

Decision 82 06 012 June 2, 1982

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application)	
of PARK WATER COMPANY, a California)	
Corporation, for Authority to)	Application 60498
Increase Rates Charged for Water)	(Filed April 29, 1981)
Service in Its Vandenberg Water)	
Division as Authorized in NOI 43-W.)	

FINAL OPINION

In Decision (D.) 93687 dated November 3, 1981, Park Water Company (Park) was authorized to increase rates by \$518,800 in its Vandenberg Water Division (Division) on an interim basis pending decision in Order Instituting Investigation (OII) 24 regarding the ratemaking impact of the Economic Recovery Tax Act of 1981 (ERTA). On December 15, 1981 the Commission issued D.93848 in OII 24 wherein it was ordered (p. 19) that: "Conventional normalization methods shall be used for purposes of the Economic Recovery Tax Act of 1981."

The rates authorized in D.93687 were based on income tax expense calculated on a straight-line depreciation basis; therefore, rates must now be adjusted to reflect conventional normalization of the Accelerated Cost Recovery System (ACRS) established by ERTA and the related Investment Tax Credit (ITC).

By his ruling dated January 15, 1982, Administrative Law Judge (ALJ) Robert T. Baer directed that:

1. Park shall submit a late exhibit together with full supporting working papers within 10 days from today, served on all parties, showing for the test year and each attrition year:

- a. The change in revenue requirements from conventional normalization of the difference between tax depreciation and straight-line depreciation on ACRS property.
 - b. The change in revenue requirements from conventional normalization of ITC on ACRS property. Conventional normalization of ITC is to be based on Section 46F(1) of the Internal Revenue Code.
 - c. The calculations contained in the exhibit shall be based on amounts adopted in D.93687.
2. The staff shall review the exhibit and working papers to determine if additional hearings are required.

Park has submitted Exhibits 8 and 9 in response to the ALJ's ruling and served copies on the other parties. The staff has reviewed both exhibits and agrees that Exhibit 9 (see appendix) accurately reflects in Park's revenue requirement the changes wrought by ERTA. In summary, Exhibit 9 shows that annual decreases of 0.18¢ per Ccf (\$1,128) in 1982, 0.17¢ per Ccf (\$1,080) in 1983, and 0.14¢ per Ccf (\$887) in 1984 will be required. ✓

Park recommends that no changes be made in adopted rates for 1982 and that the difference in revenue requirement of \$1,128 be credited to the Division's production cost balancing account. The staff concurs. Since the difference in revenue requirement is so small, both in absolute and relative (0.133%) terms, the rate treatment suggested by Park is reasonable. Park also recommends that the step increase for 1983 be reduced by \$2,208 (\$1,128 + \$1,080), and that the step increase for 1984 be reduced by \$887. The staff agrees.

Finding of Fact

The provisions of ERTA will require annual decreases in revenue requirement for the Division of \$1,128 in 1982, \$1,080 in 1983, and \$887 in 1984.

Conclusions of Law

1. The decrease for 1982 should be credited to the Division's production cost balancing account.
2. The decreases for 1983 and 1984 should reduce the step increases for those years in the manner recommended by Park in Exhibit 9, Note (b).

FINAL ORDER

IT IS ORDERED that:

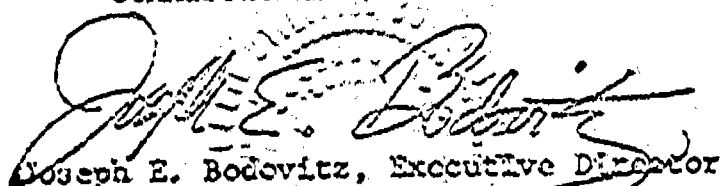
1. Park Water Company (Park) shall credit the production cost balancing account of its Vandenberg Water Division (Division) with the sum of \$1,128 for 1982.
2. In filing for step increases for the Division, Park shall reduce its request by \$2,208 in 1983 and by \$887 in 1984 and shall apply the rate adjustments shown in the appendix.

This order becomes effective 30 days from today.

Dated JUN 2 1982, at San Francisco, California.

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

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


Joseph E. Bodovitz, Executive Director

Application No. 60498
 Revised Late Filed Exhibit No. 9
 Witness Daniel M. Conway
 Date April 12, 1982

Park Water Company - Vandenberg Water Division

Computation of Changes in Revenue Requirements
Resulting from the Economic Recovery Tax Act of 1981

	1982	Test Year 1983	1984
Decrease from adopted Rate Base	\$ 4,364	\$ 8,542	\$ 12,125
Decrease from adopted Return Requirement	528	1,034	1,467
Decrease from adopted Tax Expense	600	1,174	1,628
Decrease from adopted Revenue Requirements	1,128	2,208	3,095
Annual Decrease in Revenue Requirements	1,128	1,080	887
Total Revenue Requirements	847,300	868,420	889,733
Annual Decrease, Percent	0.133	0.124	0.100
Annual Decrease, ¢/Ccf	0.18	0.17	0.14

- Note: (a) As adopted results in Interim Decision No. 93687 are based on investment tax credit options 1 and 2 which are unchanged by the 1981 ERTA, there is no change in revenue requirements due to changes in investment tax credit.
- (b) It is recommended that no changes be made to adopted rates for 1982 with the computed difference of \$1,128 being credited to the Division's production cost balancing account; that the step increase for 1983 be reduced by \$2,208; and that the step increase for 1984 be reduced by \$887.

APPENDIX
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APPENDIX D (Revised)*

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

<u>Schedule VN-1</u>	<u>Effective Dates</u>	
	<u>1-1-83</u>	<u>1-1-84</u>
Quantity Rates:		
For the first 300 cu.ft., per 100 cu.ft.	\$0.030	\$0.031
For all over 300 cu.ft., per 100 cu.ft.	0.032	0.033

* This is Appendix D of D.93687 revised to show the reductions in step rates required by ERTA.

(END OF APPENDIX)

Decision S2 06 012

JUN 2 - 1982

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SS
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