

Decision No. 84566

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
Santa Clarita Water Company for
Authority (a) to increase its rates
and charges for water service in
Bouquet Canyon and vicinity near
Saugus in the northeastern portion
of Los Angeles County; and (b) to
issue One Million Dollars (\$1,000,000)
in First Mortgage Bonds.

Application No. 54428
(Filed November 5, 1973;
amended February 21, 1974,
December 20, 1974,
and May 12, 1975)

William G. Fleckles, Attorney at Law, for
Santa Clarita Water Company, applicant.
Robert Silverstein, for Friendly Valley Recreational
Association, Inc.; Philip Heller, for Friendly
Village Community Association, Inc. #2;
Morris Wright, for Friendly Village Community
Association, Inc. #3; Dr. Herbert Meyer, for
Freendly Village Community Association, Inc. #4;
F. Gage Biren, for Friendly Village Community
Association, #5; and Ray Cooper, for himself;
protestants.
Ronald C. Catchings, for California Department of
Health, interested party.
James T. Quinn, Attorney at Law, and Andrew Tokmakoff,
for the Commission staff.

O P I N I O N

On November 5, 1973, applicant Santa Clarita Water Company
filed this application seeking authority to increase its rates for
water service in its tariff service area, and to issue \$1,000,000
in first mortgage bonds. Applicant requested that it be granted
immediate ex parte interim relief in the form of a surcharge of at
least \$1.00 per general metered customer per month. On February 21,
1974 applicant amended its application to include its flat rate
services in the request for interim rate relief. On March 26, 1974.

in Decision No. 82640, this Commission authorized applicant to place a surcharge of \$1.00 per month on each of its general metered customers and flat rate customers.

Public hearing on the application was held before Examiner Cline in Valencia on November 19 and 20, 1974. The matter was taken under submission upon the filing of concurrent briefs on December 20, 1974.

On December 20, 1974, applicant filed a second amendment to the application withdrawing its request for authorization to issue \$1,000,000 in bonds and requesting authority to incur an indebtedness in the sum of \$500,000 to the Bank of America National Trust and Savings Association or other lending institution. Applicant alleged that the proceeds would be used for the following purposes:

Retire Existing Bank of America Loan (as of April 1, 1975)	\$187,000
Main Extension Refund Payment	110,000
Telemetering	55,000
Upper Sky Blue Tank	20,000
Badger Meter Company	55,000
Acquire Saugus Tank Site	17,000
Working Cash	50,000
Gas Engine	<u>6,000</u>
Total	\$500,000

As a result of said borrowing, the capital ratio of applicant would become 31 percent debt and 69 percent equity.

On May 12, 1975, applicant filed a third amendment to the application in which applicant alleges that in 1973 it incurred a net operating loss of \$42,000. It further alleges that its gross revenue for 1974 was \$919,639 and its net profit before taxes was only \$59,640 and that \$59,640 is insufficient to pay applicant's main extension refund agreement of \$152,424 and its interest on long-term debt in the amount of \$50,794, which together total \$203,218. Because of inflation and the delay in receiving needed general rate relief, applicant anticipates in 1975 it will again experience a net operating loss and again will be unable to pay the projected 1975 main extension refunds of approximately \$175,000.

Applicant further alleges that in December 1974, in anticipation of receiving general rate relief early in 1975, it obtained a loan commitment from the Bank of America for a \$500,000 line of credit at prime rate plus one percent over prime rate. Such commitment is contingent upon general rate relief being granted. The Bank of America will not automatically extend its commitment beyond June 30, 1975 and has advised applicant that if in fact a new loan can be obtained at a later date, it will be at minimum interest of prime rate plus 2-3/4 percent. It is applicant's intention to use a portion of the borrowed funds to pay past due refunds on main extension contracts due in 1973 and prior years. The expiration of the favorable loan commitment will prevent this.

Applicant further alleges that in the general rate proceeding the staff recommended that applicant be authorized to set its rates for 1975 at levels which would produce a 9.6 percent return on a \$2,485,000 rate base. Applicant has calculated that the effect of general rate relief for 1975 at the levels recommended by the staff will be to increase applicant's gross revenues in 1975 to \$1,474,000. Based upon four months recorded experience in 1975, applicant projects that its revenues in 1975 will be only \$964,000 without any rate relief. Thus, the anticipated 1975 increase in rates

will provide needed additional revenue for applicant in excess of \$500,000. As a consequence, applicant alleges that if the Commission, for seven months, delays taking action to grant authority to applicant to charge such new rates, applicant will incur lost revenue of approximately \$300,000 and a loss of \$108,000 on the bank loan, a total of \$408,000. Applicant therefore requests that the Commission ex parte authorize applicant commencing July 1, 1975, to surcharge each general metered customer and each flat rate customer \$7.00 per month through December 31, 1975, in order to enable applicant to recover the losses which it anticipates will result from regulatory lag.

In this contested proceeding, the Commission will not consider granting the request made by applicant in its third amendment without further hearings. To set aside submission and to hold further hearings will result in further delay. Therefore, the Commission will deny applicant's request.

I. Service Area and Water System

Applicant Santa Clarita Water Company was formed in September 1973 as a result of the merger of Bouquet Canyon Water Co. and Solemint Water Company. Applicant's service area lies generally north and east of Saugus, Los Angeles County, and is spread out over 70 square miles. According to applicant's 1973 Annual Report it served 7,785 metered customers and 2,330 flat rate customers, or a total of 10,115 customers. Included in this total are 750 services in West Newhall, an area not contiguous to the principal service area. The service area varies in elevation from 1,200 to 2,150 feet above mean sea level.

Applicant obtains its water from 18 wells which have a total capacity of about 16,000 gpm. The wells are mostly 16 inches in diameter and range from 130 to 250 feet in depth. Until 1973, all of applicant's wells were equipped with electrically-driven pumps. Four new wells were drilled in 1973 and three of these are being equipped with gas engines. Water is boosted from lower pressure zones to upper pressure zones by 10 booster pumps.

The transmission and distribution system consists of 609,100 feet of pipe, some of which is as large as 16 inches in diameter. Over 95 percent of the pipe is asbestos cement pipe.

In the past, a major contributing factor to applicant's service problems has been the lack of automatic controls governing the operation of the wells, booster pumps, and storage tanks. A complete telemetering system is being installed so that all production and storage may be metered from applicant's office in Saugus.

Sixteen steel and two rubber tanks provide a storage capacity of approximately 8.66 million gallons. In addition, applicant has access by contract to a 4,000,000 gallon storage tank owned by Valencia Water Company. This storage which is used by applicant to supply customers in West Newhall is necessary to supply the high fire flows required by Los Angeles County for shopping centers in that area.

II. Rates

The rates in effect prior to the \$1.00 per month surcharge authorized in this proceeding were authorized for Solement Water Company by Decision No. 57053 dated August 29, 1958, and for Bouquet Canyon Water Co. by Commission Decision No. 81711 dated August 14, 1973. On October 1, 1973, applicant filed a new set of tariff schedules incorporating the above rate schedules in compliance with Decision No. 81890 dated September 14, 1973. By Resolution No. W-1567, rates were increased effective June 23, 1974 to offset increases in electric power charges.

Without including the \$1 per month surcharge, applicant's present rates for general metered service are as follows:

General Metered Service

RATES

Quantity Rates:

	Per Meter Per Month
First 1,000 cu.ft. or less	\$ 3.67
Next 1,000 cu.ft., per 100 cu.ft.267
Next 2,000 cu.ft., per 100 cu.ft.217
Next 4,000 cu.ft., per 100 cu.ft.167
Over 8,000 cu.ft., per 100 cu.ft.117

Minimum Charge:

For 5/8 x 3/4-inch meter	\$ 3.67
For 1-inch meter	4.50
For 1-1/2-inch meter	8.00
For 2-inch meter	12.00
For 3-inch meter	20.00
For 4-inch meter	30.00
For 6-inch meter	50.00

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

Also without including the \$1.00 per month surcharge, applicant's present rates for flat rate water service are as follows:

Flat Rate Service

RATES

	Per Service Per Month
For each residence, including 1 lot of 5,000 sq.ft. or less, per service	\$ 2.91
For each additional 100 sq.ft. of lot area02

Increases are proposed in both metered and flat rate schedules. Applicant intends gradually to phase out its flat rate service. No increases are proposed for private fire protection service or for public fire protection service.

The present rates are minimum charge rates with numerous consumption blocks. The proposed rates are based on a service charge with one quantity rate block for all water used.

Applicant is requesting "step type" rates for 1974 through 1976 in order to offset the continuing effect of inflation and to avoid repeated applications for rate increases.

The proposed rates for general metered service are as follows:

General Metered Service

RATES

Service Charge:	<u>Per Meter Per Month</u>		
	<u>Calendar Year</u>		
	<u>1974</u>	<u>1975</u>	<u>1976</u>
For 5/8 x 3/4-inch meter	\$ 3.25	\$ 3.80	\$ 4.05
For 3/4-inch meter	3.65	4.20	4.40
For 1-inch meter	4.85	5.65	5.90
For 1-1/2-inch meter	6.80	7.80	8.20
For 2-inch meter	8.65	9.85	10.45
For 3-inch meter	15.80	18.15	19.20
For 4-inch meter	21.60	24.65	26.00
For 6-inch meter	35.60	40.80	45.80
For 8-inch meter	52.90	60.45	63.90
For 10-inch meter	65.55	74.85	79.05

Quantity Rates:

For all water consumed, per 100 cu.ft.184	.193	.20
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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 Rates.

The following tables show a comparison of the charges at present rates, excluding the \$1.00 per month surcharge and electric power offset, and at proposed rates:

COMPARISON OF CHARGES
TYPICAL COMMERCIAL METERED CUSTOMERS
5/8 X 3/4 METER
WITH AVERAGE CONSUMPTION

<u>Month</u>	<u>Consumption</u> <u>100 Cu. Ft.</u>	<u>Present</u> <u>Rates</u> \$	<u>Proposed Rates</u>		
			<u>1974</u> \$	<u>1975</u> \$	<u>1976</u> \$
January	14	4.50	5.83	6.50	6.98
February #	9	3.50	4.91	5.54	5.93
March	11	3.75	5.27	5.92	6.35
April	19	5.75	6.75	7.47	8.02
May	22	6.40	7.30	8.05	8.65
June	23	6.60	7.48	8.24	8.86
July	33	8.60	9.32	10.17	10.95
August *	35	9.00	9.69	10.56	11.36
September	32	8.40	9.14	9.98	10.74
October	23	6.60	7.48	8.05	8.65
November	16	5.00	6.19	6.89	7.39
December	13	4.25	5.64	6.31	6.77
Total	250	72.35	88.00	93.68	100.65
Percent increase over 1973 rates			22%	30%	39%
Proposed step				6%	7%
# Minimum month	9	3.50	4.91	5.54	5.93
* Maximum month	35	9.00	9.69	10.56	11.36
Ratio	389%	157%	97%	90%	91%

COMPARISON OF CHARGES
TYPICAL METERED CUSTOMERS
6" METER
WITH AVERAGE CONSUMPTION

<u>Month</u>	<u>Consumption</u> <u>100 Cu. Ft.</u>	<u>Present</u> <u>Rates</u> \$	<u>1974</u> \$	<u>Proposed Rates</u>	
				<u>1975</u> \$	<u>1976</u> \$
January	430	51.00	114.72	123.79	135.67
February #	333	50.00	96.87	105.07	115.40
March	369	50.00	103.50	112.02	122.92
April	678	75.80	160.35	171.65	187.50
May	715	79.50	167.17	178.80	195.24
June	1,053	113.30	229.35	244.03	265.88
July	1,446	152.60	301.66	319.88	348.01
August *	2,030	211.00	409.12	432.59	420.07
September	1,523	160.30	315.83	334.74	364.11
October	1,030	111.00	225.12	239.59	261.07
November	919	99.90	204.70	218.17	237.87
December	661	74.10	157.22	168.37	183.95
Total	11,187	1,228.50	2,485.60	2,648.70	2,887.69
Percent increase over 1973 rates			102%	115%	135%
Proposed step				7%	9%
#Minimum month	333	50.00	96.87	105.07	115.40
*Maximum month	2,030	211.00	409.12	432.59	420.07
Ratio	509%	322%	322%	311%	263%

The proposed rates for flat rate service are as follows:

Flat Rate Service

RATES

	<u>Per Month</u> <u>Calendar Year</u>		
	<u>1974</u>	<u>1975</u>	<u>1976</u>
Flat Rate Charge	\$6.95	\$7.70	\$8.30

SPECIAL CONDITION

Meters may be installed at option of utility for above classifications in which event service will thereafter be rendered only on the basis of Schedule No. 1, Metered Service.

The staff recommends that service-charge-type rates be adopted but lower than the Step II 1975 rates proposed by applicant, and that an allowance for attrition of 0.3 percent per year be allowed for step rates designed and adopted for 1975, 1976, and 1977 or comparable 12-month periods.

III. Position of Protestants

At the hearing presentations were made in opposition to the application by representatives appearing on behalf of Friendly Valley Recreational Association and Friendly Village Community Associations II, III, IV, and V. These protestants opposed the increase in flat rates to the Friendly Valley residents. Those representatives point out that the proposed flat rate when applied to the Friendly Valley residents result in double billing because the common areas are watered through metered services. They also point out that the flat rates using 5,000 square feet as a base figure produce a further inequity since the average Friendly Valley home, including lawns, banks, and landscaped areas, comprise not more than 3,000 feet.

The staff agrees that special consideration should be given to the flat rate customers who reside in Friendly Valley.

All parties agree that eventually all water service should be metered. The representatives of the Friendly Valley residents request that metered installations should be made at applicant's expense for all of the flat rate Friendly Valley customers.

Applicant is willing to provide a flat rate of \$4.00 per month to the Friendly Valley customers in view of the special considerations which are applicable to them. This proposal is reasonable and will be adopted.

As a means of encouraging applicant to continue with its program of converting flat rate services to meter rate services, the staff recommends that the flat rates applicable to other customers should also have a minimal increase. Applicant will be

authorized to increase its monthly charge for service to flat rate customers, other than the residents of Friendly Valley, to \$5.00 for each residence, including one lot of 5,000 square feet or less, per service. The monthly charge for each additional 100 square feet of lot area will be increased from \$.02 to \$.025.

IV. Results of Operation

The following table is a comparison of the results of operation estimates of the applicant and the staff for the test year 1975 at proposed rates for the year 1975 (Step II rates). The staff estimates are taken from Exhibit 10. Applicant's estimates are adjusted to reflect the staff estimates which have been adopted by applicant at the hearing and in its brief.

Results of Operation Year 1975 Estimated Step II Rates (1975)

	<u>Applicant</u>	<u>Staff</u>	<u>Applicant Exceeds Staff</u>
	(Dollars in Thousands)		
Operating Revenues	\$1,204.6	\$1,204.6	\$
<u>Operating Expenses</u>			
Oper. & Maint.	468.7	421.5	47.2
Adm. & Gen.	191.4	150.1	41.3
Depreciation	110.6	110.6	
Taxes Except Inc.	135.3	135.3	
Income Taxes	#	126.4	
Total Expenses	#	943.9	
Net Oper. Revenues	#	260.7	
Average Rate Base	2,483.3	2,483.3	
Rate of Return	#	10.50%	

No adjusted estimates for these items have been provided by applicant.

A. Operation and Maintenance Expense

The \$47,200 difference between applicant's estimate and staff's estimate for operation and maintenance expense arise because of the following items:

	<u>Applicant Exceed Staff</u>
1. Maintenance and overhaul of gas engines	\$ 8,000
2. Maintenance of tanks	14,000
3. Payroll expense	<u>25,200</u>
Total	\$47,200

1. Maintenance and Overhaul of Gas Engines

The staff estimate provided an extra \$3,000 allowance for maintenance costs for the new gas engines with which applicant has equipped a number of its wells to increase the reliability of its sources of supply.

The evidence shows that the labor costs incurred by applicant to maintain its gas engines is averaging \$6,000 per year more than before the conversion was undertaken and that annual overhaul expense would average an additional \$5,000 per year.

The staff estimate for operation and maintenance expense will be increased \$8,000 to allow for these additional costs for the maintenance and overhaul of the gas engines.

2. Maintenance of Tanks

Applicant's system contains 20 storage tanks. Applicant's witness testified that a reasonable program of preventative maintenance and repair would involve at least 4 tanks per year at a cost of \$3,500 per tank or a total cost of \$14,000.

The staff contends that the \$14,000 is for deferred tank maintenance and should be born by the corporate shareholders.

The Commission will adopt an increased estimate for normal tank maintenance expense, and the staff estimate for operation and maintenance expense will be increased \$12,000.

3. Payroll Expense

The staff figures for number of employees needed to operate applicant's water system are 16 full-time employees and two part-time employees. Applicant's estimates are based upon 20 full-time employees and one part-time employee. The staff witness based his estimate upon the payroll as of September 27, 1974. On cross-examination he conceded that in February 1974, applicant employed 19 full-time employees and three part-time employees.

Exhibit 17 shows that applicant never employed less than 21 persons during 1973 and the monthly mean number of those employed in 1973 was 22 persons. During the first 11 months of 1974, applicant employed an average of 19 persons each month.

The president of applicant testified that because of the negative cash flow position which applicant faced in late 1973, he ordered applicant's commercial office manager to curtail payroll expense and its engineer to defer all system maintenance wherever and whenever possible. He further testified that in his opinion because of the number of its customers, length of service lines, and multitude of supply sources, applicant's water system could not be run efficiently and applicant could not maintain its recently attained high level of performance with a staff of less than 22 to 23 persons, including part-time help.

The staff contends that there was no lack of service during 1974 when a fewer number of employees operated the water system. The staff further points out that 1973 would appear to be a year of great activities following the death of the former president in 1972 and the takeover by new management. The year 1973 was also the year of the merger of the two former companies into the present Santa Clarita Water Company.

The Commission is pleased with the efforts of the present management of applicant to upgrade service and to eliminate service complaints. It will accept the estimates of applicant with respect to the number of employees required to maintain adequate service.

The staff's estimate of operation and maintenance expense should be increased an additional \$25,200 for payroll expense.

An estimate of \$466,700 for operation and maintenance expense will be adopted as reasonable.

B. Administrative and General Expense

The \$41,300 difference between applicant's estimate and staff's estimate for administrative and general expense arises because of the following items:

	<u>Applicant Exceeds Staff</u>
1. Sick and vacation pay	\$ 7,000
2. Pension expense	16,200
3. A & G salaries	4,600
4. Regulatory Com. exp.	3,500
5. Outside services	7,000
6. Transp. and incidental exp.	<u>3,000</u>
Total	\$41,300

1. Sick and Vacation Pay

The staff does not show any amount for sick and vacation pay as these payroll expenses are included in the staff's estimate for operations and maintenance expense and general and administrative expense. Accordingly, a further addition will not be made to the staff's estimates for vacation and sick pay.

2. Pension Expense

Applicant has estimated that its 1975 pension expense will be \$16,200 because applicant is currently paying a \$6,000 per year pension to its former chief pumper, a 25-year employee; a \$4,200 per year pension to its former office manager, a 15-year employee; and a \$6,000 pension per year to Joyce Bonelli, the widow of William G. Bonelli, Jr., who, until his death in February 1972, was applicant's president and general manger.

The staff contends that the \$16,200 represents arbitrary and voluntary payments, and that until applicant formalizes a regular pension plan with firm rules and obligations on the part of applicant, no allowance should be made for pensions.

The Commission agrees with the staff position.

3. Administrative and General Expense Salaries

The Commission has previously adopted the staffing recommendation of applicant in its consideration of the payroll expense applicable to operation and maintenance expense. By reason of the adoption of applicant's staffing estimates, administrative and general salary expense will be increased \$4,600.

4. Regulatory Commission Expense

The staff allowance for regulatory commission expense is \$4,000, while applicant's estimate is \$7,500 based on actual expense through mid-September 1974. As stated in paragraph 10d on page 7 of Exhibit 9, the staff estimate provides reasonable expenses for the rate case to be spread over a three-year period in addition to normal annual regulatory expense. The total for the three-year period is \$12,000. The staff estimate for regulatory commission expense will be adopted in this proceeding.

5. Outside Services

The president of applicant testified that it is costing applicant at the rate of \$16,000 per year for outside services. Such services include those performed by CPAs, legal counsel, and consulting engineers. In support of the need for such services, applicant points to the improvement in operating procedures and in the level of customer service. The Commission agrees that applicant has made good use of expert assistance and that it should be permitted to charge rates which will cover its experienced level of expenses for outside services.

The staff's estimate for outside expenses will be increased \$7,000.

6. Travel and Incidental Expense

Applicant has included in its estimate for administrative and general expenses \$3,000 for transportation and incidental expenses of its employees during 1975. Such expenses include those incurred by applicant's employees in attending numerous meetings and conferences, including travel associated with meetings at the Commission in San Francisco. The staff made no allowance for such expenditures.

The Commission will include the \$3,000 for travel and incidental expense in the amount allowed for administrative and general expense.

An estimate of \$164,700 for administrative and general expense will be adopted as reasonable.

The following table shows the results of operation estimates for Step II Rates (1975) which are adopted in this proceeding:

	<u>Results of Operation</u>
	<u>Year 1975 Estimated</u>
	<u>Step II Rates (1975)</u>
	<u>Adopted</u>
	<u>Estimates</u>
	(Dollars in Thousands)
Operating Revenues	\$1,204.6
<u>Operating Expenses</u>	
Oper. & Maint.	466.7
Adm. & Gen.	164.7
Depreciation	110.6
Taxes Except Income	135.3
Income Taxes	72.8
Total Expenses	<u>950.1</u>
Net Operating Revenues	254.5
Average Rate Base	2,483.3
Rate of Return	10.25%

C. Rate of Return

In Exhibit 9 the staff of the Finance and Accounts Division states that for applicant a return of 9.6 percent applied to the rate base ultimately to be authorized by this Commission is fair and reasonable. If the Commission authorizes the \$500,000 note, the return on equity will be 10 percent. Applicant agrees that a rate of return of 9.6 percent on rate base is reasonable.

D. Accounting Recommendations

The staff of the Finance and Accounts Division recommends the following:

1. A work order system be established in conformance with the Uniform System of Accounts.
2. Utility Plant Accounts - 343 Mains, 345 Services, 346 Meters, and 348 Hydrants be reviewed, and adjusted if necessary, by applicant subject to review by the staff.
3. Applicant should develop a program to pay main extension contract refunds in arrears.
4. The excessive time lag between the incurrence and recording of uncollectible revenues should be timelier.
5. Charges made to operating expense, reflecting expenses incurred by applicant's officers for commuting to and from a distant home, be ceased.
6. A formal written pension program be initiated for applicant's employees.
7. Main extension contracts be adjusted to conform with Main Extension Rule No. 15 where possible.

The following table shows the results of operation estimates for the authorized rates for 1975 which are adopted as reasonable in this proceeding:

Results of Operation .

Authorized Rates (Test Year 1975)

Adopted Estimates
(Dollars in Thousands)

Operating Revenues	\$1,170.6
<u>Operating Expenses</u>	
Oper. & Maint.	466.7
Adm. & Gen.	164.7
Depreciation	110.6
Taxes Except Income	135.3
Income Taxes	54.9
Total Expenses	<u>932.2</u>
Net Operating Revenues	238.4
Average Rate Base	2,483.3
Rate of Return	9.6%

V. Service Matters

Staff Exhibit 8 states that from the beginning of 1973 to the present, there have been six informal complaints filed with the Commission by customers of applicant. These primarily relate to high bills. During this time, applicant has made significant improvements to the water system by adding new wells and a tele-metering system. Applicant has also made significant progress in controlling and limiting outages so that such inconveniences to the customers have been minimized. Staff investigation of the current service provided by applicant indicates a determined effort for improvement which has resulted in satisfactory service to the customers.

Findings

1. Applicant is in need of additional revenue in the amount of \$145,300 for the test year 1975.
2. The operating revenues, operating expenses, and rate base at authorized rates for the test year 1975 reasonably represent the results of applicant's future operations and are adopted in this proceeding.

3. A rate of return of 9.6 percent on the adopted rate base for the future is reasonable. Such rate of return combined with operational slippage of 0.3 percent per year for the step rates authorized herein will result in reasonable earnings. Step increases will be authorized for the second and third 12-month periods.

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. The following recommendations of the staff should be adopted:

- a. Applicant should establish a work order system in conformance with the Uniform System of Accounts.
 - b. Applicant should be required to review Utility Plant Accounts No. 343 Mains, No. 345 Services, No. 346 Meters, and No. 348 Hydrants, make whatever adjustments may be found to be necessary, and report such adjustments to the Commission.
 - c. Applicant should be required to develop a program to pay main extension contract refunds which are in arrears and submit a written report of such program to the Commission.
 - d. Applicant should endeavor to reduce the time lag between the incurrence and recording of uncollectible revenue.
 - e. Expenses incurred by applicant's officers for commuting to and from a distant home should not be charged to operating expense.
 - f. Applicant should initiate a formal written pension program.
 - g. Main extension contracts should be adjusted to conform with Main Extension Rule No. 15, where feasible, and approval should be obtained by applicant from this Commission for those contracts which of necessity continue to contain provisions which vary from Main Extension Rule No. 15.
6. The proposed security issue is for proper purposes.

7. The money, property, or labor to be procured or paid for by the issue of the security authorized by this decision is reasonably required for the purposes specified, which purposes are not, in whole or in part, reasonably chargeable to operating expenses or to income.

Conclusion

This application should be granted to the extent authorized in the order below. In all other respects the application should be denied.

O R D E R

IT IS ORDERED that:

1. After the effective date of this order, applicant Santa Clarita 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 four days after the date of filing. The revised schedule shall apply only to service rendered on and after the effective date thereof.

2. Applicant shall determine accruals for depreciation by dividing the original cost of the utility plant, less estimated future net salvage, less depreciation reserve, by the estimated remaining life of the plant. Applicant shall review the accruals when major changes in utility composition occurs and at intervals of not more than three years. Results of these reviews shall be submitted to this Commission.

3. Applicant shall establish a work order system in conformance with the Uniform System of Accounts.

4. Applicant shall review its Utility Plant Accounts No. 343 Mains, No. 345 Services, No. 346 Meters, and No. 348 Hydrants, make

whatever adjustments may be found to be necessary, and within sixty days after the effective date of this order applicant shall file with this Commission a written report specifying the adjustments which have been made.

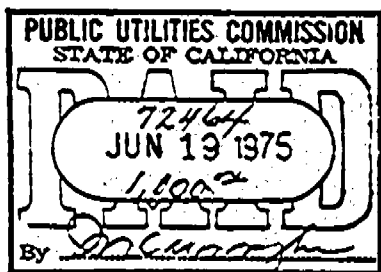
5. Applicant shall develop a program to pay main extension contract refunds which are in arrears, and within sixty days after the effective date of this order, applicant shall file a written report setting-forth the program for the payments of such refunds which it has developed.

6. Applicant shall modify its main extension contracts to conform with Main Extension Rule No. 15, where feasible, and where such modifications are not feasible applicant shall seek approval from this Commission to continue in effect those contractual provisions in its main extension contract which are at variance with Main Extension Rule No. 15.

7. On or after the effective date of this order and on or before August 31, 1975, for the purposes specified in this proceeding, applicant is authorized to issue its promissory note in the sum of \$500,000 to the Bank of America National Trust and Savings Association, in accordance with the provisions set forth in the letter of understanding from Jim Shuman, assistant manager, Bank of America, to Benjamin P. Bonelli, president, Santa Clarita Water Company, dated December 18, 1974, a copy of which is attached as Exhibit A to the Second Amendment to this application.

The authority granted by this order to issue the promissory note will become effective when the issuer has paid the fee prescribed by Section 1904(b) of the Public Utilities Code, which fee is \$1,000. In other respects the effective date of this order shall be ten days after the date hereof.

Dated at San Francisco, California, this 17th day of JUNE, 1975.



Vernon L. Stevenson
President
William J. Quinn
Robert F. Poon
Robert F. Poon
Commissioners

APPENDIX A
Page 1 of 2

Schedule No. 1

GENERAL METERED SERVICEAPPLICABILITY

Applicable to all metered water service.

TERRITORY

Bouquet Canyon and vicinity, near Saugus, Los Angeles County.

RATES

Service Charge:

		Per Meter Per Month		
		Before 7/1/76	7/1/76 Through 6/30/77	After 6/30/77
For 5/8 x 3/4-inch meter	\$ 3.80		\$ 3.85	\$ 3.90 (I)
For 3/4-inch meter	4.20		4.20	4.25
For 1-inch meter	5.65		5.70	5.75
For 1-1/2-inch meter	7.80		8.10	8.20
For 2-inch meter	9.85		10.40	10.45
For 3-inch meter	18.15		19.10	19.20
For 4-inch meter	24.65		25.80	26.00
For 6-inch meter	40.80		45.60	45.80
For 8-inch meter	60.45		62.75	63.90
For 10-inch meter	74.85		77.00	79.00 (I)

Quantity Rates:

For all water delivered, per 100 cu.ft.	\$ 0.193	\$ 0.196	\$ 0.199 (I)
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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 Rates.

(C)
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(D)

APPENDIX A
Page 2 of 2

Schedule No. 2L

(C)

LIMITED FLAT RATE SERVICE

(C)

APPLICABILITY

Applicable to all flat rate water service.

TERRITORY

Bouquet Canyon and vicinity, near Saugus, Los Angeles County.

RATES

	<u>Per Month</u>	
1. For each residence, including 1 lot of 5,000 square feet or less per service	\$5.00	(I)
For each additional 100 square feet of lot area025	(I)
2. For each residential unit, including 1 lot, in the Friendly Village	4.00	(I)

SPECIAL CONDITIONS

1. Meters may be installed at option of utility for above classification in which event service will thereafter be rendered only on the basis of Schedule No. 1, General Metered Service.

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(T)

2. Flat rate service is available only to those premises being served as of July 1, 1975.

(N)

(N)

(D)