ALJ/EA/ra

ORIGINAL

Decision 84 03 055 MAR 21 1984

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of DOMINGUEZ WATER CORPORATION, a California corporation, for authorization to increase its rates for water service.	Application 83-07-01 (Filed July 1, 1983)

Gibson, Dunn and Crutcher, by Raymond L. Curran, Attorney at Law, for applicant.
Alberto Guerrero, Attorney at Law, and Willem R. Van Lier, for the Commission staff.

O P I N I O N

Dominguez Water Corporation (DWC) seeks authority to increase its rates for water service. The rate increases proposed by DWC are in steps designed to increase annual revenues in test year 1984 by $1,530,900, or 18.0%, over the revenues produced by rates in effect until June 30, 1983; in test year 1985 by $314,800, or 2.9%, over revenues from rates proposed for 1984; and in test year 1986 by $445,800, or 4.1%, over revenues from rates proposed for 1985.

DWC provides public utility water service to approximately 30,000 general metered customers in parts of Long Beach, Los Angeles, Carson, Compton, Torrance, and to unincorporated areas in Los Angeles County. Included are 22 major industrial customers which in 1982 accounted for 26% of DWC's total deliveries. Over the past 10 years approximately 60% of the water supplied by DWC to its customers has been Metropolitan Water District (MWD) water purchased from the West Basin Municipal Water District and 40% groundwater from DWC's wells.

An informal public meeting, jointly sponsored by DWC and staff, was held in the evening on August 25, 1983 in the Carson City Hall to discuss this application. Each customer was notified of the meeting by bill insert. Seven customers attended the meeting.

After due notice, five days of public hearing on this application were held before Administrative Law Judge Main in Los Angeles from October 31, 1983 through November 4, 1983. None of DWC's customers attended the hearing. DWC presented testimony and exhibits through its president, its vice president of finance, its operations manager, its construction manager, and a financial consultant. The staff studies were presented by a project manager, a financial analyst, and two utilities engineers. Concurrent briefs were filed November 28, 1983 and a supplement to late-filed Exhibit 9 was received January 26, 1984.

Present and Proposed Rates

DWC provides water service under the following schedules:

Schedule No. 1	- General Metered Service
Schedule No. 3M	- Metered Irrigation Service
Schedule No. 4	- Private Fire Protection Service
Schedule No. 9CF	- Construction Flat Rate Service

DWC proposes to increase its rates for general metered service and irrigation service, with the same increases being proposed for the comparable service charges on each of these schedules. The proposed increase in quantity rates on each of the two schedules is similar.

A tabular comparison of the present rates and the rates authorized by this decision for general metered service is included in Appendix B to this decision.

Need For Rate Relief

In its application DWC indicated the need for rate relief was caused by continuing increases in operating expenses and by increases in rate of return requirements.

Rate of Return

In Exhibit 13 DWC conceded staff's position on capitalization ratios for years 1984, 1985, and 1986, and cost factors for long-term debt in 1984 and 1985. The remaining differences are in the estimated long-term debt cost for 1986, the recommended range for the return on equity, and staff's recommendation of the mid-point of that range for all three years.

Long-Term Debt Cost Factor For 1986

The difference is caused by the estimate of interest rates that might be incurred for DWC's proposed new bonds to be issued in 1986. DWC disagrees with two elements of the staff estimate: (a) the predicted interest rates for 1986 and (b) staff's imputation of an A bond rating for DWC.

The staff witness estimated an effective interest rate of 12.00% for DWC's $2 million proposed long-term financing in 1986. His starting point in making this estimate was the average of six monthly forecasts, April 1983-September 1983, by Data Resources, Inc. (DRI) of interest rates on AA-rated utility bonds for 1985. The average was 11.32% to which he added 41 basis points representing the spread between AA- and A-rated utility bonds over an eight-year period and 25 basis points for issuance cost. This yielded 11.98% which he rounded to 12%.

The rate of return consultant for DWC perceives a downward bias in DRI's interest rate forecasts, as elaborated upon in our discussion of return on equity, and contends that a Baa rating for DWC's bonds, which are not rated, would be more appropriate than an A rating. In consideration of these two factors DWC submits that a 13.9% interest rate for its proposed bonds in 1986 is indicated.

We note that updating the staff witness's average of six monthly forecasts to include the October 1983 DRI estimate of the interest rate on AA-rated utility bonds for 1985 would increase his 12.00% estimate by 24 basis points. We also note that DWC's latest bond issue ($1,500,000 due 1992), which carries a coupon rate of 16.75%, was placed with an insurance company in May 1982. According to Moody's in May 1982, Baa bonds for public utilities were at 16.68% and A bonds for public utilities were at 16.04%. In our considered judgment, a middle ground between the staff and DWC estimates is indicated. We adopt a 13.00% effective rate for the 1986 bonds which translates to an average embedded cost of debt of 11.01% for 1986.

Return on Equity

The staff witness recommended an equity allowance in the range of 14.00% and 14.50%. He performed a risk premium analysis and discounted cash flow (DCF) analysis for water utilities to determine the reasonableness of his recommended range. The results of his DCF analysis are that the cost of equity for water utilities ranges from 13.47% to 13.66%, while his risk premium analysis shows a higher range of 14.44% to 15.30% for the expected returns on common equity. The average of the DCF and risk premium analyses was 14.29%.

The rate of return consultant for DWC modified the forecasted 10- and 20-year T-bond yields used in staff's risk premium analysis to adjust for a downward bias that he perceives to exist in the interest rate forecasts of DRI. This witness showed that the DRI forecast for 20-year T bonds increased 15.5% between June 1983 and October 1983, which was the interval between the San Gabriel Valley Water Company rate proceeding and this case. He also showed that DRI's forecast of 20-year T-bond yields for February 1983-July 1983 turned out to be 7.4% lower than the actual yields. His adjustment to staff's risk premium analysis supports a range of 15.59% to 16.98% for expected returns on common equity. When averaged with the DCF figures that staff presented, a range of 14.66% to 15.20%, with a mid-point of 14.93%, results for return on equity.

We note that at the hearing the staff witness provided the October 1983 DRI forecasts of 10-year and 20-year T-bond yields for 1984 and 1985. Following staff's practice of using the average of the three most recent DRI forecasts, the October 1983 data would move the range of the risk premium analysis from 14.44% to 15.30% to 14.90% to 15.80% for the expected returns on common equity. The average of the DCF and the risk premium analyses adjusted for this later data is 14.47%.

In light of the foregoing discussion and our review of the entire record, we are convinced that the high end of staff's recommendation should be adopted. We therefore find a 14.50% return on common equity reasonable for the test years. The adopted capital ratios, cost factors, and the resultant rates of return are tabulated below.

Component	Capital Ratios	Cost Factors	Weighted Cost
Average Year 1984			
Long-Term Debt	49.50%	10.61%	5.25%
Preferred Stock	4.50	5.00	.23
Common Equity	46.00	14.50	6.67
Total	100.00%		12.15%
Average Year 1985			
Long-Term Debt	49.50%	10.62%	5.26%
Preferred Stock	4.50	5.00	.23
Common Equity	46.00	14.50	6.67
Total	100.00%		12.16%
Average Year 1986			
Long-Term Debt	49.50%	11.01%	5.45%
Preferred Stock	4.50	5.00	.23
Common Equity	46.00	14.50	6.67
Total	100.00%		12.35%

Results of Operations

During the course of the hearing and through jointly sponsored late-filed Exhibit 9 DWC and staff adjusted their respective studies of operating results to accommodate later data and agreements reached on certain of their differences in estimates. DWC and staff, however, continue to differ on a number of issues. These include the computation of power consumption, the proposed meter replacement program, vehicle leasing, management salaries, pensions and benefits, and utility plant additions.

In Table 1, which follows, the results for the test years, as shown in late-filed Exhibit 9, and the operating results we adopt for DWC are set forth.

Table 1

DOMINGUEZ WATER CORPORATION

Estimated Summary of Earnings
(Test Year 1984)

Item	Present Rates: Utility	Present Rates: Staff	Present Rates: Adopted	Authorized Rates
	(Dollars in Thousands)			
Operating Revenues	$11,315.6*	$11,315.6*	$11,315.6	$11,744.4
Operating Expenses				
O&M				
Purchased Power	743.4	726.1	743.4	743.4
Transportation	68.1	59.0	68.1	68.1
Meter Repair/Repl.	169.0	75.0	75.0	75.0
All Other	5,891.6*	5,865.2*	5,891.6	5,893.5
Subtotal O&M	6,872.1	6,751.7	6,778.1	6,780.0
A&G				
Payroll	395.1	379.7	395.1	395.1
Pension & Benefit	287.4	236.3	287.4	287.4
Transportation	54.4	37.8	54.4	54.4
All Other	610.7*	610.7*	610.7	617.2
Subtotal A&G	1,347.6	1,264.5	1,347.6	1,354.1
General Office Prorated	(23.3)	(23.3)	(23.3)	(23.3)
Balancing Account	49.9	-	-	-
Depreciation	662.9	664.8	664.6	664.6
Taxes Other Than Income	246.2	246.2	247.2	247.2
CCFT	129.9	150.8	134.9	175.3
FIT	608.4	696.0	625.9	800.7
Total Oper. Expenses	9,893.7	9,750.7	9,775.0	9,998.6
Net Operating Revenues	1,421.9	1,564.9	1,540.6	1,745.8
Rate Base	14,319.9	14,153.1	14,368.5	14,368.5
Rate of Return	9.93%	11.06%	10.72%	12.15%
		(Red Figure)		

* Modified in accordance with the supplement, received January 26, 1984, to late-filed Exhibit 9 sponsored jointly by DWC and staff. The supplement reflects the impact of the $53 per acre-foot increase in the cost of MWD water which became effective January 1, 1984.

Table 1

DOMINGUEZ WATER CORPORATION

Estimated Summary of Earnings
(Test Year 1985)

Item	Present Rates: Utility	Present Rates: Staff	Present Rates: Adopted	Authorized Rates
	(Dollars in Thousands)			
Operating Revenues	$11,392.6*	$11,392.6*	$11,392.6*	$12,001.1
Operating Expenses				
O&M				
Purchased Power	743.4	726.2	743.4	743.4
Transportation	79.7	62.0	79.7	79.7
Meter Repair/Repl.	178.0	80.0	80.0	80.0 ✓
All Other	5,973.5*	5,973.5*	5,973.5	5,976.2
Subtotal O&M	6,974.6	6,841.7	6,876.6	6,879.3 ✓
A&G				
Payroll	419.5	403.3	419.5	419.5
Pension & Benefit	306.2	247.6	306.2	306.2
Transportation	63.8	39.9	63.8	63.8
All Other	632.4*	635.4*	632.4	641.5
Subtotal A&G	1,421.9	1,326.2	1,421.9	1,431.0
General Office Prorated	(23.2)	(23.2)	(23.2)	(23.2)
Depreciation	687.5	696.5	693.3	693.3
Taxes Other Than Income	260.4	260.4	262.4	262.4
CCFT	118.2	141.1	123.6	180.9
FIT	559.3	655.4	575.2	823.4
Total Oper. Expenses	9,998.7	9,898.1	9,929.8	10,247.1
Net Operating Revenues	1,393.9	1,494.5	1,462.8	1,754.0
Rate Base	14,351.9	14,254.0	14,424.2	14,424.2
Rate of Return	9.71%	10.48%	10.14%	12.16%

(Red Figure)

* Modified in accordance with the supplement, received January 26, 1984, to late-filed Exhibit 9 sponsored jointly by DWC and staff. The supplement reflects the impact of the $53 per acre-foot increase in the cost of MWD water which became effective January 1, 1984.

We will now address the differences in the estimates.

Purchased Power

DWC's estimate of purchased power exceeds the staff's estimate by $17,300 in 1984 and $17,200 in 1985. The difference results from the use by staff of a lower power consumption per acre-foot (kWh/AF) of water produced. The staff figure of 587.5 kWh/AF was obtained by taking the average for 1980, 1981, and 1982 without adjustment for the "in-lieu program"[1/] made use of in those years but not expected to be cost-effective during the test years.

The DWC figure of 607.2 kWh/AF includes an adjustment to recorded data to account for wells, which were the least efficient ones, not in operation due to participation in the "in-lieu program". Equally important, it is supported by an evaluation of recent past, current, and projected pump overhauls and problems being experienced within certain aquifer formations. DWC, as of October 1983, was projecting an average of approximately 640 kWh/AF for 1983 operations. However, DWC believes its 607.2 kWh/AF continues to be representative for the test years because of the work done thus far on the wells and pumps plus the timely completion of certain further remedial projects.

We find DWC's estimate more reasonable and therefore adopt 607.2 kWh/AF for use in computing power consumption for producing water from DWC's wells in the test years.

1/ Under this program MWD makes available a lower unit cost for MWD water purchased in lieu of pumping water from the groundwater basin.

Transportation Expense (Vehicle Leasing)

DWC's estimates of transportation expenses, which appear partly in O&M expenses and partly in A&G expenses, are higher by a total of $25,700 for the test year 1984 and $41,600 for the test year 1985 than staff's because DWC has included in its estimated transportation expense the costs relating to the leasing of the vehicles acquired and to be acquired subsequent to the recorded 1982 year.

Staff arrived at its estimates for transportation expense by escalating the 1982 recorded amounts, which it found to be reasonable, using the nonlabor inflation factors recommended by the Commission's Revenue Requirements Division's Economic Unit. Staff, in its report (Exhibit 7), made no provision for either the lease or the purchase of the additional vehicles which were acquired during 1983 or which DWC proposes to acquire during 1984 and 1985. The explanation for staff's leaving the costs of the new vehicles out of its report entirely appears to be an uncertainty as to whether DWC should be allowed, for ratemaking purposes, to lease its vehicles rather than purchase them. Staff's estimated results of operations, as shown in Table 1, are consistent with its position taken at the public hearing that these vehicles should be purchased rather than leased. To provide that consistency, adjustments were made in late-filed Exhibit 9 to provide for depreciation on these additional vehicles and to increase the rate base to reflect the additional cost of purchasing needed vehicles for 1983 and for the test years 1984 and 1985.

It is DWC's position, as reflected in the testimony of its vice president-finance and in late-filed Exhibit 14, that it will be to both DWC's and its customers' economic advantage to lease the vehicles acquired in 1983 and to be acquired in the test years rather than to purchase them. We are not convinced, however, that a clear economic advantage has been shown for either leasing or purchasing. It appears to be a very close question which staff did not evaluate.

Since there appears to be little difference in economic effect, we see no valid reason for taking exception to DWC's preference for leasing. Our adopted operating results incorporate the effects of leasing vehicles by including DWC's estimates of transportation expense and by reflecting less depreciation expense ($9,100 less for 1984 and $12,100 less for 1985) and less rate base ($95,900 less for 1984 and $139,000 less for 1985) than estimated by staff.

Meter Repair/Replacement

DWC has instituted a replacement program for 5/8" by 3/4" meters which have been in service for 20 years or longer. The program is intended to bring DWC into compliance with the requirement of General Order (GO) 103 that meters smaller than one inch be tested at least every 20 years.

According to Exhibit 21, DWC has found that it costs less to replace the 5/8" by 3/4" size meter than to repair it. It is DWC's position that meters to be replaced should not be tested, since because of their long service (20 years or more) it would not be practical to return them to regular service without inspection and necessary repairs even if they were to test accurately.

Staff opposes the proposed replacement program. The staff witness contends that meters should only be repaired or replaced if the tests required by GO 103 show the meters not to be operating within the limits of accuracy prescribed. However, if the meters fail the test, staff does not dispute that it is less costly to replace 5/8" by 3/4" meters after 20 years of service than to repair them.

To gain information on the accuracy and cost of repairing 5/8" by 3/4" meters that have been in service for 20 years or longer, DWC randomly selected 61 such meters from its 47 billing districts for testing. Two companies were selected for the testing and necessary repairs. Thirty of the meters were sent to one company and the remaining 31 meters were sent to the other. The average age of these meters was 28.3 years. The results were:

1. The average cost of testing was $8.54 per meter.
2. None of the meters tested out within the limits of accuracy prescribed by GO 103 for new meters.
3. Three of the meters tested out within the limits of accuracy prescribed by GO 103 for repaired meters.
4. The average cost of repairs was $33.25 per meter.

The $33.25 repair cost compares with a current cost of purchasing a new 5/8" by 3/4" meter of $26 plus $1.69 sales tax, or $27.69.

Exhibit 22, Meter Program Survey, covers the practices of the water departments of the Cities of Los Angeles, San Diego, and Long Beach and those of several investor-owned water utilities.

It supports the intuitively plausible practice of requiring that, when meters after 20 years of service are pulled for testing to be done at the meter shop, the meters be inspected and have their worn parts replaced before being returned to service. For the staff witness's contention (that only meters failing the test should be repaired) to have practical application, field tests of meter accuracy through the use of standard meters would not only have to be a practical and economical alternative to testing at the meter test shop but would have to be redone periodically and with increasing frequency, because of the meter's age, on any meters that pass the test.

According to GO 103, "standard meters may be used for field tests of meter accuracy provided they are tested and calibrated to permit the test of meters within the limits of accuracy required by these rules, either by the utility with its volumetric or weight standard equipment or by an approved laboratory at least once every 60 days while the standard meter is in use and a record of such tests shall be kept by the utility for a period of not less than five years." As a rule, utilities do not field test because it is more expensive and less accurate than shop testing which can provide controlled, consistent conditions. Moreover, utilities typically do not "pretest" (i.e., test meters prior to repair) meters once they have reached the established age for testing.

We see then, as a practical matter, these small meters would not be field tested. Since their replacement is less-costly than their repair, they should be replaced without testing as proposed by DWC.

DWC's meter replacement program calls for catching up to the 20-year cycle by replacing 4,000 meters per year in 1984-1986. After 1986, DWC would be on the 20-year schedule and replace 1,000-1,200 meters per year. DWC proposes to expense rather than capitalize the replacement meters. Staff also opposes this proposal.

In Exhibit 19, Meter Replacement - Capital vs. Expense, revenue requirements were projected for 1984-2003 using, in the capitalization case, rates of return and capital ratios recommended by staff for the test years. We have extracted from Exhibit 19 the streams of revenue requirements shown in columns (c) and (d) of Table 2 below.

Table 2

20-Year Meter Replacement Program
Capitalization vs. Expensing

Year (a)	No. of Meters (b)	Meters Expensed (Cost of Meters) (c)	Meters Capitalized (d)	Difference (e)=(d)-(c)
		(Dollars in Thousands)		
1984	4,000	$116.0	$ 27.6	$-88.4
1985	4,000	122.0	53.7	-68.3
1986	4,000	128.0	79.7	-48.3
1987	1,000	32.0	80.6	48.6
1988	1,000	32.0	81.9	49.9
1989	1,000	32.0	83.1	51.1
1990	1,000	32.0	83.8	51.8
1991	1,000	32.0	84.1	52.1
1992	1,000	32.0	84.1	52.1
1993	1,000	32.0	83.9	51.9
1994	1,000	32.0	83.7	51.7
1995	1,000	32.0	84.0	52.0
1996	1,000	32.0	84.8	52.8
1997	1,000	32.0	86.1	54.1
1998	1,000	32.0	86.9	54.9
1999	1,000	32.0	87.8	55.8
2000	1,000	32.0	88.3	56.3
2001	1,000	32.0	88.9	56.9
2002	1,000	32.0	89.2	57.2
2003	1,000	32.0	89.4	57.4
Total	29,000	$910.0	$1,611.6	$701.6

We have determined that the meters capitalized revenue stream (column (d)) equates to the meters expensed revenue stream (column (c)) at a nominal interest rate of 19.2% (19.154%). That is, the present worth of the two revenue streams is $353,000 at a discount rate of 19.2%. From another perspective, the calculations resulting from the above tabulation shows that after allowing for a 7% inflation rate, expensing rather than capitalizing the meters can be viewed as benefitting the ratepayers with the equivalent of a 12% real return after taxes.

Fundamentally, the outcome of comparing such revenue streams on a present worth basis is that customers prefer capitalization if and only if the customers' discount rate exceeds the utility's pretax rate of return, the latter from this record being approximately the 19.2% nominal interest rate which we found equates the two revenue streams. It is likely that the majority of customers would perceive their discount rates to be sufficiently below 19.2% to make expensing their preference in this instance, providing that those customers are willing to pay additional rates for a number of years.

Capitalization still, of course, can match costs with benefits over time and minimize any dislocation or adverse impacts on ratepayers. However, in this instance where there are large annual expenditures for meters, expensing significantly distorts the matching of costs with benefits over time and could cause adverse impacts on the ratepayers. From the ratepayers' standpoint, capitalization has tended to become less cost-effective than expensing as rates of return have increased over the years in response to capital market conditions and as changes recently made in the tax laws have effectively precluded the flow-through to the ratepayer of tax benefits realized by utilities. DWC should have petitioned the Internal Revenue Service to obtain the necessary approval of expensing the meters instead of capitalizing the replaced meters. Without such approval the tax consequences of such a change are uncertain.

The Uniform System of Accounts for Water Utilities (US of A) adopted by this Commission prescribes, under utility plant accounts at page 61, accounting for meters and meter installations as follows:

"346. Meters

"A. This account shall include the cost of meters used for measuring the quantity of water delivered to users, whether actually in service or held in reserve.

"B. When a meter is permanently retired from service, the amount at which it is included herein shall be credited to this account.

"C. The records covering meters shall be so kept that the utility can furnish information as to the number of meters of each type and size in service and in reserve as well as the location of each meter included in this account.

"Items

"1. Meters, including badging and initial testing.

"Note A--At its option the utility may include in this account the expenditures provided for in Account 347. (See Note B under Account 347.)

"Note B--The cost of testing meters for accuracy (except initial testing of new meters), repairing, replacing internal parts, and reconditioning for further service shall be charged to Account 764, Maintenance of Meters.

"347. Meter Installations

"A. This account shall include the cost of labor employed, materials used and expenses incurred in connection with the original installation of meters.

"B. When a meter installation is permanently retired from service, the cost thereof shall be credited to this account.

"Items

"1. Meter yokes.

"2. Meter fittings, connections and shelves.

"3. Meter vaults or boxes.

"4. Stops.

"Note A--The cost of removing and resetting meters shall be charged to Account 754, Meter Expenses.

"Note B--At its option the utility may include in Account 345 or in Account 346 the expenditures provided for in this account. If the utility exercises either of the options herein authorized it may not, without first securing authorization from the Commission, thereafter alter its procedure in regard thereto."

The cost of testing/repair of meters has been consistently treated as an expense item. In this vein DWC submits that meter replacement is merely another way of effecting repairs and if conditions change so that repairing is again the lower cost alternative, the cost of the repairs would be expensed. In short, DWC's supporting rationale is "repair" by replacement. We note that California American Water Company and Suburban Water Company currently replace the old meters with new meters without repairing the old meters. However, both companies capitalized the new meters instead of expensing.

Despite the supporting rationale, expensing replacement meters would still be a deviation from the US of A requiring our authorization. Because permitting deviations of this kind for an individual company runs counter to maintaining uniformity of accounting and comparability, they are undesirable, since it will affect all the water utilities as a whole. We will deny a deviation from the US of A at this time. It appears to us that a major policy change should not be made unless other members of the water industry affected have been given an opportunity to express their views and the staff has fully analyzed the issue on how it may affect G.O. 103, US of A, economic impacts on ratepayers and water utilities, potential IRS treatment, and the possible effect on the gas and electric meter replacements.

In addition, the US of A for the water industry is being revised nationally at this time. The issue of expensing the meters instead of capitalization should be brought to the attention of NARUC who is working on the revision of the US of A. Therefore, we direct the staff to work with the NARUC and the California Water Association in this matter.

The adopted results of operation incorporate the effects of capitalizing the replacement meters as required by the current US of A.

Management Salary Increases

The difference in the estimates of the payroll portion of A&G expense is attributable to a staff adjustment to management salaries. Staff's review of six of DWC's highest paid officers and managers indicates that this group, for the recorded years 1981 and 1982, received higher percentage salary increases than the other employees. They received 15.2% average increases for 1981 and 16.0% for 1982. The other employees received 13.2% for 1981 and 8.3% for 1982. For purposes of ratemaking, staff escalated the 1980 recorded salaries of the group of six officers and managers by the percentage increases granted to the remaining employees. This results in a difference between staff and DWC's estimates of 1982 total payroll of $21,000. The effect of this downward adjustment carried out to the test years on expensed payroll is $15,400 for 1984 and $16,200 for 1985.

Staff did not put forth any specific reason why the 1981 and 1982 increases in the payroll account relating to the positions of the group of six officers and managers were deemed to be unreasonable except that they were larger than those granted to the balance of the employees. In Exhibit 29 DWC demonstrated that its nine managers and officers as a group from 1978 to 1982 actually received percentage increases which were less than either the increases granted to the other employees or the increases in the cost of living. It was also explained that some of the management personnel were promoted during this five-year period to positions with more extensive responsibilities and obligations which warranted a commensurate increase in pay. This evidence was uncontroverted and no attempt was made by staff to point out any particular officer or manager whose compensation was deemed excessive. DWC's president testified that DWC had made a study of the salaries paid to persons holding similar positions in other regulated public utilities and that it did not appear that the salaries paid by DWC to officers and managers having similar responsibilities and obligations were excessive or unreasonable.

Staff's proposed adjustment to the 1982 recorded payroll appears to lack justification. DWC's estimates of the payroll portion of A&G expense for the test years are therefore found to be more reasonable and we adopt them.

Pensions and Benefits

In comparing staff's and DWC's estimates we note that the DWC estimates reflect new premium rates for group health insurance. They also reflect a different factor for allocations between capital/subsidiary and expense and a difference due to the effect of staff's disallowing a portion of management salaries

as discussed above. The new group health insurance rates cause DWC's estimates to exceed staff's by $24,000 in 1984 and $25,700 in 1985, and the remaining differences cause DWC's estimates to exceed staff's by $27,100 in 1984 and $29,900 in 1985.

Staff accepted DWC's expense to capital/subsidiary allocation ratio in preparing staff estimates of payroll expensed and is therefore inconsistent in not accepting the comparable ratio for the allocation of pensions and benefits. Because of this inconsistency and in light of our above resolution of management salary issue, we find DWC's pertinent estimates in this regard (i.e., the $24,000 higher in 1984 and $25,700 higher in 1985) more reasonable and adopt them. DWC did not learn of the significantly higher group health insurance rates until late October 1983. Accordingly, DWC was not able to provide this information to staff in time for staff to make any adjustments to its report it might deem proper.

Staff does not dispute the fact that higher rates than originally estimated by DWC and adopted by staff for its report will prevail in the test year. Counsel for staff contends, however, that inclusion of the new premium rates for group health insurance violates the notice requirements of Public Utilities Code Section 454 and the Commission's Rules of Practice and Procedure Nos. 23 and 24. We disagree.

No such violation exists and for good reason. Counsel's contention, if valid, would run counter to the rate case processing plan for water utilities in that general rate increase applications under this plan are intended to encompass a three-year ratemaking cycle. It would similarly preclude the staff's making proper use of the later data which become available as staff makes its

investigation and prepares its report on results of operations. In this proceeding DWC has increased its estimates of net operating revenues at currently effective rates and reduced its estimates of rate base for the test years in relation to the estimates used in the application. It has also reduced its requested rate of return and return on equity from the levels sought in the application.

Counsel's contention on notice requirements is invalid. We find DWC's estimates of $287,400 for 1984 and $306,200 for 1985 for pensions and benefits more reasonable than staff's estimates and adopt them.

Balancing Account Adjustment

Revenues at present rates reflect, in part, an increase in rates, effective July 1, 1983, to cover an undercollection in the balancing account (Advice Letter 121, Resolution W-3097). DWC and staff agree that failure to make some adjustment to reflect that portion of the allowance for the balancing account adjustment, which will not have been recovered by the time this decision becomes effective, will in effect deprive DWC of a portion of the increase granted by the advice letter and of the opportunity to recover the undercollection.

In its estimated operating results for 1984 DWC has included $49,900 as an operating expense, which it estimates to be the amount remaining to be recovered during the period from February 1984 through June 1984. Rather than including the unrecovered amount in operating expenses, we find it preferable to have it put back into the balancing account and our order will so provide. The applicable period determinative of the unrecovered amount will be from the effective date of the rates authorized by this decision through June 1984.

Depreciation and Rate Base

As noted earlier, part of differences between DWC and staff in their estimates of depreciation and rate base is due to DWC's estimates reflecting the expensing of small meter replacements and the leasing of vehicles. The remaining differences are due primarily to DWC's estimates reflecting new computer equipment and larger construction budgets.

The new computer equipment would cost $62,600 and is needed (1) to upgrade DWC's system to comply with our stated objective of encouraging report card billing for metered customers, (2) to submit WUDFI (Water Utility Data File Input) on a monthly basis to the Commission, and (3) to upgrade obsolete disc drives. In a letter dated August 24, 1983 to water utilities (Exhibit 25), the Commission's Executive Director stated in part:

> ". . .the Commission voted to vigorously encourage report card billing for metered customers. In addition to the information already included on bills, report card bills provide description of the service and commodity charges to enable a customer to understand how the total bill is calculated. These bills also state the previous year's water use for the same billing period, for the customer's comparison. The Commission believes this type of information, now being provided by energy utilities to their customers, not only encourages conservation but also assists budget-conscious families to plan their expenses better.

> "The goal is to have all water company bills designed to provide this information (two examples of report card billing are attached to this letter). The Commission realizes, however, that the limitations of existing billing systems for many of you may prevent this from being a reality in the near future. During the interim period, therefore, the Commission is directing water companies to furnish their customers with a bill insert (sample attached) to describe all billing charges. This should be sent to your metered customers at least once a year and whenever a rate increase is effective. For example, companies may routinely send this insert in June; if the company receives a rate increase the following October a new bill insert would be sent then to explain the new rates.
>
> "We are asking that all affected companies (those providing metered water to customers) notify the Hydraulic Branch by November 30, 1983, of your plans to carry out this directive and to submit a copy of the bill or bill insert for Commission files. Our staff will also be monitoring compliance with this policy in your rate cases. . . ."

DWC has difficulty in submitting monthly data to the Commission staff under the WUDFI program because DWC's present data equipment system is not capable of handling the tape format required. That is, a 1,600 BPI (bits per inch) tape is required but DWC's present equipment handles only 800 BPI.

The staff witness opposes the computer upgrading, contending that a combination of a once-a-year or a whenever-rates-change bill insert, designated as an interim measure in Exhibit 25, supra, and showing on the bill the usage in the same billing period for the previous year, is all that is necessary to accomplish report card billing. This contention is deficient in that it overlooks that showing the service charge and quantity rates on the bill is an integral part of report card billing. Staff counsel applies the argument on notice, which we rejected earlier, to this computer upgrading.

A $62,600 expenditure of a utility serving 30,000 customers to upgrade its data processing equipment in order to meet the three needs specified is reasonable and has been reflected in our adopted operating results.

Different estimates of 1983 plant additions affect 1984 and 1985 rate base estimates. Exhibits 16 and 17 and the uncontroverted testimony of DWC's construction manager make it evident that the net increase to net utility plant due to 1983 plant additions over the staff estimates, after consideration of changes to the depreciation of this plant, would be $275,400 for test year 1984 and $268,100 in test year 1985. The rate base estimates of DWC and staff further differ by $65,000 in 1984 and $63,000 in 1985, as the result of staff's using 91.7% of DWC's budgeted amounts of plant additions for the test years. This staff adjustment is generally supported by a comparison of the budgeted versus actual expenditures for plant additions over the period 1978 through 1982. While its use is appropriate for the test years 1984 and 1985, it is not for 1983 in light of DWC's showing on 1983 plant additions in that it appears virtually certain that plant additions at the level projected by DWC for 1983 will be completed, or nearly completed with the small incompleted part in construction work in progress, by the end of 1983. We find DWC's estimate of plant additions for 1983 to be more reasonable than staff's and the staff's estimates of plant additions for 1984 and 1985 to be more reasonable than DWC's.

In summary, our adopted depreciation expense and rate base reflect the leasing of vehicles, the capitalizing of 5/8" by 3/4" replacement meters, the upgrading of data processing equipment, and the 1983 plant additions as projected by DWC. They reflect the 1984 and 1985 plant additions as projected by staff.

Adopted Quantities

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

Authorized Revenue Increases

By comparing the entries for operating revenues in Table 1, it can be seen that (1) the rates to be authorized for test year 1984 yield additional gross revenues of $428,800 which represent a 3.79% increase over revenues at present rates, and (2) the rates to be authorized for test year 1985 yield additional gross revenues of $608,500 which represent a 5.34% increase over revenues at present rates. In addition, a third set of rates will be authorized to allow for attrition in rate of return after test year 1985. This is in keeping with our intention that the districts of Class A water utilities will not file a general rate increase application more often than once in three years.

The attrition to be allowed for after 1985 has an operational component and a financial component. Its operational component is 0.58% as indicated by the 1984 rate of return of 10.72% declining to 10.14% for 1985 at present rates as shown in Table 1. Its financial component is the adopted estimate of financial attrition in rate of return between years 1985 and 1986 of 0.19% (i.e., the difference between the weighted cost of long term debt of 5.45% and 5.26% for years 1986 and 1985, respectively).

To offset the 0.77% combined financial-operational attrition rate, we may authorize a step increase for 1986 of up to $232,000. DWC will be required to file an advice letter with supporting work papers on or after November 15, 1985 to justify such an increase. Fixing rates in this way results in a better matching of the consumers' interests that setting a high initial rate which would yield the adopted rate of return for a three-year average. The required supplemental filings will permit review of achieved rates of return before the final step increase is granted. Since the company is proposing a very extensive meter replacement program for the next three years, we will also require evidence that the program is proceeding satisfactorily before authorizing 1985 and 1986 step rates.

Rate Design

There were no significant issues between DWC and staff. DWC proposes to retain the existing three-block quantity rate structure for general metered service. The blocks are: first 300 cubic feet; next 499,700 cubic feet; and over 500,000 cubic feet. Staff concurs with this proposed retention and recommends the adoption in a rate design which will result in a lifeline differential of 25% for residential customers. Staff has no objections to increasing the service charge for residential customers within this limit so long as no group of users is exposed to excessive increases. We concur.

Conservation and Pump Efficiencies

DWC has conducted a continuing conservation campaign since 1973. The conservation efforts made over the years appear, from Exhibit 3, to have met with some success. In that exhibit a graphical comparison of water sales, temperatures, and rainfall indicates that residential customers have been reducing their usage since 1970.

A summary of continuing conservation activities was presented in the testimony of DWC's president. DWC will upgrade its data processing equipment to provide report card billing as previously discussed.

DWC has 24 booster pumps and well pumps. Their efficiencies, as rated by staff, are tabulated below.

Rating	Number
Low	2*
Fair	4
Good	7
Excellent	9
Data Not Available (New Installation)	2
	24

*These pumps to be worked on and their efficiencies upgraded in 1984 according to DWC.

Service

A review of the Commission's customer complaint records for 1983 indicates that seven informal complaints were filed against DWC and that all of the complaints were satisfactorily resolved.

Tabulated below from DWC's records are customer complaints for 1982 and 1983. DWC's investigative reports reveal the complaints were all satisfactorily resolved:

	1982	1983 (Jan. - Aug.)
Color	89	58
Taste and Odor	271	299
Pressure	58	50
Meter Leak	250	167
Main Leak	69	44
Service Leak	118	69
Pvt. Plumbing	260	178
Other	417	316
	1,532	1,181

In June 1983 staff inspected DWC's service area. Staff considers DWC's service to be satisfactory.

Findings of Fact

1. DWC's service, conservation program, pump efficiency program, and water quality are satisfactory.

2. The adopted estimates of operating revenues, operating expenses, and rate base for the test years 1984 and 1985, together with an annual fixed rate of decline in rate of return of 0.58% for 1986 due to operational attrition, reasonably indicate the results of DWC's future operations.

3. The adopted estimates reflect the resolution of contested items to which the following specific findings pertain:

a. DWC's estimate of 607.2 kWh/AF of water produced, which includes an adjustment to recorded data to account for wells not in operation in response to the "in-lieu program" and reflects an assessment of the effects of pump overhauls and problems with an aquifer formation, is reasonable.

b. DWC's leasing rather than purchasing vehicles is not unreasonable.
c. DWC's management salaries are not unreasonable.
d. An approximately $25,000 increase in group health insurance costs over the original cost estimates will be experienced.
e. It is reasonable to acquire new computer equipment costing $62,600 which is needed to (1) provide report card billing, (2) submit data (WUDFI) on a monthly basis to the Commission and, (3) upgrade obsolete disc drives.
f. It is reasonable to adopt the 1983 plant additions as projected by DWC and the 1984 and 1985 plant additions as projected by staff.

4. Currently, it costs less to replace 5/8" by 3/4" meters after 20 years of service than to repair them.

5. While it may be cost effective to expense rather than capitalize the 5/8" by 3/4" replacement meters, further study of this issue by the staff and the regulated water industry is desirable.

6. It is reasonable to authorize DWC to place in the balancing account the unrecovered portion of the undercollection included in rates made effective July 1, 1983. The unrecovered portion will be determined by the product of $9,975 per month and the number of months in the period between the effective date of the rates authorized by this decision and June 30, 1984.

7. Rates of return of 12.15, 12.16, and 12.35%, respectively, on DWC's rate base for 1984, 1985, and 1986 are reasonable. The related return on common equity each year is 14.50%. This will require an increase of $428,800 or 3.79% in annual revenues for 1984; a further increase of $179,700 or 1.53% for 1985; and a further increase of $232,000 or 1.93% for 1986.

8. The adopted rate design is reasonable.

9. The increases in rates and charges authorized by this decision are justified, and are just and reasonable.

10. The further increases authorized in Appendix A 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 and/or September 30, 1985, exceeds the lower of (a) the rate of return found reasonable by the Commission for DWC during the corresponding period in the most recent rate decision or (b) 12.15% for 1984 and 12.16% for 1985.

Conclusions of Law

1. The application should be granted to the extent provided by the following order; the adopted rates are just, reasonable, and nondiscriminatory.

2. Because of the immediate need for additional revenues, the following order should be effective today.

O R D E R

IT IS ORDERED THAT:

1. Dominguez Water Corporation (DWC) is authorized to file the revised rate schedules for 1984 shown in Appendix A attached to this order and to concurrently cancel its present schedules for such service. This filing shall comply with General Order (GO) Series 96. The effective date of the revised schedules shall be 4 days after 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 DWC is authorized to file an advice letter, with appropriate work papers, requesting the step rate increases for 1985 shown in Appendix A attached to this order, or to file a lesser increase which includes a uniform cents per hundred 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 ended September 30, 1984, exceeds the lower of (a) the rate of return found reasonable by the Commission for DWC during the corresponding period in the then most recent rate decision or (b) 12.15%. This filing shall comply with GO Series 96 and shall include a letter indicating the number of meters replaced. If DWC does not replace 4,000 meters in the year 1984, the allowable rate of return due to attrition will be reduced proportioned to the amount of meters replaced. The requested step rates shall be reviewed by staff and shall go into effect upon staff's determination that they conform with this order. But 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 rate, whichever is later.

.3. On or after November 15, 1985 DWC is authorized to file an advice letter, with appropriate work papers, requesting the step rate increases for 1986 shown in Appendix A attached to this order, or to file a lesser increase which includes a uniform cents per hundred cubic feet of water adjustment from Appendix A in the event that the respective 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, 1985, exceeds the lower of (a) the rate of return found reasonable by the Commission for DWC during the corresponding period in the then most recent rate decision or (b) 12.16%. This filing shall comply with GO Series 96 and shall include a letter indicating the number of meters replaced. If DWC does not replace 4,000 meters in the year 1985 or 8,000 meters in 1984 and 1985, the allowable rate of return due to attrition will be reduced accordingly. The requested step rates shall be reviewed by staff and shall go into effect upon staff's determination that they conform with this order. But 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, 1986, or 30 days after the filing of the step rates, whichever is later.

4. DWC is authorized to place in the balancing account the unrecovered portion of the undercollection included in the rates made effective July 1, 1983. The unrecovered portion shall be determined as specified in Finding of Fact 6 of this decision.

This order is effective today.

Dated MAR 21 1984, at San Francisco, California.

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

I abstain.

LEONARD M. GRIMES, JR., Commissioner

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

Joseph E. Bodovitz, Executive Director

APPENDIX A
Page 1

Dominguez Water Corporation

SCHEDULE NO. 1

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service excepting metered irrigation service.

TERRITORY

Portions of Carson, Los Angeles, Long Beach, Torrance, and vicinity, Los Angeles County.

RATES

Service Charge:	Per Meter Per Month
For 5/8 x 3/4-inch meter	$ 3.10
For 3/4-inch meter	-
For 1-inch meter	8.00
For 1½-inch meter	16.00
For 2-inch meter	27.50
For 3-inch meter	53.30
For 4-inch meter	69.30
For 6-inch meter	116.00
For 8-inch meter	169.00
For 10-inch meter	213.00
For 12-inch meter	328.00

Quantity Rate:	
First 300 cu.ft., per 100 cu.ft.	$ 0.368
Next 499,700 cu.ft., per 100 cu.ft.	0.722
Over 500,000 cu.ft., per 100 cu.ft.	0.615

The service charge applies to all metered service connections, to it is added the charge for water used during the month at quantity rates.

APPENDIX A
Page 2

Dominguez Water Corporation

SCHEDULE NO. 3M

METERED IRRIGATION SERVICE

APPLICABILITY

Applicable to all metered irrigation service.

TERRITORY

Portions of Carson, Los Angeles, Long Beach, Torrance, and vicinity, Los Angeles County.

RATES

Service Charge:	Per Meter Per Month
For 1-inch meter	$ 8.00
For 1½-inch meter	16.00
For 2-inch meter	27.50
For 3-inch meter	53.30
For 4-inch meter	69.30
For 6-inch meter	116.00
For 8-inch meter	169.00
For 10-inch meter	213.00
For 12-inch meter	328.00

Quantity Rate:	
Per 100 cu.ft.	$ 0.595

The service charge applies to all metered service connections, to it is added the charge for water used during the month at quantity rates.

Dominguez Water Corporation

SCHEDULE NO. 4

PRIVATE FIRE PROTECTION SERVICE

APPLICABILITY

Applicable to all water service furnished for privately owned fire protection systems.

TERRITORY

Approximately 35 square miles located south of the City of Los Angeles, north of the community of Wilmington, east of the City of Redondo Beach, and west of the Los Angeles River, all in the County of Los Angeles. Included are portions of the cities of Torrance, Los Angeles, Carson, Compton and Long Beach.

	Per Month
RATE	
For each inch of diameter of the service connection	$ 5.30

APPENDIX A
Page 4

Dominguez Water Corporation

AUTHORIZED INCREASE IN RATES

TO SCHEDULE NO. 1

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

	Rates to be Effective 1-1-85	1-1-86
Service Charge:		
For 5/8 x 3/4-inch meter	$ 0.10	$ 0.10
For 3/4-inch meter	-.	-.
For 1-inch meter	0.10	0.10
For 1½-inch meter	0.35	0.35
For 2-inch meter	0.60	0.60
For 3-inch meter	1.15	1.05
For 4-inch meter	1.50	1.40
For 6-inch meter	2.50	2.50
For 8-inch meter	3.70	3.30
For 10-inch meter	4.70	4.30
For 12-inch meter	7.20	6.80
Quantity Rate:		
First 300 cu.ft., per 100 cu.ft.	$ 0.007	$ 0.005
Next 499,700 cu.ft., per 100 cu.ft.	0.009	0.006
Over 500,000 cu.ft., per 100 cu.ft.	0.007	0.008

APPENDIX A
Page 5

Dominguez Water Corporation

AUTHORIZED INCREASE IN RATES

TO SCHEDULE NO. 3M

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

	Rates to be Effective 1-1-85	1-1-86
Service Charge:		
For 1-inch meter	$ 0.10	$ 0.10
For 1½-inch meter	0.35	0.35
For 2-inch meter	0.60	0.60
For 3-inch meter	1.15	1.05
For 4-inch meter	1.50	1.40
For 6-inch meter	2.50	2.50
For 8-inch meter	3.70	3.30
For 10-inch meter	4.70	4.30
For 12-inch meter	7.20	6.80
Quantity Rate:		
Per 100 cu.ft.	$ 0.005	$ 0.007

APPENDIX A
Page 6

Dominguez Water Corporation

AUTHORIZED INCREASE IN RATES

TO SCHEDULE NO. 4

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

	Rates to be Effective 1-1-85	1-1-86
RATE		
For each inch of diameter of the service connection	$ 0.10	$ 0.10

(END OF APPENDIX A)

APPENDIX B
Page 1

Dominguez Water Corporation

COMPARISON OF MONTHLY RATES

GENERAL METERED SERVICE - SCHEDULE NO. 1

Item	Current Rates*	Proposed Rates** 1984	Proposed Rates** 1985	Proposed Rates** 1986	Adopted Rates 1984	Adopted Rates 1985	Adopted Rates 1986
Service Charge							
For 5/8 x 3/4-inch meter	$ 2.97	$ 3.81	$ 4.15	$ 4.56	$ 3.10	$ 3.20	$ 3.30
For 3/4-inch meter	-.	-.	-.	-.	-.	-.	-.
For 1-inch meter	7.60	9.50	10.40	11.40	8.00	8.10	8.20
For 1½-inch meter	14.80	19.00	20.75	22.80	16.00	16.35	16.70
For 2-inch meter	25.50	30.35	33.20	36.50	27.50	28.10	28.70
For 3-inch meter	48.50	37.10	62.30	68.50	53.30	54.45	55.50
For 4-inch meter	63.00	95.10	103.90	114.10	69.30	70.80	72.20
For 6-inch meter	105.50	190.20	207.60	228.30	116.00	118.50	121.00
For 8-inch meter	154.00	304.50	332.40	365.10	169.00	172.70	176.00
For 10-inch meter	194.00	381.00	414.80	456.00	213.00	217.70	222.00
For 12-inch meter	298.50	566.70	625.00	683.30	328.00	335.20	342.00
For 18-inch meter	451.00	-	-	-	-	-	-
Quantity Rate							
First 300 cu.ft., per 100 cu.ft.	$ 0.368	$ 0.418	$ 0.417	$ 0.420	$ 0.368	$ 0.375	$ 0.380
Next 499,700 cu.ft., per 100 cu.ft.	0.697	0.611	0.610	0.614	0.722	0.731	0.737
Over 500,000 cu. ft., per 100 cu.ft.	0.591	0.489	0.487	0.491	0.615	0.622	0.630

The Service Charge applies to all metered service connections, to it is added the charge for water used during the month at quantity rates.

* Current rates were effective January 5, 1984, by Resolution No. W-3137, as a result of Advice Letter No. 123.

** Proposed rates were based on increases over rates effective January 1, 1983, in Advice Letter No. 120.

APPENDIX B

Page 2

Dominguez Water Corporation

COMPARISON OF MONTHLY RATES

METERED IRRIGATION SERVICE - SCHEDULE NO. 3M

Item	Current Rates*	Proposed Rates** 1984	Proposed Rates** 1985	Proposed Rates** 1986	Adopted Rates 1984	Adopted Rates 1985	Adopted Rates 1986
Service Charge							
For 1-inch meter	$ 7.60	$ 9.50	$ 10.40	$ 11.40	$ 8.00	$ 8.10	$ 8.20
For 1-1/2-inch meter	14.80	19.00	20.75	22.80	16.00	16.35	16.70
For 2-inch meter	25.50	30.35	33.20	36.50	27.50	28.10	28.70
For 3-inch meter	48.50	37.10	62.30	68.50	53.30	54.45	55.50
For 4-inch meter	63.00	95.10	103.90,	114.10	69.30	70.80	72.20
For 6-inch meter	105.50	190.20	207.60	228.30	116.00	118.50	121.00
For 8-inch meter	154.00	304.50	332.40	365.10	169.00	172.70	176.00
For 10-inch meter	194.00	381.00	414.80	456.00	213.00	217.70	222.00
For 12-inch meter	298.50	566.70	625.00	683.30	328.00	335.20	342.00
For 18-inch meter	451.00	-	-	-	-	-	-
Quantity Rate Per 100 cu.ft.	$ 0.576	0.490	0.475	0.492	0.595	0.600	0.607

The service charge applies to all metered service connections, to it is added the charge for water used during the month at quantity rates.

*Current rates were effective January 5, 1984 by Resolution W-3137, as a result of Advice Letter No. 123.

**Proposed rates were based on increases over rates effective January 1, 1983 in Advice Letter No. 120.

APPENDIX B

Page 3

Dominguez Water Corporation

COMPARISON OF MONTHLY RATES

PRIVATE FIRE PROTECTION SERVICE - SCHEDULE NO. 4

Item	Current Rates*	Proposed Rates 1984	Proposed Rates 1985	Proposed Rates 1986	Adopted Rates 1984	Adopted Rates 1985	Adopted Rates 1986
For each inch of diameter of the Service connection	$ 4.55	$ 5.00	$ 5.50	$ 6.05	$ 5.30	$ 5.40	$ 5.50

*Current rates were effective January 5, 1984 by Resolution No. W-3137, as a result of Advice Letter No. 123

(END OF APPENDIX B)

APPENDIX C

Page 1

ADOPTED TAX CALCULATION

Dominguez Water Corporation

	Test Year 1984		Test Year 1985	
	CCFT	FIT	CCT	FIT
	(Dollars in Thousands)			
Operating Revenue	$11,744.4	$11,744.4	$12,001.1	$12,001.1
Expenses				
General Office Alloc.	(23.3)	(23.3)	(23.2)	(23.2)
Operation & Maintenance	6,780.0	6,780.0	6,879.3	6,879.3
Administrative & General	1,354.1	1,354.1	1,431.0	1,431.0
Taxes Other Than Income	247.2	247.2	262.4	262.4
CCFT	0	175.3	0	180.9
Subtotal	8,358.0	8,533.3	8,549.5	8,730.4
Deductions from Taxable Income				
Tax Depreciation	778.9	647.8	780.5	652.5
Interest Expense	781.6	781.6	787.2	787.2
Subtotal	1,560.5	1,429.4	1,567.7	1,439.7
Net Taxable Income (CCFT)	1,825.9		1,883.9	
CCFT @ 9.6%	175.3		180.9	
Net Taxable Income (FIT)		1,781.7		1,831.0
FIT @ 46%		819.6		842.3
Graduated Tax Adjustment		-18.9		-18.9
ITC		0.0		0.0
Total FIT		800.7		823.4

ALT/COM/WTB *

APPENDIX C
Page 2
Dominguez Water Corporation

METERED WATER SALES USED TO DESIGN RATES
ADOPTED QUANTITIES

Meter Size	Annual No. of Services 1984	1985
5/8 x 3/4	26,644	26,826
3/4	-	-
1	1,019	1,036
1½	615	626
2	1,169	1,189
3	162	167
4	60	58
6	22	22
8	26	27
10	18	18
12	2	2
Total	29,737 1/	29,971 1/

Quantity Blocks (CCF)	Consumption 1984 (KCCF)	1985 (KCCF)
0-3	1,032.9	1,040.9
3-5,000	9,110.3	9,181.7
Over 5,000	3,447.0	3,410.4
Subtotal	13,590.2	13,633.0
Metered Irrigation:		
Per CCF	315.4	324.4
Total	13,905.6	13,957.4

Number of Services:

	No. of Services 1984	1985	Usage-KCcf 1984	1985	Avg. Usage-Ccf/yr. 1984	1985
Residential	26,191	26,361	4,389.6	4,418.1	167.6	167.6
Business	3,085	3,146	3,963.9	4,042.3	1,284.9	1,284.9
Industrial	114	115	385	342	3,376.0	2,974.0
Industrial Large	17	17	3,373.0	3,373.0	198,412.0	198,412.0
Public Authority	200	203	411.0	389.0	2,050.0	1,914.0
Public Authority Large	5	5	1,014.0	1,014.0	202,800.0	202,800.0
Irrigation	100	99	315.4	324.0	3,154.0	3,277.0
Other	25	25	54.0	55.0	-	-
Subtotal	29,737	29,971	13,905.9	13,957.4		
Private Fire Prt.	857	899				
Public Fire Prt.	14	14				
Total	30,608	30,884				
Water Loss			1,046.7	1,050.5		
Total Water Produced			14,952.6	15,007.9		

1/ Includes irrigation meters

APPENDIX C

Page 3

Dominguez Water Corporation

ADOPTED QUANTITIES

Net-to-Gross 2.089

Federal Tax Rate 46%

State Tax Rate 9.6%

Uncollectibles Rate 0.45%

Postage	1984	1985
Number of mailings	20,480	20,652
Amount	$49,103	$49,515
Based on: 17¢ per letter plus 1.5¢ per letter for mail services		
Allowance for Administration:	8%	8%

APPENDIX C

Page 4

Dominguez Water Corporation

ADOPTED QUANTITIES

Water Supply and Purchased Power

In Acre Feet	1984	1985
Purchased Water - MWD	19,588	19,711
Pumped Water	14,738	14,742
Total	34,326	34,453
Acre feet - boosted	7,170	7,170
KWH used		
Administration Bldg.	260,000	260,000
Pumped	8,606,992	8,609,328
Boosted	1,778,160	1,778,160
Total	10,645,152	10,647,488
KWH per AF		
Pumped	607.2	607.2
Boosted	248.0	248.0
Purchased Power Costs		
Administration Bldg.	$ 20,177	$ 20,177
Pumped	525,715	525,858
Boosted	133,223	133,080
Service Charge	64,285	64,285
Total	$ 743.400	$ 743.400

Electric:

Southern California Edison Company

Rates Effective:	8/22/83
Components	Per KWH
Base Rate ($)	0.02277
ECABF	0.03268
AER	0.00427
CTMABF	0.00027
ERAM	0.00040
SSABF	0.00049
ECS	0.00020
	0.06108

APPENDIX C

Page 5

Dominguez Water Corporation

ADOPTED QUANTITIES

Water Supply and Costs

In Acre Feet	1984	1985
Purchased Water - MWD	19,588	19,711
Pumped Water	14,738	14,742
Total	34,326	34,453
Sales	31,923	32,042
Unaccounted for	2,403	2,411
% of Total	7.0%	7.0%
Purchased Water - MWD	19,588	19,711
Costs per Acre Foot (Eff. 1-1-84)	$ 226.00	$ 226.00
Total cost of purchased water	$4,426,900	$4,454,700
Less irrigation credit	22,400	23,000
Net cost of purchased water	$4,404,500	$4,431,700
Replenishment Tax		
Total pumped	14,738	14,742
Entitlement		
Cost per Acre Foot	27.00	27.00
Total replenishment tax	$ 397,926	$ 398,034
Net replenishment tax	$ 397,926	$ 398.034

(END OF APPENDIX C)

APPENDIX D
DOMINGUEZ WATER CORPORATION

Comparisons of typical bills for residential metered customers of various usage level and average level at present and authorized rates for the year 1984.

General Metered Service
(5/8 x 3/4-inch meters)

Monthly Usage (Cubic Feet)	At Present Rates	At Authorized Rates	Percent Increase
300	$ 4.07	$ 4.20	3.2%
500	5.47	5.65	3.3
1,000	8.95	9.26	3.5
1,400 (Average)	11.74	12.15	3.5
2,000	15.92	16.48	3.5
3,000	22.89	23.70	3.5
5,000	36.83	38.14	3.6
10,000	71.68	74.24	3.6

(END OF APPENDIX D)