

**ORIGINAL**Decision No. 81707

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the matter of the Application of)  
 SOUTHERN CALIFORNIA WATER COMPANY )  
 for an order authorizing it to in- )  
 crease on July 1, 1973 the rates )  
 for water service: in its Central )  
 Basin and Southwest Districts to )  
 offset increases in the price of )  
 purchased water, water replenish- )  
 ment tax rates and electric power )  
 pumping rates; in its Simi Valley )  
 District to offset increases in )  
 the price of purchased water and )  
 electric power pumping rates; and )  
 in its Pomona Valley District to )  
 offset increases in purchased )  
 water, electric power pumping and )  
 ad valorem tax rates.

Application No. 53975  
 (Filed April 16, 1973)

O P I N I O N

Southern California Water Company (SCWC) seeks authority to increase water rates in four of its operating districts to offset increased purchased water costs, increased water replenishment tax rates, increased electric power pumping costs, increased ad valorem taxes, and increased street franchise tax as summarized in the following tabulation:

<u>District</u>	<u>Revenue Increase</u>	<u>Percent Increase</u>	<u>Category of Expense Increase Included in Offset Request</u>
Central Basin	\$120,424	4.13%	Purchased water, water replenishment assessment, electric power for pumping, street franchise tax.
Pomona Valley	62,599	7.02%	Purchased water, electric power for pumping, ad valorem taxes, street franchise tax.
Simi Valley	60,067	6.96%	Purchased water, electric power for pumping, street franchise tax.
Southwest	269,332	6.69%	Purchased water, water replenishment assessment, electric power for pumping, street franchise tax.
Total	<u>\$512,422</u>		

SCWC, a California corporation, renders public utility water service in portions of Contra Costa, Imperial, Los Angeles, Orange, Sacramento, San Bernardino, and Ventura counties. It also renders electric service in the vicinity of Big Bear Lake in San Bernardino County.

The Central Basin District is located in south-central Los Angeles County. On December 31, 1972 Central Basin District served 35,169 customers and provided fire protection through 2,026 fire hydrants in 17 municipalities and unincorporated county territory. Water is obtained from 49 owned wells, 1 leased well, 6 MWD connections, and minor purchases from a neighboring utility.

The Pomona Valley District includes all or portions of the cities of Claremont, Chino, Montclair, Pomona, and Upland and unincorporated territory in the counties of Los Angeles and San Bernardino. As of December 31, 1972 Pomona Valley District served 7,587 customers and provided public fire protection through 715 fire hydrants. Water is obtained from 25 owned wells, 1 well belonging to Pomona College, and 5 connections to two agencies of the Metropolitan Water District (MWD).

The Simi Valley District service area includes the incorporated area of the city of Simi Valley and portions of the surrounding unincorporated territory in Ventura County. As of December 31, 1972 Simi Valley District served 8,091 customers and provided public fire protection through 691 fire hydrants. Water is purchased from Calleguas Municipal Water District, an agency of the Metropolitan Water District. SCWC maintains two standby wells in the district.

The Southwest District includes all or portions of the cities of Gardena, Lawndale, Carson, Compton, El Segundo, Hawthorne, and Inglewood, and unincorporated territory in Los Angeles County. As of December 31, 1972 Southwest District served 41,963 customers and provided public fire protection through

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2,870 fire hydrants. Water is supplied from 19 owned wells, 7 connections to the West Basin Municipal Water District, and minor purchases from the city of Inglewood.

Increased Purchased Water Costs

As tabulated in Exhibit C to the application, the member agencies of Metropolitan Water District which serve each of SCWC's districts involved in this application have increased the price of MWD water effective July 1, 1973. These increases vary, depending on the districts, from \$4.00 to \$11.10 per acre-foot over the prices presently in effect and reflect a continuation of a series of increases that have occurred in recent years. The effect of these increases in the cost of purchased water costs since the expense levels were last considered by the Commission in these districts is as follows:

<u>District</u>	<u>Expense Increase</u>	<u>Percentage Increase</u>
Central Basin	\$ 68,118	10.95%
Pomona Valley	12,735	6.54
Simi Valley	56,794	15.28
Southwest	233,391	16.64
Total	\$371,038	

Increased Water Replenishment Assessment

In the Central Basin and Southwest Districts, SCWC must pay a water replenishment assessment (pump tax) on each acre-foot of water produced from the underlying Central and West Hydrological Basins. Effective July 1, 1973 the pump tax rate will increase from the present \$9.00 per acre-foot to \$11.00 per acre-foot increasing the costs in these districts as follows:

<u>District</u>	<u>Expense Increase</u>	<u>Percentage Increase</u>
Central Basin	\$30,117	22.22%
Southwest	15,534	22.22
Total	\$45,651	

Increased Electric Power Pumping Costs

The Commission, by Decision No. 79838, dated March 21, 1972 authorized a fuel cost adjustment clause establishing a procedure whereby Southern California Edison Company (Edison) could incrementally change its rates to reflect changes in fuel costs. In accordance with this procedure Edison was authorized to increase its rates effective May 1, 1973.

The Los Angeles Department of Water and Power (LADW&P) supplies a portion of the pumping power to SCWC's Southwest District. LADW&P increased its electric rates 9 percent effective June 6, 1972. In addition, its rates include a fuel cost adjustment provision and a 10 percent utility user's tax. The combined effect of these electric power pumping costs for SCWC's Central Basin, Pomona Valley, Simi Valley, and Southwest districts is as follows:

<u>District</u>	<u>Expense Increase</u>	<u>Percentage Increase</u>
Central Basin	\$20,752	15.87%
Pomona Valley	25,371	19.96
Simi Valley	2,382	14.21
Southwest	16,248	14.19
Total	\$65,253	

Increased Ad Valorem Taxes

The effective tax rate in the Pomona Valley District, obtained by multiplying the assessment ratio by the tax rate, has increased from 2.84 percent for the 1969-70 fiscal year to 3.72 percent for the 1972-73 fiscal year. SCWC states that this change in effective tax rates has increased the Pomona Valley District ad valorem taxes by \$24,846.

The Commission staff prepared a report dated May 29, 1973 setting forth the results of its investigation and analysis of the application. This report herein received as Exhibit 1 recommends adjustment of certain of SCWC's Pomona Valley District expenses. The staff adjusted this district's ad valorem taxes downward \$5,938 to reflect a one-time payment of taxes on leased land including back taxes.

Increased Street Franchise Tax

Street franchise taxes are levied by the various cities and counties in which SCWC operates and are computed as a percentage of revenue. The effect of the increases based on the rate increases requested in this application are as follows:

<u>District</u>	<u>Amount</u>
Central Basin	\$1,437 <sup>1/</sup>
Pomona Valley	228 <sup>1/</sup>
Simi Valley	891
Southwest	<u>4,159</u>
Total	\$6,715

1/ \$131 under staff proposed rates.

Rate of Return

A description of each district, history of recent rate proceedings, detailed statistics on the effects of these expense increases on earnings levels, and specifics of proposed rates are included as exhibits to the application as follows:

<u>Exhibit No.</u>	<u>District</u>
D	Central Basin
E	Pomona Valley
F	Simi Valley
G	Southwest

The rates of return by districts, together with the effect of

the increased expenses previously discussed, are summarized as follows:

Rate of Return Year 1972

	<u>Central Basin District</u>	<u>Pomona Valley District</u>	<u>Simi Valley District</u>	<u>Southwest District</u>
Recorded	6.73%	5.47%	6.91%	6.72%
At authorized revenue and expense rate levels	6.94	6.92	6.98	6.92
Adjusted for annual effect of increased expenses previously discussed	6.34	5.79	5.81	5.90
At rates proposed in this application	6.94	6.90	6.98	6.92
Rate of return found reasonable for 1972	7.00	6.90	7.00	7.45
Per Decision No.	76920	74524	75879	78154

Rates

SCWC's proposed rates are set forth by districts in Exhibits D, E, F, and G. The requested increase would add the following amount to the monthly bill of a typical customer with a consumption of 2,000 cubic feet per month:

<u>Exhibit<sup>1/</sup></u>	<u>District</u>	<u>Increase In Typical Amount</u>	<u>Monthly Bill Percent</u>
D	Central Basin	\$.24 <sup>1/</sup>	4.10%
E	Pomona Valley	.30 <sup>1/</sup>	5.60
F	Simi Valley	.56	6.73
G	Southwest	.44	6.76

<sup>1/</sup> The staff recommended rates for the Pomona Valley District, set forth in Appendix A of Exhibit 1, would result in an increase in the typical amount of \$0.18 or 3.36 percent.

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Exhibit 1 states that the staff has reviewed the application and related work papers and concludes that except for the Pomona Valley District SCWC's computations are reasonable and the earnings which would be produced under the conditions set forth in the application would not exceed previously authorized rates of return.

For the Pomona Valley District the staff adjusted recorded 1972 pumped and purchased water production and expense to reflect a more normal supply pattern as follows:

1972 Water Production and Expense

Source	:Recorded :Acre Feet	:Adjusted :Acre Feet	: Price in :\$/Acre-Foot	:Purchased Water : Applicant	Expense: : Staff
Colorado Filtered	1,737.1	1,478.1	37.00	\$144,179	\$122,682
Colorado Unfiltered	673.6	582.9	57.00	33,395	33,225
Chino	250.5	249.8	59.00	14,780	14,738
Pomona College	502.7	707.8	18.15	9,124	12,847
Wells	7,245.0	7,390.3	-	-	-
Serv.Chgs. & Other				1,095	984
Total	10,408.9	10,408.9		\$207,573	\$184,476

In addition the staff increased electric power expense \$2,488 to reflect the increased pumping, and decreased ad valorem taxes \$5,938 to reflect an adjustment of a one-time payment of taxes on leased land, including back taxes, as previously discussed. The following tabulation of the Pomona Valley District summary of earnings is based on latest known levels of purchased water, power, and ad valorem taxes. The staff's estimates and recommended rates for the Pomona Valley District will be adopted.

Pomona Valley District

SUMMARY OF EARNINGS

Year 1972

Item	Applicant		Staff		Applicant
	Present Rates	Present Rates	Proposed Rates	Recommended Rates	Exceeds Staff at Present Rates
Operating Revenue	\$ 914,167	\$ 914,367	\$ 976,766	\$ 950,221	\$ (200)
Operating Expenses					
Purchased Water	207,573	184,476	184,476	184,476	23,097
Power	155,478	157,966	157,966	157,966	2,488
Ad Valorem	110,985	105,047	105,047	105,047	5,938
Other	273,548	273,548	273,548	273,548	-
Subtotal	747,584	721,037	721,037	721,037	26,547
Income Taxes	10,132	24,074	56,600	42,763	(13,942)
Net Operating Revenue	156,451	169,256	199,129	186,421	(12,805)
Average Rate Base	2,701,750	2,701,750	2,701,750	2,701,750	-
Rate of Return	5.79%	6.26%	7.37%	6.90%	(0.47)%

(Red Figure)

Copies of the application were served and publication was made as required by this Commission. Applicant requests ex parte treatment. There were no protests to granting the application.

Findings

1. Effective July 1, 1973 applicant will have experienced increased purchased water costs, increased water replenishment assessments, increased electric power pumping costs, increased ad valorem taxes, and increased street franchise taxes in its Central Basin, Pomona Valley, Simi Valley, and Southwest Districts not heretofore included in expenses allowed for ratemaking purposes.

2. The estimated amounts of these increases as set forth in the application are reasonable for SCWC's Central Basin, Simi Valley, and Southwest Districts.



3. The estimated amounts of these increases, as set forth in the staff estimates in Exhibit 1 are reasonable for SCWC's Pomona Valley District.

4. The increases authorized herein will offset the increase of these expenses but will not produce revenues that will produce a rate of return that will exceed the rate of return found reasonable the last time the Commission considered them in the Central Basin, Pomona Valley, Simi Valley, and Southwest Districts.

5. 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.

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.

A public hearing is not necessary.

The Commission concludes that the application should be granted to the extent set forth in the order which follows.

O R D E R

IT IS ORDERED that on or after the effective date of this order Southern California 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 the revised schedule shall be not earlier than August 13, 1973. The revised schedules shall apply 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 31<sup>st</sup> day of JULY, 1973.

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President  
*William J. ...*

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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. PV-1

Pomona Valley District

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

The City of Claremont, portions of the Cities of Chino, Montclair, Pomona, Upland, and adjacent unincorporated territory in Los Angeles and San Bernardino Counties.

RATES

Quantity Rates:	Per Meter	
	Per Month	
First 50,000 cu.ft., per 100 cu.ft. ....	\$ 0.172	(I)
Over 50,000 cu.ft., per 100 cu.ft. ....	0.148	(I)
Service Charge:		
For 5/8 x 3/4-inch meter .....	\$ 2.10	
For 3/4-inch meter .....	2.25	
For 1-inch meter .....	2.90	
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.

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Schedule No. PV-7ML  
Pomona Valley District  
LIMITED METERED SERVICE

APPLICABILITY

Applicable to metered water service to the City of Claremont.

TERRITORY

The City of Claremont, Los Angeles County.

RATES

Quantity Rate:	<u>Per Month</u>
For all water delivered, per 100 cu.ft. ....	\$ 0.13 (I)
Service Charge:	
For 5/8 x 3/4-inch meter .....	\$ 2.10
For 3/4-inch meter .....	2.25
For 1-inch meter .....	2.90
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 monthly charge computed at the Quantity Rate.

(Continued)

Schedule No. PV-7ML

Pomona Valley District

LIMITED METERED SERVICE  
(Continued)

SPECIAL CONDITIONS

1. All meter readings for municipal departments of the City of Claremont will be combined for the purpose of computing a single monthly bill.
2. During periods of high demand, service under this schedule applicable to municipal parks may be restricted to off-peak hours.

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Schedule No. CBA-1  
Central Basin District  
Artesia-Norwalk Tariff Area  
GENERAL 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, Los Angeles County, and portions of the City of Los Alamitos and vicinity, Orange County.

RATES

Quantity Rates:	Per Meter Per Month	
First 3,000 cu.ft., per 100 cu.ft. ....	\$ 0.230	(I)
Over 3,000 cu.ft., per 100 cu.ft. ....	0.216	(I)
Service Charge:		
For 5/8 x 3/4-inch meter .....	\$ 2.10	
For 3/4-inch meter .....	2.33	
For 1-inch meter .....	2.99	
For 1 1/2-inch meter .....	4.98	
For 2-inch meter .....	7.75	
For 3-inch meter .....	15.50	
For 4-inch meter .....	23.25	
For 6-inch meter .....	38.75	
For 8-inch meter .....	66.43	

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.

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

Quantity Rate:	Per Meter Per Month
Per 100 cu.ft. ....	\$ 0.216 (I)
Service Charge:	
For 5/8 x 3/4-inch meter .....	\$ 1.77
For 3/4-inch meter .....	1.99
For 1-inch meter .....	2.66
For 1 1/2-inch meter .....	4.98
For 2-inch meter .....	7.75
For 3-inch meter .....	15.50
For 4-inch meter .....	23.25
For 6-inch meter .....	38.75
For 8-inch meter .....	66.43

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.

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Schedule No. CBA-1L

Central Basin District

LIMITED METERED SERVICE

APPLICABILITY

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

TERRITORY

Within the established Central Basin District.

RATES

Quantity Rate:	Per Meter Per Month
Per 100 cu.ft. ....	\$ 0.151 (I)
Service Charge:	
For 10-inch meter .....	\$99.65

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

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.



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Schedule No. SI-1

Simi Valley District

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

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

RATES

Quantity Rates:	<u>Per Meter</u> <u>Per Month</u>	
First 10,000 cu.ft., per 100 cu.ft. ....	\$ 0.314	(I)
Over 10,000 cu.ft., per 100 cu.ft. ....	0.285	(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.

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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

Quantity Rates:	<u>Per Meter</u> <u>Per Month</u>	
First 10,000 cu.ft., per 100 cu.ft. ....	\$ 0.249	(I)
Over 10,000 cu.ft., per 100 cu.ft. ....	0.209	(I)
 Service Charge:		
For 5/8 x 3/4-inch meter .....	\$ 1.97	
For 3/4-inch meter .....	3.36	
For 1-inch meter .....	4.53	
For 1 1/2-inch meter .....	8.53	
For 2-inch meter .....	11.20	
For 3-inch meter .....	13.33	
For 4-inch meter .....	17.06	
For 6-inch meter .....	27.72	
For 8-inch meter .....	34.12	
For 10-inch meter .....	68.24	

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.