

ALJ/emk/jt

Decision 82 12 065 DEC 15 1982**ORIGINAL**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application
of SAN GABRIEL VALLEY WATER COMPANY,
for Authority to Increase Rates
Charged for Water Service in its
Fontana Water Company Division.

Application 82-01-22
(Filed January 14, 1982)

ORDER MODIFYING DECISION 82-09-069

The Commission on September 22, 1982 issued Decision (D.) 82-09-069 in this application. This decision authorized revenue increases of \$732,700 or 21.93% for 1982, \$415,300 or 10.19% for 1983, and \$168,800 or 3.76% for 1984.

Applicant filed a Petition for Modification on October 21, 1982 stating that D.82-09-069 was not consistent in its treatment of test year 1983 tax expense and the deferred tax reserve resulting from the Economic Recovery Tax Act of 1981 (ERTA). We agree. To correct this inconsistency, it is necessary to recalculate the deferred tax reserve which results in a slightly higher rate base for 1983. This correction also makes it necessary to revise the 1983 and 1984 step rates. The proper amount for 1983 rate base is \$9,507,000, and will generate additional revenues of \$27,600 or 0.7% in 1983 and \$18,000 or 0.4% in 1984. Both staff and the utility agree on these corrected amounts.

Replacement pages are set forth as attachments to this decision, identifying the corrections with footnotes.

Findings of Fact

1. The deferred tax reserve was incorrectly calculated in D.82-09-069.

2. The miscalculation affects rate base for 1983 and, therefore, the level of step rates authorized for 1983 and 1984.

3. The correct amount for the 1983 rate base is \$9,507,000 instead of the \$9,392,000 shown in D.82-09-069. This correction generates additional revenues of \$27,600 or 0.7% in 1983 and \$18,000 or 0.4% in 1984.

Conclusion of Law

D.82-09-069 should be modified as set forth in the following order.

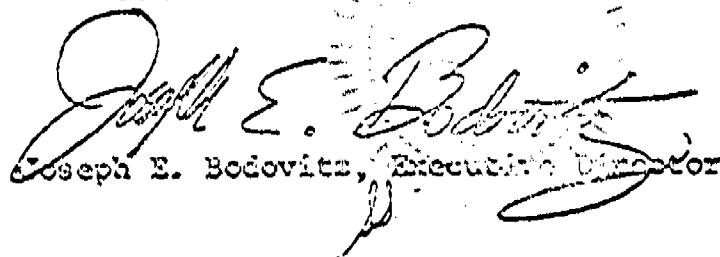
IT IS ORDERED that pages 1, 7, and 18, Appendix B, page 3 of Appendix C, and Appendix D attached to this decision replace the respective pages of D.82-09-069. All other requirements, terms, and conditions of D.82-09-069 remain in full force and effect.

This order is effective today.

Dated DEC 15 1982, at San Francisco, California.

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

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


Joseph E. Bodovitz, Executive Director

Decision 82-09-069 September 22, 1982

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
SAN GABRIEL VALLEY WATER COMPANY,)
for Authority to Increase Rates)
Charged for Water Service in its)
Fontana Water Company Division.)

Application 82-01-22
(Filed January 14, 1982)

Brobeck, Phleger & Harrison, by
Robert N. Lowry, Attorney at Law,
and Michael Whitehead, Attorney
at Law, for applicant.
Jean Daze Ratelle, Attorney at Law,
for the City of Fontana, protestant.
Sazedur Rahman and Linda Gori, for the
Commission staff.

O P I N I O N

Summary

This decision authorizes applicant, San Gabriel Valley Water Company, Fontana Division (Fontana), an increase in revenues as follows:

	<u>Amount of Increase</u>	<u>Percentage Increase</u>
1982	\$732,700	21.93%
1983 c/	442,900	10.87
1984 c/	186,800	4.14

c/ Corrected increase amount and percentage.

TABLE 2

San Gabriel Valley Water Company
Fontana Division

ADOPTED RESULTS OF OPERATIONS

Item	: Test Year 1982:	Test Year 1983
(Dollars in Thousands)		
Present Rates		
Operating Revenues	\$3,341.8	\$3,468.4
Operating Expenses:		
Purchased Water	768.1	796.8
Purchased Power ^{a/}	162.8	162.8
Purchased Chemicals	32.4	36.3
Payroll	463.5	495.2
Other O&M Expenses	197.3	222.6
A&G Expenses	108.1	142.4
G.O. Allocations	449.3	481.0
Depreciation Expenses	264.1	297.6
Taxes Other Than Income	127.3	136.1
Subtotal	2,572.9	2,770.8
Uncollectibles	21.5	22.3
Local Franchise Tax	45.1	46.8
CCFT	16.2	-1.3
FIT Before ITC	101.6	44.1
ITC	0	0
FIT	101.6	44.1
Total Operating Exp.	2,757.3	2,882.7
Net Operating Revenues	584.5	585.7
Rate Base	8,690.3	9,507.0 ^{c/}
Rate of Return	6.73%	6.16% ^{c/}
Proposed Rates		
Operating Revenues	4,074.5	4,517.4 ^{c/}
Operating Expenses	2,572.9	2,770.8 ^{c/}
Uncollectibles	26.2	29.0 ^{c/}
Local Franchise	55.0	61.0 ^{c/}
CCFT	85.1	97.4 ^{c/}
FIT Before ITC	400.2	471.6
ITC	0	0
FIT	400.2	471.6 ^{c/}
Total Operating Exp.	3,139.4	3,429.8 ^{c/}
Net Operating Revenues	935.1	1,087.6 ^{c/}
Rate Base	8,690.3	9,507.0 ^{c/}
Rate of Return	10.76%	11.44%

^{a/} Southern California Edison Company electric rates effective May 4, 1982.

^{c/} corrected amounts and percentages.

10. Revenue increases of \$732,700 or 21.93% for 1982, \$442,900^{c/} or 10.87%^{c/} for 1983, and \$186,800^{c/} or 4.14%^{c/} for 1984 are reasonable based upon adopted results of operations for SGVWC's Fontana Division.

Conclusions of Law

1. The rates shown in Appendix A are just, reasonable, and nondiscriminatory and should be adopted.

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. Applicant San Gabriel Valley Water Company (SGVWC) is authorized to file for its Fontana Division the revised rate schedules, effective today, 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, SGVWC is authorized to file an advice letter, with appropriate work papers requesting the 1983 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 Fontana Division 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

^{c/} corrected amount or percentage.

APPENDIX B ^{c/}

San Gabriel Valley Water Company
Fontana Division

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>Effective Dates</u>	
	1-1-83	1-1-84
<u>Service Charges:</u>		
For 5/8 x 3/4 - inch meter	\$ 0.45	\$ 0.28
For 3/4 - inch meter	0.50	0.30
For 1 - inch meter	0.73	0.42
For 1 1/2 - inch meter	0.94	0.53
For 2 - inch meter	2.25	0.70
For 3 - inch meter	2.35	1.28
For 4 - inch meter	3.07	1.67
For 6 - inch meter	4.87	2.62
For 8 - inch meter	7.40	3.96
For 10 - inch meter	9.03	4.84

Quantity Rates:

For the first 300 cu.ft., per 100 cu.ft.	\$.015	\$.012
For all over 300 cu.ft., per 100 cu.ft.	.026	.018

c/ All rates corrected.

(END OF APPENDIX B)

APPENDIX C
Page 3

San Gabriel Valley Water Company
Fontana Division

ADOPTED QUANTITIES

7. <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>
Residential	18,195	18,905	5,299.7	5,506.6	291.3	291.3
Commercial	115	124	473.0	510.0	4,113.0	4,113.0
Industrial	80	82	486.1	496.8	6,077.0	6,058.0
Public Authority	96	97	511.8	520.2	5,331.0	5,363.0
Other			44.9	44.9		
Subtotal	18,486	19,208	6,815.5	7,078.5		
Private Fire Protection	98	105				
Public Fire Protection	1,908	2,108				
Total	20,492	21,421				
Water Loss 3.34%			235.5	244.6		
			7,051.0	7,323.1		

8. <u>Revenue</u>	<u>1982 c/</u>	<u>1983 c/</u>
Metered	\$4,018,400	\$4,462,100
Private Fire Protection	23,100	25,300
Misc.	33,000	30,000
Total	<u>\$4,074,500</u>	<u>\$4,517,400</u>

c/ Corrected amounts.

(END OF APPENDIX C)

APPENDIX D

San Gabriel Valley Water Company
Fontana Division

INCOME TAX CALCULATION

	1982 (Dollars in Thousands)	1983 (Dollars in Thousands)
Operating Revenues	\$4,074.5	\$ 4,517.4 ^{c/}
O & M Expenses:		
Purchased Water	768.1	796.8
Purchased Power	162.8	162.8
Payroll	463.5	495.2
Other	337.8	401.3 ^{c/}
Uncollectibles @ .642%	26.2	29.0 ^{c/}
Local Franchise @ 1.35%	55.0	61.0 ^{c/}
Payroll Taxes	37.9	40.3
Ad Valorem Taxes	89.4	95.8
General Office Allocation	426.8	455.1
Interest	342.3	429.9
Total Deductions	<u>2,709.8</u>	<u>2,967.2 ^{c/}</u>
State Tax Depreciation	478.2	535.6 ^{c/}
Net Taxable Income	886.6	1,014.6 ^{c/}
State Corp. Franchise Tax @ 9.6%	85.1	97.4 ^{c/}
Federal Tax Depreciation	397.9	415.7 ^{c/}
State Income Tax	85.1	97.4 ^{c/}
Net Taxable Income	881.7	1,037.1 ^{c/}
Federal Income Tax @ 46%	405.6	477.1 ^{c/}
Less Graduated Tax Adj.	-5.4	-5.4
Total Federal Income Tax	400.2	471.6 ^{c/}

Net-to-Gross Multiplier: 2.09

^{c/} Corrected amounts.

(END OF APPENDIX D)