

Decision 82 07 020 July 7, 1982

**ORIGINAL**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of Southern California )  
Water Company to increase water )  
rates for its Wrightwood District; )  
converted into an application from )  
NOI 56-W. )

Application 61143  
(Filed December 22, 1981)

O'Melveny & Myers, by Richard K. Smith,  
Attorney at Law, for applicant.  
Michael R. Warner, for himself,  
interested party.  
Philip Scott Weismehl, Attorney at Law,  
for the Commission staff.

O P I N I O N

Summary

Southern California Water Company's (SoCal) rates are increased by \$230,400 over a three-year period. The increase to rates in 1982 is limited to a 50% increase, or \$134,900. Service charges are increased to provide 70% of SoCal's revenue requirement since this best ensures the many seasonal or weekend dwelling customers will most equitably contribute to operating costs. The rates are adjusted as follows:  
The fixed customer or service charge for a 5/8 x 3/4-inch meter goes from \$6.00 to \$10.75/month.

Preliminary

This is the last in a series of proceedings involving six concurrently filed rate increase applications, for various districts of the applicant, SoCal. By this proceeding SoCal seeks authority to increase rates in its Wrightwood District by \$348,400 through 1984.

This figure includes \$57,400 which is the result of the Economic Recovery Tax Act of 1981 (ERTA). ERTA increases the federal income tax expense for ratemaking purposes due to elimination of the full flow-through to ratepayers of the benefits from accelerated depreciation and investment tax credit on utility plant additions placed in service after December 31, 1980. SoCal states that the remainder of the proposed increase is necessary because of increased operating and maintenance costs, increased rate base per customer, and the increased cost of money.

The rate increases proposed would change the present rates (those in effect on April 30, 1982) as shown below. The increases shown for 1982 and 1983 include the effect of ERTA. Notice of the ERTA increases was not incorporated in SoCal's original application, but was set forth in a separate notice mailed to its customers on March 11, 1982. The total figures are:

<u>Year</u>		<u>Proposed Increase (in dollars)</u>	<u>Proposed Increase (as a percentage)</u>
1982	Proposal	\$222,100	82.29%
	ERTA	<u>28,800</u>	<u>10.71</u>
	Total	<u>\$250,900</u>	<u>93.00%</u>
1983	Proposal	\$37,900	7.53%
	ERTA	<u>28,600</u>	<u>1.87</u>
	Total	<u>\$66,500</u>	<u>9.40%</u>
1984	Proposal - Attrition	\$31,000	5.75%

The last general rate proceeding for SoCal's Wrightwood District was based on test year 1977. A rate of return on rate base of 9% was then found reasonable by Decision (D.) 88604 dated March 21, 1978. In that decision the present rates were established, except for modifications mandated by OII 19 (property tax reduction) and OII 33 (federal income tax reduction).

An informal public meeting was held regarding this rate increase request in Wrightwood on the evening of September 16, 1981. At that time the increase request was in the format of an advice letter which would have been acted upon by the Commission ex parte without formal hearing. However, because of the large number of protests and allegations of service problems received by the Commission at the informal meeting and by mail, the Commission converted the case to a formal rate application on December 22, 1981.

As a result, a public witness hearing was held before Administrative Law Judge Colgan in Wrightwood on March 30, 1982.

#### General Information

SoCal owns and operates water systems in 19 districts and an electric system in Big Bear Lake, California. Each district is a separate unit for operational, accounting, and ratemaking purposes. The districts are grouped into five divisions. The headquarters and general office is located in Los Angeles. Customers' bills for all districts are prepared at the Los Angeles general office. Overall functions such as accounting, engineering, data processing, and purchasing are also centralized there.

As of December 31, 1980, SoCal was serving 231,671 customers statewide, had 380 employees, and had an investment in utility plant of \$147,467,000. Gross operating revenue for the 12-month period ended December 31, 1980 was \$36,527,000.

SoCal's approximately 2,000,000 shares of common stock are owned by more than 5,000 individual and institutional shareholders. Its preferred stock (200,400 shares in four series) is held by institutional investors.

#### The Wrightwood District

The first water service to this community commenced in 1914. In 1934 the system was acquired by the Swarthout Valley Water Company which, in turn, was acquired by the California Cities Water Company which merged with SoCal in 1976. The merger was approved by the Commission in D.89131 dated July 25, 1978.

Wrightwood is a mountain resort community composed predominantly of single-family weekend and vacation dwellings. At the end of 1980 there were 2,069 active customers in the service area which is approximately 3 miles long and one-half mile wide following State Highway No. 1 in the Swarthout Valley north of Los Angeles on the north slope of the San Gabriel mountains. It is primarily within San Bernardino County with a small portion cutting into Los Angeles County.

The district office, which employs four people full time, handles matters relating to customer service such as service applications, collections, complaints, and other local matters.

The water supply for the district comes from six company-owned wells, two of which are standby units not regularly pumped (wells Nos. 4 and 6). The water is pumped through more than 212,000 feet of distribution mains and stored in six tanks with a combined capacity of 498,100 gallons.

Service

Approximately 150 customers attended the informal public meeting on September 16, 1981. Most were concerned with the size of the rate increase. Nine had specific service complaints. At the staff's request, each of these was investigated by SoCal and a report was sent to the customers and the staff. One complaint had to do with charges assessed by SoCal for a main extension. This complaint was lodged with the Commission again at the public witness hearing and will be described below. The other eight complaints had to do with water quality, i.e. taste, odor, color, and/or the presence of oil.

SoCal determined that three of these complaints were generated by the operation of wells No. 4 and No. 6, during maintenance and repair of well No. 3. Wells No. 4 and No. 6 have lower quality water than the other Wrightwood water sources and are standby wells which are not generally used. One person complained of the taste of chlorine. SoCal explained that its chlorinating device was installed for disinfecting purposes at the request of the State Department of Health. SoCal determined the poor quality of the fifth complainant's water was due to reduced pressure resulting from an addition to complainant's building. SoCal made a pressure regulator adjustment which,

it stated, satisfied the customer. In the case of the sixth complaint, SoCal determined it was necessary to initiate a more thorough flushing program in the area, and did so. The seventh complaint was apparently caused by a contractor's use of water from a standpipe near complainant's home. SoCal flushed the mains until they ran clear. The last quality complaint was from Sonney and Ingrid Bell who said their water was rusty and often had oil floating on it. SoCal determined that the problem was caused by a series of main repairs in the vicinity of the Bell residence.

Ingrid Bell testified at the public witness hearing on March 30, 1982 that the oil problem still persisted. Ms. Bell was the only customer to register a complaint about water quality at the public witness hearing. There were about 50 people in attendance. Eight customers spoke and three of those offered written documents.<sup>1/</sup>

Ms. Bell testified that SoCal had, on two occasions, turned off the water to her home without notifying her in advance and that on the first occasion her toilet tank, hot water heater, and water lines were consequently "filled with sludge, grease, particulate matter of unknown ingredients" when she attempted to use them. She also testified about an oily film on her water that comes and goes in varying quantities. She stated that a SoCal employee told her it was turbine oil used to lubricate the pumps and that nothing could be done about it. This first incident is the one which SoCal ascribes

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<sup>1/</sup> Bell's written statement was marked at the time as Reference A. The other two were not marked. For ease in reviewing the record, the letter received from Daniel R. Sidwell is marked as Reference H and the 15-page "comparative survey" received from Michael R. Warner is marked as Reference I.

to the series of main repairs. As to the further incidents, SoCal agreed to do a more thorough investigation of the Bells' problem. It agreed with Bell that turbine oil should not be in her water under normal circumstances.

Sidwell, the customer who testified about charges for a main extension over his property in September 1981, also testified about it at the March 30 hearing. He stated that SoCal does not engage in proper competitive bidding and consequently charged a price much higher than the cost to a neighbor who extended the same main with a private contractor. He also testified that he believes the contract between himself and SoCal has been breached and he does not owe the outstanding balance for the project. Further, he testified that he believes his meter is only being read about twice per year. He also testified about a malfunctioning fire hydrant that was not fixed until he called SoCal's Los Angeles office.

SoCal's response to this complaint was that the data SoCal relied upon in making the estimate was acquired upon purchase of the system in 1976. The data indicated that a 6-inch water main existed adjacent to complainant's property. It turned out that no such main existed and it was necessary for SoCal to lay 100 feet more of 6-inch main than was originally contemplated, justifying the increased final bill. SoCal explained that the meter reading problem occurred because complainant's meter was buried by workmen for a period of time. As to the contract question, we believe Sidwell's statement that he plans to file a separate complaint with this Commission is the proper way to pursue the issue. The issue is too complex

and too removed from ratesetting to be addressed through this proceeding.

We believe that the corrections, investigations, and explanations of the service complaints were adequate except that SoCal should continue to attempt to resolve the problem experienced by the Bells.

All the public witnesses on March 30 testified in opposition to a rate increase. The bases were as follows: seniors on fixed incomes cannot afford higher bills; this district's rates would be much higher than those of other districts or companies in the same basin; Wrightwood residents are being penalized with high rates for using less water than the norm; SoCal ought to suffer just like everybody else in the present economic crunch; and the Public Utilities Commission staff has been remiss insofar as it supports the request because the staff has not tried to find out why Wrightwood's rates should be higher than others nearby.

In support of the last contention, Reference I was presented. It compares SoCal's Wrightwood District with the nearby Sheep Creek Water Company (a mutual water company) and the Zone L Water Commission, run by San Bernardino County. The comparison shows that SoCal has more service connections than the others, a smaller service area than the others, far more service connections per square mile than the others, no monthly water entitlement as the others do (and therefore no entitlement rate), a higher delivery rate per 100 cubic feet above the minimum allowable than do the others, a lower water consumption per year than the average statewide, and a higher cost per acre-foot per year than do the others.



For the Commission, Sung Bin Han testified that such a comparison fails to account for various fixed costs including maintenance of the larger system, need for meter readers, the investment in mains, wells, and tanks, and the fact that usage per customer in Wrightwood is about one-fourth that of valley users. Further, it was pointed out that the other systems are not taxed as is Wrightwood. We agree with Han that without the inclusion of these further data, the result is "like comparing apples and oranges".

The public witness testimony was completed in the early afternoon and then SoCal and staff witnesses testified. It was submitted the same day. The parties moved to incorporate by reference the testimony of three witnesses who testified in the recently completed rate matters involving other districts of SoCal. Those witnesses are William Caveney, president of SoCal; Richard Gruszka, vice president of revenue requirements at SoCal; and Linda Gori, a research analyst with the Commission staff. The transcripts are from the consolidated hearing on Application (A.) 60735, A.60736, and A.60737.

In addition, the following witnesses testified for SoCal: Roscoe L. Anthony, vice president for operations, and Joseph F. Young, manager, rate and valuation department; and the following persons testified for the Commission: Donald Yep, associate utilities engineer, and Sung Bin Han, senior utilities engineer and project manager.

At the conclusion of the hearing the parties were asked to provide copies of the portions of transcript which they wished incorporated.<sup>2/</sup>

Rate of Return

While SoCal's request is designed to produce rates of return on rate base of 11.84% in 1982, 12.11% in 1983, and 12.41% in 1984 based on a constant return on common stock equity of 16%, SoCal has stipulated to the staff's recommendation, based on the Commission's decisions in other recently concluded SoCal district rate cases (D.82-03-016, D.82-03-011, D.82-03-014, D.82-03-071, and D.82-03-057), that the rate of return be on a rate base of 10.97% in 1982, 11.32% in 1983, and 11.69% in 1984 equating to a return on common stock equity of 14.50%. The basis for this recommendation is discussed in the testimony of Linda Gori in Reference L and her additional testimony concerning Wrightwood (Exhibit 11). We believe the staff's conclusions are fair and reasonable for the same reasons we expressed in the prior decisions cited above.

However, we have recently adopted a general policy guideline for larger water utilities, which we shall apply to Wrightwood. That is a policy to authorize no rate increase

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<sup>2/</sup> Those copies have been received. For ease of review, they are marked as follows: Reference J, pages 247-297 and pages 533-539; Reference K, pages 358-364; and Reference L, pages 449-465. In addition, upon request of SoCal, official notice is taken of an exhibit received in the earlier hearing (A.60735, A.60736, and A.60737) entitled Southern California Water Company, Calculation of Financial Coverages as of October 31, 1981. A copy of that document is marked as Exhibit 12 for ease of review.

greater than 50% during any single year in order to mitigate the effect of large increases. Without this guideline we would authorize an adopted increase of 70.21% or \$189,500 in 1982. By applying the guideline we will defer 20.21% plus interest at the adopted rate of return for 1982 and add it to the total amount of new revenue we are granting SoCal in 1983. The interest assures that the value of the new revenue granted over the three-year period 1982-1984 will not be diminished. The calculations setting forth these adjustments are shown in Appendix E.

Rate Design

We recognize the concern voiced by several of the public witnesses regarding the fact that the residents of Wrightwood are asked to pay higher rates partially because they use about 25% as much water as other nearby communities do.

This is the inevitable result of a system with many fixed costs (maintenance, employees, investment in land, pumping, water treatment, and transmission and distribution equipment) and limited usage.<sup>3/</sup> It occurs, we believe, because of the high percentage of weekend or parttime users. Those people have relatively low consumption, but the fixed costs associated with making the service available to them remain. Thus we conclude that the staff's recommendation to raise the service charge to 70% of revenue requirement will create a more equitable distribution of costs by causing parttime users to

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<sup>3/</sup> See Exhibit 8, item 29, which shows that 93% of SoCal's expenses and 76% of its plant investment related to water production are fixed.

shoulder more of the fixed costs of providing them with service without penalizing those fulltime residents with excessively high quantity charges. The Commission does not normally allow high service charges because they do not encourage conservation. However, we believe that the unique circumstances in Wrightwood warrant this approach.

Results of Operations

To evaluate the need for rate relief both SoCal and the Commission staff analyzed and estimated SoCal's operating revenues, operating expenses, and rate base for Wrightwood for 1982 and 1983 (Exhibits 6, 7, 8, and 9). While the figures differed somewhat (principally as to rate of return, payroll, and inflation rate) SoCal's witness, Joseph Young, points out that the Commission staff's conclusions are based on some later data than were available when SoCal prepared its reports on results of operations. Young notes that he is in basic agreement with the staff's findings (RT 104, line 18).

Since the staff had more up-to-date data available to it, and since no testimony was offered to show that its findings were less reasonable than SoCal's, we will adopt the staff's estimates. Table 1, which follows, sets forth the adopted operating results for test years 1982 and 1983 from the staff's estimates modified to reflect conventional normalization for applying ERTA as adopted in our D.93848.

TABLE 1  
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SOUTHERN CALIFORNIA WATER COMPANY  
Wrightwood District  
Estimated Results of Operations  
Test Year 1982

Item	Present Rates			Authorized
	Per Staff Report (Exhibit 8)	Effect: of ERTA	Adopted Results	Rates Adopted Results
	(a)	(b)	(c)	(d)
(Dollars in Thousands)				
Operating Revenues	\$ 269.9	\$	\$ 269.9	\$ 459.4
Operating Expenses				
O&M Expenses:				
Purchased Power	20.4		20.4	20.4
Purchased Chemicals	0.2		0.2	0.2
Payroll	85.0		85.0	85.0
Uncollectibles	1.6		1.6	2.8
Other	68.4		68.4	68.4
General Off. Allocation	17.5		17.5	17.5
Subtotal	193.1		193.1	194.3
Depreciation Expense	41.0		41.0	41.0
Taxes Other Than Income	24.3		24.3	25.1
Total Expenses (Excluding Income Tax)	258.4		258.4	260.4
Net Revenue before Income Tax	11.5		11.5	199.0
CCFT	(6.7)		(6.7)	11.3
FIT before ITC	(31.8)		(23.9)	53.6
ITC	(9.6)	9.6	-	-
FIT including ITC	(41.4)	17.5	(23.9)	53.6
Total Taxes on Income	(48.1)	17.5	(30.6)	64.9
Total Expenses	210.3	17.5	227.8	325.3
Net Revenues	59.6	(17.5)	42.1	134.1
Rate Base	1,235.2	(13.2)	1,222.0	1,222.0
Rate of Return	4.83%	(1.38)%	3.45%	10.97%

(Red Figure)

TABLE 1  
Page 2SOUTHERN CALIFORNIA WATER COMPANY  
Wrightwood District  
Estimated Results of Operations  
Test Year 1983

Item	Present Rates			Authorized
	Per Staff Report (Exhibit 8)	Effect: of ERTA	Adopted Results	Rates Adopted Results
	(a)	(b)	(c)	(d)
	(Dollars in Thousands)			
Operating Revenues	\$ 276.1	\$	\$ 276.1	\$ 492.6
Operating Expenses				
O&M Expenses:				
Purchased Power	20.8		20.8	20.8
Purchased Chemicals	0.2		0.2	0.2
Payroll	90.9		90.9	90.9
Uncollectibles	1.7		1.7	3.0
Other	74.5		74.5	74.5
General Off. Allocation	18.8		18.8	18.8
Subtotal	206.9		206.9	208.2
Depreciation Expense	43.4		43.4	43.4
Taxes Other Than Income	25.9		25.9	26.8
Total Expenses (Excluding Income Tax)	276.2		276.2	278.4
Net Revenue before Income Tax	(0.1)		(0.1)	214.2
CCFT	(8.4)		(8.4)	12.2
FIT before ITC	(39.0)		(31.1)	58.0
ITC	(11.2)	11.2	-	-
FIT including ITC	(50.2)	19.1	(31.1)	58.0
Total Taxes on Income	(58.6)	19.1	(39.5)	70.2
Total Expenses	217.6	19.1	236.7	348.6
Net Revenues	58.5	(19.1)	39.4	144.0
Rate Base	1,311.7	(39.8)	1,271.9	1,271.9
Rate of Return	4.46%	(1.36)%	3.10%	11.32%

(Red Figure)

TABLE 2

SOUTHERN CALIFORNIA WATER COMPANY  
Adopted Rate of Return  
 Average Years 1982, 1983, and 1984

Component	Capital : Ratios	Cost : Factors	Weighted : Cost Totals
<u>1982</u>			
Long-term Debt	44.00%	7.86%	3.46%
Bank Loans	2.00	17.00	.34
Term Note b/	5.00	17.25	.86
Preferred Stock	12.00	7.85	.94
Common Stock Equity	37.00	14.50	5.37
Total	<u>100.00%</u>		<u>10.97%</u>
			2.35x <sup>a/</sup>
<u>1983</u>			
Long-term Debt	44.00%	8.95%	3.94%
Bank Loans	2.00	15.00	.30
Term Note b/	5.00	15.38	.77
Preferred Stock	12.00	7.86	.94
Common Stock Equity	37.00	14.50	5.37
Total	<u>100.00%</u>		<u>11.32%</u>
			2.26x <sup>a/</sup>
<u>1984</u>			
Long-term Debt	44.00%	9.71%	4.27%
Bank Loans	2.00	14.50	.29
Term Note b/	5.00	15.00	.75
Preferred Stock	12.00	8.38	1.01
Common Stock Equity	37.00	14.50	5.37
Total	<u>100.00%</u>		<u>11.69%</u>
			2.20x <sup>a/</sup>

a/ Implicit after-tax interest coverage.  
 b/ Assumes term note issued at a floating prime rate plus .25% in 1982, .38% in 1983, and .50% in 1984.

Findings of Fact

1. Water quality and service in SoCal's Wrightwood District are satisfactory.

2. Capitalization ratios, cost factors, weighted costs, and after-tax interest coverage, shown in Table 2, fairly portray estimated debt and equity costs SoCal will experience during the period 1982-1984.

3. A constant rate of return of 14.5% on common stock equity will afford SoCal an opportunity to earn returns on rate base of 10.97% in 1982, 11.32% in 1983, and 11.69% in 1984.

4. The estimates, in Table 1, of operating revenues, operating expenses, and rate base for test years 1982 and 1983, together with an estimated decline in rate of return of 0.35% for operational attrition in 1984 (based on the staff's estimates and including ERTA effects), reasonably indicate the probable results of SoCal's future operations.

5. The information shown in Table 1 regarding the impact of ERTA on net revenues and rate base properly reflects the consequences of ERTA and our decision in OII 24.

6. The compilation of adopted quantities and the adopted tax calculation are contained in Appendix C to this decision.

7. Current service charges provide 59% of district revenue requirements. A rate structure designed to produce 70% of revenues from service charges would more equitably allocate fixed costs between permanent residents and weekend or parttime residents.



8. Revenue increases of \$189,500 or 70.21% for 1982, \$22,000 or 4.7% for 1983, and \$18,900 or 3.9% for 1984 are reasonable based upon adopted results of operations for SoCal's Wrightwood District. It is also reasonable to limit the increase in any one year to 50% to mitigate the impact upon customers. Thus, increases in 1982 would be limited to \$134,900 with the deferred amount spread over the next two years (see Appendix E). SoCal may collect 10.97% interest on the amount deferred to 1983 and 1984 to ensure it receives the full economic value of the rate increase we authorize today. Increases thus granted will amount to \$94,100 in 1983 and \$18,900 in 1984.

Conclusions of Law

1. The adopted rates are just, reasonable, and nondiscriminatory.
2. The application should be granted to the extent provided by the following order.
3. Because of the immediate need for additional revenue, the order should be effective today.

O R D E R

IT IS ORDERED that:

1. Southern California Water Company (SoCal) is authorized to file for its Wrightwood District, effective today, the revised rate schedules in Appendix A. The filing shall comply with General Order (GO) 96-A. The revised schedules shall apply only to service 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 100 cubic feet of water adjustment from Appendix B in the event that the Wrightwood 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%. This filing shall comply with GO 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 its 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 100 cubic feet of water adjustment from Appendix B in the event that the Wrightwood District rate of return on rate base, adjusted to reflect the rates then in effect and normal rate-making 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 GO 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.

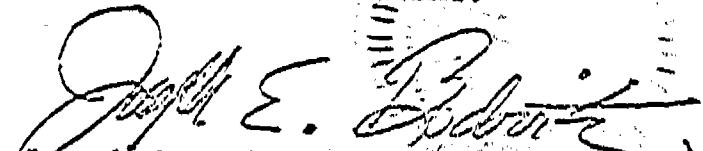
4. Within 45 days, SoCal shall mail to all its customers in this district a bill insert notice as shown in Appendix D. This order is effective today.

Dated JUL 7 1982, at San Francisco, California.

RICHARD D. GRAVELLE  
LEONARD M. GRIMES, JR.  
VICTOR CALVO  
PRISCILLA C. CREW  
Commissioners

Commissioner John E. Bryson,  
being necessarily absent, did  
not participate.

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

  
Joseph E. Bodovitz, Executive Director

APPENDIX A  
Page 1

SOUTHERN CALIFORNIA WATER COMPANY

Schedule No. WW-1

Wrightwood District

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

Wrightwood and vicinity, San Bernardino and Los Angeles Counties.

RATES

Quantity Rates:	<u>Per Meter</u> <u>Per Month</u>	
First 300 cubic feet, per 100 cubic feet .....	\$ 0.690	(D)
Over 300 cubic feet, per 100 cubic feet .....	1.089	(I)
 Service Charge:		
For 5/8 x 3/4-inch meter .....	10.75	(I)
For 3/4-inch meter .....	11.90	
For 1-inch meter .....	16.00	
For 1-1/2-inch meter .....	22.00	
For 2-inch meter .....	29.00	
For 3-inch meter .....	54.00	
For 4-inch meter .....	80.00	(I)

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

SPECIAL CONDITION

A new applicant for service shall advance an amount equal to the service charge for a period of twelve months. This advance will be credited to applicant's account against which charges for water service will be debited until the advance is depleted. When no credit remains applicant will be billed at the monthly rate above. No refund will be made upon discontinuance of service if less than twelve continuous months.

APPENDIX A  
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SOUTHERN CALIFORNIA WATER COMPANY

Schedule No. WW-5

Wrightwood 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 Wrightwood District.

RATE

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

SPECIAL CONDITIONS

1. Water delivered for purposes other than fire protection shall be charged for at the quantity rates in Schedule No. WW-1, General Metered Service.
2. The cost of relocation of any hydrant shall be paid by the party requesting relocation.
3. Hydrants shall be connected to the utility's system upon receipt of written request from a public authority. The written request shall designate the specific location of each hydrant and, where appropriate, the ownership, type, and size.
4. The utility undertakes to supply only such water at such pressure as may be available at any time through the normal operation of its system.

(END OF APPENDIX A)

APPENDIX B.

SOUTHERN CALIFORNIA WATER COMPANY

Wrightwood District

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.

WW-1 General Metered Service

<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 .....	\$ 2.75	\$0.0
For 3/4-inch meter .....	3.00	0.0
For 1-inch meter .....	4.00	0.0
For 1 1/2-inch meter .....	5.60	0.0
For 2-inch meter .....	7.00	0.0
For 3-inch meter .....	14.00	0.0
For 4-inch meter .....	20.00	0.0

Quantity Rates

For the first 300 cu.ft., per 100 cu.ft. ...	0.176	0.133
For all over 300 cu.ft., per 100 cu.ft. ...	0.138	0.153

(END OF APPENDIX B)

APPENDIX C  
Page 1

SOUTHERN CALIFORNIA WATER COMPANY  
Wrightwood District

ADOPTED QUANTITIES

	<u>1982</u>	<u>1983</u>				
1. <u>Water Production: Ccf(1000)</u>						
Wells:	186.7	191.0				
2. <u>Purchased Power</u>						
Electric Cost:	Supplier;	SCE	Date: 9-1-1981			
Kwh:	266,767		272,904			
\$ per kwh:	\$ 0.06649		\$ 0.06649			
Quantity Cost:	\$ 17,737		\$ 18,145			
Fixed Cost:	\$ 2,674		\$ 2,674			
Total SCE Cost:	\$ 20,400		\$ 20,800			
3. <u>Ad Valorem Taxes:</u>	\$ 16,000		\$ 17,000			
Tax Rate:	1.395%		1.395%			
4. <u>Number of Service-Meter Size:</u>						
5/8 x 3/4	1,906		1,956			
3/4	216		216			
1	7		7			
1 1/2	11		11			
2	3		3			
3	1		1			
4	-		-			
	<u>2,144</u>		<u>2,194</u>			
5. <u>Metered Water Sales</u>						
<u>Range Ccf</u>			<u>Usage-Ccf</u>			
0 - 3	49,476		50,636			
Over 3	80,924		82,764			
	<u>130,400</u>		<u>133,400</u>			
6. <u>Number of Service</u>						
	<u>No. of Services</u>		<u>Usage-KCcf</u>		<u>Avg. Usage-Ccf/vr.</u>	
	<u>1982</u>	<u>1983</u>	<u>1982</u>	<u>1983</u>	<u>1982</u>	<u>1983</u>
Commercial	2,140	2,190	128.4	131.4	60	60
Public Authority	4	4	2.0	2.0	500	500
Total	<u>2,144</u>	<u>2,194</u>	<u>130.4</u>	<u>133.4</u>		
Water Loss: 30.17%			56.3	57.6		
Total Water Produced			<u>186.7</u>	<u>191.0</u>		



## APPENDIX C

Page 2

SOUTHERN CALIFORNIA WATER COMPANY  
Wrightwood DistrictINCOME TAX CALCULATION

	<u>1982</u>	<u>1983</u>
	(Thousands of Dollars)	
Operating Revenues	\$ 459.4	\$ 492.6
O&M Expenses:		
Purchased Chemical	0.2	0.2
Purchased Power	20.4	20.8
Payroll	85.0	90.9
Other	68.4	74.5
Uncollectible @ 0.6%	2.8	3.0
Local Franchise @ 0.421%	1.9	2.1
Payroll Taxes	7.2	7.7
Ad Valorem Taxes	16.0	17.0
Gen. Office Alloc.	17.5	18.8
Interest	56.4	64.5
Total Deductions	<u>275.8</u>	<u>299.5</u>
State Tax Depreciation	66.4	66.5
Net Taxable Income	117.2	126.6
State Corp. Franch. Tax	11.3	12.2
Federal Tax Depreciation	55.0	54.1
State Income Tax	11.3	12.2
Prof. Stock Div. Credit	0.1	0.1
Net Taxable Income	117.2	126.7
Fed. Income Tax @ 46%	53.9	58.3
Less: Grad. Tax Adj.	0.3	0.3
Total Federal Income Tax	53.6	58.0

Net to Gross Multiplier: 2.06964  
 Book Depreciation: \$ 41,000(1982); \$ 43,400(1983).

(End of Appendix C)

APPENDIX D

Bill Insert for Southern California Water Company's  
Wrightwood District Customers

N O T I C E

\$28,000 of the recent rate increase granted to Southern California Water Company for its Wrightwood District was made necessary by changes in tax laws proposed by the President and passed by Congress last year. This was the Economic Recovery Tax Act of 1981. Among its provisions was a requirement that utility ratepayers be charged for certain corporate taxes even though the utility does not have to pay them. This results from the way utilities may treat tax savings from depreciation on their plant and equipment. The savings can no longer be credited to the ratepayer, but must be left with the company and its shareholders.

For a more detailed explanation of this tax change, send a stamped self-addressed envelope to:

Consumer Affairs Branch  
Public Utilities Commission  
350 McAllister Street  
San Francisco, CA 94102

(END OF APPENDIX D)

## APPENDIX E

## SOUTHERN CALIFORNIA WATER COMPANY

## Wrightwood District

<u>1982</u>	<u>Adopted</u>	<u>Adjustments</u> (Dollars in Thousands)	<u>Distribution</u>
Present Rates	\$269.9	\$	\$269.9
Adopted Rates	459.4	(54.6)	404.8
Increase	189.5 (70.21%)		134.9 (49.98%)
<u>1983</u>			
1982 Authorized Rates	470.56		414.15
Adopted Rates	492.6	15.5	508.1
Increase	22.0		94.1
<u>1984 Attrition Allowance</u>			
Adopted	18.9		18.9

Deferred amount  $\$189.5 - \$134.9 = \$54.6$

For 6 months  $\frac{(6.0)}{12} = \$27.3$

Interest

1982  $\$27.3 \times 10.97\% \times \frac{15.0 \text{ mo.}}{12 \text{ mo.}} = \$3.74$

Total Amount Deferred

$\$27.3 + \$3.74 = \$31.0$

Distribution

a/ \$15.5 in 1983.

b/ \$15.5 in 1984

(END OF APPENDIX E)

ORIGINAL

Decision 82 07 020 JUL 7 - 1982

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of Southern California )  
Water Company to increase water )  
rates for its Wrightwood District; )  
converted into an application from )  
NOI 56-W. )

Application 61143  
(Filed December 22, 1981)

O'Melveny & Myers, by Richard K. Smith,  
Attorney at Law, for applicant.  
Michael R. Warner, for himself,  
interested party.  
Philip Scott Weismehl, Attorney at Law,  
for the Commission staff.

O P I N I O N

Summary

Southern California Water Company's (SoCal) rates are increased by \$230,400 over a three-year period. The increase to rates in 1982 is limited to a 50% increase, or \$134,900. Service charges are increased to provide 70% of SoCal's revenue requirement since this best ensures the many seasonal or weekend dwelling customers will most equitably contribute to operating costs. The quantity rates are adjusted as follows: The fixed customer or service charge for a 5/8 x 3/4-inch meter goes from \$6.00 to \$10.75/month.

Preliminary

This is the last in a series of proceedings involving six concurrently filed rate increase applications, for various districts of the applicant, SoCal. By this proceeding SoCal seeks authority to increase rates in its Wrightwood District by \$348,400 through 1984.

Findings of Fact

1. Water quality and service in SoCal's Wrightwood District are satisfactory.

SS  
SS  
2. Capital <sup>3000</sup>ratios, cost factors, weighted costs, and after-tax interest coverage, shown in Table 2, ~~which follows~~, fairly portray estimated debt and equity costs SoCal will experience during the period 1982-1984.

3. A constant rate of return of 14.5% on common stock equity will afford SoCal an opportunity to earn returns on rate base of 10.97% in 1982, 11.32% in 1983, and 11.69% in 1984.

4. The estimates, in Table 1, of operating revenues, operating expenses, and rate base for test years 1982 and 1983, together with an estimated decline in rate of return of 0.35% for operational attrition in 1984 (based on the staff's estimates and including ERTA effects), reasonably indicate the probable results of SoCal's future operations.

5. The information shown in Table 1 regarding the impact of ERTA on net revenues and rate base properly reflects the consequences of ERTA and our decision in OII 24.

6. The compilation of adopted quantities and the adopted tax calculation are contained in Appendix C to this decision.

7. Current service charges provide 59% of district revenue requirements. A rate structure designed to produce 70% of revenues from service charges would more equitably allocate fixed costs between permanent residents and weekend or parttime residents.