agencies, and wholesale service to other utilities for resale; that the requested offset rates for the Watermaster year 1973-74 are based on the estimated production by applicant from the Main San Gabriel Basin during that year; that the average production per customer from this Basin during the last three years is multiplied by the estimated average number of customers to be served during the 1973-74 Watermaster year; that the result is divided by the estimated sales to customers during

the same Watermaster year, also developed on the basis of the average sales per customer during the last three years; and that the calculation of the offset requested is set forth in Exhibit E of the application.

The additional revenue which would be produced by the offset requested is (according to applicant's Exhibit E) \$238,599, which is 5.8 percent of applicant's 1972 gross operating revenues of \$4,087,856. The greater part of this total offset requirement, \$225,885, is for Estimated Replacement Assessment, arrived at by multiplying Suburban's 7,529.5 acre-feet of excess pumpage by the \$30/acre-foot replacement cost.

Applicant alleges that the additional revenue which will be produced by the offset requested will not increase the rate of return on rate base over that rate of return found reasonable by the Commission in Decision No. 79912, supra, since it is calculated to exactly offset the additional expense estimated to arise from the increased assessments.

Applicant alleges that its existing rates will, after July 1, 1973, be unjust and unreasonable in that they will not provide sufficient revenue to cover the substantial water assessments on production from the Main San Gabriel Basin which will attach to such production after July 1, 1973. Applicant's existing and proposed General Metered Service tariffs and the special contract rates affected by this proposed offset are:

A. 54096 MM

Service Charges:	Present		Proposed	
	Per Meter Per Month		Per Meter Per Month	
For 5/8 x 3/4-inch meter	\$	2.65	\$	2.65
For 3/4-inch meter		2.95		2.95
For 1-inch meter		4.00		4.00
For 1-1/2-inch meter		6.00		6.00
For 2-inch meter		8.00		8.00
For 3-inch meter		14.00		14.00
For 4-inch meter		20.00		20.00
For 6-inch meter		35.00		35.00
For 8-inch meter		48.00		48.00

Quantity Rates:	Tariff Area			Tariff Area		
	<u>No. 1</u>	<u>No. 2</u>	<u>No. 3</u>	<u>No. 1</u>	<u>No. 2</u>	<u>No. 3</u>
First 30,000 cu.ft., per						
100 cu.ft.	\$0.16	\$0.19	\$0.22	\$0.175	\$0.205	\$0.235
Over 30,000 cu.ft., per						
100 cu.ft.	\$0.14	0.17	0.20	\$0.155	\$0.185	\$0.215

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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1. Irrigation (2 customers)

Present contract rate	4.5 cents per miners inch hour
	(equivalent to 6.25 cents per hundred cubic feet)
Proposed contract rate	5.7 cents per miners inch hour
	(equivalent to 7.85 cents per hundred cubic feet)

2. Service to Governmental Agencies

City of West Covina - Cortez Park

Present contract rate	9.7 cents per hundred cubic feet
Proposed contract rate	11.3 cents per hundred cubic feet

3. Wholesale Service to Other Utilities

Southwest Water Company

Present contract rate	6 cents per hundred cubic feet
Proposed contract rate	7.6 cents per hundred cubic feet

City of Santa Fe Springs

Present contract rate	\$18 per acre-foot
Proposed contract rate	\$20.93 per acre-foot

The amount included in the contract rate for water assessments was \$4.07 per acre-foot, the offset requested in this application is 1.6 cents per 100 cubic feet or \$7.00 per acre-foot. The net adjustment to the contract rate is therefore \$2.93 per acre-foot.

La Habra Heights Mutual Water Company

Present contract rate	6 cents per miners inch hour
	(equivalent to 8.33 cents per hundred cubic feet)
Proposed contract rate	7.15 cents per miners inch hour
	(equivalent to 9.93 cents per hundred cubic feet)

Murphy Ranch Mutual Water Company

No change in the charge per miners inch hour made for delivery of water to Murphy Ranch is proposed herein. Under the adjudication, over the objection of Suburban, Murphy Ranch was allocated a pumper's share of safe yield of Main San Gabriel Basin, even though this supply has always been provided from Suburban's wells in the Main San Gabriel Basin. Because of this adjudication, Murphy will report the quantities delivered to it by Suburban as its own production and will be directly liable for any assessments thereon. Said deliveries to Murphy will be deducted by the Water-master from Suburban's reported production, for purposes of calculating Suburban's assessments.

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

The Commission staff reviewed and analyzed the application and prepared a report which has been filed as Exhibit 1. This report considers the increased cost of water to applicant. The staff states that the increased cost of water will be offset by the proposed increased rates and that its earnings will not exceed its previously authorized rate of return.

Findings

1. Applicant is in need of increased revenues to offset the increase in the cost of water pumped.
2. Applicant's estimates of the increased revenue required to offset the future effect of the increased costs referred to herein are reasonable.
3. The rates authorized herein are needed by applicant to offset increased costs of operation and to keep applicant's earnings within the zone of reasonableness.

4. 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.

5. A public hearing is not necessary.

6. The authorized increase is consistent with Rule 23.1, effective August 2, 1972, of the Commission's Rules of Procedure:

- (a) The increase is cost-justified and does not reflect future inflationary expectations;
- (b) The increase is the minimum required to assure continued, adequate, and safe service and to provide for necessary expansion to meet future requirements;
- (c) The increase will not achieve in excess of the minimum rate of return needed to attract capital at reasonable cost and not to impair the credit of applicant; and
- (d) The increase takes into account expected and obtainable productivity gains.

Conclusion

The Commission concludes that the application should be granted.

O R D E R

IT IS ORDERED that on or after the effective date of this order Suburban Water Systems 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. On or after the effective date of this order Suburban Water Systems is authorized to increase the special contract rates as set forth in Exhibit G of the application.

The effective date of the revised schedule and revised contract rates shall be not earlier than August 13, 1973. The revised rates 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 31st day
of JULY, 1973.

President
William J. ...

[Signature]

[Signature]
Commissioners

Commissioner Vernon L. Sturgeon, being necessarily absent, did not participate in the disposition of this proceeding.

Commissioner J. P. Vukasin, Jr., being necessarily absent, did not participate in the disposition of this proceeding.

APPENDIX A
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Schedule No. 1

METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

Portions of Covina, West Covina, La Puente, Glendora, Whittier, and vicinity, Los Angeles and Orange Counties.

RATES

Service Charges:

		Per Meter Per Month
For 5/8 x 3/4-inch meter	.....	\$ 2.65
For 3/4-inch meter	.....	2.95
For 1-inch meter	.....	4.00
For 1 1/2-inch meter	.....	6.00
For 2-inch meter	.....	8.00
For 3-inch meter	.....	14.00
For 4-inch meter	.....	20.00
For 6-inch meter	.....	35.00
For 8-inch meter	.....	48.00

Quantity Rates:

	Tariff Area		
	No. 1	No. 2	No. 3
First 30,000 cu.ft., per			
100 cu.ft.	\$0.175	\$0.205	\$0.235
Over 30,000 cu.ft., per			
100 cu.ft.	\$0.155	\$0.185	\$0.215

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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

METERED SERVICE
(Continued)

SPECIAL CONDITIONS

1. The boundaries of the zones in which the above rates apply are delineated on the tariff service area maps filed as part of these tariff schedules.

2. The tariff areas include all customers in elevations zones designated as follows:

<u>Tariff Area</u>	<u>San Jose System Elevation, Feet</u>		<u>Whittier System Elevation, Feet</u>	
	<u>Above</u>	<u>Including</u>	<u>Above</u>	<u>Including</u>
1	-	547	-	300
2	547	1,140	300	820
3	1,140	-	820	-