

ORIGINAL

Decision 82 01 51 JAN 5 1982

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the matter of the application )	
of CALIFORNIA WATER SERVICE )	
COMPANY for an order authorizing )	Application 60568
it to increase rates charged for )	(Filed May 20, 1981)
water service in its Hermosa- )	
Redondo District. )	

Donald Houck and McCutchen, Doyle, Brown & Enersen, by A. Crawford Greene, Attorney at Law, for California Water Service Company, applicant.  
Steven Weissman, Attorney at Law, and Mehdi G. Raepour, for the Commission staff.

O P I N I O N

By this application, California Water Service Company (CWS), seeks authority to increase the rates for water service in its Hermosa-Redondo District to produce annual revenue increases of \$657,000 or 14% in 1982, additional amounts of \$239,000 or 4% in 1983, and \$267,700 or 5% in 1984. Evidentiary hearings were held in this proceeding on a consolidated record with Applications (A.) 60567, 60569, and 60570, before Administrative Law Judge John Lenke in San Francisco, September 21 through September 24, 1981. Public witness testimony was heard on September 21 immediately prior to the commencement of the evidentiary hearings. No one appeared at the public witness testimony to protest the application. The public witness testimony and evidentiary hearings were preceded by an informal public meeting held in Redondo Beach on July 9, 1981. No customers attended the meeting. Notice of the meeting, of the public witness testimony, and of public hearings was preceded by mailing bill inserts to each customer in the district.

General Information

CWS owns and operates water systems in 20 operating districts within California. Each district is operated separately with accounting and separate tariff schedules maintained for each service area. The general office of the company is located in San Jose. Preparation of customers' bills for all districts is handled at the San Jose office. Overall functions, such as accounting, engineering, and water quality control, are also centralized at the San Jose headquarters. The company maintains a water meter repair facility in Stockton.

As of December 31, 1980, CWS had a statewide investment in utility plant of \$246,143,935 (including utility plant under construction), served 308,455 customers and employed 490 persons. Gross operating revenue for the 12-month period ended December 31, 1980 was \$60,467,962. Stock ownership of the company is widely distributed, there being about 7,600 shareholders, the largest of whom owns approximately 8.8% of the outstanding shares. The ten largest shareholders own approximately 28.6%.

The last general increase in the Hermosa-Redondo District was authorized by Decisions (D.)90425 and 92110 dated June 19, 1979 and August 19, 1980 in A.58093. Present rates became effective January 1, 1981. This district includes the Cities of Hermosa Beach and Redondo Beach, a portion of the City of Torrance, and unincorporated portions of Los Angeles County. Much of the terrain served is hilly, with elevations ranging from sea level to more than 200 feet above sea level. The population within the area served is about 110,000.

Water for the district is obtained from four sources:

(1) four metered connections from the West Basin Municipal Water District (the primary source of water for the district); (2) three company-owned wells located within the service area; (3) three small interconnections with applicant's adjacent Palos Verdes District System; (4) two standby connections with the Los Angeles Flood Control District. There is also an emergency connection with the nearby Dominguez Water Corporation. The company maintains long transmission mains to transport water to the point of use from two separate Municipal Water District feeder lines. The transmission and distribution system includes about 208 miles of mains ranging up to 24 inches, and approximately 21.6 million gallons of storage capacity. There are about 22,500 metered services, 120 private fire protection services, and 1,080 public fire hydrants.

CWS' tariffs for this district are primarily for general metered service, private fire protection service, and public fire hydrant service.

Customer Service  
and Conservation

Absence of customer complaints at the public meeting or at the public witness testimony hearing suggests that the company's service in the area is satisfactory. In the companion decision issued in A.60567 there is a comprehensive discussion of the company's ongoing conservation program, which appears to us to be very satisfactory.

Results of Operations

CWS has provided recorded revenues and expenses for the years 1976 through 1980, and from this information has projected revenues and expenses for 1981 and for test years 1982 and 1983. The staff has made its own projections, which vary in part from the company's. In some of these differences CWS has concurred with the staff and amended its summaries of earnings. The only other areas still in dispute are discussed below.

Payroll, Transportation, Fire Protection,  
and Tank-Painting Expenses

These issues are common to each of the consolidated proceedings. In the companion decision issued in A.60567, we adopted as reasonable the following:

1. Increased payroll expenses of 10.5% in 1982 and 10.0% in 1983;
2. Increased transportation expense of 10% per year;
3. Amortization of tank paintings over the three-year period covered by this proceeding; and
4. Increased fire protection rates by \$1.50 per inch of pipe diameter, spread over a three-year period.

The arguments of the parties and reasons for adopted methodologies are detailed in the companion decision and need not be repeated here.

Federal Income Taxes

Since this matter was submitted, we issued D.93848, dated December 15, 1981 in OII 24. Basically, that decision gives effect to the Economic Recovery Tax Act of 1981 (ERTA). This new law causes an increase in federal income tax expenses for ratemaking purposes due to elimination of the full flow-through to ratepayers of accelerated depreciation and investment tax credit on utility plant additions placed in service after December 31, 1980.

CWS had offered an exhibit showing the effect of ERTA. The staff chose not to address this issue until our decision in OII 24. The staff has now developed information reflecting our adoption of the conventional normalization method for purposes of applying ERTA. CWS concurs with the staff development.

Summary of Earnings

The information shown in Tables 1 and 2 reflect CWS' adjusted estimates, the staff's estimates, and the effect of disputed issues, as well as adopted revenues and expenses for test years 1982 and 1983.

Table 1

CALIFORNIA WATER SERVICE COMPANY  
Hermosa-Redondo District

COMPARISON - CWS AND STAFF - SUMMARY OF EARNINGS

	<u>Test Year 1982</u>		<u>Test Year 1983</u>	
	<u>CWS</u>	<u>Staff</u>	<u>CWS</u>	<u>Staff</u>
	(Dollars in Thousands)			
<u>Present Rates</u>				
Operating revenues	\$ 4,853.2	\$ 4,853.2	\$ 4,870.7	\$ 4,870.7
Operating Expenses:				
Purchased power	205.7	205.7	206.2	206.2
Purchased water	1,546.9	1,546.9	1,553.5	1,553.5
Replenishment assessment	34.7	34.7	34.7	34.7
Purchased chemicals	0.6	0.6	0.6	0.6
Payroll - District	509.3	502.0	560.4	550.5
Other O & M	371.7	331.9	390.7	348.3
Other A & G and miscellaneous	43.0	43.0	43.7	43.7
Ad valorem taxes - District	116.8	116.8	120.7	120.7
Payroll taxes - District	36.6	36.1	39.8	39.1
Depreciation	303.5	303.5	311.3	311.3
Ad valorem taxes - G.O.	1.8	1.8	1.8	1.8
Payroll taxes - G.O.	8.6	8.5	9.3	9.1
Other prorates - G.O.	367.7	363.9	402.1	396.9
Balancing account adjustment:				
Sub Total	<u>3,546.9</u>	<u>3,495.4</u>	<u>3,674.8</u>	<u>3,616.4</u>
Uncollectibles	5.9	5.9	5.9	5.9
Local franchise tax & business license	15.3	15.3	15.3	15.3
Income taxes before ITC	281.6	309.0	187.5	220.8
Investment tax credit:	(53.8)	(53.8)	(57.5)	(57.5)
Total operating expenses	<u>3,795.9</u>	<u>3,771.8</u>	<u>3,826.0</u>	<u>3,800.9</u>
Net Operating Revenues	1,057.3	1,081.4	1,044.7	1,069.8
Rate Base	11,119.8	11,119.8	11,368.1	11,368.1
Rate of Return	9.51%	9.72%	9.19%	9.41%
<u>Proposed Rates</u>				
Operating Revenues	5,515.0	5,515.0	5,778.2	5,778.2
Operating Expenses:				
Sub Total	3,546.9	3,495.4	3,674.8	3,616.4
Uncollectibles	6.7	6.7	7.0	7.0
Local franchise tax & business license	15.8	15.8	15.9	15.9
Income taxes before ITC	619.7	647.1	-651.2	684.5
Investment tax credit:	(53.8)	(53.8)	(57.5)	(57.5)
Total operating expenses	<u>4,125.3</u>	<u>4,111.2</u>	<u>4,291.4</u>	<u>4,266.3</u>
Net Operating Revenues	1,379.7	1,403.8	1,486.8	1,511.9
Rate Base	11,119.8	11,119.8	11,368.1	11,368.1
Rate of Return	12.41%	12.62%	13.08%	13.30%

(Red Figure)

Table II

CALIFORNIA WATER SERVICE COMPANY  
Hermosa-Redondo District

ADOPTED SUMMARY OF EARNINGS

	Test Year 1982	Test Year 1983
	(Dollars in Thousands)	
<u>At Present Rates</u>		
Operating Revenues	\$ 4,853.2	\$ 4,870.7
Operating Expenses:		
Purchased Power	205.7	206.2
Purchased Water	1,546.9	1,553.5
Replenishment Assessment	34.7	34.7
Purchased Chemicals	0.6	0.6
Payroll - District	504.3	555.6
Other O & M	367.9	384.2
Other A & G and Miscellaneous	43.0	43.7
Ad Valorem Taxes - District	116.8	120.7
Payroll Taxes - District	36.3	39.1
Depreciation	303.5	311.3
Ad Valorem Taxes - G.O.	1.8	1.8
Payroll Taxes - G.O.	8.6	9.1
Other Prorates - G.O.	364.6	395.1
Balancing Account Adjustment	-	-
Subtotal	<u>3,534.7</u>	<u>3,655.7</u>
Uncollectibles	5.9	5.9
Local Franchise Tax & Business License	15.3	15.3
Income Taxes Before ITC	310.7	234.1
Investment Tax Credit	<u>(3.6)</u>	<u>(0.9)</u>
Total Operating Expenses	3,863.0	3,910.1
Net Operating Revenues	990.2	960.6
Rate Base	11,073.2	11,217.3
Rate of Return	8.94%	8.56%
<u>At Rate Level Adopted</u>		
Operating Revenues	\$ 5,452.7	\$ 5,680.1
Operating Expenses:		
Subtotal	3,534.7	3,655.7
Uncollectibles	6.6	6.9
Local Franchise Tax & Business License	15.7	15.8
Income Taxes Before ITC	617.0	647.6
Investment Tax Credit	<u>(3.6)</u>	<u>(0.9)</u>
Total Operating Expenses	4,170.4	4,327.1
Net Operating Revenues	1,282.3	1,355.0
Rate Base	11,073.2	11,217.3
Rate of Return	11.58%	12.03%

(Red Figure)

Rate of Return

CWS and the staff presented different recommendations concerning rate of return on equity. CWS requests 16.0%; the staff recommends a range of 14.25% to 14.75%. In the companion decision issued in A.60567, we adopted a rate of return on common equity of 14.50%. We need not recite the full discussion set forth in that decision, but will repeat the principal reasons underlying the adoption of the 14.50% figure. It will give effect to the differences in the risks between water and energy utilities. Some of these differences are:

1. Water utilities are not as capital intensive. Construction programs are much smaller and are financed to a large degree by advances for construction and contributions in aid of construction.
2. Water companies normally do not capitalize interest on construction projects. Except in the case of large projects, construction work in progress is included in the rate base which results in a better quality of earnings and better cash flow.
3. Water utilities are allowed offset increases in cost such as purchased water and power by advice letter filings concurrent with such increases. Energy companies, however, face a lag between the time fuel cost increases are experienced and offsetting rates are authorized.
4. Water companies are not faced with risks such as fuel costs, source of supply, nuclear generation, technological changes, competition, etc.

5. Water utilities do not have to raise large amounts of equity capital in order to maintain balanced capital structures because of better cash flows and lesser capital requirements for construction. For example, during the five-year period 1976-1980, there were only two issues of common stock by water utilities for a total of \$7 million; whereas, during the three-year period 1978-1980, for energy companies alone, there were 20 issues for a total of \$1.6 billion.

In addition, authorization of 14.50% on equity will do the following:

1. Recognize the current cost of A-rated utility bonds and of CWS' need to re-finance \$25 million in debt during the period covered by the test years.
2. Give attention to the fact that the Data Resources, Inc. estimates, relied upon in part by the staff, concerning projected debt costs, have fallen short of actual experienced costs.
3. Acknowledge that CWS has afforded a high level of service - as expected - to the customers in its Hermosa-Redondo and the other three districts heard on a common record with this application.

The decision in A.60567 also found reasonable long-term debt costs to CWS during 1982-1984 of 15.0% in 1982, 14.0% in 1983, and 13.5% in 1984.



Table 3 portrays our adopted capitalization ratios, cost factors, weighted costs, after tax interest coverages, and authorized rates of return for CWS during test years 1982 and 1983 and for attrition year 1984.

Table III

California Water Service Company - Authorized Rate of Return

	<u>Capitalization Ratio</u>	<u>Cost Factor</u>	<u>Weighted Cost</u>	<u>After Tax Interest Coverage</u>
Average Year 1982				
Long-term debt	53.0%	9.58	5.08	2.28
Preferred stock	4.0	6.46	.26	
Common equity	<u>43.0</u>	14.50	<u>6.24</u>	
Total	100.0%		<u>11.58%</u>	
Average Year 1983				
Long-term debt	53.0%	10.52	5.58	2.16
Preferred stock	4.0	6.41	.26	
Common equity	<u>43.0</u>	14.50	<u>6.24</u>	
Total	100.0%		<u>12.08%</u>	
Average Year 1984				
Long-term debt	53.0%	11.71	6.02	2.08
Preferred stock	4.0	6.36	.25	
Common equity	<u>43.0</u>	14.50	<u>6.24</u>	
Total	100.0%		<u>12.51%</u>	

The 11.58% and 12.08% returns on rate base we are authorizing for 1982 and 1983 will result in rate increases of 12.4% or \$599,500 and 3.8% or \$207,700, respectively. The 12.51% return on rate base for 1984 will give effect to operational attrition of 0.39% and financial attrition of 0.43%. Application of a net-to-gross multiplier of 2.05232 will produce a further revenue increase in 1984 of 3.3% or \$188,800.

Rate Design

CWS has proposed a percentage increase in service charge revenues based on the total 1982 revenue increase divided by revenues at present rates less cost of purchased water and power. With the remaining increase spread over the commodity rates, this resulted in a 20% increase in service charge revenues and an 11% increase in commodity rates. Similar distributions are proposed for 1983 and 1984. This was requested in order to counteract the trend in service charges producing a smaller percentage of total revenues with resulting revenue instability due to varying climatic conditions.

At the hearing, CWS introduced an alternate rate design, similar to the one discussed in our decision issued in A.60567, generating even greater revenues from the service charges.

The staff recommended that percentage revenue increases be applied evenly to service charges and metered rates. This is because of the negative effect upon conservation efforts of tariffs having a heavy emphasis in the service charge portion of the rate design. We adopted the staff recommendation in our decision in A.60567 due, in part, to a lack of record evidence concerning the conditions and effects surrounding the present and proposed rate structures. Also, there is evidence indicating greater use by customers paying for water under a rate design with a heavy emphasis on fixed charges. For those same reasons, we find reasonable and adopt the staff recommendation in this proceeding.

The increases authorized, under the provisions of our Resolution L-213, will incorporate the present public fire protection surcharge. No refund is necessary. Table 2 and Appendix C provide a basis for review of future advice letter requests.

Findings of Fact

1. Estimates of payroll expenses based on Labor Department statutes, comparison with another utility, and inflation factors justify increases of 10.5% in 1982 and 10% in 1983. These are reasonable and should be adopted.

2. The estimate of a 10% increase in transportation expenses for 1982 and 1983 is based on an estimate for this individual district. It is reasonable and should be adopted.

3. Projected tank-painting expenses will occur over the three-year period, 1982-1984, covered by this proceeding and it is reasonable to amortize them over three years.

4. The present fire protection rates should be increased \$1 in 1982, .25¢ in 1983, and .25¢ in 1984, except the 1 1/2-inch connection charges for 1983 and 1984 should be increased by .40¢ and .35¢, respectively, for tariff simplicity.

5. Information shown in Tables 1 and 2 properly reflects the consequences of BRTA and our decision in OII 24.

6. CWS will suffer operational attrition of 0.39% and financial attrition of 0.43% between 1983 and 1984.

7. A constant rate of return on equity of 14.5%, resulting in returns on rate base of 11.58% in 1982, 12.08% in 1983, and 11.51% in 1984 is reasonable for the purposes of this proceeding. Projected debt costs of 15.0% for CWS in 1982, 14.0% in 1983 and 13.5% in 1984 are reasonable.

8. There is not adequate evidence on the record to adopt a rate design of the type proposed by CWS. The design recommended by the staff is reasonable.

9. The further increases authorized in Appendix B should be appropriately modified in the event the rates of return on rate base, adjusted to reflect the rates then in effect and normal ratemaking adjustments for the 12 months ending September 30, 1982 and/or September 30, 1983 exceed the lower of (a) the rate of return found reasonable by the Commission for CWS during the corresponding periods in the most recent rate decision or (b) 11.58% for 1982 and 12.08% for 1983.

Conclusions of Law

1. Revenue increases of \$599,500 or 12.4% for 1982 and \$207,700 or 3.8% for 1983 are reasonable based on adopted results of operations. A further increase in 1984 of \$188,800 or 3.3% is reasonable based upon operational attrition of 0.39% and financial attrition of 0.43%.

2. CWS should be authorized to file the rate schedules attached as Appendixes A and B, subject to the conditions set forth in Finding 9.

3. The staff's rate design recommendation is reasonable and should be adopted.

4. The adopted rates are just, reasonable, and non-discriminatory.

5. Because of the imminent need for additional revenue, the following order should be effective today.

O R D E R

IT IS ORDERED that:

1. California Water Service Company (CWS) is authorized to file for its Hermosa-Dedondo District, effective today, the revised rate schedules shown in Appendix A. The filing shall comply with General Order Series 96-A. The revised schedules shall apply only to service rendered on and after their effective date.

2. On or after November 15, 1982, CWS is authorized to file an advice letter, with appropriate workpapers, requesting the step rate increases attached to this order as Appendix B, or to file a lesser increase which includes a uniform cents per hundred cubic feet of water adjustment from Appendix B in the event that the Hermosa-Redondo District 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, 1982, exceeds the lower of (a) the rate of return found reasonable by the Commission for CWS during

the corresponding period in the then most recent rate decision, or (b) 11.58%. Such filing shall comply with General Order 96-A. The requested step rates shall be subject to review and approval prior to becoming effective. The effective date of the revised schedule shall be no earlier than January 1, 1983, or 30 days after the filing of the step rate, whichever is later. The revised schedule shall apply only to service rendered on and after the effective date.

3. On or after November 15, 1983, CWS is authorized to file an advice letter, with appropriate workpapers, requesting the step rate increases attached to this order as Appendix B, or to file a lesser increase which includes a uniform cents per hundred cubic feet of water adjustment from Appendix B in the event that the Hermosa-Redondo District 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, 1983, exceeds the lower of (a) the rate of return found reasonable by the Commission for CWS during the corresponding period in the then most recent rate decision or (b) 12.08%. Such filing shall comply with General Order 96-A. The requested step rates shall be subject to

review and approval prior to becoming effective. The effective date of the revised schedule shall be no earlier than January 1, 1984, or 30 days after the filing of the step rates, whichever is later.

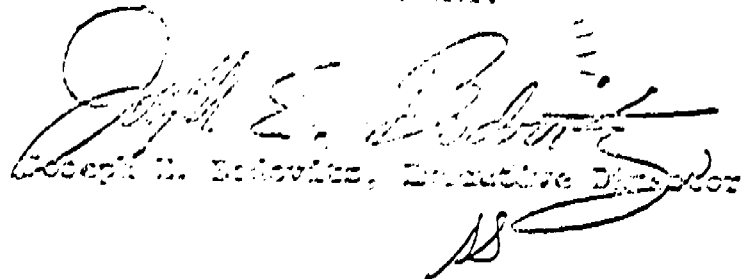
This order is effective today.

Dated JAN 5 1982, at San Francisco, California.

JOHN E. BRYSON  
President  
RICHARD D. CRAVELLE  
VICTOR CALVO  
MISCELLA C. GREW  
Commissioners

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

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

  
Joseph H. Schovitz, Executive Director

APPENDIX A  
Page 1

Schedule No. ER-1

Hermosa-Redondo Tariff Area

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

The communities of Hermosa Beach, Redondo Beach, Torrance and vicinity, Los Angeles County.

RATES

	<u>Per Meter</u> <u>Per Month</u>
Service Charge:	
For 5/8 x 3/4-inch meter .....	\$ 3.90
For 3/4-inch meter .....	7.10
For 1-inch meter .....	9.50
For 1 1/2-inch meter .....	13.50
For 2-inch meter .....	18.00
For 3-inch meter .....	31.00
For 4-inch meter .....	47.00
For 6-inch meter .....	75.00
For 8-inch meter .....	110.00
For 10-inch meter .....	134.00

Quantity Rates:

For the first 300 cu.ft., per 100 cu.ft. ....	0.490
For all over 300 cu.ft., per 100 cu.ft. ....	0.636

The Service Charge is a readiness-to-serve charge which is applicable to all metered service and to which is to be added the monthly charge computed at the Quantity Rates.

APPENDIX A  
Page 2

Schedule No. ER-4  
Hermosa-Redondo Tariff Area  
PRIVATE FIRE PROTECTION SERVICE

APPLICABILITY

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

TERRITORY

The communities of Hermosa Beach, Redondo Beach, Torrance and vicinity, Los Angeles County.

RATES

	<u>Per Month</u>
For each 1½-inch connection .....	\$ 3.75
For each 2-inch connection .....	5.00
For each 3-inch connection .....	7.50
For each 4-inch connection .....	10.00
For each 6-inch connection .....	15.00
For each 8-inch connection .....	20.00
For each 10-inch connection .....	25.00

SPECIAL CONDITIONS

1. The fire protection service facilities will be installed by the Utility at the cost of the applicant. Such cost shall not be subject to refund. The facilities paid for by the applicant shall be the sole property of the applicant.

2. If a distribution main of adequate size to serve a private fire protection system in addition to all other normal service does not exist in the street or alley adjacent to the premises to be served, then a service main from the nearest existing main of adequate capacity will be installed by the Utility at the cost of the applicant. Such cost shall not be subject to refund.

3. Service is for private fire protection systems to which no connections for other than fire protection purposes are allowed and which are regularly inspected by the underwriters having jurisdiction, are installed according to specifications of the Utility, and are maintained to the satisfaction of the Utility. The utility may require the installation of a detector check valve with meter for protection against theft, leakage, or waste of water.

4. For water delivered for other than fire protection purposes, charges will be made under Schedule No. ER-1, General Metered Service.

5. The Utility will supply only such water at such pressure as may be available from time to time as a result of its normal operation of the system.

(END OF APPENDIX A)



## APPENDIX B

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 rate which would otherwise be in effect on that date.

<u>Service Charges</u>	<u>Effective Dates</u>	
	<u>1-1-83</u>	<u>1-1-84</u>
For 5/8 x 3/4-inch meter	\$0.15	\$0.10
For 3/4-inch meter	0.30	0.20
For 1-inch meter	0.40	0.30
For 1 1/2-inch meter	0.40	0.40
For 2-inch meter	1.00	1.00
For 3-inch meter	1.00	1.00
For 4-inch meter	2.00	1.00
For 6-inch meter	2.00	1.00
For 8-inch meter	3.00	2.00
For 10-inch meter	5.00	4.00

Quantity Rates:

For the first 300 cu.ft., per 100 cu.ft.	0.017	0.014
For all over 300 cu.ft., per 100 cu.ft.	0.024	0.024

Private Fire Protection Service

For each 1 1/2-inch Connection	0.40	0.35
For each 2-inch Connection	0.50	0.50
For each 3-inch Connection	0.75	0.75
For each 4-inch Connection	1.00	1.00
For each 6-inch Connection	1.50	1.50
For each 8-inch Connection	2.00	2.00
For each 10-inch Connection	2.50	2.50

(END OF APPENDIX B)

APPENDIX C  
Page 1

ADOPTED QUANTITIES

Company: California Water Service Company  
District: Hermosa-Redondo

	<u>1982</u>	<u>1983</u>
1. <u>Water Production:</u> Ccf (1000)	6,673.6	6,697.3
Wells:	945.7	945.7
Purchased Water:	5,727.9	5,751.6
Surfaced Supply:	-	-
2. <u>Purchased Power</u>		
<u>Electric Cost:</u> _____ KWh per Ccf (Wells)    Supplier: SCE    Date: 4-6-81		
KWh:	3,476,400	3,484,700
Cost:	\$ 187,600	\$ 188,100
\$ per KWh:	\$ 0.05397	\$ 0.05397
Fixed Cost:	18,100	18,100
Total Power Cost:	205,700	206,200
3. <u>Purchased Water Expenses:</u>		
N. INT. Purch. Water (7-1-81)	\$121.60/AF. 12,149.4 AF. \$1,477,400	12,203.7 AF. \$1,484,000
INT. Purch. Water (7-1-81)	86.60/AF. 1,000.0 AF. 86,600	1,000.0 AF. 86,600
P.V. Connection	700	700
In Lieu Adj. (7-1-81)	44.64/AF. 399.0 AF. 17,800	399.0 AF. 17,800
Total Purch. Water	1,546,900	1,553,500
Replenishment	16.00/AF. 2,171.0 AF. 34,700	2,171.0 AF. 34,700
4. <u>Ad Valorem Taxes:</u>	\$ 116,800	\$ 120,700
Tax Rate:	1.019%	1.019%

APPENDIX C  
Page 2

ADOPTED QUANTITIES

- 5. Net-to-Gross Multiplier: 2.05235
- 6. Local Franchise Tax Rate: 0.0667%
- 7. Uncollectible Rate: 0.1206%
- 8. Metered Water Sales Used to Design Rates:

	<u>Range - Ccf</u>	<u>Usage - Ccf</u>	
		<u>1982</u>	<u>1983</u>
Block 1	0-3	782,987	785,191
Block 2	> 3	<u>5,424,813</u>	<u>5,444,609</u>
Total Usage		6,207,800	6,229,800

APPENDIX C  
Page 39. Number of Services:

	<u>No. of Services</u>		<u>Usage-KCcf</u>		<u>Avg. Usage-Ccf/Yr.</u>	
	<u>1982</u>	<u>1983</u>	<u>1982</u>	<u>1983</u>	<u>1982</u>	<u>1983</u>
Commercial-Metered	22,231	22,291	5,026.4	5,040.0	226.1	226.1
Industrial	42	42	35.7	35.7	850.0	850.0
Industrial-Large <sup>1/</sup>	6	6	715.7	715.7	119,283.3	119,283.3
Public Authority	349	353	272.5	279.1	780.8	790.7
Public Authority-Large <sup>2/</sup>	9	9	155.2	157.0	17,244.4	17,444.4
Other	<u>9</u>	<u>9</u>	<u>2.3</u>	<u>2.3</u>	255.6	255.6
Subtotal	22,646	22,710	6,207.8	6,229.8		
Private Fire Pnt.	142	149				
Public Fire Pnt.	<u>11</u>	<u>11</u>				
Total	22,799	22,870				
Water Loss at 6.98%			<u>465.8</u>	<u>467.5</u>		
Total Water Produced			6,673.6	6,697.3		

10. Number of Services (by meter size)

<u>Meter Size</u>	<u>1982</u>	<u>1983</u>
5/8 x 3/4"	17,967 Services	18,016 Services
3/4"	-	-
1"	2,951	2,960
1½"	955	957
2"	652	655
3"	78	79
4"	26	26
6"	12	12
8"	5	5
10"	<u>-</u>	<u>-</u>
Total	22,646	22,710

<sup>1/</sup> So. Cal. Edison (4 - services); TRW (2 - services).<sup>2/</sup> 5 - schools and 3 - parks (8 - services); South Bay Hospital (1 - service).

APPENDIX C  
Page 4INCOME TAX CALCULATION

Item	1962	1963
------	------	------

State Franchise Tax

Operating Revenue	\$5,452.7	\$5,680.1
<u>Expenses</u>		
O&M	3,090.1	3,196.4
Taxes Other Than Income	163.4	170.7
Subtotal	3,253.5	3,367.1
<u>Deductions &amp; Adjustments</u>		
Transportation Depr. Adj.	(19.8)	(23.8)
C.O. Depr. Adj.	(4.8)	(4.8)
Soc. Sec. Taxes Capitalized	5.2	5.6
Interest	559.1	622.2
Subtotal Deduction	540.0	599.2
State Tax Depreciation	503.2	515.3
Net Taxable Revenue	1,156.0	1,198.5
CCFT at 9.6%	110.9	115.1

Federal Income Tax

Operating Revenue	5,452.7	5,680.1
Expenses	3,253.5	3,367.1
Deductions	540.0	599.2
FIT Depreciation	439.6	432.3
Preferred Stock Div. Cr.	3.4	3.4
State Income Tax	110.9	115.1
Taxable Revenue	1,105.3	1,163.0
FIT at 46%	508.5	531.9
Graduated Tax Adj.	(1.4)	(1.4)
Adj. for Invol. Conver.	(1.0)	(0.9)
Investment Tax Credit	(3.6)	(0.9)
FIT	502.5	521.7

(Red Figure)

(END OF APPENDIX C)