

ALJ/EA/ra

**ORIGINAL**Decision 84 03 039

MAR 7 1984

## BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application )  
 of EAST PASADENA WATER to borrow )  
 funds under the Safe Drinking )  
 Water Bond Act, and to add a )  
 surcharge to water rates to repay )  
 the principal and interest on )  
 such loan. )

Application 83-02-45  
 (Filed February 16, 1983)

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

Application 83-05-05  
 (Filed May 3, 1983)

Gibson, Dunn & Crutcher, by Raymond L.  
Curran, Attorney at Law, for applicant.  
Richard B. Norwood, Attorney at Law, and  
Edwin C. Jenkins, for Homeowners for  
 Water Rights, protestant.  
Patricia A. Bennett, Attorney at Law, for  
 the Commission staff.

OPINION ON APPLICATION 83-05-05

The above-entitled applications were consolidated for hearing. A decision was issued in Application (A.) 83-02-45 authorizing the loan and surcharge as requested (D.83-12-066, issued December 22, 1983, with a 90-day effective date). In the remaining application, A.83-05-05, East Pasadena Water Company (EPWC) seeks a general rate increase. The increases requested are in steps designed to increase annual revenues in test year 1983 by \$311,500, or 64.9%, over the revenues

produced by rates in effect on January 28, 1983; in test year 1984 by \$47,440, or 6.0%, over revenues for rates proposed for 1983; and in test year 1985 by \$53,100, or 6.3%, over revenues from rates proposed for 1984.

Public Hearing

After due notice public hearing on the two applications was held in Temple City on September 12, 1983 before Administrative Law Judge (ALJ) Main with the evidentiary hearing following in Los Angeles on September 13, 14, and 15, 1983. Approximately 700 people in total attended the afternoon and evening public hearing in Temple City. Virtually all of them opposed the two applications and were supportive of a group calling themselves Homeowners for Water Rights (HFWR). HFWR's basic position was that both applications should be denied, EPWC should be put out of business, and some entity to be chosen by EPWC's customers should take over the utility operation.

HFWR was organized to represent EPWC's entire service area, even though two of its principal officers are from another group called 80-2 Annexation. The latter group spearheaded opposition to A.83-02-45 at a March 16, 1983 public meeting. It is likely that many of the people at the public hearing were also members of 80-2 Annexation.<sup>1/</sup>

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<sup>1/</sup> The 80-2 Annexation area has sought unsuccessfully for some time to be annexed to the City of Arcadia. Deficiencies in the water system's fire-flow capability, in streetlighting, and in curbs and gutters for streets appear to have handicapped the annexation efforts. This area has about 16% of EPWC's customers (421 services--serving approximately 500 dwelling units--out of a total of about 2,600 services).

Nearly 40 customers either made statements or testified. They complained about the old water system and deficient fire protection. They protested both the surcharge and general rate increase requests.

Motion for Continuance

At the outset of the September 13 evidentiary hearing, counsel for HFWR moved for a continuance of this proceeding for several months. He asserted that there was a lack of data available to HFWR, that there had been a lack of time and funds for HFWR to analyze properly the reports prepared by the Commission staff, that HFWR wants to obtain the services of a law firm experienced in rate matters before this Commission, and that HFWR would like to have accountants do an audit to confirm the records of EPWC and related companies.

The president of HFWR, Edwin Jenkins, and the 80-2 Annexation group have been active in the loan application matter since some time before the March 16, 1983 public meeting. Jenkins has had available a copy of the general rate increase application, which includes EPWC's basic revenue requirement study, for several months and a copy of the detailed work papers for that study since mid-August. In addition, Jenkins personally delivered, on August 30, 1983, a letter to EPWC setting forth a detailed data request consisting of 19 items. He set September 7, 1983 as the date he wanted to have this information. In meeting this time requirement and providing this data to HFWR it was necessary for EPWC to require someone to work over the Labor Day weekend. Under these circumstances the motion for a continuance was properly denied by the assigned ALJ.

However, on November 28, 1983, after hearings in A.83-02-45 and A.83-05-05 had been concluded and the matters submitted for decision, a petition was filed by HFWR to set aside submission in both applications and to reopen hearings to receive additional evidence from HFWR. By D.83-12-066, issued December 22, 1983, the Commission disposed of all issues relating to A.83-02-45, EPWC's application to borrow funds under the Safe Drinking Water Bond Act of 1976 (SDWBA). However, in order to assure that EPWC's ratepayers be given the fullest reasonable opportunity to present their views as to the still pending A.83-05-05, the assigned Commissioner granted HFWR's petition to set aside submission of that proceeding for the limited purpose of considering certain allegations raised by HFWR in its petition. In allegation No. 2, HFWR alleged that it had evidence which would show that EPWC's proposed rate increase was blatantly unfair to its customers in the distribution of percent increases. In allegation No. 3, HFWR alleged that it would present evidence that EPWC withheld, with full knowledge of management, rate application documents in clear violation of Public Utilities Code Section 454(a). HFWR contends that this should result in EPWC being required to refile and have new hearings on both applications. In allegation No. 5, HFWR alleged that it would present evidence that the audit conducted by the Commission staff was not adequate and the fact that the person conducting the audit was not qualified in the State of California to do so. Finally, the assigned Commissioner granted further hearing on HFWR's allegation No. 6, that it could show point-by-point inaccuracies, misstatements, and deceptive practices by EPWC in documents filed with the Commission, all of which materially affect a decision. On all

other HFWR allegations relating to A.83-05-05, the assigned Commissioner declined to re-open to take additional evidence. A hearing to receive evidence on the above-stated allegations was held on February 6, 1984 in Los Angeles before Commissioner Donald Vial and ALJ William A. Turkish, and the matter was submitted upon the filing of concurrent briefs on February 17, 1984.

With respect to allegation No. 2, HFWR failed to make any showing. With respect to allegation No. 3, HFWR presented Doctor Gordon P. Brown who testified that he attempted to get further information from EPWC at its offices in connection with this application for a rate increase and was denied access to the application itself. Dr. Brown had previously made this allegation at the public hearing conducted by ALJ Main on September 12, 1983. Upon questioning from the ALJ, Dr. Brown admitted that he had known about the application for a rate increase and of the application to borrow funds under the SDWBA since approximately May 1983, but that he made no attempt to get any of the sought-after information from EPWC until three or four days prior to the hearing. This allegation was heard and considered by the ALJ conducting the public and evidentiary hearings in these applications and an admonishment to EPWC with respect to this allegation is made elsewhere in this decision. Inasmuch as the record shows that HFWR was furnished substantial amounts of information concerning the applications over a period of time before the date of the original public hearings, including copies of all of EPWC's work papers filed in connection with this application for a rate increase and a copy of the Commission staff's report on the results of operations, it is concluded that no prejudicial harm to HFWR

or the bulk of EPWC's ratepayers was caused by Dr. Brown's inability to receive all the documents that he requested of EPWC four days prior to hearings in the matter. With respect to the remaining allegations for which the limited reopening was granted, there was no evidence presented by HFWR. As a matter of fact, it was admitted by the president of HFWR during the hearings that its sole purpose in these proceedings was to have the Commission deny or delay action on EPWC's application while that group pursues a condemnation proceeding against the utility.

Under the rate case processing plan, a decision in A.83-05-05 was scheduled for December 1983. Indeed both EPWC and staff have shown in their respective studies that under present rates, EPWC is operating at a loss. Our delay in issuing a timely decision in A.83-05-05 is directly attributable to a desire to fairly and fully consider HFWR's Petition to Set Aside Submission filed November 28, 1983. It is now apparent that HFWR failed, during the February 1984 hearings, to present any of the additional evidence it allegedly possessed in support of this Petition. Rule 84 of our Rules of Practice and Procedure, which governs Petitions to set aside submission and re-open proceedings, requires that petitioners identify the additional evidence they propose to introduce and explain why such evidence was not previously adduced. When HFWR filed its Petition alleging the existence of such additional evidence, we expected HFWR to come forth and introduce this additional evidence into the record. Instead HFWR presented no new evidence.

Given all of these circumstances we decline to delay further action in A.83-05-05, and we will make our order in this matter effective on the date of issuance.

EPWC's Operations

EPWC renders public utility water service in and adjacent to the Cities of Temple City and Arcadia and adjacent to the Cities of Pasadena and San Marino in unincorporated Los Angeles County territory.

EPWC obtains water for the majority of its 2,600 service connections from the Main San Gabriel Basin where it has one well and a water entitlement of 1,638 acre-feet (AF) for fiscal year 1983/84. The remainder of EPWC's customers are served from the Raymond Basin where it has three wells and an annual water entitlement of 515 AF. Eight booster pumps are used to distribute water throughout the system. For backup during emergency conditions there are two connections with other systems. One ties in with Sunnyslope Mutual Water Company on the west side of EPWC's service area and the other with the City of Arcadia on the east side of EPWC's service area.

Most of EPWC's storage, transmission, and distribution facilities are old and require replacement. EPWC has submitted to the California Department of Health Services (DHS) a master plan of needed improvements to bring its water system up to current industry standards. Their total cost is estimated to run between \$7.0 and \$7.5 million.

The master plan is in two phases. Phase 1 consists of high priority items whose cost will fit within the maximum loan (\$1.5 million) available under the SDWBA. D.83-12-066 in A.83-02-45 authorized EPWC to obtain a \$1.5 million SDWBA loan to finance the Phase 1 projects.

Rate of Return

EPWC has requested rates of return of 15.63%, 15.68%, and 15.72% for test years 1983, 1984, and 1985. These rates of return equate to an earnings allowance on common equity of 16% for each of the three years.

In Exhibit 12 a financial examiner of the Commission staff recommended that a 12.91% rate of return for EPWC be authorized. The recommendation was developed in Exhibit 12 as follows:

"An analysis of the utility's financial reports filed with the Commission indicated that at December 31, 1982 the utility did not have any long-term debt obligations. However, it had a 90-day note issued in November, 1982 to Security Pacific Bank at the prime interest rate plus 2%. This note was renewed at the same terms in March, 1983 and again in June, 1983. Payments are being made on the note and it is anticipated that this note will be paid off in September, 1983. EPWC also has short-term financing provided by advances from its parent company, California-Michigan Land and Water Company. While applicant has estimated a 13.50% effective rate on these advances for this rate case, no interest has actually been paid on these notes since 1980. Applicant has no plans for any outside financing during the test period and its scheduled construction needs will be funded internally and through DWR Loans.



"After an analysis of the various financial data, we developed the following average test period capital structure and costs:

<u>Component</u>	<u>Capital Ratio</u>	<u>Cost</u>	<u>Weighted Cost</u>
Advances fr. Assoc. Cos.	18%	12.50%	2.25%
Common Equity	82	13.00	10.66
Total	<u>100%</u>		<u>12.91%</u>

"The 12.50% cost of debt was based on the same borrowing terms that exist with Security Pacific Bank, using a projected prime interest rate of 10.50%. The 13.00% return on common equity recognizes the lower equity risk interest in EPWC's capital structure as compared to a typical water utility financed by 40% to 50% common equity.

"Considering all of the above factors as well as current economic conditions and recent rates of return authorized by this Commission for water utilities, we believe the resulting 12.91% rate of return for EPWC is fair and reasonable, provides unquestionably adequate interest coverage, and should be used for setting rates in this proceeding."

At the close of the hearing, EPWC agreed to accept the staff's recommended rate of return of 12.91% for each of the estimated years. That rate of return appears reasonable and will be adopted.

#### Results of Operation

During the course of the hearing EPWC and staff also reached agreement on a number of differences in their respective estimates of EPWC's operating results for test years 1983, 1984, and 1985. As a result:

1. The amounts in dispute have been narrowed to the revenue and expense estimates which track water consumption per residential metered customer;

2. EPWC and staff are in agreement that the most recent escalation factors developed by the Economic Section of the Revenue Requirements Division of the Commission staff should be used in projecting operating expenses for the years 1983, 1984, and 1985; and
3. EPWC accepts virtually in all other respects the staff estimates of revenues, expenses, and rate base.

In Table 1, which follows, the results for the test years, as shown in Exhibit 11, and the operating results we adopt for EPWC are set forth.

Table 1

EAST PASADENA WATER COMPANY  
Estimated Summary of Earnings<sup>a/</sup>  
 (Test Year 1983)

Item	Present Rates			Authorized:
	Staff	Utility	Adopted	Rates
(Dollars in Thousands)				
<u>Revenues</u>				
Metered	\$501.8	\$474.5	\$489.8	\$678.0
Flat Rate	4.3	4.3	4.3	6.0
Misc. Revenue	1.5	1.5	1.5	1.5
Total Revenues <sup>b/</sup>	507.6	480.3	495.6	685.5
<u>Expenses (O&amp;M)</u>				
Payroll	81.2	85.2	81.1	81.1
Pumping Assessment	16.2	15.1	15.7	15.7
Purchased Power	124.3	112.2	121.2	121.2
Transportation	21.6	29.7	21.6	21.6
Customer Accounts	12.0	12.4	12.0	12.0
Other	24.7	29.1	24.7	24.7
<u>Expenses (A&amp;G)</u>				
Payroll	73.8	100.8	73.7	73.7
Office Supplies & Exp.	19.2	22.1	19.2	19.2
Insurance	28.3	28.3	28.3	28.3
Employee Benefits	39.1	41.3	39.0	39.0
Regulatory Comm. Exp.	13.2	3.4	13.2	13.2
Outside Services	4.5	6.5	4.5	4.5
Other A&G & Misc.	26.1	34.6	26.1	26.1
Subtotal O&M/A&G	484.2	520.7	480.3	480.3
Depreciation	23.5	24.2	23.5	23.5
Taxes-Other	19.6	23.1	19.6	19.6
Income Taxes	.2	-	.2	62.7
Subtotal - Taxes	19.8	23.1	19.8	82.3
Total Expenses	527.5	568.0	523.6	586.1
Net Income	(19.9)	(87.7)	(28.0)	99.4
Depreciated Rate Base	770.1	813.1	770.1	770.1
Rate of Return	Loss	Loss	Loss	12.91%
(Red Figure)				

a/ Excludes both the revenues from the rate surcharge to repay the SDWBA loan and the plant and expenses which determine that surcharge.

b/ Excludes Public Utilities Commission reimbursement (users') fee as a 1 1/2% surcharge on revenues from sales.

Table 1

EAST PASADENA WATER COMPANY  
Estimated Summary of Earnings<sup>a/</sup>  
 (Test Year 1984)

Item	Present Rates			Authorized:
	Staff	Utility	Adopted	Rates
(Dollars in Thousands)				
<u>Revenues</u>				
Metered	\$504.5	\$469.9	\$492.5	\$708.6
Flat Rate	4.3	4.3	4.3	6.2
Misc. Revenue	1.5	1.5	1.5	1.5
Total Revenues <sup>b/</sup>	510.3	475.7	498.3	716.3
<u>Expenses (O&amp;M)</u>				
Payroll	84.4	93.7	84.5	84.5
Pumping Assessment	16.4	15.0	15.9	15.9
Purchased Power	124.9	110.7	121.9	121.9
Transportation	27.9	34.8	27.9	27.9
Customer Accounts	12.4	13.3	12.4	12.4
Other	25.9	32.0	26.0	26.0
<u>Expenses (A&amp;G)</u>				
Payroll	76.6	110.9	76.7	76.7
Office Supplies & Exp.	20.1	24.4	20.2	20.2
Insurance	32.6	32.6	32.6	32.6
Employee Benefits	40.9	42.6	40.9	40.9
Regulatory Comm. Exp.	9.8	-	9.8	9.8
Outside Services	4.7	7.0	4.7	4.7
Other A&G & Misc.	26.8	37.0	26.8	26.8
Subtotal O&M/A&G	503.4	554.0	500.3	500.3
Depreciation	25.1	25.5	25.1	25.1
Taxes-Other	20.1	24.2	20.1	20.1
Income Taxes	.2	-	.2	67.1
Subtotal - Taxes	20.3	24.2	20.3	87.2
Total Expenses	548.8	603.7	545.7	612.6
Net Income	(38.5)	(128.0)	(47.4)	103.7
Depreciated Rate Base	803.0	856.5	803.0	803.0
Rate of Return	Loss	Loss	Loss	12.91%

(Red Figure)

a/ Excludes both the revenues from the rate surcharge to repay the SDWBA loan and the plant and expenses which determine that surcharge.

b/ Excludes Public Utilities Commission reimbursement (users') fee as a 1½% surcharge on revenues from sales.

Table 1

EAST PASADENA WATER COMPANY  
Estimated Summary of Earnings<sup>a/</sup>  
 (Test Year 1985)

Item	Present Rates			Authorized:
	Staff	Utility	Adopted	Rates
(Dollars in Thousands)				
<u>Revenues</u>				
Metered	\$507.2	\$465.2	\$495.1	\$717.9
Flat Rate	4.3	4.3	4.3	6.2
Misc. Revenue	1.5	1.5	1.5	1.5
Total Revenues <sup>b/</sup>	513.0	471.0	500.9	725.6
<u>Expenses (O&amp;M)</u>				
Payroll	76.2	103.1	76.7	76.7
Pumping Assessment	16.6	14.9	16.1	16.1
Purchased Power	125.6	109.1	122.5	122.5
Transportation	24.0	36.5	24.1	24.1
Customer Accounts	12.9	14.3	13.0	13.0
Other	25.5	35.2	25.7	25.7
<u>Expenses (A&amp;G)</u>				
Payroll	81.5	122.0	80.6	80.6
Office Supplies & Exp.	21.2	26.8	21.4	21.4
Insurance	37.3	37.3	37.3	37.3
Employee Benefits	41.3	44.1	41.3	41.3
Regulatory Comm. Exp.	9.8	-	9.8	9.8
Outside Services	5.0	7.0	5.0	5.0
Other A&G & Misc.	27.6	39.6	27.7	27.7
Subtotal O&M/A&G	504.5	589.9	501.2	501.2
Depreciation	26.4	26.5	26.4	26.4
Taxes-Other	20.2	25.3	20.2	20.2
Income Taxes	.2	-	.2	70.7
Subtotal - Taxes	20.4	25.3	20.4	90.9
Total Expenses	551.3	641.7	548.0	618.5
Net Income	(38.3)	(170.7)	(47.1)	107.1
Depreciated Rate Base	829.1	901.0	829.1	829.1
Rate of Return	Loss	Loss	Loss	12.91%

(Red Figure)

a/ Excludes both the revenues from the rate surcharge to repay the SDWBA loan and the plant and expenses which determine that surcharge.

b/ Excludes Public Utilities Commission reimbursement (users') fee as a 1½% surcharge on revenues from sales.

Estimated Use Per Customer

Both EPWC and staff used the multiple regression analysis method (Modified Bean) to estimate water consumption for test years 1983-1985. This method is recommended in the Supplement to Standard Practice No. U-25, the Guide for Adjusting and Estimating Operating Revenues of Water Utilities. Following these guidelines, actual recorded water consumption data for the years 1970 to 1982 were computed with weather and rainfall data, excluding the drought years 1977 and 1978, to arrive at a trend line. EPWC's analysis stops at this point, resulting in a declining usage trend line ending at 208 Ccf (hundred cubic feet) average usage per residential customer in 1982.

EPWC then projects this declining trend into 1983, 1984, and 1985 to derive estimated usage of: 201 Ccf in 1983; 195 Ccf in 1984; and 189 Ccf in 1985. In its brief, however, EPWC concurs with staff's position that the same estimated use per customer should be used for all of the test years under consideration in this proceeding and recommends that the estimated use per customer be set at 201 Ccf for the test years 1983, 1984, and 1985.

Staff's preliminary analysis of the same data used by EPWC produced similar low consumption estimates: 203.53 Ccf in 1983; 197.73 Ccf in 1984; and 191 Ccf in 1985. According to the California Water Association Consumption Committee guidelines for using multiple regression analysis, where results of multiple regression analysis produce unrealistic results, the method should be reevaluated. Staff considered these results to be unreasonable due to the reverse trend of actual consumption after the drought in 1977. From 1970 to 1977 there was a definite declining trend. From 1977 to 1981 this trend reversed. Therefore,

staff divided the data into predrought and post-drought periods, in the same manner as the actual consumption pattern occurred. Staff based its estimate on the computer run containing data from the years 1977 to 1982, those years during and after the drought and under the influence of conservation.

This modified analysis resulted in estimated levelized consumption of 221 Ccf per year in 1983-85. Its results depend on the reverse trend of usage occurring after the drought and appear to staff more reasonable than including the declining pre-drought period.

Staff contends its analysis is based upon a more realistic analysis of recorded data and should be adopted. EPWC argues that:

1. From a mathematical consideration EPWC's computer run of the 1970-1981 data results in a much better fit than the staff's computer run of the 1977-1982 data (correlation factor of .96 versus .65);
2. There are no compelling reasons why commencing with the lowest recorded use during the drought or conservation period and using recorded data only for the years 1977 through 1982 would give any better or more reliable estimate of what the use per customer might be for the years 1983 through 1985; and
3. In addition to the elements of temperature and rainfall which go into the multiple regression analysis, the increasing cost of water also plays an important part in the amount of water which will actually be used by the customers in EPWC's service area over the next few years.

Because 70% of EPWC's sales are to the residential class, an error in estimating the use per residential customer can have a significant impact on EPWC's operating results. In addition, those sales are made under an inverted rate structure, a factor that materially increases the impact and underscores the importance of the estimate.

Notwithstanding importance, making an accurate estimate of use per customer is problematical in light of the usage patterns displayed over the past 10 years. Viewed in this light, the different positions taken by EPWC and staff on this issue have merit.

For the purpose of this decision we will adopt as reasonable the average of the two estimates, or 211 Ccf per residential customer for each of the three test years. As a result, for 1983 our adopted revenues at present rates are \$495,600, pumping assessment is \$15,700, and purchased power is \$121,200. Similarly based estimates are incorporated into our adopted operating results for the remaining test years.

#### Escalation Factors

Escalation factors used by EPWC and staff to project operating expenses for the years 1983, 1984, and 1985 were a major cause for differences in expense estimates. Tabulated below is a comparison of escalation factors used by EPWC and staff as well as the staff September 1983 projection of those factors.

	EPWC (Exh. 1)		Staff (Exh. 11)		Staff Sept. '83 Proj.	
	<u>Percent Increase</u> <u>Labor</u>	<u>Nonlabor</u>	<u>Percent Increase</u> <u>Labor</u>	<u>Nonlabor</u>	<u>Percent Increase</u> <u>Labor</u>	<u>Nonlabor</u>
1983	5.3	10.0	4.8	1.8	4.7	1.8
1984	10.0	10.0	3.9	4.9	4.1	5.2
1985	10.0	10.0	4.6	5.7	5.1	6.0



Our adopted expense estimates reflect the September 1983 projections of these factors by the Economic Section of the Revenue Requirements Division of the Commission staff which reflect the latest information in record on this issue.

\$1.545 SDWBA Loan

A reduction in maintenance repairs and meter reading time is expected to result from plant improvements financed by the SDWBA loan. Accordingly, staff estimated one less employee in 1985, reduced overtime by 25% in each of the years 1984 and 1985, reduced by one the number of vehicles, and reduced materials and tool expense. EPWC does not take exception to these downward adjustments provided that the SDWBA loan is authorized and the funds are made available on a timely basis. The adjustments are reasonable and have been made in our adopted operating results.

Specific Customer Concerns

The staff utilities engineer testified that he investigated specific customer concerns related to the rate increase request. These concerns were: excessive prices for materials and supplies purchased from Suburban Water Company; utility employees performing nonutility tasks during working hours; and improper sale of utility assets. He testified that a review of relevant bills, general ledger entries, and supporting documents showed no evidence to substantiate any allegations of improper business practices or wrongdoing.

Adopted Quantities

A compilation of the adopted quantities reflected in our adopted operating results and the adopted income tax computation are contained in Appendix B to this decision.

Authorized Increases

By comparing the entries for operating revenues for test year 1984 in Table 1, it can be seen that the rates to be authorized for test year 1984 yield additional gross revenues of \$218.0 which represent a 43.7% increase over revenues at present rates. The rates to be authorized for test year 1985 yield further additional gross revenues of \$5,600 which represent a 0.8% increase over revenues at 1984 increased rates. EPWC will be required to file an advice letter with supporting work papers on or after November 15, 1984 to justify such a further increase.

Financing of Additional Main Replacements

As stated earlier, the master plan of improvements needed to bring the EPWC system up to current industry standards is in two phases. Phase 1 consists of high priority projects costing \$1.5 million, which is the amount of the maximum loan available under SDWBA. Phase 2 consists of projects expected to cost at least \$5.5 million, for which only internal sources of financing are expected to be available for the foreseeable future.

The rate base estimates in Table 1 reflected \$60,000 per year of plant additions financed by internally generated funds. In late-filed Exhibit 10 staff has projected sufficient internally generated funds to double this \$60,000 per year figure if the \$1.5 million SDWBA loan is not obtained and to triple that figure in response to substantial tax benefits if it is obtained.

As a result of its Exhibit 10 projections, staff recommends that EPWC be required to make \$180,000 of water system improvements each year for 1984, 1985, and 1986 from internal funds if the SDWBA loan is obtained. However, EPWC doubts that cash flow projections can be made with sufficient precision at this time either to warrant or support the \$180,000 figure recommended by staff.

Although it has been, and will continue to be, EPWC's practice to put whatever additional funds are available into a program to expedite the replacement of old mains, EPWC is opposed to the setting of any fixed dollar amount which it would be required to use for main replacement in any particular year. There are the many variables beyond its control which could affect whether or not the funds become available. For example, EPWC is concerned that if the increase in rates does not become effective until early 1984 and the rate design is not substantially altered so as to cover fixed costs during the period of time when the water usage is low, surplus funds over and above the amount required to conduct its regular operations would not be available until late in the year and it might have difficulty in meeting any requirement to expend a specific dollar amount on main replacements during that year.

In addition, it now appears that 1985 would be the first full year of operation which would give a fair indication of the kind of tax benefits which might arise as a result of the main replacement program to be paid for with the funds from the SDWBA loan. It is therefore EPWC's position that no specific dollar amount of main replacements be required until such time as a determination can be made as to the estimated amounts of tax benefits which will, in fact, be available under the tax laws and the amount of improvements which EPWC has been able to install by the end of 1984 is known.

In response to inquiry, EPWC's board of directors has indicated through late-filed Exhibit 9 that it has agreed to limit dividends for the years 1984 and 1985 to a maximum of 1% of stockholders' equity to make additional funds available for the main replacement program. The board has also stated that \$119,500 in financing provided by advances from EPWC's parent company, California-Michigan Land and Water Company, will bear an interest rate of 12.5% starting January 1, 1984 and be amortized over the next 10 years. Even though these would be modest departures from the prevailing situation of EPWC's having paid neither a dividend since 1973 nor interest on the \$119,500 in advances from the parent company since they were made in 1980, the condition of the water system militates against them.

It is evident that there must be a number of high priority main replacements or other system betterments which have been placed in Phase 2 of the master plan because they could not be fitted within the \$1.545 million limit of the SDWBA loan. Accordingly, we will require EPWC to determine, according to construction priority, the next \$1.0 million in improvement projects and provide a full description of each such project, together with the basis for its priority rating.

For test years 1983-1985 EPWC should devote all internal funds, which are not required for operations, to the replacement of old mains or other facilities. At the time EPWC files for its 1985 step rate increase, it may include in rate base the additional investment made in 1984 (i.e., in addition to the \$60,000 of internally financed plant additions reflected in Table 1). EPWC may also include the additional

investment made in 1985 when it files for its 1986 general rate case. The effect on rates of additional investment in utility plant has been evaluated as follows:

<u>Intern. Fin.</u> <u>Plant Add./Yr.</u>	1984			1985		
	Revenue Reqt.		<u>Total</u>	Revenue Reqt.		<u>Total</u>
	<u>Increase</u>			<u>Increase</u>		
	(Dollars in Thousands)					
\$	\$	%	\$	\$	%	\$
60.0 (Table 1)	-	-	716.3	-	-	725.0
160.0	13.3	1.9	729.6	40.0	5.5	765.0
260.0	26.6	3.7	742.9	80.1	11.0	805.1
560.0	66.4	9.3	782.7	200.2	27.6	925.2

As can be seen from the above tabulation, raising the internally financed plant additions from the approximately \$60,000 per year level used in the adopted summary of earnings (Table 1) would increase revenue requirements by about 2% in 1984 and 5.5% in 1985 for each \$100,000 per year in plant additions. It can also be seen that if it were possible to speed up the implementation of Phase 2 of the master plan markedly there would be a commensurate impact on rates. Indeed, the 9.3% and 27.6% increases in 1984 and 1985 for the \$500,000 per year increment level would reach nearly 50% in 1986.

EPWC will be required to prepare and submit to the Commission staff a quarterly progress report on plant additions financed with internal funds, a quarterly statement of cash flow, and a quarterly statement of changes in financial position. The report and statements will be due 30 days after the close of each calendar quarter in years 1984, 1985, and 1986.

This Commission has the authority to curtail dividends under the provisions of Sections 451, 701, 816, 817 and 851 of the Public Utilities Code, when a utility has failed its public utility obligation to maintain a reasonable level of service (California-American Water Co (1977, 81 CPUC 204, 241). If dividends are paid or repayment of existing advances from the parent company is made during the 1983-1985 period, a 2% penalty in EPWC's authorized rate of return should be invoked. Funds expended in this way would allow an avoidable deficiency in pursuing improvement of the water system to occur. The 2% penalty is based on our judgement of what is necessary to provide an incentive for compliance with this portion of our order.

Revenues From the Lease  
of Water Rights

During the hearing a question was raised as to how the revenues from the lease of water or pumping rights should be treated for ratemaking purposes. EPWC has the following pumping rights:

<u>Fiscal Year</u>	<u>Pumping Right</u>	
	<u>Main San Gab. Basin</u>	<u>: Raymond Basin</u>
	AF	AF
1983-84	1,638	515
1984-85	1,353	515
1985-86	1,282	515

Our adopted operating results in Table 1 reflect the following levels of production from the two basins:

<u>Test Year</u>	<u>Production</u>	
	<u>Main San Gab. Basin</u>	<u>: Raymond Basin</u>
	AF	AF
1983	1,419	305
1984	1,428	307
1985	1,437	309

For the fiscal year ending June 30, 1983 EPWC held an unused cumulative entitlement, which carries over into the ensuing fiscal year, of between 100 and 150 AF in the Main San Gabriel Basin and an unused 49 AF in the Raymond Basin. The 49 AF approaches 10% of EPWC's 515 AF annual water right in the Raymond Basin, where the limitation placed on the amount of carryover allowed is 10% at present.<sup>3/</sup> It is EPWC's objective to build back to an unused cumulative entitlement of 300 AF in the Main San Gabriel Basin as a reserve margin to carry it through a drought year.

On the basis of EPWC's production from the Main San Gabriel Basin averaging 1,428 AF/year for the test years and its pumping rights there averaging 1,424 AF/year for the three fiscal years, it is unlikely that EPWC will have unused water entitlement in Main San Gabriel Basin available for leasing in either test year 1984 or 1985. However, as can be seen by comparing EPWC's average test year production of 307 AF with its pumping right of 515 AF, the outlook for EPWC's having a portion of its Raymond Basin entitlement available for leasing is excellent.

It would be difficult, however, to tell what the value of the Raymond Basin rights would be at the time of the lease. Because of this and possibly other difficulties, EPWC and staff agreed at the hearing that the leasing of surplus water rights should be taken into account in the staff review of EPWC's step rate increase filing for 1985 which will cover operating results for the 12 months ending September 30, 1984. In the circumstances, that is an acceptable procedure and will be adopted.

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<sup>3/</sup> Currently there is a proposal under consideration to permit unlimited carryovers to apply to the ensuing year as is the case in the Main San Gabriel Basin.

Rate Design

EPWC contends there is a need for a revised rate design to provide a more balanced year-round revenue. EPWC argues that, under the present rate design, the fixed portion of the rates for the period from July 1981 to June 1982 does not cover its fixed expenses at any time during that period. According to EPWC, during those periods of the year when water sales are low, often for as long as five or six months, it must operate in a negative cash position and is required to borrow funds at high interest rates in order to carry it through those periods of time. As a result, EPWC maintains it has not had funds available to invest in its main replacement program during most of the year and it is required to postpone work on its main replacement program until it actually is able to internally generate funds for the payment of any planned improvements.

As made clear in the portions of the staff brief quoted below, it has been, and continues to be, the Commission's position that the present relationship between the service charge and quantity rates will not be modified unless explicit evidence beyond that provided by EPWC is introduced:

"The Commission has often addressed requests to increase the service charge. This request has been made so frequently that the Commission has outlined specific evidence that must be introduced in order to make such an adjustment. In D.93845, December 15, 1981 and D.82-11-058, November 17, 1982, the Commission stated:

"Before we adopt a rate design significantly different from the one currently in effect, we require substantial information from parties concerning the impact of the new design on all users. We will also



require concrete data concerning the price elasticity of water and historical and projected results relating to the effects of radical rate design changes on conservation.'

"Applicants evidence on this issue consists of analysis of the impact of a new rate structure on fixed and variable costs. (Exh. 4.) This analysis alone is insufficient to meet Commission evidence requirements. In addition, Mr. Mraz agree in cross-examination that revenues will be increased in test years 1983-85 even under staff recommendations, and that revenues can be accrued in profitable months to cover future losses. Thus, even under the evidence presented there is a little justification to modify the customer service charge."

We agree with the staff that EPWC's showing has failed to meet the standard described in D.82-11-058. Therefore, we will not adopt EPWC's rate design proposal. However, before ending our discussion, it is necessary to address one additional argument presented by EPWC.

EPWC's Exhibit 5 was presented to suggest that if the Commission in setting prior rates deemed the applicable lifeline restrictions to be in effect only from the time when the EPWC actually had been granted permission to institute a lifeline rate (in this case January 7, 1978), then there would be more flexibility within the present lifeline restrictions to increase the service charge and provide for more fixed revenue on a year-round basis.

As set forth in the staff brief, it has been, and continues to be, the Commission's position that lifeline rates must be calculated from January 1, 1976. To calculate them in any other way results in changing Public Utilities Code Section 739 which is not our intent. EPWC's above suggestion is therefore rejected.

In our adopted rate design lifeline rates are structured to attain a full 25% differential below total system rates using January 1, 1976 as the benchmark date for calculation of lifeline rates. A comparison of present and adopted rates, together with typical bills for general metered service, is set forth in Appendix C to this decision.

Service

Approximately 40 customers made statements in the public hearing complaining of high bills, low pressure, water outages, bad water quality, inadequate fire flow, leaks, meters not being read, lack of routine maintenance or replacement of old pipe, inefficient management, bad customer relations, and inadequate notice of temporary water shutoffs. Five of the complaints made at the hearing had been previously made to EPWC and were part of the 92 customer complaints EPWC received through the first eight months of 1983. These 92 complaints were recorded and investigated. Their breakdown by type of complaint was, according to Exhibit 8, as follows:

Leaks	57
High Bill	23
Dirty Water	5
Low Pressure	2
Misc.	5

Thirty of the 57 leaks were the direct result of damages to EPWC's facilities by the construction companies working on the county storm drain and street widening projects along Naomi Avenue. Several customers at the public hearing described the repeated water outages, frequency of leak repairs, buried meters, and other problems that occurred during the construction of these projects along Naomi Avenue, which has one of the oldest mains in the system.

According to the testimony of its vice president, EPWC had alerted the county to the condition of the old water main along Naomi Avenue. EPWC, however, was unsuccessful in its efforts to dissuade the county from proceeding with the projects until funds could be obtained to replace the line. The replacement of this main along Naomi Avenue is a project to be financed by the SDWBA loan and is of high priority.

At the public hearing, EPWC was directed to investigate the service complaints made by 10 customers. Most of the complaints were for low pressure and high bills. EPWC has completed investigation of the complaints<sup>4/</sup> and written to the concerned customers (late-filed Exhibit 13 and supplement).

In Exhibit 11 the staff engineer evaluated service:

"36. Service to customers has been satisfactory. Field investigations of applicant's service area were made in July and August 1983. At that time, the domestic pressure was within range prescribed by General Order No. 103. However, portions of the water system are old and there have been tremendous leakage problems over the last few years. The utility has replaced some of the bad leaking mains during recent years but not enough to stop all the persistent leakage problems. The utility has recently applied for a \$1.5 million Safe Drinking Water Bond Act loan to upgrade portions of the system in greatest need of repair. It is estimated that it will cost at least \$7 million to upgrade the water systems according to the master plan. Once the Safe Drinking Water Loan Project is completed, the utility plans to continue replacing approximately \$60,000 of old plant each year.

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<sup>4/</sup> Low pressures are attributable to house piping and no irregularities were found in the amounts billed. In one instance a leak was detected on the customer's side of the meter.

"37. Applicant's distribution system is inadequate for supplying water for fire flow. Section VIII.1.(a) of General Order No. 103 requires that all new construction, extension or modification of the water system must be designed to the flow requirements set forth in the general order or such other fire flow, either higher or lower, as determined either necessary or adequate by appropriate local governmental agencies."

According to the testimony of its vice president, EPWC has had a program for training its office and customer service personnel to be responsive to customers and to see that all customers coming into or phoning the office will be treated courteously and will be provided with whatever information may be necessary to resolve their complaints or concerns.

Public Access to Applications

The last paragraph of the Notice of Public Hearing sent to EPWC's customers read:

"A copy of each of the Applications referred to herein and related exhibits may be examined at the office of the California Public Utilities Commission, State Office Building, 107 South Broadway, Los Angeles, California 90012, or at the office of EAST PASADENA WATER COMPANY, 3725 East Mountain View Avenue, Pasadena, California 91107"

At the public hearing, Dr. Brown complained of being denied access to the rate case and loan applications. EPWC's vice president explained that he investigated this matter and is convinced that office personnel misunderstood Dr. Brown's request.

EPWC is admonished for this failure to provide a customer access to the applications. Staff recommends that EPWC be directed to further train office personnel in public relations and the availability of public information to customers. The recommendation has merit and will be adopted. We will require EPWC to submit a written report to our Hydraulics Branch staff outlining these efforts.

Findings of Fact

1. At the outset of the September 13 evidentiary hearing, counsel for HFWR moved for a continuance of this proceeding for several months; this motion was denied by the assigned ALJ.
2. On November 28, 1983, HFWR filed a Petition to Set Aside Submission of this consolidated proceeding, pursuant to Rule 84 of the Rules of Practice and Procedure.
3. On January 20, 1984, the Assigned Commissioner issued a ruling setting aside submission of A.83-05-05 for certain limited purposes, and scheduling further hearings which were held February 6, 1984.
4. At present rates, EPWC is operating at a loss. However, the proposed rates set forth in the application are excessive.
5. A rate of return of 12.91% on EPWC's rate base for 1984 and 1985 is reasonable. The related return on common equity is 13.00%. This will require an increase of \$218,000, or 43.7%, in annual revenues for 1984 and a further increase of \$5,600, or 0.8%, for 1985.
6. The adopted water use of 211 Ccf per residential customer for each test year is an average of staff and utility estimates and is reasonable.
7. The adopted estimates of operating revenues, operating expenses, and rate base for the test years 1984 and 1985, as set forth in Table 1 of this decision, reasonably indicate the results of EPWC's future operations.

8. Phase 2 of the master plan consists of projects expected to cost at least \$5.5 million, for which only internal sources of financing are expected to be available for the foreseeable future.

9. It is reasonable to require EPWC to determine according to construction priority the next \$1.0 million in improvement projects from Phase 2 of the master plan.

10 a. For the years 1984, 1985, and 1986 EPWC should devote all internal funds, which are not required for operations, to construction projects called for by Phase 2 of the master plan.

b. EPWC is not entitled to its full rate of return and, should not be able to pay dividends when it is not fulfilling its public utility obligations to its customers. To ensure that internal funds are dedicated to construction projects, should dividends be paid or repayment of existing advances from EPWC's parent company be made during the 1983-1985 period covered by this rate proceeding, a penalty of 2% in EPWC's authorized rate of return would be warranted.

11 a. At the time of filing for its 1985 step rate, EPWC may include in its rate base the reasonable internally financed plant additions made in 1984 in excess of the \$60,000 of such additions reflected in Table 1.

b. EPWC will be required to prepare and submit to the Commission staff a quarterly progress report on plant additions financed with internal funds, a quarterly statement of cash flow, and a quarterly statement of changes in financial position. The report and statements will be due 30 days after the close of each calendar quarter in years 1984, 1985, and 1986.

13. As discussed in our decision in A.83-02-45, because of the deteriorated condition of much of the EPWC system, potential health hazards exist. Phase 1 of the master improvement plan, consisting of high priority projects deemed necessary by DHS, will be financed by a \$1.545 million SDWBA loan.

14. EPWC's distribution system is inadequate for supplying water for fire flow which meets Los Angeles County standards for new construction.

15 a. Apart from the problems caused by the road and storm drain work along Naomi Avenue, the overall quality of EPWC's service has been generally satisfactory.

b. EPWC needs to further train office personnel in public relations and the availability of public information to customers.

16. Adoption of private fire protection service rates which reflect increases proportional to the increase in the total gross revenue is reasonable.

17. Evidence consisting only of an analysis of fixed and variable costs is in itself insufficient to support a request to modify the present relationship between fixed and variable costs.

18. It has been, and continues to be, the Commission's position that January 1, 1976 serves as a benchmark for calculating lifeline rates.

19. The adopted rate design is reasonable.

20. The increases in rates and charges authorized by this decision are justified, and for the future are just reasonable.

21. The further increase authorized in Appendix A for the year 1985 should be appropriately modified in the event the rate of return on rate base, adjusted to reflect the rates then in effect and normal ratemaking adjustments for the 12 months ended September 30, 1984, exceeds 12.91%.

Conclusions of Law

1. HFWR's Motion for a continuance was properly denied by the assigned ALJ.
2. The adopted rates are just, reasonable, and nondiscriminatory for the future.
3. The application should be granted to the extent provided by the following order.
4. Because of the immediate need for additional revenue and the undue delay caused by the unmeritorious petition filed by HFWR to set aside submission, the following order should be effective today.

ORDER ON APPLICATION 83-05-05

IT IS ORDERED that:

1. East Pasadena Water Company (EPWC) is authorized to file the revised rate schedules in Appendix A. The filing shall comply with General Order Series 96. The effective date of the revised schedules shall be the date of filing. The revised schedules shall apply only to service rendered on and after their effective date.



2. On or after November 15, 1984 EPWC is authorized to file an advice letter, with appropriate work papers, requesting the step rate increases for 1985 included in Appendix A, or to file a lesser increase which includes a uniform cents per 100 cubic feet of water adjustment from Appendix A in the event that the rate of return on rate base, adjusted to reflect the rates then in effect and normal ratemaking adjustments for the 12 months ending September 30, 1984, exceeds 12.91%. This filing shall comply with General Order Series 96. The requested step rates shall be reviewed by staff to determine their conformity with this order and shall go into effect upon staff's determination of conformity. Staff shall inform the Commission if it finds that the proposed step rates are not in accord with this decision, and the Commission may then modify the increase. The effective date of the revised schedules shall be no earlier than January 1, 1985, or 30 days after the filing of the step rates, whichever is later. The revised schedules shall apply only to service rendered on and after their effective date.

3. EPWC shall submit to the Commission staff and the California Department of Health Services staff, no later than April 30, 1984, its determination of the first \$1.0 million of improvement projects in Phase 2 of the master plan according to construction priority, together with a full description of each such project and the basis for its priority rating.

4. EPWC shall submit to the Commission staff a quarterly progress report on plant additions financed with internal funds, a quarterly statement of cash flow, and a quarterly statement of changes of financial position. The report and statements shall be due 30 days after the close of each calendar quarter in years 1984, 1985, and 1986.

5. Any payment of dividends or repayment of existing advances from EPWC's parent company during the 1983-1985 period shall result in a reduction in EPWC's authorized rate of return from 12.91% to 10.91%.

6. EPWC shall provide suitable training to its office personnel in public relations and the availability of applications, tariffs, and similar documents for inspection by the public. On or before July 31, 1984 EPWC shall file with the Commission staff (Hydraulic Branch) a report in triplicate describing the training provided.

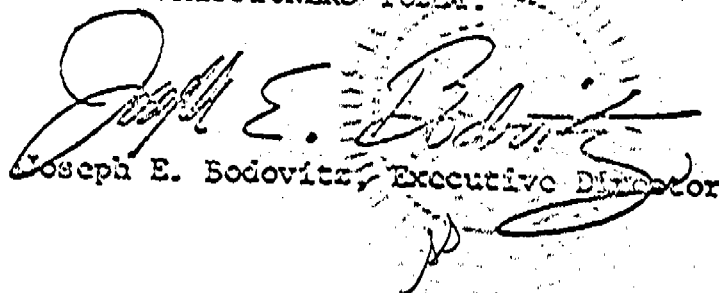
This order is effective today.

Dated MAR 7 1984, at San Francisco, California.

VICTOR CALVO  
PRISCILLA C. GREW  
DONALD VIAL  
WILLIAM T. BAGLEY  
Commissioners

Commissioner Leonard M. Grimes, Jr.,  
being necessarily absent, did not  
participate.

I CERTIFY THAT THIS DECISION  
WAS APPROVED BY THE ABOVE  
COMMISSIONERS TODAY.

  
Joseph E. Bodovitz, Executive Director

APPENDIX A

Page 1

EAST PASADENA WATER COMPANY

Schedule No. 1

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

The territory within and adjacent to the Cities of Arcadia and Temple City, and adjacent to the Cities of Pasadena and San Marino, Los Angeles County, and as described on the service area map.

RATES

Service Charge:

	Per Meter Per Month	
For 5/8 x 3/4-inch meter . . . . .	\$ 4.25	(I)
For 3/4-inch meter . . . . .	6.50	
For 1-inch meter . . . . .	9.00	
For 1 1/2-inch meter . . . . .	12.00	
For 2-inch meter . . . . .	16.00	
For 3-inch meter . . . . .	29.00	(I)

Quantity Rate:

First 300 cu.ft. per 100 cu.ft. . . . .	\$ .50	(I)
Over 300 cu.ft. per 100 cu.ft. . . . .	.75	(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 Rate, for water used during the month.

APPENDIX A

Page 2

Each of the following increases in rates may be put into effect of the indicated date by filing a rate schedule which adds the appropriate increase to the rate which would otherwise be in effect on that date.

Schedule No. 1

GENERAL METERED SERVICE

Effective Date

1-1-85

Service Charge

Per Meter Per Month

For 5/8 x 3/4-inch meter . . . . .	\$ 0.05
For 3/4-inch meter . . . . .	0.10
For 1-inch meter . . . . .	0.10
For 1 1/2-inch meter . . . . .	0.15
For 2-inch meter . . . . .	0.20
For 3-inch meter . . . . .	0.35

Quantity Rates:

For the first 300 cu. ft., per 100 cu. ft. . .	\$ .004
Over 300 cu. ft., per 100 cu. ft. . . . .	.004

APPENDIX A

Page 3

EAST PASADENA WATER COMPANY

Schedule No. 3

PRIVATE FIRE PROTECTION SERVICE

APPLICABILITY

Applicable to all privately owned fire protection systems.

TERRITORY

Within the entire service area located within and adjacent to the Cities of Arcadia and Temple City; also adjacent to the Cities of Pasadena and San Marino, Los Angeles County, and as described on the service area map.

RATE

Per Service Per Month

For each inch of diameter of fire sprinkler service connection . . . . .	\$ 6.25	(I)
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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.
- (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.

(END OF APPENDIX A)

APPENDIX B

Page 1

ADOPTED QUANTITIES

Name of Company - East Pasadena Water Company

Net-to-Gross Multiplier - 2.0485  
 Federal Tax Rates - 46%  
 State Tax Rate - 9.6%  
 Local Franchise Tax Rate - 0.0  
 Business License - 0.0  
 Uncollectibles - nominal

<u>Offset Items</u>	<u>Test Year</u> 1983	<u>Test Year</u> 1984	<u>Test Year</u> 1985
1. <u>Purchased Power:</u>			
Total Production - Ccf	750,980	755,660	760,340
Acre-Feet	1724	1735	1746
Electric:			
<u>Southern Calif. Edison Co.</u>			
Total	\$ 121,200	\$ 121,850	\$ 122,510
kWh	1,658,920	1,669,250	1,679,580
Eff. Sch. Date	10/1/83	10/1/83	10/1/83
\$/kWh Used	0.073	0.073	0.073
2. <u>Purchased Water:</u> none			

# APPENDIX B

Page 2

## ADOPTED QUANTITIES

Name of Company - East Pasadena Water Company

	<u>Test Year 1983</u>	<u>Test Year 1984</u>	<u>Test Year 1985</u>
3. <u>Pumping Assessment:</u>			
Main San Gabriel Basin	\$ 14,570	\$ 14,660	\$ 14,755
Raymond Basin	\$ 1,145	\$ 1,260	\$ 1,385
4. <u>Payroll and Employee Benefits:</u>			
Operation & Maintenance	\$ 101,500	\$ 105,900	\$ 96,800
Administrative & General	92,300	96,200	101,800
Total	\$ 193,800	202,100	198,600
Payroll Taxes	\$ 12,200	\$ 12,600	\$ 12,700
5. <u>Ad Valorem Taxes:</u>			
Ad Valorem Taxes	\$ 6,600	\$ 6,600	\$ 6,600
Tax Rate	1.19%	1.19%	1.19%
Assessed Value	\$ 556,900	\$ 556,900	\$ 556,900

### Metered Water Sales Used to Design Rates:

<u>Range</u>	<u>Cof</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>
Block 1	0 - 03	91,512	91,892	92,278
Block 2	3	620,318	624,371	628,418

A-83-02-45, 83-05-05 ALJ/aps/ra

Usage - Cof

## APPENDIX B

Page 3

ADOPTED QUANTITIES

Name of Company - East Pasadena Water Company

Customers & Usage

Customers & Usage	TEST YEAR 1983			TEST YEAR 1984			TEST YEAR 1985		
	No.	Usage (Ccf)	Usage(Ccf)/ Customer	No.	Usage (Ccf)	Usage(Ccf)/ Customer	No.	Usage (Ccf)	Usage(Ccf)/ Customer
Domestic	2384	503,024	211	2392	504,712	211	2400	506,400	211
Commercial	189	172,935	915	192	175,680	915	195	178,425	915
Industrial	6	4182	697	6	4182	697	6	4,182	697
Public Authority	21	31,689	1509	21	31,689	1509	21	31,689	1509
Subtotal	2600	711,830		2611	716,263		2622	720,696	
Private Fire Protection	15			15			15		
Total	2615			2626			2637		
Water loss 5.5%		39,151			39,394			39,638	
Total Water Produced		750,981			755,657			760,334	

A-83-02-45, 83-05-05 ALJ/aps/ra



APPENDIX B

Page 4

ADOPTED SERVICE BY METER SIZE  
(all classes)

Name of Company - East Psadena Water Company

	<u>1983</u>	<u>1984</u>	<u>1985</u>
5/8" x 3/4"	1402	1413	1424
3/4"	553	553	553
1"	499	499	499
1 1/2"	68	68	68
2"	65	65	65
3"	<u>13</u>	<u>13</u>	<u>13</u>
	2600	2611	2622

FLAT RATE SERVICES

	<u>1983</u>	<u>1984</u>	<u>1985</u>
Private Fire Service	15	15	15

## APPENDIX B

Page 5

## EAST PASADENA WATER COMPANY

Income Tax Calculation at  
Authorized Rates

	<u>1983</u>	<u>1984</u>	<u>1985</u>
Operating Revenue	\$ 685,5200	\$ 716,330	\$ 725,600
Deductions:			
O&M and A&G Expenses	480,296	500,389	501,278
Other Taxes	19,565	20,052	20,191
Subtotal	185,659	195,889	204,131
State Deprec.	24,000	25,500	26,900
State Taxable Income	161,659	170,389	177,321
State Tax @ 9.6%	15,519	16,357	17,014
Fed. Deprec.	23,521	25,056	26,414
Fed. Taxable Income	146,619	154,476	160,703
First \$100,000	25,750	25,750	25,750
Over \$100,000	21,445	25,059	53,673
Federal Income Tax	47,195	50,809	53,673
Invest. Tax Credit	0	0	0
Total Fed. Tax	47,195	50,809	53,673
Total Income Tax	\$ 62,714	\$ 67,166	\$ 70,687

(END OF APPENDIX B)

APPENDIX C

Page 1

EAST PASADENA WATER COMPANY

Schedule No. 1

GENERAL METERED SERVICE  
COMPARISON OF PRESENT AND ADOPTED RATES

APPLICABILITY

Applicable to all metered water service.

TERRITORY

The territory within and adjacent to the Cities of Arcadia and Temple City, and adjacent to the Cities of Pasadena and San Marino, Los Angeles County, and as described on the service area map.

RATES

Service Charge:	Per Meter Per Month	
	<u>Present Rates</u>	<u>Adopted Rates</u>
For 5/8 x 3/4-inch meter	\$ 3.70	\$ 4.25
For 3/4-inch meter	4.45	6.50
For 1-inch meter	6.10	9.00
For 1 1/2-inch meter	8.20	12.00
For 2-inch meter	10.90	16.00
For 3-inch meter	20.40	29.00
Quantity Rate:		
First 300 cu.ft. per 100 cu.ft.	\$ 0.34	\$ 0.50
Over 300 cu.ft. per 100 cu.ft.	0.503	0.75

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 Rate, for water used during the month.

APPENDIX C

Page 2

EAST PASADENA WATER COMPANY

COMPARISON OF MONTHLY CUSTOMER BILLS

AT PRESENT AND ADOPTED GENERAL

METER RATES FOR A 5/8 x 3/4-INCH METER

<u>Usage Ccf</u>	<u>Present Rates</u>	<u>Adopted Rates</u>	<u>Amount Increase</u>	<u>Present Increase</u>
0	\$ 3.70	\$ 4.25	\$ 0.55	15%
3	4.72	5.75	1.03	22
10	8.24	11.00	2.76	33
20	13.27	18.50	5.23	39
30	18.30	26.00	7.70	42
50	28.36	41.00	12.64	45
100	53.51	78.50	24.99	47
200	103.81	153.50	49.69	48

(END OF APPENDIX C)