

Decision 82-03 016

March 2, 1982

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the matter of the Application)
of the SOUTHERN CALIFORNIA WATER)
COMPANY for an order authorizing)
it to increase the rates for water)
service in its San Dimas District.)

Application 60736
(Filed July 15, 1981)

O'Melveny & Myers, by Guido R. Henry, Jr.,
Attorney at Law, for Southern
California Water Company, applicant.
Philip Scott Weismehl, Attorney at Law,
for the Commission staff.

O P I N I O N

By this application Southern California Water Company (SoCal) requests authority to increase rates for water service in its San Dimas District by \$230,000 or 8.40% in 1981 over the rates in effect on April 7, 1981, by \$278,600 or 8.99% in 1982, by \$213,700 or 6.06% in 1983, and by \$250,900 or 6.70% in 1984. SoCal estimates that its proposed increases will produce rates of return on rate base of 11.54% for 1981, 11.84% in 1982, and 12.11% for 1983. These estimated returns on rate base are based on a constant return on equity of 16.0% for 1981, 1982, and 1983. SoCal's estimated revenue requirements for 1984 are based on estimated operational attrition of 1.43% and financial attrition of 0.27%.

The foregoing proposed increases exclude the effects of the Economic Recovery Tax Act of 1981 (ERTA). However, in this connection SoCal supplemented the information on this application provided in the notice of hearing mailed on October 30, 1981 to its customers as follows:

"NOTE The increase in rates requested are further increased by a total of 10.1% in 1982 and 9.1% in 1983 to reflect 'The Economic Recovery Tax Act of 1981' signed into law on August 13, 1981."

The last general rate increase for SoCal's San Dimas District was based on test year 1976, where rates of return of 9.70%

on the adopted rate base and 12.41% on common equity were found reasonable.^{1/} Present rates in the San Dimas District became effective April 7, 1981 by Resolution W-2805 (Advice Letter 598-W).

Public hearings in this proceeding were held on a consolidated record with Applications (A.) 60735 and 60737 before Administrative Law Judge (ALJ) John Lemke in Los Angeles November 16 through 19. Opportunity for public witness testimony was provided immediately prior to the commencement of the evidentiary hearings on November 16. No customers appeared at this proceeding. An informal public meeting was held in San Dimas on September 15, 1981. This meeting was conducted by Sung Han of the staff, and by SoCal officials, for the purpose of explaining the rate increase application. Twelve people attended the meeting. Several customers living on Glen Grove Street complained of low water pressure. SoCal officials assured the staff that the problem would be investigated and remedied. One irrigation customer protested SoCal's proposed increase in his rates, which he considered excessive.

The matter was taken under submission subject to the filing of concurrent briefs by December 28, 1981.

General Information

SoCal currently owns and operates water systems in 19 separate operating districts within California. Its main office is located in Los Angeles. There, its administrative, engineering, general accounting, customer billing, data, rate and evaluation, purchasing, and personnel functions are conducted. SoCal maintains a construction department in Hawthorne.

^{1/} Decisions (D.) 85553, dated March 9, 1976, and 86465, dated October 5, 1976, in A.55713.

As of December 31, 1980, SoCal had an investment in utility plant of \$147,467,000, served 231,671 customers, employed 380 persons, and had gross operating revenues for 1980 of \$36,527,000.

It has 1,987,636 shares of common stock outstanding. Ownership is shared by more than 5,000 individuals and institutional shareholders. SoCal has 200,400 shares of preferred stock outstanding. All the preferred stock is held by institutional investors. Table 1 depicts the percentages used by SoCal to allocate common costs to its 19 operating districts, based on its 1980 operations.

TABLE 1

SOUTHERN CALIFORNIA WATER COMPANYDerivation of Percentages Used to Allocate
Common Costs Based on 1980 Operations

(Dollars in Thousands)

<u>Districts</u>	<u>Utility Plant</u>		<u>Customers</u>		<u>Expenses</u>		<u>Labor</u>		<u>Total</u>	<u>Average</u>
	<u>\$</u>	<u>%</u>	<u>Number</u>	<u>%</u>	<u>\$</u>	<u>%</u>	<u>\$</u>	<u>%</u>	<u>%</u>	<u>%</u>
Arden-Cordova	5,412.3	3.73	8,552	3.42	287.4	1.17	97.6	2.32	10.64	2.66
Barstow	7,411.6	5.11	7,200	2.88	695.8	2.82	126.5	3.01	13.82	3.46
Bay	1,798.3	1.24	2,806	1.12	227.2	0.92	78.7	1.87	5.15	1.29
Big Bear	7,728.1	5.33	10,127	4.06	603.7	2.45	225.3	5.36	17.20	4.30
Calipatria-Niland	1,443.3	1.00	1,030	0.41	142.5	0.58	57.0	1.36	3.35	0.84
Clearlake	1,228.8	0.85	1,971	0.79	156.0	0.63	71.2	1.69	3.96	0.99
Cowan Heights	1,409.7	0.97	1,324	0.53	323.2	1.31	42.7	1.01	3.82	0.95
Desert	2,782.9	1.92	3,432	1.37	444.6	1.80	206.1	4.90	9.99	2.50
Los Osos	1,625.9	1.12	2,242	0.90	175.3	0.71	70.9	1.69	4.42	1.11
Metropolitan	46,624.3	32.14	87,265	34.94	8,576.2	34.77	1,747.0	32.04	133.89	33.47
Ojai	1,890.1	1.30	2,452	0.98	253.8	1.03	70.6	1.68	4.99	1.25
Orange County	21,498.2	14.82	34,584	13.85	2,849.1	11.55	411.9	9.79	50.01	12.50
Pomona Valley	7,370.8	5.08	8,595	3.44	1,432.7	5.81	201.7	4.80	19.13	4.78
San Bernardino Valley	2,078.6	1.43	3,786	1.52	374.1	1.52	90.1	2.14	6.61	1.65
San Diego	11,009.2	7.59	22,004	8.81	1,726.8	7.00	301.9	7.18	30.58	7.65
San Gabriel Valley	4,363.7	3.01	11,040	4.42	744.9	3.02	179.8	4.28	14.71	3.68
Santa Maria	5,513.0	3.80	14,168	5.67	662.2	2.68	145.0	3.45	15.60	3.90
Simi Valley	5,198.9	3.59	9,828	3.94	1,019.7	4.13	117.7	2.80	14.46	3.61
Wrightwood	1,622.8	1.12	2,069	0.83	156.6	0.63	84.7	2.01	4.59	1.15
Total Water Districts	138,010.5	95.15	234,475	93.88	20,851.8	84.53	3,926.4	93.38	366.94	91.74
Bear Valley Electric	7,035.3	4.85	15,282	6.12	3,815.8	15.47	278.5	6.62	33.06	8.26
Total Utility	<u>145,045.8</u>	<u>100.00</u>	<u>249,757</u>	<u>100.00</u>	<u>24,667.6</u>	<u>100.00</u>	<u>4,204.9</u>	<u>100.00</u>	<u>400.00</u>	<u>100.00</u>

A-60736 /HW/ec

San Dimas Service District

The San Dimas District was acquired by SoCal in April 1976 when the California Cities Water Company was merged with SoCal. This district is a combination of numerous domestic and irrigation water companies whose histories commence with a large Spanish Land Grant known as the Rancho San Jose and Rancho Addition to San Jose, and the incorporation of the San Jose Ranch Company in 1887. The district is part of SoCal's Eastern Division. As of December 31, 1980, SoCal maintained 13 fulltime employees in the district.

This district's service territory embraces portions of the Cities of San Dimas, LaVerne, Covina, and surrounding Los Angeles County unincorporated areas. As of December 31, 1980 there were 11,002 customers in the district. 98% of these fall in the Commercial classification, consisting of residential and business customers.

SoCal obtains its water supply for the district from 9 company-owned and 2 leased wells. The wells range in size from 12 to 24 inches (") and in depth to 873 feet (ft.). Additional water is obtained from two connections with the Pomona Valley Municipal Water District and one connection with the Covina Irrigating Company.

As of December 31, 1979 there were 927,435 ft. of distribution mains within the district ranging in size to 36". SoCal maintains 11 storage tanks and reservoirs in the district, with a combined storage capacity of 8,651,000 gallons.

Service and Conservation

The relatively few customer complaints at the public meeting and absence of customer participation at the public witness testimony proceeding suggest that the company's service in the area generally is satisfactory. In the companion decision issued in A.60735 there was a comprehensive discussion of SoCal's ongoing conservation program, which appears adequate.

Rate of Return

SoCal and the staff presented different recommendations concerning costs of capital. SoCal requests a constant return on equity of 16.0% for the years covered in this request. The staff recommends a range of 14.50% to 15.0%.

In our soon-to-be issued decision in A.60735, pertaining to operations in SoCal's Big Bear District, we will authorize a constant return on common equity of 15.0%. This is due principally to our directive that SoCal undertake an extensive main replacement program in that district over the next three years. However, SoCal will not be confronted with those same large capital expenditures in this district.

Authorization of a return on common equity of 14.5% during 1982-1984 will, in our opinion, provide SoCal opportunity to earn a reasonable rate of return in this district and will give due consideration to the following factors:

1. SoCal is a regulated public utility engaged in a business which affects the public interest and must provide service at reasonable rates.
2. Fair and reasonable rates must balance the interests of both the ratepayers as well as investors.
3. Interest coverage requirements.
4. Capital requirements.
5. SoCal's capital structure, capital costs, and financial history.
6. Economic conditions - the effect of continued inflation and increases in embedded costs of capital.

Table 2 portrays our adopted capitalization ratios, cost factors, weighted costs, after tax interest coverages, and authorized rates of return for SoCal during test years 1982 and 1983 and for attrition year 1984.

TABLE 2

Component	Capital : : Ratios	Cost : : Factors	Weighted : : Cost Totals:
Average Year 1982			
Long-Term Debt	44.00%	7.86%	3.46%
Bank Loans	2.00	17.00	.34
Term Note	5.00	17.25	.86
Preferred Stock	12.00	7.85	.94
Common Stock Equity	<u>37.00</u>	14.50	<u>5.37</u>
Total	100.00%		10.97%
			2.35*
Average Year 1983			
Long-Term Debt	44.00%	8.95%	3.94%
Bank Loans	2.00	15.00	.30
Term Note	5.00	15.38	.77
Preferred Stock	12.00	7.86	.94
Common Stock Equity	<u>37.00</u>	14.50	<u>5.37</u>
Total	100.00%		11.32%
			2.26*
Average Year 1984			
Long-Term Debt	44.00%	9.71%	4.27%
Bank Loans	2.00	14.50	.29
Term Note	5.00	15.00	.75
Preferred Stock	12.00	8.33	1.01
Common Stock Equity	<u>37.00</u>	14.50	<u>5.37</u>
Total	100.00%		11.69%
			2.20*

*Implicit after-tax interest coverage.

Results of Operations

SoCal 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. Staff concurs with most of SoCal's projections.

Only two issues remained where SoCal and the staff were in disagreement at the time the hearings were completed. These related to the number of customers projected in the district for 1982 and 1983, and to projected water sales. However, in staff counsel's brief we are advised that the staff now concurs with SoCal's projected numbers of customers. Basically, this will reflect a cessation in growth - apparently related to a severe reduction in new housing starts in the area.

Customer Sales

Concerning projected sales in the district, both SoCal and the staff used a regression analysis commonly known as the "Modified Bean Method" to predict normalized water usage.

The staff estimated that the average commercial customer in the district would use 306.4 hundred cubic feet (Ccf) of water per year. SoCal's corresponding estimate is 285 Ccf. Although using essentially identical regression analysis method and base data in arriving at their estimates, SoCal excluded input from drought year 1977, while the staff excluded two drought years--1977 and 1978. Also, SoCal included, and the staff excluded, temperature as one of the coefficients in the regression equation.

The staff believes that the analysis made by Joseph Young, SoCal's witness in this area, is technically accurate as far as it goes, but that it fails to take account of reality. On cross-examination, the staff presented Young with a table (not an exhibit in this proceeding) showing recorded water sales for the year ending

August 1981. The table shows water use of about 304 and 305 Ccf for January and February, respectively, the months of lowest consumption. This figure is very close to what the staff says is "normalized" usage for the year. The usage figures increased from January and February as the year progressed. The staff believes therefore that its estimate of about 306 Ccf more closely resembles actual experience than SoCal's estimate.

Page 2 of Exhibit 22 is a portrayal by Young of recorded water sales in the San Dimas District from 1972 through August 1980 compared with the staff estimates for those years based upon use of its formula. Page 3 of the exhibit is a similar portrayal showing recorded sales compared with SoCal's predicted water sales. The staff greatly underestimated sales in 1972 and 1979 and overestimated sales for mid-1980, while SoCal's estimate closely tracks actual sales for these years.

In summary, there is much to be said for SoCal's longer range predictions, while the staff's estimates come very close to actual sales during a more recent period.

There appears to be no greater, nor less, virtue in the SoCal's estimate than in the staff's. We believe wisdom in these circumstances dictates adoption of a sales figure of 295 Ccf per customer for the San Dimas District during the years covered by this application. This will provide a balanced figure for use in this critical area of revenue forecasting.

Federal Income Taxes

Since this matter was submitted, we issued D.93848, dated December 15, 1981 in Order Instituting Investigation (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.

SoCal had offered evidence 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. SoCal concurs with the staff development. Federal income taxes calculated in Appendix C and included in Table 4 are based on ERTA. The incremental increased revenue requirement effect of ERTA for test year 1982 is \$294,800.

Summary of Earnings

The information shown in Tables 3 and 4 reflects the effect of adopted revenues and expenses for test years 1982 and 1983.

TABLE 3

Southern California Water Company
San Dimas District

COMPARISON STAFF AND UTILITY SUMMARY OF EARNINGS

Item	Test Year 1982		Test Year 1983	
	Staff	Utility	Staff	Utility
(Dollars in Thousands)				
<u>Present Rates</u>				
Operating Revenues	\$2,931.4	\$2,860.2	\$3,099.6	\$2,989.2
<u>Operating Expenses</u>				
Purchased Water	718.6	737.8	790.4	794.8
Purchased Power	415.4	413.8	432.1	430.5
Pump Tax	46.4	52.0	46.4	52.0
Payroll	273.7	301.0	296.9	347.9
Purchased Services	207.4	210.7	228.1	240.1
Other O&M Expenses	140.6	151.8	152.8	176.5
A&G Expenses	126.5	132.9	137.1	149.3
G.O. Allocation	99.7	123.2	107.7	139.6
Depreciation Expense	237.8	237.8	255.4	256.6
Taxes Other Than Income	105.8	110.6	117.1	126.2
Subtotal	2,371.9	2,471.6	2,564.0	2,713.5
Uncollectibles	11.6	17.2	12.3	17.6
Local Franchise Tax	5.6	5.5	6.0	5.6
CCFT	6.4	(19.0)	(0.8)	(30.0)
FIT before ITC	68.9	66.4	49.4	(77.4)
ITC	-	-	-	-
FIT	68.9	66.4	49.4	(77.4)
Total Operating Expenses	2,464.4	2,541.7	2,630.9	2,629.3
Net Operating Revenues	466.6	318.5	468.7	359.9
Rate Base	6,421.6	6,484.1	6,798.5	6,911.3
Rate of Return	7.27%	4.91%	6.89%	5.21%
<u>Proposed Rates</u>				
Operating Revenues ^{1/}	3,829.4	3,785.9	3,630.7	3,972.3
<u>Operating Expenses</u>				
Subtotal	2,371.9	2,471.6	2,564.0	2,713.5
Uncollectibles	15.2	20.9	14.4	21.5
Local Franchise	7.4	7.3	7.0	7.5
CCFT	92.1	69.3	49.9	63.8
FIT before ITC	440.1	449.1	269.0	329.0
ITC	-	-	-	-
FIT	440.1	449.1	269.0	329.0
Total Operating Expenses	2,926.7	3,018.2	2,804.3	3,135.3
Net Operating Revenues	902.7	767.7	826.4	837.0
Rate Base	6,421.6	6,484.1	6,798.5	6,911.3
Rate of Return	14.06%	11.84%	12.16%	12.11%

(Negative Figure)

^{1/} Include additional revenue requirements due to Economic Recovery Tax Act of 1981.

TABLE 4

Southern California Water Company
San Dimas District

ADOPTED SUMMARY OF EARNINGS

Item	Test Year 1982	Test Year 1983
(Dollars in Thousands)		
<u>Present Rates</u>		
Operating Revenues	\$2,868.1	\$3,034.6
<u>Operating Expenses</u>		
Purchased Water	676.9	746.2
Purchased Power	415.4	432.1
Pump Tax	46.4	46.4
Payroll	273.7	296.9
Purchased Services	207.4	228.1
Other O&M Expenses	140.6	152.8
A&G Expenses	126.5	137.1
G.O. Allocations	99.7	107.7
Depreciation Expenses	237.8	255.4
Taxes Other Than Income	105.8	117.1
Subtotal	2,330.2	2,519.8
Uncollectibles	11.4	12.1
Local Franchise Tax	5.5	5.9
CCFT	4.4	(4.0)
FIT before ITC	47.9	24.5
ITC	-	-
FIT	47.9	24.5
Total Operating Expenses	2,399.4	2,558.3
Net Operating Revenues	468.7	475.9
Rate Base	6,421.6	6,755.7
Rate of Return	7.30%	7.04%
<u>Proposed Rates</u>		
Operating Revenues	3,353.8	3,629.3
<u>Operating Expenses</u>		
Subtotal	2,330.2	2,519.8
Uncollectibles	13.3	14.5
Local Franchise	6.4	7.0
CCFT	50.8	52.8
FIT before ITC	248.7	270.5
ITC	-	-
FIT	248.7	270.5
Total Operating Expenses	2,649.4	2,864.6
Net Operating Revenues	704.4	764.7
Rate Base	6,421.6	6,755.7
Rate of Return	10.97%	11.32%

(Negative Figure)

Rate Design

The great majority of customers--98%--in SoCal's San Dimas District fall in the commercial category. General metered service rates are applicable to all customers except irrigation and fire hydrant services. Variable expenses related to water production and supply account for 48% of SoCal's total operating expenses, excluding income taxes and return. Net plant investments amount to 11% of total net depreciated plant. About 60% of SoCal's cost to provide service is fixed.

SoCal's current service charges provide approximately 33% of the revenues with quantity charges providing the remaining 67% of revenues from general metered rates. Because of the high cost of water supply, staff believes that the current ratio of revenue from the service charges and quantity charges is reasonable and recommends that increases in revenue requirements be spread evenly between service charges and quantity charges.

SoCal is proposing that the current four-quantity rate blocks be consolidated into two blocks. The staff agrees that the proposed two-block rate structure is reasonable and should be adopted.

Table 5 depicts the rate structure currently applicable in SoCal's San Dimas District. It is designed on a tapering scale, with rates decreasing as usage increases. Both SoCal's and the staff's proposed rate structures consist of a service charge and two inverted blocks, i.e., the first block containing a lower rate for the first 300 cubic feet. We believe this is a proper design for commercial customers in this district since it will afford both a reasonably cost-oriented service charge and lower rates for lesser usage, thereby encouraging conservation among commercial users.

SOUTHERN CALIFORNIA WATER COMPANYPresent RatesSchedule No. SD-1San Dimas DistrictGENERAL METERED SERVICEAPPLICABILITY

Applicable to general metered water service.

TERRITORY

San Dimas, Charter Oak and vicinity, Los Angeles County.

RATES

Quantity Rates:		Per Meter Per Month	Fire Pro- tection Surcharge Per Meter Per Month
First	500 cu.ft. or less	\$ 4.90	-
Next	4,500 cu.ft., per 100 cu.ft.	0.717	-
Next	15,000 cu.ft., per 100 cu.ft.	0.636	-
Over	20,000 cu.ft., per 100 cu.ft.	0.508	-
Minimum Charge:			
For	5/8 x 3/4-inch meter	\$ 4.90	\$0.12
For	3/4-inch meter	6.40	0.13
For	1-inch meter	9.00	0.18
For	1-1/2-inch meter	16.00	0.25
For	2-inch meter	25.00	0.33
For	3-inch meter	40.00	0.61
For	4-inch meter	61.00	0.83
For	6-inch meter	91.00	1.37
For	8-inch meter	128.00	2.02

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

SoCal also proposes to increase the quantity rate for its irrigation service from the current 22 cents (\$) per Ccf to 36c per Ccf of water. The staff concurs with this recommendation.

In its application SoCal proposes to eliminate its Public Fire Hydrant Service Schedule SD-4. This proposal is consistent with Public Utilities Code § 2713 and Commission Resolution L-213 dated December 18, 1979. Staff notes that most of the water utilities in Los Angeles County have entered into a uniform fire hydrant service agreement with the Los Angeles County Consolidated Fire Protection District in accordance with Resolution L-213. Since submission, SoCal has made an advice letter filing regarding uniform fire hydrant service agreements; but, to our knowledge, has not yet entered into an agreement for its San Dimas District. When such an agreement is entered into, cancellation of Schedule SD-4 will be appropriate.

Findings of Fact

1. SoCal's service in its San Dimas District is generally satisfactory.
2. SoCal's conservation program is satisfactory.
3. SoCal requires additional revenues, but the rates it proposes would produce an unjustified rate of return.
4. Estimates of operating revenues and operating expenses during test years 1982 and 1983, set forth in Tables 3 and 4, reasonably predict the results of SoCal's operations in its San Dimas District.
5. Capitalization ratios set forth in Table 2, together with cost factors, weighted costs, and after tax interest coverages, fairly portray estimated debt and equity costs which SoCal will experience during the period 1982-1984.
6. A constant rate of return on common equity of 14.5% will afford SoCal opportunity to earn returns on rate base of 10.97%, 11.32%, and 11.69% during 1982, 1983, and 1984, respectively.

7. Information shown in Table 4 properly reflects the consequences of ERTA and of our decision in OII 24.

8. SoCal has estimated annual average commercial customer sales of 284 Ccf in the district; the staff estimates 306.4 Ccf. Both estimates are based upon essentially identical regression analysis methodology, but SoCal excluded one drought year from its input data and the staff excluded two drought years. Also, SoCal included, and the staff excluded, temperature as a coefficient in the applicable regression equation.

9. Adoption of a water sales figure of 295 Ccf per average commercial customer will provide a reasonable, balanced figure for the purposes of this proceeding.

10. The adopted rate design, consisting of a reasonably cost-oriented service charge and a two-block lifeline structure, will encourage conservation.

11. The revenues authorized, under the provisions of Commission Resolution L-213, incorporate the present public fire protection surcharges offsetting loss of fire hydrant revenues. No refund is necessary.

Conclusions of Law

1. Revenue increases of \$485,700 or 16.9% in 1982, \$81,300 or 2.3% in 1983, and \$87,700 or 2.4% in 1984 are justified and reasonable based upon adopted results of operations for SoCal's San Dimas District.

2. An estimated annual average commercial customer water usage of 295 Ccf is reasonable for the purposes of this proceeding.

3. SoCal should be authorized to file the rate schedules attached as Appendixes A and B, subject to the conditions set forth in Conclusion 6.

4. The adopted rate design recommended by SoCal and the staff is reasonable.

5. The increases in rates and charges authorized by this decision are just and reasonable, and present rates and charges, insofar as they differ from those authorized, are for the future unjust and unreasonable.

6. 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 SoCal during the corresponding periods in the most recent rate decision, or (b) 10.97% for 1982 and 11.32% for 1983. ✓

7. Because of the imminent need for additional revenue, the following order and rates should be effective the date of signature.

O R D E R

IT IS ORDERED that:

1. Southern California Water Company (SoCal) is authorized to file for its San Dimas District, effective today, the revised rate schedules in Appendix A. The filing shall apply only to services rendered on and after their effective date.

2. On or after November 15, 1982, SoCal 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 San Dimas 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 SoCal during the corresponding period in the then most recent rate

decision, or (b) 10.97%. Such filing shall comply with General Order 96-A. The requested step rates shall be reviewed by the staff to determine their conformity with this order and shall go into effect upon the staff's determination of conformity. But the 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 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, SoCal 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 San Dimas 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 SoCal during the corresponding period in the then most recent rate decision, or (b) 11.32%. Such filing shall comply with General Order 96-A. The requested step rates shall be reviewed by the staff to determine their conformity with this order and shall go into effect upon the staff's determination of conformity. But the 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 schedule shall be no earlier than January 1, 1984, or 30 days after the filing of the step rates, whichever is later. ✓

4. By May 1, 1982 SoCal shall mail to all its customers in this district a bill insert notice as shown in Appendix D.

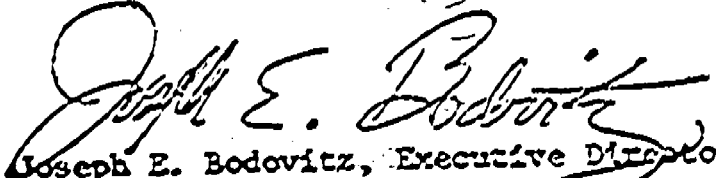
5. SoCal shall furnish the staff, as expeditiously as possible, information evidencing compliance with our Resolution L-213.

This order is effective today.

Dated MAR 2 1982, at San Francisco, California.

JOHN E. BRYSON
President
RICHARD D. GRAVELLE
LEONARD M. CRIMES, JR.
VICTOR CALVO
PRISCILLA C. CREW
Commissioners

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


Joseph E. Bodovitz, Executive Director

APPENDIX A
Page 1Southern California Water Company
San Dimas DistrictSchedule No. SD-1GENERAL METERED SERVICEAPPLICABILITY

Applicable to all general metered water service.

TERRITORY

San Dimas, Charter Oak and vicinity, Los Angeles County.

RATES

	Per Meter <u>Per Month</u>	
Service Charge:		
For 5/8 x 3/4-inch meter	\$ 5.40	(I)
For 3/4-inch meter	5.65	
For 1-inch meter	8.10	
For 1 1/2-inch meter	12.00	
For 2-inch meter	20.00	
For 3-inch meter	30.00	
For 4-inch meter	45.00	
For 6-inch meter	75.00	
For 8-inch meter	120.00	
For 10-inch meter	180.00	
Quantity Rates:		
For the first 300 cu.ft., per 100 cu.ft.	0.489	(I)
For all over 300 cu.ft., per 100 cu.ft.	0.635	

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

Southern California Water Company
San Dimas District

Schedule No. SD-2

MEASURED IRRIGATION SERVICE

APPLICABILITY

Applicable to all measured irrigation service.

TERRITORY

San Dimas, Charter Oak and vicinity, Los Angeles County.

RATES

Quantity Rate:

For all water delivered,
per 100 cubic feet \$0.364 (I)

APPENDIX A
Page 3

SOUTHERN CALIFORNIA WATER COMPANY

Schedule No. SD-5

San Dimas District

PUBLIC FIRE HYDRANT SERVICE

APPLICABILITY

Applicable to all fire hydrant service furnished to municipalities, organized fire districts and other political subdivisions of the State.

TERRITORY

Within the established San Dimas District.

RATE

	<u>Per Month</u>
For each hydrant	No Charge

(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.

	Effective Dates	
	<u>1-1-83</u>	<u>1-1-84</u>
<u>Service Charges</u>		
For 5/8 x 3/4-inch meter	\$ 0.15	\$ 0.15
For 3/4-inch meter	0.15	0.20
For 1-inch meter	0.20	0.30
For 1 1/2-inch meter	0.30	0.40
For 2-inch meter	0.50	0.50
For 3-inch meter	1.00	1.00
For 4-inch meter	1.00	2.00
For 6-inch meter	2.00	2.00
For 8-inch meter	3.00	4.00
For 10-inch meter	5.00	5.00
 Quantity Rates:		
For the first 300 cu.ft., per 100 cu.ft.	0.008	0.016
For all over 300 cu.ft., per 100 cu.ft.	0.015	0.015

(END OF APPENDIX B)

APPENDIX C

Page 1

ADOPTED QUANTITIES

Company: Southern California Water Co.
 District: San Dimas District

	<u>1982</u>	<u>1983</u>
1. Water Production: Ccf(1000)	4,555.8	4,805.2
Wells:	1,938.4	1,938.4
Purchased Water:	2,508.5	2,757.9
Surface Water:	108.9	108.9
2. <u>Purchased Power</u>		
Electric Cost:	Supplier: SCE	Date: 9-1-1981
Kwh:	6,410,275	6,689,920
\$ per Kwh:	\$ 0.059651	\$ 0.059651
Quantity Cost:	\$ 382,381	\$ 399,062
Fixed Cost:	\$ 24,656	\$ 24,656
Total Electric Cost:	\$ 407,000	\$ 423,700
So. Cal. Gas Co.		Date: 9-1-1981
Therms:	23,643	23,643
\$ per Therm :	\$ 0.35060	\$ 0.35060
Quantity Cost:	\$ 8,289	\$ 8,289
Service Charge:	\$ 120	\$ 120
Total Gas Cost:	\$ 8,400	\$ 8,400
Total Power Cost:	\$ 415,400	\$ 432,100
3. <u>Purchased Water Expenses:</u>		
Pomona Valley MWD		Date: 7-1-1981
Acre-Feet:	5,028.3	5,600.8
\$ per AF:	\$ 121.00	\$ 121.00
Cost:	\$ 608,400	\$ 677,700
Covina Irrigating		Date: 3-1-1981
Acre-Feet:	730.5	730.5
\$ per AF:	\$ 33.78	\$ 33.78
Cost:	\$ 68,500	\$ 68,500
Total Purchased Water Cost:	\$ 676,900	\$ 746,200
4. <u>Pump Tax</u>		
Main San Gabriel Watermaster		Date: 7-1-1981
Acre-Feet:	4,119	4,119
\$ per AF:	\$ 11.27	\$ 11.27
Cost:	\$ 46,400	\$ 46,400
5. <u>Ad Valorem Taxes:</u>	\$ 84,100	\$ 93,700
Tax Rate :	5.02%	5.02%

APPENDIX C
page 2ADOPTED QUANTITIES

6. <u>Number of Services-Meter Size:</u>	<u>1982</u>	<u>1983</u>
5/8 x 3/4	1,613	4,895
3/4	4,477	4,750
1	2,092	2,220
1 1/2	129	136
2	276	294
3	9	10
4	31	33
6	4	4
8	1	1
	<u>11,632</u>	<u>12,343</u>

7. <u>Metered Water Sales</u>	<u>1982</u>	<u>1983</u>
<u>Range Ccf</u>		<u>Usage-Ccf</u>
0 - 3	218,700	232,000
Over 3	<u>3,633,800</u>	<u>3,839,100</u>
Total	<u>3,852,500</u>	<u>4,071,100</u>

8. <u>Number of Services</u>	<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	11,502	12,208	3,393.1	3,601.4	295.0	295.0
Industrial	14	14	130.8	130.8	11,893.0	11,893.0
Public Authority	113	118	290.4	300.7	2,570.0	2,570.0
Other	3	3	19.1	19.1		
Irrigation	6	6	21.2	21.2	3,536.0	3,536.0
Contract	1	1	108.9	108.9		
subtotal	<u>11,639</u>	<u>12,350</u>	<u>3,963.5</u>	<u>4,182.1</u>		
Private Fire Prot.	60	60				
Total	<u>11,699</u>	<u>12,410</u>				
Water Loss: 13.0%			<u>592.3</u>	<u>624.9</u>		
Total Water Produced			<u>4,555.8</u>	<u>4,807.0</u>		

9. <u>Revenue</u>	<u>1982</u>	<u>1983</u>
Metered	\$ 3,317,600	\$ 3,592,100
Irrigation	7,700	7,700
Contract	8,800	8,800
Private Fire Prot.	15,200	15,200
Misc.	<u>4,500</u>	<u>4,500</u>
Total	<u>3,353,800</u>	<u>3,629,300</u>

APPENDIX C

Page 3

INCOME TAX CALCULATION

	<u>1982</u>	<u>1983</u>	
	(Thousands of Dollars)		
Operating Revenues	\$ 3,353.8	\$ 3,629.3	✓
O&M Expenses:			
Purchased Water	676.9	746.2	
Pump Tax	46.4	46.4	
Purchased Power	415.4	432.1	
Payroll	293.5	318.4	
Other	454.7	496.5	
Uncollectible @ 0.398%	13.4	14.6	
Local Franchise @ 0.192%	6.5	7.1	
Payroll Taxes	21.7	23.4	
Ad Valorem Taxes	84.1	93.7	
Gen. Office Alloc.	99.7	107.7	
Interest	<u>296.2</u>	<u>347.6</u>	
Total Deductions	2,408.5	2,633.7	
State Tax Depreciation	416.6	445.9	
Net Taxable Income	528.9	549.9	
State Corp. Franch. Tax	50.8	52.8	
Federal Tax Depreciation	350.7	351.6	✓
State Income Tax	50.8	52.8	
Pref. Stock Div. Credit	0.7	0.7	
Net Taxable Income	543.3	590.7	
Fed. Income Tax @ 46%	249.9	271.7	
Less: Grad. Tax Adj.	1.2	1.2	
Total Federal Income Tax	248.6	270.5	✓

Net to Gross Multiplier: 2.06067

Book Depreciation: \$ 237,800 (1982); \$255,400 (1983).

(End of Appendix C)

APPENDIX D

Bill Insert for SoCal Customers
(San Dimas District)

One item of expense included in the rate increase recently granted to Southern California Water Company for its San Dimas District by the Public Utilities Commission, amounting to \$294,800, was attributable to President Reagan's Economic Recovery Tax Act of 1981, which requires the Public Utilities Commission to charge rate-payers for the expense of taxes which are not now being paid to the Federal Government and which may never be paid. This expense may increase in the future as a percent of your bill.

(END OF APPENDIX D)