

ORIGINAL

Decision 83 08 006 AUG 3 1983

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application )  
of SOUTHERN CALIFORNIA WATER COMPANY )  
for an order authorizing it to )  
increase the rates for water ser- )  
vice in its Barstow, Desert, San )  
Bernardino Valley and Metropolitan )  
Districts and request the modifi- )  
cation of ratemaking units. )

Application 82-10-11  
(Filed October 6, 1982)

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Utility Service Equality, protestant.  
Fred Wolfe, for the City of La Quinta; and  
Edward Duncan, for himself; interested  
parties.  
Javier Plasencia, Attorney at Law, and  
Mehdi Radpour, for the Commission staff.

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## O P I N I O N

### I - APPLICANT'S REQUEST

By this application, Southern California Water Company (applicant) requests authority to increase rates in the Barstow District, Desert District, San Bernardino Valley District, and the Metropolitan District. Also in this application applicant requests authority to modify its ratemaking units<sup>1/</sup> by combining the Desert District, San Bernardino Valley District, and Metropolitan District into one ratemaking unit, identified as Option 3 proposal. Option 1 proposal provides for increases in rates with each District continuing to remain as a separate ratemaking unit. Option 2 proposal modifies the company's ratemaking units by combining the Barstow District, Desert District, and San Bernardino Valley District into one ratemaking unit, and the Metropolitan District to remain as a separate ratemaking unit. Option 1 and 2 proposals are alternate proposals to Option 3 which is favored by applicant.

### SUMMARY

In this decision we reject at this time the proposed consolidations. The need for consolidation (i.e., subsidy of the Desert District by the Metropolitan District) arises primarily because of the need for major water system improvements and the low customer

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1/ Applicant's definition of a ratemaking unit:

"A combination of service areas or operating districts that may or may not have a similarity of customer characteristics or operations, and formed for the purpose of reducing the number of rate areas and tariff schedules, resulting in more emphasis on having an average monthly customer water bill dollar amount be similar or equal over a larger geographic area."  
(Exhibit 2.)

density in the Desert District. Applicant and its customers in the Morongo Valley service area of the Desert District are encouraged to carefully assess ways in which the Morongo Valley Community Service District can assist in resolving this problem. We note that districts of this type can be empowered (Government Code, Title 6, Division 3) to cause the owners of vacant land to participate in the cost of water system improvements.

The authorized rates of return on applicant's rate base for 1983, 1984, and 1985 are 11.29%, 11.56%, and 11.78%, respectively. The related return on common equity is a constant 14.50%. The revenue increases authorized by this decision are:

<u>District or Tariff Area</u>	<u>1983</u>		<u>1984</u>		<u>1985</u>	
	\$	%	\$	%	\$	%
(Dollars in Thousands)						
Barstow	253.8	15.0	52.3	2.6	48.3	2.4
La Quinta	234.6	75.2	14.7	2.6	13.9	2.4
Morongo Valley	209.5	132.8	32.3	8.5	31.0	7.5
Victorville	86.2	34.5	2.8	0.8	2.0	0.5
San Bernard. Val.	238.6	31.8	6.9	0.7	4.8	0.5
Metropolitan	687.0	3.9	353.5	1.9	324.7	1.7

The large authorized increases for 1983 for La Quinta and Morongo Valley make necessary a deferral of portions of the 1983 increases into 1984 and 1985 to mitigate the impact of a large rate increase on the utility's affected customers.

## II - GENERAL INFORMATION

### Total Company

Applicant owns and operates water systems in 18 districts and an electric system at Big Bear Lake, California. Each district is a separate unit for operational, accounting, and ratemaking purposes. The districts are grouped presently 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, 1981, applicant statewide was serving 236,137 customers and had 375 employees and an investment in utility plant of \$156,416,000. Gross operating revenue for the 12-month period ended December 31, 1981 was \$42,804,600. Applicant's approximately 2,000,000 shares of common stock are owned by more than 5,000 individual and institutional shareholders. Its preferred stock (198,800 shares in four series) is held by institutional investors.

### Barstow District

The Barstow District is served by two separate water systems. One system serves the City of Barstow and the immediate vicinity and the other system serves the community of Lenwood located about seven miles west of the City of Barstow. Both areas are mostly residential. Of the 7,362 customers as of December 31, 1981, 98.7% were in the commercial classification which consists of residential and business customers. The water supply is obtained from wells. As of December 31, 1981, there were 710,185 feet of

distribution mains ranging in size up to 16 inches in diameter and 13 tanks and reservoirs with a total capacity of 3,403,000 gallons. The historical cost of utility plant in service in the Barstow District at December 31, 1981 was \$7,749,500 and the depreciation reserve was \$1,908,800, yielding a net depreciated cost of \$5,840,700.

Desert District

The Desert District is one ratemaking unit divided into the Victorville, Morongo Valley, and La Quinta service areas, each of which has a different rate schedule. Five separate water systems serve the Victorville service area; two separate systems serve the Morongo Valley service area; and the La Quinta service area, except for one very small separated system, is served by an integrated system. The district is mostly residential. Of the 3,594 customers as of December 31, 1981, 98% were in the commercial classification which consists of residential and business customers. The water supply is obtained from wells. As of December 31, 1981, there were 725,000 feet of distribution mains ranging in size up to 10 inches in diameter and 10 steel tanks with a total capacity of 414,000 gallons. The historical cost of utility plant in service at December 31, 1981 was \$3,008,000 and the depreciation reserve was \$963,600, yielding a net depreciated cost of \$2,044,400.

San Bernardino Valley District

The San Bernardino Valley District is served by two water systems, one in the Highland area and the other in the Delmann Heights area. The areas are mostly residential. Of the 3,827 customers as of December 31, 1981, 99% were in the commercial classification which consists of residential and business customers. The supply is obtained in part from

applicant-owned wells and in part through purchases from water districts. As of December 31, 1981, there were 293,698 feet of distribution mains ranging in size up to 10 inches in diameter and four tanks and reservoirs with a total storage capacity of 995,000 gallons. The historical cost of utility plant in service at December 31, 1981 was \$2,331,700 and the depreciation reserve was \$818,600, yielding a net depreciated cost of \$1,513,100.

Metropolitan District

The Metropolitan District is comprised of seven water systems serving territory within 22 cities and various portions of Los Angeles County under the following four service areas: Central Basin East Service Area; Central Basin West Service Area; Culver City Service Area; and Southwest Service Area. The majority of the areas are residential. Of the 88,002 customers served as of December 31, 1981, 97.6% were in the commercial classification which consists of residential and business customers.

The water supply for the Metropolitan District is obtained from 72 applicant-owned wells. Additional water is supplied from 16 connections to Metropolitan Water District member agency districts and from facilities of several cities. As of December 31, 1981, there were 4,361,093 feet of distribution mains ranging in size up to 18 inches in diameter and 44 storage facilities with a total capacity of 23,077,000 gallons. The historical cost of utility plant in service at December 31, 1981 was \$48,218,400 and the depreciation reserve was \$14,215,900, yielding a net depreciated cost of \$34,002,500.



III - PRESENT AND PROPOSED RATES

Water service is now rendered in these districts under the following schedules:

Barstow District

Schedule

Service

BA-1

General Metered Service

BA-9

Optional Special Metered Service

Desert District

Schedule

Service

DELQ-1

General Metered Service-La  
Quinta Service Area

DEM-1

General Metered Service-  
Morongo Valley Service Area

DEV-1

General Metered Service-  
Victorville Service Area

DEM-2H

Haulage Flat Rate Service-  
Morongo Valley Service Area

San Bernardino Valley District

Schedule

Service

SB-1

General Metered Service

Metropolitan District

Schedule

Service

ME-1

General Metered Service

ME-2M

Flat Rate Service

In addition, service is rendered under companywide Private Fire Protection Service (Schedule AA-4), Public Fire Protection Service (Schedule AA-5), Construction and Temporary Service (Schedule AA-9), and Service to Company Employees (Schedule AA-10).

Proposed rates, as developed by applicant for each of the three options, are set forth in Appendix D to the application. A tabular comparison of the increase in the average residential customer's bill in each district under the proposed rates over the rates in effect June 1, 1982 (1) on a nonconsolidated or stand-alone basis (Option 1), (2) under the alternate proposal (Option 2), and (3) under the basic proposal (Option 3) follows:

Requested Average Residential Rate Increase

	<u>Test Years</u>					
	<u>1983</u>		<u>1984</u>		<u>1985</u>	
	<u>Increase</u>		<u>Increase</u>		<u>Increase</u>	
	<u>Amount</u> \$	<u>Per-</u> <u>cent</u> %	<u>Amount</u> \$	<u>Per-</u> <u>cent</u> %	<u>Amount</u> \$	<u>Per-</u> <u>cent</u> %
<u>Barstow District - 3,000 cu.ft. per month</u>						
Option 1	6.22	51.2	6.63	54.6	7.47	61.5
Option 2	14.14	116.4	14.87	122.4	16.01	131.8
Option 3	6.22	51.2	6.63	54.6	7.47	61.5
<u>Desert District - Morongo Valley Service Area - 1,000 cu.ft. per month</u>						
Option 1	34.88	242.2	39.33	273.1	39.33	273.1
Option 2	7.00	48.6	8.46	58.8	9.39	65.2
Option 3	7.00	48.6	8.46	58.8	9.39	65.2
<u>Desert District - Victorville Service Area - 1,500 cu.ft. per month</u>						
Option 1	14.26	84.58	15.39	91.28	16.50	97.86
Option 2	8.09	47.98	9.81	58.19	10.91	64.71
Option 3	8.09	47.98	9.81	58.19	10.91	64.71
<u>Desert District - La Quinta Service Area - 2,500 cu.ft. per month</u>						
Option 1	16.45	193.53	17.39	204.59	17.62	207.29
Option 2	6.23	73.29	7.23	85.06	7.86	92.47
Option 3	6.23	73.29	7.23	85.06	7.86	92.47
<u>San Bernardino Valley District - 2,000 cu.ft. per month</u>						
Option 1	9.80	73.6	11.30	84.9	12.86	96.6
Option 2	6.48	48.7	7.48	58.9	8.82	66.3
Option 3	6.48	48.7	7.85	58.9	8.82	66.3
<u>Metropolitan District - 2,500 cu.ft. per month</u>						
Option 1	2.68	19.24	3.26	23.40	3.85	27.64
Option 2	2.68	19.24	3.26	23.40	3.85	27.64
Option 3	3.46	24.80	4.11	29.50	4.83	34.70

IV - REQUESTED REVENUE INCREASES

The increases requested by applicant for the estimated years 1983, 1984, and 1985 (1) on a nonconsolidated or stand-alone basis (Option 1), (2) under the alternate proposal (Option 2), and (3) under the basic proposal (Option 3) are shown in the following tabulation:

Requested Revenue Increases

	(1) Nonconsolidation (Option 1)		(2) Alternate Proposal (Option 2)		(3) Basic Proposal (Option 3)	
	1000's Dollars \$	Per- cent %	1000's Dollars \$	Per- cent %	1000's Dollars \$	Per- cent %
<u>Increase in Estimated 1983 Over Rates in Effect 6/1/82*</u>						
Barstow District	756.3	52.67	1,504.5	104.77	756.3	52.67
Morongo Service Area	330.5	248.12	66.4	49.85	66.4	49.85
Victorville Service Area	173.5	87.76	99.0	50.10	99.0	50.10
La Quinta Service Area	362.0	154.11	117.4	49.98	117.4	49.98
Desert District	866.0	153.05	282.8	49.99	282.8	49.99
San Bernardino Valley Dist.	492.4	76.61	323.5	50.33	323.5	50.33
Metropolitan District	2,978.0	18.36	2,978.0	18.38	3,730.7	23.00
Total	5,092.7	27.00	5,088.8	26.98	5,093.3	27.00
<u>Increase in Estimated 1984 Over Rates Proposed for 1983</u>						
Barstow District	32.4	1.47	77.4	2.62	32.4	1.47
Morongo Service Area	40.2	8.56	13.5	6.67	13.5	6.67
Victorville Service Area	14.7	3.81	20.7	6.71	20.7	6.71
La Quinta Service Area	24.0	3.93	24.0	6.66	24.0	6.66
Desert District	78.9	5.38	58.2	6.68	58.2	6.68
San Bernardino Valley Dist.	75.2	6.58	66.2	6.81	66.2	6.81
Metropolitan District	674.6	3.51	674.6	3.51	747.3	3.75
Total	861.1	3.59	876.4	3.65	904.1	3.77
<u>Increase in Estimated 1985 Over Rates Proposed for 1984</u>						
Barstow District	69.6	3.12	124.3	4.10	69.6	3.12
Morongo Service Area	-	-	8.8	4.08	8.8	4.08
Victorville Service Area	12.7	3.17	13.4	4.07	13.4	4.07
La Quinta Service Area	5.2	0.82	15.8	4.11	15.8	4.11
Desert District	17.9	1.16	38.0	4.09	38.0	4.09
San Bernardino Valley Dist.	61.9	5.09	39.9	3.84	39.9	3.84
Metropolitan District	643.6	3.24	643.6	3.24	761.5	3.68
Total	793.0	3.25	845.8	3.40	909.0	3.65

\*Applicant's base rates were increased January 1, 1983 as authorized by Resolution W-3059 in conformity with the Economic Recovery Tax Act of 1981 (ERTA). The proposed increases for 1983 include the January 1, 1983 increase.

V - INFORMAL PUBLIC MEETINGS

The hearing in this matter was preceded by informal public meetings in each of the four districts for which rate increases are sought. The meetings were sponsored by applicant and the Commission staff (staff) to provide customers an opportunity to express their views and to give applicant an opportunity to explain or respond in an informal setting. Notice of the meetings was sent to customers by mail.

For the Barstow District the meeting was held during the evening on October 26, 1982 in the City of Barstow. Fifteen customers attended. They were concerned about the size of the requested increase and urged that the Commission reject the Option 2 consolidation proposal (viz., the combining of the Barstow, Desert, and San Bernardino Valley Districts into one ratemaking unit).

For the Victorville service area of the Desert District the meeting was held during the afternoon on October 26, 1982. Eight customers attended. They protested against the size of the requested increase. For the Morongo Valley service area of the Desert District the meeting was held during the afternoon on October 27, 1982. Approximately 200 customers attended to complain of the deteriorated condition of water mains and to protest the size of the requested increase, especially in light of the need for improvement in service. For the La Quinta service area of the Desert District the meeting was held during the evening on October 27, 1982. It was attended by about 45 people. Their view was that the water system was old, deteriorated, and inadequate.

For the San Bernardino Valley District the meeting was held during the evening on October 25, 1982 in Highland. Eleven customers attended. Five of them complained about water quality and pressure.

The informal public meeting for the Metropolitan District was held during the evening on October 28, 1982 in Gardena. Nineteen customers attended. No service complaints were made.

#### VI - PUBLIC HEARING

After due notice, seven days of public hearing in this application were held before Administrative Law Judge Main during the period February 7, 1983-February 16, 1983. The first two days of hearing were held in Yucca Valley (for Morongo Valley Service area ratepayers) and La Quinta because of service complaints registered at the informal public meetings attended by customers from the Morongo Valley and La Quinta service areas. Fourteen people from those communities testified. Two of applicant's witnesses addressed specific problems in those service areas. Eight members of the public cross-examined the first witness and seven cross-examined the second witness on the first day. On the second day, six members of the public cross-examined the two witnesses. The City of La Quinta entered an appearance and sponsored one witness, its city manager.

The remaining five days of hearing were held in Los Angeles. A group of 25 senior citizens attended the first day of the Los Angeles hearings. They were accompanied by a representative of California Association of Utility Service Equality (CAUSE). Applicant presented testimony and exhibits through its president, two of its vice presidents, two of its managers, and a sanitary engineer with the State Department of Health Services. Staff studies were presented by a financial analyst and four utility

engineers. The matter was submitted subject to the receipt of certain exhibits, the last of which was filed April 1, 1983, and concurrent briefs which were filed April 18, 1983.

#### VII - CONSOLIDATION PROPOSAL

In regulating multidistrict water companies the Commission establishes a separate cost of service or revenue requirement for each district. In this proceeding applicant seeks to consolidate its Desert, San Bernardino, and Metropolitan Districts into one ratemaking unit. The alternate proposal of consolidating Barstow, Desert, and San Bernardino Districts apparently was intended for informational purposes and is not supported by applicant.

##### Applicant's Position

In the past, the criteria for consolidation of districts into ratemaking units have been based on the proximity of the various systems, on the similarity of the sources of supply and their costs, on similarity of customer characteristics, and on other general operating similarities. For further consolidations applicant advocates that the Commission consider: (1) a reduction of ratemaking units to reduce the number of units to a more manageable level; (2) a reduction in the number of tariffs that are applicable throughout the various systems; (3) a reduction of regulatory costs; and (4) the average monthly customer bill.

In recent years the Commission has eliminated density zone rates of energy utilities and just recently has made available to Catalina Island the mainland electric rates of Southern California Edison Company. In a similar departure from a cost of service approach, applicant contends, Morongo Valley customers, and other similarly situated customers in small, noneconomical areas, should be incorporated into the larger operations of applicant.

By consolidating, as proposed, applicant would limit its request in this proceeding to a 50% rate increase for the Morongo Valley, La Quinta, and Victorville service areas and the San Bernardino District. Otherwise, the requested rate increase would be 248.1%, 154.1%, and 87.7%, respectively, for the Desert District service areas and 76.6% for the San Bernardino District. The requested rate increase for the Metropolitan District would be 18.36% without consolidation and would increase to 23% with consolidation, a difference of slightly less than 5%. It is applicant's position that consolidations of this type will result not only in less hardship for those customers situated in small, noneconomical areas to be served while imposing only a very diluted burden on other customers, but ultimately will enhance applicant's ability to recover its costs and make it a sounder company.

CAUSE's Position

CAUSE supports the staff in its opposition to consolidation. CAUSE asserts that applicant's consolidation proposal is a move to forestall a consumer revolt on high water bills.



Staff Position

In its exhibits on applicant's operating results, staff sets forth its position in opposition to applicant's consolidation proposal as follows:

" . . . The staff is in favor of consolidation when general operating similarities between districts result in a new district with greater operating economies. However, in this proceeding, the staff opposes consolidation (Options 2 or 3) for the following reasons:

- "1. Distances between the service areas proposed for consolidation varies between 30 and 100 miles and are therefore not contiguous.
- "2. Each district has its own source of water supply. Some are supplied by Water Districts and some are supplied from wells.
- "3. Barstow customers under Option 2 and Metropolitan customers under Option 3 have to subsidize the other service areas. This subsidy could increase more in the future when attempts will be made to unify tariffs in the consolidated area.
- "4. Staff time and effort will not be reduced in regulation and future rate application processing as the utility claims it would. Staff members have to spend the required time in each area for regulation and review especially in areas with service problems.

"For the above reasons, staff recommends that each district and service area be treated separately for ratemaking purposes. . . ."

Discussion

Applicant and staff are in agreement that past consolidations of applicant's separate operating systems have been based largely on cost-effectiveness. In contrast the thrust of the consolidation now proposed is to shift a portion of the cost burden of small, noneconomical systems to broadly based systems, thus permitting full cost recovery without establishing extremely high rates for the low customer density, problem-prone systems.

The subsidy built into applicant's proposal for (1) an initial rate increase limited to 50% on the less economical systems and (2) uniform percentage increases in the future for all tariff areas retained within the consolidation necessarily depends, in part, on the pace in making main replacements and other improvements in the subsidized systems. As applicant envisions the consolidation, present and future capital budgets would be unaffected because main replacements and other system improvements would proceed about as they have in the recent past. However, applicant's perception of the pace of future improvements, as reflected in the degree of subsidy it envisions, may not be realistic. In Morongo Valley, La Quinta, and perhaps Victorville the pace may have to be speeded up markedly because:

1. Public health authorities are pressing for an accelerated main replacement program for Morongo Valley.<sup>2/</sup>
2. The City of La Quinta and its Water Task Force are pressing for a new water system.
3. The several water systems comprising the Victorville service area are old and fall far short of current standards.

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<sup>2/</sup> See copies of correspondence attached as Appendix F to this decision.

There are 124,000 feet of mains in Morongo Valley's Del Sur system, 60,000 feet of which require replacement. There are 231,530 feet of mains in La Quinta. If 250,000 feet of these mains are replaced at \$25 per foot, it would cost \$6.25 million and increase the size of the cost burden to be shifted to Metropolitan District ratepayers under a consolidation to a different order of magnitude. Ironically, these low customer density systems<sup>3/</sup> would probably be superior, if upgraded in this way, to parts of some of the older systems of the Metropolitan District providing the subsidy. On the other hand, if the improvements are made without an increase in the subsidy, a primary purpose of the consolidation would be defeated because the rates in the low customer density areas would become exorbitant.

The objective of the City of La Quinta and its Water Task Force is to secure a modern water system fully meeting current standards. If rates for water service from the existing water system at La Quinta were subsidized as contemplated by applicant under its proposed consolidation and the City of La Quinta were to arrange to have applicant's La Quinta system acquired by the Coachella Valley County Water District, applicant's Metropolitan District ratepayers, we note, would at that point be subsidizing a discontinued operation.

The foregoing critique discloses an implicit need to establish criteria to determine which systems should be eligible for subsidy, what limitations should be placed on the cost of improvements, and what mechanism can be put in place to curb the zeal for much needed but uneconomical improvements when part of

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<sup>3/</sup> Morongo Valley and La Quinta have 800 and 1,950 customers, respectively.

the cost burden is removed through subsidy. Clearly, from the standpoint of fairness, it would be preferable to have the cost burden of a low customer density water system assumed by those benefiting from the existence of the system. In that regard, applicant has not looked into whether the residents and their community service districts can cause the owners of vacant land to participate in the cost of improving a water system. Government Code, Title 6, Division 3, Community Service Districts, may permit the districts to be so empowered.

A consolidation of the type proposed by applicant may ultimately prove necessary. But it should not be undertaken as long as there is reason to believe that the community service districts serving the areas can bring about the needed participation in water system costs by the owners of vacant land, which, of course, benefits from the existence of the water system. ✓

The proposed consolidation is rejected at this time.

#### VIII - NEED FOR RATE RELIEF

In its application applicant stated that its depressed earnings for these districts are "mainly caused by increases in the costs of purchased water and power, labor, postage, payroll taxes, income taxes, liability insurance, depreciation, materials, purchased services, increased rate base and increased cost of capital since these costs were last considered by the Commission in setting rates."

IX - RATE OF RETURN

Both applicant and staff rely on their evidence on fair rate of return incorporated by reference into this proceeding from the proceedings on applicant's Los Osos and Simi Valley Districts (Application (A.) 82-08-22 and A.82-08-26). In Decision (D.) 83-04-069 in A.82-08-22 we found that a 14.5% return on equity is reasonable for applicant and strikes a balance between the consumers' short-term concern of obtaining the lowest possible rates while maintaining good water service over the long run. Based on these decisions resultant overall rates of return for the test years are developed and adopted as follows:

Test Period - 1983, 1984, and 1985

<u>Component</u>	<u>Capitalization Ratios</u>	<u>Cost</u>	<u>Weighted Cost</u>
<u>1983</u>			
Long-term Debt	49.00%	9.53%	4.67%
Bank Loans	1.00	13.50	.14
Preferred Stock	13.00	8.55	1.11
Common Stock	<u>37.00</u>	14.50	<u>5.37</u>
	100.00%		11.29%
<u>1984</u>			
Long-term Debt	49.00%	9.96%	4.88%
Bank Loans	1.00	13.00	.13
Preferred Stock	13.00	9.06	1.18
Common Stock	<u>37.00</u>	14.50	<u>5.37</u>
	100.00%		11.56%
<u>1985</u>			
Long-term Debt	49.00%	10.34%	5.07%
Bank Loans	1.00	13.00	.13
Preferred Stock	13.00	9.30	1.21
Common Stock	<u>37.00</u>	14.50	<u>5.37</u>
	100.00%		11.78%

## X - RESULTS OF OPERATIONS

To evaluate the need for a rate increase, witnesses for applicant and the staff have analyzed and estimated for test years 1983 and 1984 applicant's operating revenues, operating expenses, and rate base for each district. For the most part applicant stipulated to the reasonableness of staff's estimates which were based, in part, on later information than that available in June 1982 when applicant finalized its basic studies. However, because the proceeding involved four districts, one of which has three tariff areas, differences remain

between applicant and staff in numerous estimates that require resolution. To sort out these differences, applicant and staff jointly prepared a summary exhibit (Exhibit 30) which was received as a late-filed exhibit on April 1, 1983.

In addition to setting forth clearly the items and amounts which remained at issue, this exhibit incorporated the effect on operating results of the increase in rates, effective January 1, 1983 under Resolution W-3059, made necessary by the Economic Recovery Tax Act (ERTA).

A - Barstow District

According to Exhibit 30, applicant and staff agree on operating revenues, rate base, and nearly all operating expenses for this district. Concerning the latter, they differ only in their estimates for chemicals expense and depreciation expense, together with the related effect of those differences on the income tax computations.

Chemicals expense for recorded years 1978 through 1982 was: 1978 - \$237; 1979 - \$401; 1980 - \$694; 1981 - \$2,627; and 1982 - \$2,249. Applicant estimates \$3,200 for test year 1983 and also for test year 1984. The estimate was made by "developing an average dosage rate for chlorine to be injected into the system and pricing that out at the then current rate for liquid sodium hypochlorite."

The staff witness estimates \$900 for test year 1983 and \$1,000 for test year 1984, using 1980 recorded data and applying escalation factors of 13.4%, 2.9%, 4.0%, and 7.3%. In reviewing the recorded data for chemicals expense for the 1978-1981 period and nine months of 1982, he discarded the recorded data after 1980 as being entirely out of line. He also rejected applicant's approach to estimating chemicals expense as not being reliable.

Water from only two of applicant's wells in this district is treated. Applicant's witness testified: "to determine from our own sanitary engineer what the proper dosage should be of liquid chlorine at those two wells, apply that against the recorded 1981 production of those two wells at the cost, the dollars per gallon, to give me an estimate of what that ought to cost for 1983 and 1984."

Recorded 1982 chemicals expense data persuades us the 1981 shift to a much higher chemicals expense level will persist but not at the level computed by applicant. The 1982 expense of \$2,200 should be more representative of actual future results than a computed value, which was not borne out sufficiently by 1982 experience, and is adopted for the test years.

Applicant estimates depreciation expense at \$158,900 for 1983 and \$168,100 for 1984. The staff estimates are \$156,400 for 1983 and \$165,200 for 1984. These differences are attributable to differing estimates of depreciation accrual charged to clearing accounts. Staff estimated \$5,100 in 1983 and \$5,500 in 1984 of the depreciation accrual being charged to clearing accounts, while applicant estimated this at \$2,600 both years. Applicant's witness testified that the entire depreciation accrual charged to clearing accounts is for transportation equipment.



Applicant's position is that if the total depreciation accrual remains constant while the amount of the depreciation accrual charged to clearing accounts is reduced, depreciation expense must increase. This, however, is not the complete picture. The staff's estimate of transportation expense which applicant has adopted, as well as applicant's original estimate of transportation expense, includes the higher levels of depreciation accruals charged to clearing accounts. This means that before any adjustment can be made in the clearing accounts, there must be an appropriate downward adjustment in transportation expense. Neither applicant nor staff proffered such an adjustment.

The staff estimates of depreciation expense, being consistent with our adopted estimates of operation and maintenance expense, are adopted.

Table 1, which follows, sets forth the adopted operating results of the Barstow District for test years 1983 and 1984 at rates effective January 1, 1983 and at the rates authorized by this decision.

Table 1

SOUTHERN CALIFORNIA WATER COMPANY  
Barstow District

Adopted Summary of Earnings

Item	: Rates Effective : : January 1, 1983 :	Authorized : Rates :
(Dollars in Thousands)		
<u>Test Year 1983</u>		
Operating Revenues	\$1,695.1	\$1,948.9
Operating Expenses		
Oper. & Maint.	911.5	912.2
Admin. & Gen.	101.0	104.0
Gen. Office Allocation	57.6	57.6
Subtotal	1,070.1	1,073.8
Depreciation Expense	156.4	156.4
Taxes Other Than Income	49.8	49.8
Income Taxes	74.7	202.7
Total Expenses	1,351.0	1,482.7
Net Revenues	344.1	466.2
Rate Base	4,129.3	4,129.3
Rate of Return	8.33%	11.29%
<u>Test Year 1984</u>		
Operating Revenues	\$1,720.3	\$2,030.2
Operating Expenses		
Oper. & Maint.	938.4	939.3
Admin. & Gen.	105.3	109.0
Gen. Office Allocation	61.2	61.2
Subtotal	1,104.9	1,109.5
Depreciation Expense	165.2	165.2
Taxes Other Than Income	53.2	53.2
Income Taxes	57.9	214.1
Total Expenses	1,381.2	1,542.0
Net Revenues	339.1	488.2
Rate Base	4,223.0	4,223.0
Rate of Return	8.03%	11.56%

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

B - Desert District

The water systems serving the La Quinta, Morongo Valley, and Victorville service areas are old, have low customer density, and are labor and travel intensive. In addition, in the Morongo Valley service area water leakage on the Del Sur system is widespread and accordingly unaccounted-for water is inordinately high.

Differences between applicant and staff, which are common to the three service areas, are in the estimates for chemicals expense, labor expense and payroll taxes,<sup>4/</sup> purchased services, and materials and supplies expense. Chemicals expense for each of these service areas has undergone marked growth after 1979. The growth pattern is similar to that experienced in the Barstow District discussed earlier in this decision. Consistent with our treatment of this expense for the Barstow District we adopt as reasonable for test years 1983 and 1984 the recorded 1982 chemicals expense of \$6,700 in the Desert District. The \$6,700 is allocated to the service areas, in the same proportions used by applicant, as follows: La Quinta \$4,600, Morongo Valley \$1,700, and Victorville \$400.

Labor expense for the Desert District for the most recent five recorded years was: 1978 - \$65,789; 1979 - \$135,495; 1980 - \$202,772; 1981 - \$243,733; and 1982 - \$274,924. Applicant's estimates of this expense are directly the product of the recorded 1981 expense of \$243,733 times an expense escalation factor of 8.6% per year, yielding for 1982 - \$264,700, for 1983 - \$287,500, and for 1984 - \$312,200. However, applicant reduced its test year estimates by \$4,000 for 1983 and \$4,400 for 1984 in the comparison exhibit (Exhibit 30), apparently to reconcile allocations to the service areas of the Desert District.

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<sup>4/</sup> The difference in payroll taxes is directly attributable to the difference in labor expense.

Staff estimates of labor expense are: 1983 - \$256,700 and 1984 - \$269,700. These estimates are based on the expensed portion of 1982 base salaries, the hiring of four additional employees, and escalation factors of 8.0% for 1983 and 5.1% for 1984. The staff witness rejected using labor expense recorded data to project future costs because he regarded the increase in recorded labor expense from \$135,495 in 1979 to \$274,924 in 1982 as an indication that there was "something drastically wrong because the average wage increase granted during that period indicated compound increases of about 34%" and the number of employees had not changed.

The staff witness does not contend that (1) the base rate wage scale being paid by applicant was excessive, (2) unnecessary work was being performed, (3) people were being paid for work that they did not actually perform, or (4) the work load will lessen in the future. It is his position that adding four local employees to the Desert District would be cost-effective by virtually eliminating overtime and the use of non-Desert District employees, both of which are, in his view, presently excessive. No allowance was made in his cost estimates for the fringe benefits for the four additional employees. Applicant indicates those benefits would add about 35% to 40% to their estimated cost.

According to applicant's vice president in charge of operations:

1. The breakdown of 1982 Desert District labor expense was 91.5% local labor and 8.5% nonlocal labor; overtime including double time was 16.9% of the total labor expense.
2. Applicant has in place extensive controls and supervision to minimize any unnecessary overtime expense and to determine when it is cost-effective to add an employee.

3. If hiring additional people for the Desert District were cost-effective, applicant would already have done it.
4. Hiring additional people is not going to eliminate all of the overtime. Leaks or emergencies can happen at night.
5. The nonlocal employees work companywide and are highly specialized (specialists in pump tests, pump maintenance, cross-connection control, purification equipment, etc.)
6. Efforts to improve service make the Desert District more labor intensive.

A fair assessment of the evidence on this issue indicates the 1982 recorded labor expense, instead of the 1981 recorded labor expense used by applicant, and the staff escalation factors of 8.0% for 1983 and 5.1% for 1984, instead of the 8.6% per year escalation factor used by applicant, provide a reasonable basis for projecting out to test year figures. The latest recorded data is for year 1982 and was not available when applicant made its estimates. The staff escalation factors were accepted by applicant for the other three districts and should also apply to this district.

Accordingly, we find reasonable Desert District labor expense of \$296,900 for 1983 and \$312,100 for 1984. The following tabulation summarizes by area of the Desert District the differing labor expense estimates of applicant and staff, together with our adopted estimates of this expense:

Labor Expense

Area	1983			1984		
	Staff	Applicant	Adopted	Staff	Applicant	Adopted
(Dollars in Thousands)						
Desert:						
La Quinta	\$148.9	\$164.5	\$172.3	\$156.5	\$178.4	\$180.9
Morongo Val.	53.9	59.5	62.3	56.6	64.7	65.6
Victorville	53.9	59.5	62.3	56.6	64.7	65.6
Total	\$256.7	\$283.5	\$296.9	\$269.7	\$307.8	\$312.1

Purchased services for the Desert District for the most recent five recorded years are: 1978 - \$11,911; 1979 - \$24,522; 1980 - \$34,332; 1981 - \$50,832; and 1982 - \$42,467. Applicant's projections of this expense are: 1982 - \$55,800; 1983 - \$61,000; and 1984 - \$66,700. The projections are the product of the recorded 1981 expense of \$50,832 times an expense escalation factor of 9.5% per year.

Staff estimates of purchased services are: 1983 - \$35,800 and 1984 - \$38,600. To arrive at these estimates staff used normalized 1981 recorded data and applied escalation factors of 2.9% for 1982, 4.0% for 1983, and 7.3% for 1984. The 1981 total figure of \$50,832 was normalized by substituting \$3,824 for \$20,617 actually expended, and accounted for, in the maintenance of pumping equipment component of purchased services. The \$3,824 figure is the average for this component during the three prior years, 1978-1980.

Applicant agrees that purchased services for maintenance of pumping equipment was abnormal in 1981 but maintains that its estimates of total purchased services for 1983 and 1984 are reasonable in light of the need for service improvements in the Desert District. Applicant points out that there are three additional wells in this district and pump efficiency tests are now made on a one-year instead of a two-year cycle. Staff is of the opinion that recent expenditures for pumping plant overhauls will reduce the need for repairs.

We adopt \$44,200 and \$47,400 as reasonable estimates of purchased services for test years 1983 and 1984, respectively, for the Desert District. They are the product of the 1982 recorded expense of \$42,467 times escalation factors of 4% for 1983 and 7.3% for 1984. The following tabulation sets forth by area of the Desert District the differing purchased services estimates of applicant and staff, together with our adopted estimates of this expense:

Purchased Services

Area	1983			1984		
	Staff	Applicant	Adopted	Staff	Applicant	Adopted

(Dollars in Thousands)

Desert:						
La Quinta	\$20.8	\$35.5	\$25.6	\$22.4	\$38.7	\$27.4
Morongo Val.	7.5	12.8	9.3	8.1	14.0	10.0
Victorville	7.5	12.7	9.3	8.1	14.0	10.0
Total	\$35.8	\$61.0	\$44.2	\$38.6	\$66.7	\$47.4

The next tabulation sets forth by area of the Desert District the differing materials and supplies estimates of applicant and staff, together with our adopted estimates of this expense:

Materials and Supplies

Area	1983			1984		
	Staff	Applicant	Adopted	Staff	Applicant	Adopted

(Dollars in Thousands)

Desert:						
La Quinta	\$4.3	\$5.4	\$5.5	\$4.6	\$5.9	\$5.8
Morongo Val.	1.6	1.9	1.9	1.7	2.1	2.1
Victorville	1.6	1.9	1.9	1.7	2.1	2.1
Total	\$7.5	\$9.2	\$9.3	\$8.0	\$10.1	\$10.1

Similar to the treatment accorded labor expense and purchased services, the above adopted estimates of materials and supplies expense are based on the 1982 recorded expense of \$8,974 for this district and escalation factors of 4.0% for 1983 and 7.3% for 1984 used by staff.

Thus far we have resolved differences in estimates which in principle are common to the three service areas of the Desert District. We turn now to the operating results for the individual service areas.

B-1--La Quinta Service Area  
of Desert District

In Table 2, which follows, the results of test years 1983 and 1984, as shown in late-filed Exhibit 30, and the operating results we adopt for this service area are set forth.



Table 2

Page 1

SOUTHERN CALIFORNIA WATER COMPANY  
La Quinta Service Area of Desert District

Estimated Summary of Earnings  
Test Year 1983

Item	Rates Effective 1/1/83			Required
	Staff	Applicant	Adopted	Rates
(Dollars in Thousands)				
Operating Revenues	\$312.1	\$312.1	\$312.1	\$546.7
Operating Expenses				
Chemicals	3.6	6.4	4.6	4.6
Labor	148.9	164.5	172.3	172.3
Purchased Services	20.8	35.5	25.6	25.6
Materials & Supplies	4.3	5.4	5.5	5.5
All Other	152.8	152.8	152.8	156.0
Subtotal	330.4	364.6	360.8	364.0
Depreciation Expense	21.6	21.6	21.6	21.6
Taxes Other Than Income	16.2	17.3	17.9	17.9
Income Taxes	(47.0)	(65.1)	(63.5)	54.9
Total Expenses	321.2	338.4	336.8	458.4
Net Revenues	(9.1)	(26.3)	(24.7)	88.3
Rate Base	781.9	781.9	781.9	781.9
Rate of Return	(1.16%)	(3.36%)	(3.16%)	11.29%

(Red Figure)

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

Table 2

Page 2

SOUTHERN CALIFORNIA WATER COMPANY  
La Quinta Service Area of Desert District

Estimated Summary of Earnings  
Test Year 1984

Item	Rates Effective 1/1/83			Required
	Staff	Applicant	Adopted	Rates
(Dollars in Thousands)				
Operating Revenues	\$321.3	\$321.3	\$321.3	\$577.5
Operating Expenses				
Chemicals	4.0	6.5	4.6	4.6
Labor	156.5	178.4	180.9	180.9
Purchased Services	22.4	38.7	27.4	27.4
Materials & Supplies	4.6	5.9	5.8	5.8
All Other	160.3	160.3	160.3	163.7
Subtotal	347.8	389.8	379.0	382.4
Depreciation Expense	23.1	23.1	23.1	23.1
Taxes Other Than Income	17.2	18.8	19.0	19.0
Income Taxes	(52.5)	(75.2)	(69.7)	59.7
Total Expenses	335.6	356.5	351.4	484.2
Net Revenues	(14.3)	(35.2)	(30.1)	93.3
Rate Base	794.2	806.7	806.7	806.7
Rate of Return	(1.80%)	(4.36%)	(3.73%)	11.56%

(Red Figure)

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

The differing estimates for chemicals, labor, purchased services, materials and supplies, and payroll taxes (which accounts for the differences in taxes other than income) have already been discussed. The differences in income taxes at present rates are the result of those differing estimates.

The remaining difference is in rate base for 1984. Applicant included \$12,500 in test year 1984 as the weighted average cost of a reservoir site to be purchased for an estimated \$25,000. The staff witness excluded any amount for a reservoir site because of the lack of firm information about the reservoir construction and because he did not believe that the reservoir would be completed prior to the end of 1985.

It is clear from the evidence that (1) the reservoir capacity in the system is presently inadequate, (2) the number of customers is growing, and (3) a site for a new reservoir should be acquired during 1984 or earlier. If the site is acquired as planned, it will fit a generally accepted rule in ratemaking that land held for use within three years is properly includable in rate base.

The reservoir site is one of a number of needed plant additions for the 1984 test year for the four districts. Its inclusion in the test year 1984 rate base is reasonable.

B-2--Morongo Valley Service Area  
of Desert District

In Table 3, which follows, the results for test years 1983 and 1984, as shown in late-filed Exhibit 30, and the operating results we adopt for this service area are set forth.

Table 3  
Page 1

SOUTHERN CALIFORNIA WATER COMPANY  
 Morongo Valley Service Area of Desert District  
Estimated Summary of Earnings  
 Test Year 1983

Item	Rates Effective 1/1/83				Required
	Staff	Applicant	Adopted		Rates
(Dollars in Thousands)					
Operating Revenues	\$157.7	\$ 157.7	\$ 157.7		\$ 367.2
Operating Expenses					
Power	32.3	48.6	32.3		32.3
Chemicals	0.9	2.3	1.7		1.7
Labor	53.9	59.5	62.3		62.3
Purchased Services	7.5	12.8	9.3		9.3
Materials & Supplies	1.6	1.9	1.9		1.9
All Other	37.2	37.2	37.2		40.0
Subtotal	133.4	162.3	144.7		147.5
Depreciation Expense	25.8	25.8	25.8		25.8
Taxes Other Than Income	11.9	12.2	12.4		12.4
Income Taxes	(29.0)	(48.4)	(38.5)		67.3
Total Expenses	142.1	151.9	144.4		253.0
Net Revenues	15.6	5.8	13.3		114.2
Rate Base	884.3	1,011.5	1,011.5		1,011.5
Rate of Return	1.76%	0.57%	1.31%		11.29%

(Red Figure)

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

Table 3  
Page 2

SOUTHERN CALIFORNIA WATER COMPANY  
 Morongo Valley Service Area of Desert District  
Estimated Summary of Earnings  
 Test Year 1984

Item	Rates Effective 1/1/83			Required
	Staff	Applicant	Adopted	Rates
(Dollars in Thousands)				
Operating Revenues	\$162.6	\$ 162.6	\$ 162.6	\$ 410.9
Operating Expenses				
Power	29.4	50.0	29.4	29.4
Chemicals	1.0	2.4	1.7	1.7
Labor	56.6	64.7	65.6	65.6
Purchased Services	8.1	14.0	10.0	10.0
Materials & Supplies	1.7	2.1	2.1	2.1
All Other	39.3	39.3	39.3	42.6
Subtotal	136.1	172.5	148.1	151.4
Depreciation Expense	28.3	34.5	34.5	34.5
Taxes Other Than Income	12.9	13.4	13.5	13.5
Income Taxes	(31.9)	(61.2)	(47.7)	77.7
Total Expenses	145.4	159.2	148.4	277.1
Net Revenues	17.2	3.4	14.2	133.8
Rate Base	937.2	1,157.2	1,157.2	1,157.2
Rate of Return	1.84%	0.29%	1.23%	11.56%

(Red Figure)

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

Aside from chemicals, labor and payroll taxes, purchased services, and materials and supplies expenses already discussed, applicant and staff differ in their estimates of purchased power, rate base, and income taxes for both 1983 and 1984 and in their estimates of depreciation expense for 1984. Except for purchased power, these further differences depend on the treatment accorded a 250,000-gallon reservoir about to be built and on the rate of main replacement used.

The Morongo Valley Del Sur and Del Norte systems serve about 800 customers with the mains in the systems reaching between probably 8,000 and 9,000 land parcels. In our rejection of applicant's consolidation proposal we stressed that community service districts can require owners of vacant land to participate in much needed water system improvements that would otherwise not be economically feasible in low customer density systems.

The evidence in this proceeding is clear that Morongo Valley needs both additional storage and the replacement of about 60,000 feet of substandard, leaky pipelines. It is equally clear, however, that the existing rate base and current operating expenses impose a burdensome revenue requirement, which approaches \$35 a month per customer if brought into balance with the 11.29% rate of return found reasonable for applicant for test year 1983.

When acquired by applicant in 1962 the Morongo Valley systems were principally comprised of undersized steel pipe. Since then, applicant has replaced about 30 to 35 thousand feet of that pipe but much more, approximately 60,000 feet, remains in the Del Sur system. This system is plagued with leaks which have generally spread throughout the old steel pipe.

Unaccounted-for water has been running in excess of 50%<sup>5/</sup> since at least 1977. It consists primarily of water losses but also includes water used in utility flushing operations and the like. The staff estimates of unaccounted-for water are 30% for 1983 and 20% for 1984. Applicant's estimate is 54.8% for both years and represents a four-year average (1978-1981) of recorded data. Staff finds the "record of unaccounted for water unacceptable and completely in opposition of this Commission's views on conservation." Staff recognizes that the high unaccounted-for water is the result of plant deterioration over many years and believes that for ratemaking the 30% and 20% used for test years 1983 and 1984 represents a reasonable trend in the proper direction.

It is applicant's position that a massive main replacement program would be required to bring down unaccounted-for water to 20% and the people could not afford the water rates that would be compensatory. Applicant believes that a continuation of its past practices of replacing about 2,000 feet of main per year on a routine basis (currently costing about \$50,000 per year) "represents a reasonable balance between keeping water bills from getting too exorbitant and upgrading the system." However, at a replacement rate of 2,000 feet per year, we note it would take 30 years to replace the 60,000 feet of undersized, leaky steel mains. Given their already deteriorated condition, a continuation of applicant's past practices, it would appear, could only be tenable for a few more years.

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<sup>5/</sup> The ratio of unaccounted-for water to total water supply times 100%.

The impact on rates and therefore customer bills of replacing (a) 18,000 feet of mains<sup>6/</sup> and (b) 60,000 feet of mains can be approximated by the following computations:

Data used: cost of main replacement \$25 per foot;  
Rate of return 11.56%; Net-to-gross multiplier 2.0765;  
Depreciation 2%; and Ad Valorem Taxes 2%. (Deductions from rate base for depreciation reserve, unamortized investment tax credit, and reserve for deferred federal income taxes are small in the initial years and excluded from the computations for simplicity.)

(a) Replacement of 18,000 feet of mains  
(18,000 feet x \$25/ft.) (.1156 x 2.0765 +  
.02 + .02) = \$126,000/yr.  
 $\$126,000/\text{yr.} \div (12 \frac{\text{mo.}}{\text{yr.}} \times 814 \text{ customers}) =$   
\$13 per month per customer

(b) Replacement of 60,000 feet of mains  
(60,000 x \$25) (.1156 x 2.0765 + .04) =  
\$420,000/yr.  
 $\$420,000 \div (12 \times 814) =$  \$43 per month per customer

For test year 1983 applicant plans to replace 1,250 feet of mains at a cost of \$34,000. Staff has included an additional \$50,000 in its 1983 estimate to replace another 2,000 feet of main in the Del Sur system in addition to the 1,250 feet which has been included in applicant's capital budget. For test year 1984 applicant and staff both estimate 3,400 feet of main to be replaced at a cost of \$86,100.

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<sup>6/</sup> This is the replacement footage of a staff recommendation to be discussed later.



Construction of a 250,000-gallon reservoir in the Del Sur system is planned for this year. The land has been purchased and soil tests and piping design were in progress at the time of our hearing in this application. Its total estimated cost is approximately \$310,500, which includes \$210,000 to construct the reservoir itself, \$22,700 for the land, \$50,400 for the transmission main extending into the system from the reservoir, \$24,000 to rebuild the Pinon booster station, and \$3,400 for a pressure regulator. The total cost of this reservoir, according to staff, would be approximately \$7.50 a month per customer. Staff has not included any of the costs associated with the construction of this reservoir in its utility plant estimates. The major reason for this adjustment by staff is that it is staff's opinion that the reservoir is not needed during the period for which rates are being established in this proceeding. Another reason is that in 1982 applicant drilled a new well (Yeagerville No. 3) with the capacity to deliver 350 gallons per minute (gpm) of water to the system. Prior to that time water was furnished by two wells delivering 383 gpm to the system.

In determining that additional storage would not be needed by 1985, the staff witness used a water loss of 20%. However, when asked to assume a 50% water loss he stated "there's no doubt [by] any type of peak hour flow or maximum day plus 50% water, Morongo Valley does not have the required supply in storage..." A fair assessment of the record in this proceeding is that short of a massive main replacement program, a reduction of water loss to the 20% level is simply not achievable.

In addition to meeting the need for additional storage, this project will make gravity feed available to the entire Del Sur system, which is especially important in the event of a power failure.<sup>7/</sup>

In addition to the \$50,000 in plant additions allowed by staff in 1983 for additional main replacements, staff recommends that "the utility be allowed an additional annual amount of \$150,000 for main replacement for test years 1983, 1984, and 1985 with these amounts to be included in rate base. Concurrent with these additional construction dollars, staff is recommending a 3%, 2% and 1% reduction in rates of return on rate base for test years 1983, 1984 and 1985, respectively."

As summarized in the staff brief, the staff witness provided the following reasons for making this recommendation.

"SoCal purchased Morongo Service area in 1962; in 1970, the last rate case for this area the Commission asked SoCal to spend more money on main replacement (D.79380). The Decision noted that service was inadequate and that there was a high percentage of water loss. The Decision requested SoCal to report on the progress of replacing mains. The water loss increased from 30% in 1970 to 56% at present. (R.T. VII, 733)."

The staff recommendation was also made to accomplish substantially more main replacement without further burdening the ratepayer during the test years. This is indicated by the fact that staff does not recommend a penalty in rate of return if its three-year accelerated main replacement proposal is not adopted.

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<sup>7/</sup> In a letter dated April 11, 1983 to the State Health Department, which is included in Appendix F to this decision, applicant has stated the gravity feed "should significantly eliminate any problem of back siphonage which you indicate to be of great concern."

We are faced with a difficult situation in the Morongo Valley system. There is no doubt that the system requires replacement of 60,000 feet of deteriorated and substandard mains. The problem is how to replace these mains over a reasonable period of time without creating an unacceptable cost burden on Morongo Valley ratepayers.

On the one hand, if we order SoCal to replace immediately 60,000 feet of main, it will cost each customer an additional \$43 per month in rates otherwise authorized. This is unreasonable. On the other hand, if we allow SoCal to continue its current main replacement program, it will take 30 years to replace all the mains. This too is not reasonable.

We believe that a program like the staff's suggested accelerated main replacement program is desirable, provided the additional cost burden to the ratepayer is reasonable. Our staff has proposed that an additional amount of \$150,000 be included in rate base each year for main replacement. This amount would allow, at \$25 per foot, 6,000 feet of main replacement each year in addition to the amount SoCal has planned. In less than 10 years the replacements would be completed.

We find that initiation of a 10-year main replacement program is reasonable at this time since it results in a small incremental cost to the ratepayer. Accordingly, SoCal should install an additional 6,000 feet of main by the end of 1984 and another 6,000 feet by the end of 1985. These amounts will supplement the 3,400 feet of main replacement budgeted for each of those years. At the time SoCal files for its 1985 attrition allowance, it may include in rate base the reasonable additional investment made in 1984. We do not expect the investment to exceed \$150,000.

SoCal may also include the additional investment made in 1985 when it files for its 1986 general rate case.

Our staff has further suggested a rate of return penalty for each year of the test period for SoCal's failure to implement a more vigorous main replacement program, beginning in 1970 when SoCal last received a general rate increase. Staff's suggestion has merit. However, we find it more desirable to structure a rate of return penalty as an incentive to motivate SoCal to install the additional 6,000 feet of main for each of the years 1984 and 1985. Accordingly, at the time of SoCal's 1985 attrition filing we will reduce SoCal's rate of return on rate base by 2% if SoCal has failed to install 6,000 feet of main over and above the 3,400 feet SoCal plans to install by the end of 1984. Similarly, in 1985, we will make the same adjustment in its 1986 general rate case if SoCal fails to install 6,000 feet of main in addition to the amount budgeted by SoCal through the end of 1985.

During SoCal's 1986 general rate case we will reevaluate whether the requirement to install at least 6,000 feet of main per year is too onerous to ratepayers who must bear the cost of the additional investment. For the next two and one-half years we do not consider the incremental cost of the investment to be burdensome.

Consistent with prior water rate cases, we find the staff allowances for unaccounted-for water of 30% for 1983 and 20% for 1984 to be reasonable for ratemaking. We observe that a 10% unaccounted-for water rate is normal for a utility of this size. However, because of the very high level of water loss in the Morongo Valley system, we cannot expect SoCal to achieve this substantially lower level. However, we cannot allow SoCal's ratepayers to incur additional expense for the present water loss level of 56% when SoCal has had ample opportunity to reduce this level. The imputed

levels of 30% for 1983 and 20% for 1984 will provide further incentive to SoCal to improve its system.

In our adopted operating results we have included the staff estimates of purchased power and applicant's estimate of rate base and depreciation expense. Our adopted income taxes were computed as shown in Appendix C to this decision.

Because of the poor state of the Morongo Valley system, the rate increases which Morongo Valley ratepayers will experience are sharp. As more improvements are required, costs and rates will continue to increase. One possible solution to offset the upward spiral of costs is for the Morongo Valley Community Service District to impose assessments on the 8,000 or so owners of vacant lots to help finance the needed improvements. Such action would greatly offset the costs otherwise imposed on ratepayers and help accelerate the improvement program. We strongly urge SoCal to explore with the community service district possible financing solutions to this difficult situation.

B-3--Victorville Service Area of  
Desert District

In Table 4, which follows, the results for test years 1983 and 1984, as shown in late-filed Exhibit 30, and the operating results we adopt for this service area are set forth.

Table 4

Page 1

SOUTHERN CALIFORNIA WATER COMPANY  
Victorville Service Area of Desert District

Estimated Summary of Earnings  
Test Year 1983

Item	Rates Effective 1/1/83			Authorized
	Staff	Applicant	Adopted	Rates
(Dollars in Thousands)				
Operating Revenues	\$249.8	\$249.8	\$249.8	\$336.0
Operating Expenses				
Power	46.5	57.9	46.5	46.5
Chemicals	0.3	0.6	0.4	0.4
Labor	53.9	59.5	62.3	62.3
Purchased Services	7.5	12.7	9.3	9.3
Materials & Supplies	1.6	1.9	1.9	1.9
All Other	50.0	50.0	50.0	51.1
Subtotal	159.8	182.6	170.4	171.5
Depreciation Expense	22.6	22.6	22.6	22.6
Taxes Other Than Income	21.6	21.9	22.1	22.1
Income Taxes	(0.8)	(12.7)	(6.5)	37.1
Total Expenses	203.2	214.4	208.6	253.3
Net Revenues	46.6	35.4	41.2	82.7
Rate Base	732.5	735.5	732.5	732.5
Rate of Return	6.36%	4.81%	5.62%	11.29%

(Red Figure)

Note: The compilation of adopted quantities and the adopted income tax computation are contained in Appendix C to this decision.

Table 4  
Page 2

SOUTHERN CALIFORNIA WATER COMPANY  
Victorville Service Area of Desert District  
Estimated Summary of Earnings  
Test Year 1984

Item	Rates Effective 1/1/83			Authorized
	Staff	Applicant	Adopted	Rates
(Dollars in Thousands)				
Operating Revenues	\$272.9	\$272.9	\$272.9	\$369.9
Operating Expenses				
Power	50.3	62.8	50.3	50.3
Chemicals	0.3	0.6	0.4	0.4
Labor	56.6	64.7	65.6	65.6
Purchased Services	8.1	14.0	10.0	10.0
Materials & Supplies	1.7	2.1	2.1	2.1
All Other	53.9	53.9	53.9	55.2
Subtotal	170.9	198.1	182.3	183.6
Depreciation Expense	26.2	26.4	26.2	26.2
Taxes Other Than Income	24.1	24.6	24.7	24.7
Income Taxes	-	(14.3)	(6.1)	42.9
Total Expenses	221.2	234.8	227.1	277.4
Net Revenues	51.7	38.1	45.8	92.5
Rate Base	800.1	802.7	800.1	800.1
Rate of Return	6.46%	4.75%	5.72%	11.56%

(Red Figure)

Note: The compilation of adopted quantities and the adopted income tax computation are contained in Appendix C to this decision.

The differences in estimates, not already discussed as common to the three service areas, are in power for pumping, depreciation expense for 1984, and rate base. Applicant estimates \$57,900 and \$62,800 for purchased power in 1983 and 1984 in contrast to the staff estimates of \$46,500 and \$50,300. The differences in the two sets of power estimates are a direct result of differing levels of unaccounted-for water used. Applicant's estimate is 33.4% for both years and represents a four-year average (1978-1981) of recorded data. The staff estimate for ratemaking is 15% for both years.

A substantial improvement in unaccounted-for water resulted in 1982, dropping from 39% in 1981 to 19% in 1982, after replacement of a badly deteriorated run of pipe. The staff estimate is compatible with this trend and is reasonable for ratemaking. It will be adopted.

The small differences shown in rate base and depreciation expense are a result of staff's shifting a project to fence the Tussing Plant from 1983 to 1984. Staff made this shift because this site has never been fenced and because there are fewer budgeted plant additions in 1984. Staff's estimates of rate base and depreciation expense are reasonable and will be adopted.

C - San Bernardino Valley District

In Table 5, which follows, the results for test years 1983 and 1984, as shown in late-filed Exhibit 30, and the operating results we adopt for this district are set forth.



Table 5

SOUTHERN CALIFORNIA WATER COMPANY  
San Bernardino Valley District  
Estimated Summary of Earnings

Item	Rates Effective 1/1/83			Authorized:
	Staff	Applicant	Adopted	Rates
(Dollars in Thousands)				
<u>Test Year 1983</u>				
Operating Revenues	\$ 750.1	\$ 750.1	\$ 750.1	\$ 988.7
Operating Expenses				
Oper. & Maint.	432.0	432.0	432.0	432.9
Admin. & Gen.	53.1	53.1	53.1	55.2
Gen. Office Alloc.	26.6	26.6	26.6	26.6
Subtotal	511.7	511.7	511.7	514.7
Depreciation Expense	48.9	62.8	69.5	69.5
Taxes Other Than Inc.	35.8	36.7	39.5	39.5
Income Taxes	4.4	2.3	0.9	121.5
Total Expenses	600.8	613.5	621.6	745.2
Net Revenues	149.3	136.6	128.5	243.5
Rate Base	2,093.7	2,160.5	2,157.1	2,157.1
Rate of Return	7.13%	6.32%	5.96%	11.29%
<u>Test Year 1984</u>				
Operating Revenues	772.7	772.7	772.7	1,025.4
Operating Expenses				
Oper. & Maint.	448.7	448.7	448.7	449.6
Admin. & Gen.	55.7	55.7	55.7	58.0
Gen. Office Alloc.	28.2	28.2	28.2	28.2
Subtotal	532.6	532.6	532.6	535.8
Depreciation Expense	66.4	80.3	73.2	73.2
Taxes Other Than Inc.	41.0	42.1	42.	42.0
Income Taxes	5.0	2.5	2.5	130.2
Total Expenses	645.0	657.5	650.3	781.2
Net Revenues	127.7	115.2	122.4	244.2
Rate Base	2,062.2	2,115.0	2,111.9	2,111.9
Rate of Return	6.19%	5.45%	5.80%	11.56%

Note: The compilation of adopted quantities and the adopted income tax computation are contained in Appendix C to this decision.

As may be seen in Table 5, the differences between applicant's estimates and those of staff are in depreciation expense, taxes, and rate base. They result in part from differing treatment accorded four wells that have become contaminated with nitrates and in part from differing depreciation rates applied to a new \$600,000 plant for treating a surface water supply.

The booked cost of the four contaminated wells is \$139,300 and the associated depreciation reserve is \$65,600. The staff estimates of rate base, depreciation expense, and taxes exclude the effects of the four wells but do so without retiring the wells. Staff addresses this matter in Exhibit 23 as follows:

" . . . Because of the high nitrate levels present in the ground water supply, these four wells have been withdrawn from service in recent years. The wells and years in which these wells have not been in service during the past ten years are as follows: (1) Dunkirk #1 (1974-82), (2) Dunkirk #2 (1977-82), (3) Palm #1 (1972-82), and (4) Cull #1 (1972-82). Therefore, during the last ten years, the ratepayers have been paying the taxes, depreciation expenses and rates of return associated with these facilities, even though they have not been used. Once the nitrates present in the ground water supply are no longer a problem, these wells could be put back into service, and for this reason the staff is not recommending that the wells be retired. (If the wells were retired, and sometime in the future new wells were drilled, the staff would consider the new wells to be imprudent investments). Instead the staff feels that the four wells should be removed from rate base so that the customers would no longer pay for them. In the future, should the wells once again become useful, they can again be included in rate base."

Applicant's operations witness testified that the four wells were "operable and useful in the case of emergency and necessity." He indicated they are in good physical condition and in the event that additional water was required, they could be put into service upon notification to the State Health Department.

Accordingly, it is applicant's basic position that the wells are valuable as emergency water sources. However, if the wells are to be removed from rate base, it is applicant's further position they must be retired and the proper accounting entries made to utility plant and depreciation reserve accounts. Applicant stresses that not only would it be unconscionable to penalize its investors when the prudence of the original investment was never in question, it would be unconstitutional to require that the property be retained without allowing a fair rate of return on the investment in it.

We reject staff's position on this issue. The four wells are included in our adopted operating results. They should not be retired as long as they can prove valuable as an emergency water source. However, if the wells are not placed in full service by applicant's next general rate case, applicant should justify why the wells should remain in rate base. We expect applicant to take all reasonable steps to bring these wells back in line.

To the new water treatment plant applicant applied a 4.26% annual depreciation rate in contrast to staff's using a 2.20% rate. Applying these rates results in a difference of about \$9,700 in the depreciation accrual. The 2.20% used by staff is the composite depreciation rate for all depreciable plant based on the utility's latest (fixed capital at December 31, 1980) depreciation study for this district. Applicant used this same depreciation rate of 2.20% for all depreciable plant, except the new water treatment plant. For the treatment plant

applicant used the 4.26% depreciation rate shown in the study for Account 332 (Water Treatment Equipment). At December 31, 1981 there was \$5,800 of net plant left in this account with a remaining life of 9.2 years.

Applicant's witness testified that an average life of 23 to 24 years reflected in the 4.26% rate was reasonable in light of the 15- to 40-year life for treatment plants recommended in Standard Practice Manual U-4 and in light of the electrical and mechanical equipment included in the plant. However, he did not make a study to determine an indicated depreciation rate to be applied to this specific plant.

Because the 45-year life reflected in the 2.20% rate used by staff appears unreasonably long, on the one hand, and absent an adequate study by applicant to develop the indicated average service life of the new plant, on the other, we deem it reasonable to use a 2.8% depreciation rate for this plant. A 2.8% annual rate is reflective of approximately a 35-year life which is near the top of the 15- to 40-year range given in Standard Practice Manual U-4. The new treatment plant became operational in early 1983. Our adopted operating results reflect the application of a 2.8% depreciation rate, a 1.397% property tax rate, and rate base deductions for unamortized investment tax credit and for reserve for deferred FIT for the new treatment plant in both test years.

D - Metropolitan District

In Table 6, which follows, the results for test years 1983 and 1984, as shown in late-filed Exhibit 30, and the operating results we adopt for this district are set forth.

Table 6

SOUTHERN CALIFORNIA WATER COMPANY  
Metropolitan District

Estimated Summary of Earnings

Item	Present Rates			Authorized:
	Staff	Applicant	Adopted	Rates
(Dollars in Thousands)				
<u>Test Year 1983</u>				
Operating Revenues	\$17,606.4	\$17,606.4	\$19,228.6	*\$19,915.6
Operating Expenses				
Oper. & Maint.	10,487.2	10,497.6	12,095.6	12,098.2
Admin. & Gen.	874.4	874.4	898.6	908.8
Gen. Office Allocation	527.2	527.2	527.2	527.2
Subtotal	11,888.8	11,899.2	13,521.4	13,534.2
Depreciation Expense	782.4	798.6	782.4	782.4
Taxes Other Than Inc.	592.4	593.8	592.4	592.4
Income Taxes	1,367.4	1,359.0	1,361.9	1,707.0
Total Expenses	14,631.0	14,650.6	16,258.1	16,616.0
Net Revenues	2,975.4	2,955.8	2,970.5	3,299.6
Rate Base	29,225.8	29,336.8	29,225.8	29,225.8
Rate of Return	10.18%	10.08%	10.16%	11.29%
<u>Test Year 1984</u>				
Operating Revenues	17,661.8	17,661.8	19,287.5	20,330.2
Operating Expenses				
Oper. & Maint.	10,650.2	10,660.6	12,262.1	12,266.1
Admin. & Gen.	908.0	908.0	932.2	947.7
Gen. Office Allocation	560.0	560.0	560.0	560.0
Subtotal	12,118.2	12,128.6	13,754.3	13,773.8
Depreciation Expense	802.4	818.8	802.4	802.4
Taxes Other Than Inc.	606.1	607.3	606.1	606.1
Income Taxes	1,237.4	1,226.7	1,232.1	1,755.8
Total Expenses	14,764.1	14,781.4	16,394.9	16,938.1
Net Revenues	2,897.7	2,880.4	2,892.6	3,392.1
Rate Base	29,343.8	29,444.5	29,343.8	29,343.8
Rate of Return	9.88%	9.78%	9.86%	11.56%

Note: The compilation of adopted quantities and the adopted income tax computation are contained in Appendix C to this decision.

\*Includes additional \$1,622,200 to offset increases in purchased water expense included in A.L. 655-W filed June 9, 1983.

For this district there are three areas of disagreement between applicant and staff: (1) applicant's estimate of purchased services exceeds the staff estimate by \$10,400, which accounts for the entire difference in operations and maintenance (O&M) expenses; (2) applicant used a composite depreciation rate of 1.87% in contrast to staff's 1.86%; and (3) applicant's estimate of utility plant exceeds staff's estimate by \$89,200. The latter two differences affect the estimates for depreciation expense, ad valorem taxes, and rate base and the computation of income taxes.

The \$10,400 difference in purchased services corresponds to an adjustment made by applicant to rectify a misclassification of expenses previously included in the chemicals account. The misclassified items were mostly clinical laboratory charges. As a result of this adjustment, applicant and staff now agree upon chemicals expense for the test years but disagree on purchased services. Since purchased services in recorded year 1982 exceeded staff's estimates for the test years by a margin substantially larger than the \$10,400 figure, we have included the adjustment made by applicant in our adopted operation and maintenance expense estimates of \$10,497,600 and \$10,660,600 for test years 1983 and 1984.

With reference to the composite depreciation rates, applicant's witness testified that the 1.87% rate he used was developed from the depreciation rate study as of December 31, 1978 by applying the rates contained in that study to the recorded utility plant numbers for the Metropolitan District as of January 1, 1982. His testimony was to the effect that since the relative fixed capital amounts in the various accounting categories had changed, this change indicated that the individual depreciation rates for the various accounts had changed. The staff

witness testified that the 1.86% depreciation rate he used was the composite rate for the Metropolitan District as set forth in the December 31, 1978 depreciation rate study. In his view the partial updating by applicant of the earlier depreciation rate study is unacceptable, since it failed to determine for each plant account any indicated change in the remaining useful life of that plant and was not reviewed or approved by staff. He believes a proper composite rate of depreciation for utility ratemaking must be based on a comprehensive depreciation rate study that has been submitted under established practice for staff review and approval.

In its depreciation accounting for book and financial statement purposes applicant applies the annual depreciation rate for each plant account determined by the most recent comprehensive depreciation rate study, which currently is the December 31, 1978 study. If the plant mix over the next several years fits more closely the January 1, 1982 mix than the December 31, 1978 mix, both depreciation expense and depreciation reserve as reflected in applicant's book of account will correspond better to a 1.87% than to a 1.86% composite depreciation rate. In that event a shortfall in cost recovery would result if the 1.86% is used for ratemaking because revenues would be reflecting application of that composite depreciation rate while expenses would be reflecting application of the 1.87% composite rate. The shortfall would not eventually be recoverable since actual accruals to the depreciation reserve depend on the individual depreciation rates of the various plant accounts and not on the composite depreciation rate used for ratemaking. Conversely, if revenues reflect a 1.87% composite depreciation rate while expenses reflect a 1.86% rate, an irreversible windfall ensues.

We cannot determine whether the 1.87% composite depreciation rate accurately reflects the more recent plant mix. Applicant's failure to provide a current comprehensive depreciation rate study for the Metropolitan District, which is by far its largest district, compels us to reject applicant's position on this issue. Our adopted operating results reflect the 1.86% composite depreciation rate.

Applicant's estimates of utility plant, which exceed staff's estimates by \$89,200, are consistent with recorded utility data made available during the hearing. However, the new data were incomplete in that figures were provided for year-end 1982 utility plant in service and construction work in progress but not for contributions or advances for construction.

Based on the size of this district and the construction activity within it, it is entirely possible for the \$89,200 utility plant difference to represent primarily changes in contributions and advances for construction above the levels used by staff in developing estimates of rate base and depreciation expense.<sup>8/</sup> In that event, staff's estimates for those two items and income taxes, as they relate to this issue, would be little affected, if at all, by increasing utility plant by \$89,200.

We find staff's estimates of rate base and depreciation expense to be reasonable. They are included in our adopted operating results for this district.

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<sup>8/</sup> Contributions and advances for construction are not included in the utility's rate base.



## XI - AUTHORIZED REVENUE INCREASES

Comparing the entries for operating revenues in Tables 1 through 6 in part will disclose:

1. For Barstow District (Table 1) - The rates to be authorized for test year 1983 will yield additional gross revenues of \$253,800 which represent a 15.0% increase over revenues at rates in effect January 1, 1983. The rates to be authorized for test year 1984 yield additional gross revenues of \$52,300 which represent a 2.6% over revenues at 1983 increased rates.
2. For La Quinta (Table 2) - The adopted increase in gross revenues for test year 1983 is \$234,600 which represents a 75.2% increase over revenues at rates in effect January 1, 1983. The authorized increase in gross revenues for test year 1984 is \$14,700 which represents a 2.6% over revenues at 1983 increased rates.
3. For Morongo Valley (Table 3) - The adopted increase in gross revenues for test year 1983 is \$209,500 which represents a 132.8% increase over revenues at rates in effect January 1, 1983. The authorized increase in gross revenues for test year 1984 is \$32,300 which represents 8.5% over revenues at 1983 increased rates.
4. For Victorville (Table 4) - The rates to be authorized for test year 1983 will yield additional gross revenues of \$86,200 which represent a 34.5% increase over revenues at rates in effect January 1, 1983. The rates to be authorized for test year 1984 yield additional gross revenues of \$2,800 which represent a 0.8% over revenues at 1983 increased rates.

5. For San Bernardino Valley District (Table 5)  
The rates to be authorized for test year 1983 will yield additional gross revenues of \$238,600 which represent a 31.8% increase over revenues at rates in effect January 1, 1983. The rates to be authorized for test year 1984 yield additional gross revenues of \$6,900 which represent 0.7% over revenues at 1983 increased rates.
6. For Metropolitan District (Table 6) - The rates to be authorized for test year 1983 will yield additional gross revenues of \$687,000 which represent a 3.9% increase over revenues at rates in effect January 1, 1983. The rates to be authorized for test year 1984 yield additional gross revenues of \$353,500 which represent a 1.9% over revenues at 1983 increased rates.

Advice Letter 655-W

We take official notice of Advice Letter 655-W filed June 9, 1983, by which applicant requests authority under General Order 96-A to increase water rates in its Metropolitan District to offset an additional \$1,622,200 of annual increase in purchased water expense, as the result of a rate change, effective July 1, 1983, by West Basin and Central Basin Municipal Water Districts. The Revenue Requirements Division staff has reviewed the work papers submitted with the advice letter and finds applicant's request to offset the additional purchased water costs on a dollar-for-dollar basis to be reasonable. The adopted results of operations reflect this increase in cost. In the design of rates this cost increase will be applied only to the quantity charges. The total amount of increase in gross revenue including the purchased water offset for test year 1983 will be \$2,309,200 which represents a 13.1% increase over revenues at rates in effect January 1, 1983.

A third set of rates will be authorized for each of the tariff areas to allow for attrition in rate of return after test year 1984. This is in keeping with our intention that the districts of Class A water utilities will not file a general rate increase application more often than once in three years.

The attrition to be allowed after 1984 has an operational component and a financial component. Its financial component is the same for all districts and is the adopted estimate of financial attrition in rate of return of 0.22% between years 1984 and 1985 (i.e., the difference between the rates of return of 11.78% and 11.56% for years 1985 and 1984, respectively). Its operational component, which is different for each district or tariff area, is the decline in the 1983 rate of return of 11.29% to a lower level for 1984 at the rates authorized for 1983.

The following tabulation shows, by district or tariff area, operational attrition rate, combined financial-operational attrition rate, and the revenue increase necessary to offset the attrition in rate of return after test year 1984.

<u>District or Tariff Area</u>	<u>Operational Attrition %</u>	<u>Combined Financial- Operational Attrition %</u>	<u>Offset Revenue Increase (Step Increase) \$</u>
Barstow	.33	.55	48,300
La Quinta	.61	.83	13,900
Morongo Valley	1.07	1.29	31,000
Victorville	(.10)	.12	2,000
San Bernard. Val.	(.11)	.11	4,800
Metropolitan	.31	.53	324,700

For La Quinta and Morongo Valley the large adopted increases for 1983 trigger our policy of phasing in annual base rate increases in excess of 50%. By holding the first test year increase for La Quinta to 50%, we will grant applicant a revenue

increase of \$156,100 in 1983. The difference in revenue between increases of 50% and 75.2%, plus interest at the adopted 11.29% rate of return for 1983, will be added to the authorized increase for La Quinta for 1984. For Morongo Valley we will grant applicant a revenue increase of \$114,800 in 1983, a further increase of \$114,800 in 1984, and a final increase of \$114,800 in 1985. As a final step, rates for Morongo Valley will be reduced effective January 1, 1986 to the 1985 adopted attrition level of gross revenues (\$441,900). The calculations showing these adjustments to the adopted increases for La Quinta and Morongo Valley are set forth in Appendix D to this decision.

#### XII - CONSERVATION AND PUMP EFFICIENCY

Applicant has an established program to promote water conservation. Currently, its efforts are directed primarily toward providing conservation reminders through inserts mailed with customers' bills.

Applicant has also an established program to maintain pump efficiencies. By district, our staff made the following reports on pump efficiencies:

Barstow District - The majority of pumps are within or above the average-fair range. Applicant will repair the two pumps, which are below this range, in 1983.

Desert District - The majority of pumps are within or above the average-fair range. Applicant will repair, in 1983, the pumps that are below that range.

San Bernardino Valley District - The majority of pumps are within or above the average-fair range. Applicant will repair the three pumps, which are below this range, in 1983.

Metropolitan District - The majority of pumps are within or above the average-fair range. Applicant will repair, in 1983, the pumps that are below that range.

XIII - SERVICE

Barstow District

The staff report (Exhibit 18) disclosed:

- "12.2 Customers service complaints for the year 1981 and the year 1982 are summarized as follows:

	<u>Year 1981</u>	<u>1982</u>
Water Quality	23	17
Pressure	59	54
Leaks	118	53
Misc.	<u>3</u>	<u>-</u>
Total	203	129

- "12.3 The record indicates that the complaints were investigated and resolved by the utility within a reasonable period of time after notification.

- "12.4 An inspection of the utility's facilities revealed that their procedures for handling customer service in this district was satisfactory."

La Quinta Service Area  
of Desert District

Clearly, many of the La Quinta customers, the La Quinta Water Task Force, and the City of La Quinta are dissatisfied with the present water system and oppose any rate increase. Equally clearly, however, La Quinta customers have benefitted from very low rates for water service and probably have benefitted by having the water system operated by applicant instead of the predecessor Mutual Water Company.

The water system was old when acquired by applicant in 1978 (D.89402 dated September 19, 1978 in A.58110). Since then, applicant has made some improvements. The water supply has been improved by replacing the more inefficient pumps as well as equipping wells that were not in service. Recently, a booster station and two related pipelines were put in service to create a separate pressure zone to serve the Upper Cove area. This was done to alleviate low pressure being experienced in this area which is of higher elevation.

On applicant's entire La Quinta system there are 6,294 lots, but only 1,940 active services, which are served by 231,530 feet of mains consisting mostly of four-inch and two-inch diameter steel pipe. Prevalent service complaints have been for: low pressure; sand in line; bad taste and smell in the water; shutoff without prior notice; and inadequate fire flow. Applicant has investigated these complaints and written to the concerned customers.

With the new pressure zone now in place for the Upper Cove area, pressures appear to be maintained at levels prescribed by General Order 103 throughout the distribution system. According to applicant, house valves or piping may be responsible for many of the low-pressure complaints. Also, according to applicant, sand in house piping may have been caused by closed or broken valves on the distribution system. Applicant has completed a survey of the system and reports that all defective valves have been repaired or replaced. The investigation disclosed no indication of more than trace amounts of sand getting through the sand traps at the wells. Bad taste and smell in the water may result from chlorine residue. Applicant states that its chlorine treatment of the water is mandated by the Health Department. Some shutoffs without prior notice are unavoidable, but applicant indicates it is reviewing its procedures to eliminate the avoidable ones.

There is no question that this water system fails to meet current standards by a wide margin. However, the perception of the average condition of the undersized steel mains is probably largely based on conjecture at this time. The evidence taken at the hearing covers a range from "badly deteriorated" to "a relatively tight system. By tight, the volume of leaks are not that great for a system of this size."

Many of the La Quinta customers, the La Quinta Water Task Force, and the City of La Quinta are convinced that the City of La Quinta must have a water system meeting current standards, including fire flow. The following two paragraphs are from a letter dated February 25, 1983 written by the La Quinta Community Safety Director to the La Quinta Water Task Force Committee, which was included in the City of La Quinta's brief:

"My main concern is to see this water system upgraded to current standards where it will provide an ample quantity of water of high quality for both present consumption and projected growth in their service area. Naturally, to do so will require a massive amount of capital. It seems only fair that the costs for these improvements be paid for by those who will benefit from the improvement.

"Who will benefit from upgrading the system? The existing subscribers to the water service will benefit immediately from 'proper' efforts to upgrade the system. (I will address my emphasis on 'proper' later on.) Secondly, owners of undeveloped lots will find them worth more and more salable and worthy of development with better water service. The SCWC will benefit greatly by improvements to the system because they will have additional system users with the increased development which will generate new revenue for them. Improvements on the old system will mean fewer repairs and better service. Therefore, I feel that if all the needed improvements are listed, prioritized, and priced, then we know how much money is needed to fund those

improvements. From there we should split the costs for those improvements between the property owners of both developed and undeveloped property and the SCWC. The funds from property owners could be derived from a special assessment district and SCWC would contribute their share from a capital improvements fund for La Quinta."

Regarding the benefits mentioned in the second paragraph, it should be understood applicant is entitled to a fair rate of return on its investment under the regulatory framework for investor-owned public utilities. This means that its rates for water service should be in balance with investments made by applicant, as part of the "massive amount of capital" required to upgrade the La Quinta water system to current standards. The improvements could be expected to become part of applicant's rate base and be reflected in rates for water service.

Morongo Valley Service Area  
of Desert District

The badly deteriorated condition of some 60,000 feet of undersized steel pipe underscores the service deficiency in this area. As pointed out in our discussion of the consolidation proposal, there is substantial exposure to a severe further deterioration of service if an adequate main replacement program is not put in place within the next several years. Accordingly, applicant will be required to submit annually to the Commission a report on the Morongo Valley Service Area recorded results of operations for Calendar Years 1983, 1984, and 1985, respectively. These reports will be due no later than March 31 of 1984, 1985, and 1986. These reports must be supported by workpapers and be in the same detail as those filed in this application. In addition, applicant will be required to submit to Commission staff, no later than January 1, 1985, detailed plans for a main repair and



replacement program. The objective of this program will be to reduce unaccounted-for water to 10% within a reasonable amount of time. Staff will review the plans; and if they appear reasonable, the utility will be instructed to file an advice letter seeking Commission approval for the necessary expenditures for main repair and replacement. This service improvement program will be handled by the Commission according to its new procedures, endorsed on June 15, 1983, for handling water company service problems. These procedures are designed to make customers aware of the need for, and the cost of improvement projects. Applicant is also encouraged to explore with the Morongo Valley Community Service District ways in which the vacant land in the area can be called upon to participate in the cost of service improvements.

Victorville Service Area  
of Desert District

The staff report (Exhibit 21) disclosed:

- "12.2 Customers service complaints for the year 1981 and the year 1982 are summarized as follows:

	<u>Year 1981</u>	<u>1982</u>
Water Quality	10	8
Pressure	2	7
Leaks	305	233
Misc.	<u>—</u>	<u>—</u>
Total	317	248

- "12.3 The record indicates that the complaints were investigated and resolved by the utility within a reasonable period of time after notification.

- "12.4 An inspection of the utility's facilities revealed that their procedures for handling customer service in this district was (sic) satisfactory."

San Bernardino Valley District

The staff report (Exhibit 23) disclosed:

- "12.2 Customers service complaints for the year 1981 and the year 1982 are summarized as follows:

	<u>Year 1981</u>	<u>1982</u>
Water Quality	22	25
Pressure	20	10
Leaks	72	33
Misc.	<u>—</u>	<u>—</u>
Total	114	68

- "12.3 The record indicates that the complaints were investigated and resolved by the utility within a reasonable period of time after notification.
- "12.4 An inspection of the utility's facilities revealed that their procedures for handling customer service in this district was (sic) satisfactory."

Metropolitan District

The staff report (Exhibit 22) disclosed:

- "12.2 Customers service complaints for the year 1981 and the year 1982 are summarized as follows:

	<u>Year 1981</u>	<u>1982</u>
Water Quality	235	290
Pressure	272	259
Leaks	1,131	1,092
Misc.	<u>3,845</u>	<u>2,677</u>
Total	5,483	4,318

"12.3 The record indicates that the complaints were investigated and resolved by the utility within a reasonable period of time after notification.

"12.4 An inspection of the utility's facilities revealed that their procedures for handling customer service in this district was (sic) satisfactory."

#### XIV - RATE STRUCTURE

##### Barstow District

For this district staff:

1. Concurs in applicant's proposal to reduce the number of quantity rate blocks (in Schedule BA-1) from four to three. (The declining rate of the third block permits volume sales to the marine supply depot and to two railroads.)
2. States that lifeline rates can be increased because the cumulative increases in average system rates have exceeded 25% since January 1, 1976.
3. Recommends that the authorized increase "be allocated to service charges, quantity rates, and flat rates and be proportional to the gross revenues derived from each category, and based on rates in effect when the decision in this proceeding is signed."
4. Recommends that the rates for private fire protection service (Schedule AA-4) be increased, although there are no customers for this service at this time.
5. Opposes applicant's proposal to cancel Schedule BA-9 because of inadequate notice to customers.

Applicant disputes only item 5 of the above enumerated items, contending that mailing copies of A.82-10-11 to the city attorney and to the city clerk of Barstow constitutes adequate notice. The following sentence is found at page 26 of the mailed application: "The Company also proposes the elimination of Schedule No. BA-9, Optional Special Metered Service, in the Barstow District." This sentence was the only reference to the matter in an application, which was both lengthy and complex, and the proposed cancellation was not mentioned at all in the notice of the filing of the application.

According to applicant's witness, Schedule BA-9 was originally designed for the railroads and provided a reduced rate for customers taking at least 75% of their water between midnight and 10 a.m. The railroads no longer take water on that basis but two of Barstow's city parks do purport to purchase water under the terms of this rate schedule. Applicant, however, states it cannot monitor the times of the day that the parks take water and therefore cannot determine whether they are eligible for the reduced rates.

If the City of Barstow is unaware of the proposed cancellation, it has been effectively deprived of its opportunity to evaluate the proposal and determine an appropriate course of action. Under the circumstances we are persuaded that Schedule BA-9 should be closed at this point to new customers but not canceled. Henceforth, applicant should take special care, when proposing tariff schedule cancellations, to assure that all affected customers are notified directly and with specificity of such proposals.

The revised rate schedules for the Barstow District authorized to be filed by this decision conform to the above-enumerated five-point-staff position on rate design. A tabular comparison of present and adopted rates for general metered service is included in Appendix E to this decision.

Desert District

For the La Quinta service area of the Desert District staff:

1. Concurs in applicant's proposal to replace its minimum charge-type rate schedule by a service charge-type schedule, which is standard for water utilities under our jurisdiction.
2. States that the first quantity block rate and the service charge for the 5/8 x 3/4-inch meter should not be increased for the first 25% in revenue increase in order to achieve the 25% differential between system average increase and lifeline increase since January 1, 1976.
3. Recommends that the authorized increase "be allocated to service charges, quantity rates, and flat rates and be proportional to the gross revenues derived from each category, and based on rates in effect when the decision in this proceeding is signed."
4. Recommends that the rates for private fire protection service (Schedule AA-4) be increased, although there are no customers for this service at this time.

Applicant does not oppose the above staff recommendations.

The revised rate schedules for the La Quinta service area of the Desert District conform to the above-enumerated four-point staff position on rate design as well as to the deferral of a portion of the 1983 authorized increase into 1984, as shown in computations included in Appendix D to this decision.

For the Morongo Valley service area of the Desert District staff:

1. States that the first quantity block rate and the service charge for the 5/8 x 3/4-inch meter should not be increased for the first 25% in revenue increase in order to achieve the 25% differential between system average increase and lifeline increase since January 1, 1976.
2. Recommends that the authorized increase "be allocated to service charges, quantity rates, and flat rates and be proportional to the gross revenues derived from each category, and based on rates in effect when the decision in this proceeding is signed."
3. Recommends that the rates for haulage flat rate service be increased.
4. Recommends that the rates for private fire protection service (Schedule AA-4) be increased, although there are no customers for this service at this time.

Applicant does not oppose the above staff recommendations. The revised rate schedules for the Morongo Valley service area of the Desert District conform to the above-enumerated four-point staff position on rate design as well as to the deferral of a portion of the 1983 authorized increase into years 1984 and 1985 as shown in computations included in Appendix D to this decision.

For the Victorville service area of the Desert District staff:

1. Concurs in applicant's proposal to change the quantity rate structure of its general metered service schedule from three-block to two-block rate and reduce the first block to 300 cubic feet.

2. States that first quantity block rate and the service charge for the 5/8 x 3/4-inch meter should not be increased for the first 25% in revenue increase in order to achieve the 25% differential between system average increase and lifeline increase since January 1, 1976.
3. Recommends that the authorized increase "be allocated to service charges, quantity rates, and flat rates and be proportional to the gross revenues derived from each category, and based on rates in effect when the decision in this proceeding is signed."
4. Recommends that the rates for private fire protection service (Schedule AA-4) be increased, although there are no customers for this service at this time.

Applicant does not oppose the above staff recommendations.

The revised rate schedules for the Victorville service area of the Desert District conform to the above-enumerated four-point staff position on rate design.

San Bernardino Valley District

For the San Bernardino Valley District staff:

1. States that lifeline rates can be increased because the cumulative increases in average system rates have exceeded 25% since January 1, 1976.
2. Recommends that the authorized increase "be allocated to service charges, quantity rates, and flat rates and be proportional to the gross revenues derived from each category, and based on rates in effect when the decision in this proceeding is signed."
3. Recommends that the rates for private fire protection service (Schedule AA-4) be increased.

Applicant does not oppose the above staff recommendations. The revised rate schedules for this district conform to the above-enumerated three-point staff position on rate design.

Metropolitan District

For the Metropolitan District staff:

1. States that lifeline rates can be increased because the cumulative increases in average system rates have exceeded 25% since January 1, 1976.
2. Recommends that the authorized increase "be allocated to service charges, quantity rates, and flat rates and be proportional to the gross revenues derived from each category, and based on rates in effect when the decision in this proceeding is signed."
3. Recommends that the rates for private fire protection service (Schedule AA-4) be increased from \$3 to \$4 per month for each inch of diameter of service connection and Schedule AA-4 be revised to accommodate the rate.
4. Recommends that the rate for flat rate service (Schedule ME-2M) also be increased.

Applicant does not oppose these staff recommendations. The revised rate schedules for this district conform to the above-enumerated four-point staff position on rate design.



XV - FINDINGS AND CONCLUSIONS

Findings of Fact

1. Applicant's proposed consolidation of the Barstow, Desert, and San Bernardino Valley Districts was not supported by any of the parties to this proceeding including applicant.

2. a. Applicant's proposed consolidation of the Desert, San Bernardino Valley, and Metropolitan Districts would provide primarily a subsidy of the Desert District by the Metropolitan District.

b. There is a need for major water system improvements in the Desert District, but low customer density would make the impact on rates so large as to render major projects infeasible.

c. If necessary actions are taken by residents served by low customer density water systems, the community service districts serving the areas perhaps can bring about needed participation in water system costs by owners of vacant land.

d. There is precedent for a community service district having water system facilities operated under contract by an investor-owned utility (D.59843 dated 3/29/60 in A.41959).

3. Rates of return of 11.29%, 11.56%, and 11.78%, respectively, on applicant's rate base for 1983, 1984, and 1985 in the Barstow, Desert, San Bernardino Valley, and Metropolitan Districts are reasonable. The related return on common equity is a constant 14.50%. In the Barstow District this will require an increase of \$253,800, or 15.0% in annual revenues for 1983; a further increase of \$52,300, or 2.6% for 1984; and a further increase of \$48,300, or 2.4% for 1985.

4. Applicant's service, conservation program, pump efficiency program, and water quality in the Barstow District are satisfactory.

5. a. Recorded chemicals expense data for the Barstow District indicates the 1981 shift to a much higher chemicals expense level will persist but not at the level computed by applicant. The

1982 expense of \$2,200 should be more representative of actual future results than a computed value, which was not borne out sufficiently by 1982 experience.

b. The staff estimates of depreciation expense for the Barstow District are consistent with the estimates of transportation expense for this district used by both applicant and staff.

c. The adopted estimates of operating revenues, operating expenses, and rate base for the test years 1983 and 1984, as set forth in Table 1 of this decision, together with an additional revenue requirement of \$48,300 for 1985 due to attrition, reasonably indicate the results of applicant's future operations in the Barstow District.

6. The adopted rate design for the Barstow District is reasonable.

7. a. Barstow District Schedule BA-9 was originally designed for the railroads and provided a reduced rate for customers taking at least 75% of their water between midnight and 10 a.m.

b. The railroads no longer take water on that basis but two of Barstow's city parks do purport to purchased water under the terms of this rate schedule.

c. Because applicant cannot monitor the times of the day that the parks take water, it cannot confirm that they are eligible for the reduced rates.

d. The City of Barstow was not adequately notified of applicant's request for authority to cancel Schedule BA-9.

e. In the circumstances it is reasonable to close Schedule BA-9 to new customers, including additional city parks, but not to cancel it.

8. For the Desert District:

a. Chemical expense has undergone marked growth after 1979. The pattern is similar to that experienced in the Barstow

District and should be treated similarly. The Desert District 1982 recorded chemicals expense of \$6,700 is reasonable for the test years.

b. The 1982 recorded labor expense and escalation factors of 8.0% for 1983 and 5.1% for 1984 provide a reasonable basis for projecting out to test year figures.

c. The 1982 recorded purchased services and escalation factors of 4.0% for 1983 and 7.3% for 1984 provide a reasonable basis for projecting out to test year figures.

d. The 1982 recorded materials and supplies expense and escalation factors of 4.0% for 1983 and 7.3% for 1984 provide a reasonable basis for projecting out to test year figures.

9. Applicant's service in the La Quinta service area of the Desert District is probably about what can be expected from an older, low customer density system consisting mostly of four-inch and two-inch mains, and is not unreasonable.

10. a. A site for a new reservoir in the La Quinta service area of the Desert District should be acquired during 1984 or earlier. It is reasonable to include \$12,500 in test year 1984 as the estimated weighted average cost of that site.

b. The adopted estimates of operating revenues, operating expenses, and rate base for test years 1983 and 1984, as set forth in Table 2 of this decision, together with an additional revenue requirement of \$13,900 for 1985 due to attrition, reasonably indicate the results of applicant's future operations in the La Quinta service area of the Desert District.

11. a. To meet the rates of return specified in Finding of Fact 3 above, the required increases in the La Quinta service area of the Desert District are \$234,600, or 75.2% in annual revenues for 1983; a further increase of \$14,700, or 2.6% for 1984; and a further increase of \$13,900, or 2.4% for 1985.

b. Limitation of the 1983 increase to 50% will mitigate the effect of the large increase on customers and will result in increases for 1983 of \$156,100, for 1984 of \$132,900, and a reduction of \$24,500 for 1985. Interest on the deferred portion at the adopted rate of return will ensure that applicant is adequately compensated for the deferral.

12. The adopted rate design for the La Quinta service area of the Desert District is reasonable.

13. Applicant's service in the Morongo Valley area of the Desert District needs improvement. The initiation of a 10-year main replacement program is reasonable at this time.

14. a. Additional storage is needed on the Del Sur system in the Morongo Valley service area of the Desert District.

b. Applicant's estimates of rate base and depreciation expense reflect a reasonable balance between what is needed and what is affordable in plant additions.

c. By the end of 1984 and 1985 it is reasonable to expect SoCal to install an additional 6,000 feet of main in each year.

d. The staff allowances for unaccounted-for water of 30% for 1983 and 20% for 1984 are reasonable for ratemaking.

e. A rate of return penalty is warranted in 1985 should SoCal fail to install 6,000 feet of main in addition to main replacement budgeted for 1984. Similarly, in 1986 a rate of return penalty is warranted should SoCal fail to install 6,000 feet of main in addition to the amount budgeted by the end of 1985.

f. Applicant should report annually on the operations of the Morongo Valley service area and submit detailed plans for a main repair and replacement program. Failure to comply with these requirements may result in a rate of return reduction.

g. The adopted estimates of operating revenues, operating expenses, and rate base for test years 1983 and 1984, as set forth

in Table 3 of this decision, together with an additional revenue requirement of \$31,000 for 1985 due to attrition, reasonably indicate the results of applicant's future operations in the Morongo Valley service area of the Desert District.

15. a. To meet the rates of return specified in Finding of Fact 3 above, the required increases in the Morongo Valley service area of the Desert District are \$209,500, or 132.8% in annual revenues for 1983; a further increase of \$32,300, or 8.5% for 1984; and a further increase of \$31,000, or 7.5% for 1985.

b. To mitigate the effect of the large 1983 increase on customers, the revenue increase will be held to \$82,700 in 1983. A further increase of \$123,800 will be provided for 1984 and a further increase of \$184,600 will be provided for 1985. Interest on the deferred portion of 1983 required revenue increase at the adopted rate of return will ensure that applicant is adequately compensated for the deferral.

16. The adopted rate design for the Morongo Valley service area of the Desert District is reasonable.

17. Applicant's service in the Victorville service area of the Desert District is about what can be expected from several separate older systems consisting mostly of small mains.

18. a. A substantial improvement in unaccounted-for water in the Victorville service area of the Desert District resulted in 1982, dropping from 39% in 1981 to 19% in 1982, after replacement of a badly deteriorated section of pipe.

b. The staff estimate of 15% unaccounted-for water for both test years is compatible with this trend and is reasonable for ratemaking.

c. Shifting a project to fence the Tussing Plant, which has never been fenced, from 1983 to 1984 when there are fewer plant additions is reasonable.

d. The adopted estimates of operating revenues, operating expenses, and rate base for the test years 1983 and 1984, as set forth in Table 4 of this decision, together with an additional revenue requirement of \$2,000 for 1985 due to attrition, reasonably indicate the results of applicant's future operations in the Victorville service area of the Desert District.

19. To meet the rates of return specified in Finding of Fact 3 above, the required increases in the Victorville service area of the Desert District are \$86,200, or 34.5% in annual revenues for 1983; a further increase of \$2,800, or 0.8% for 1984; and a further increase of \$2,000, or 0.5% for 1985.

20. The adopted rate design for the Victorville service area of the Desert District is reasonable.

21. Applicant's service, conservation program, pump efficiency program, and water quality in the San Bernardino Valley District are satisfactory.

22. a. Absent a complete depreciation rate study on the new water treatment plant in the San Bernardino Valley District, it is reasonable to use a 2.8% annual depreciation rate, which is reflective of approximately a 35-year life, for this plant. A 35-year life is near the top of the 15- to 40-year range given in Standard Practice Manual U-4.

b. Because of the high nitrate levels present in the groundwater supply, four San Bernardino Valley District wells have been withdrawn from service in recent years. These wells are valuable as emergency water sources, should not be retired as long as they remain so, and are properly includable in rate base.

c. The adopted estimates of operating revenues, operating expenses, and rate base for the test years 1983 and 1984, as set forth in Table 5 of this decision, together with an additional revenue requirement of \$4,800 for 1985 due to attrition, reasonably indicate the results of applicant's future operations in the San Bernardino Valley District.

23. To meet the rates of return specified in Finding of Fact 3 above, the required increases in the San Bernardino Valley District are \$238,600, or 31.8% in annual revenues for 1983; a further increase of \$6,900, or 0.7% for 1984; and a further increase of \$4,800, or 0.5% for 1985.

24. The adopted rate design for the San Bernardino Valley District is reasonable.

25. Applicant's service, conservation program, pump efficiency program, and water quality in the Metropolitan District are satisfactory.

26. a. The adopted estimate of purchased services in the Metropolitan District properly includes clinical laboratory charges which were misclassified as chemicals expense.

b. Applicant's failure to provide a current comprehensive depreciation rate study for the Metropolitan District compels us to adopt the 1.86% composite depreciation rate used by staff.

c. Recorded year-end 1982 data were provided by applicant for utility plant in service and construction work in progress but not for contributions or advances for construction. Since it is entirely possible for the resulting \$89,200 utility plant difference to correspond primarily to changes in contributions and advances for construction above the levels used by staff in developing estimates of rate base and depreciation expense, the later data must be rejected as being incomplete.

d. The adopted estimates of operating revenues, operating expenses, and rate base for the test years 1983 and 1984, as set forth in Table 6 of this decision, together with an additional revenue requirement of \$324,700 for 1985 due to attrition, reasonably indicate the results of applicant's future operations in the Metropolitan District.

27. To meet the rates of return specified in Finding of Fact 3 above, the required increases in the Metropolitan District are \$687,000, or 3.9% in annual revenues for 1983; a further increase of \$353,500, or 1.9% for 1984; and a further increase of \$324,700, or 1.7% for 1985.

28. The adopted rate design for the Metropolitan District is reasonable.

29. The increases in rates and charges authorized by this decision are justified, and for the future are just and reasonable.

30. The further increases authorized in Appendix A for the years 1984 and 1985 should be appropriately modified in the event the rate of return on rate base, adjusted to reflect the rates then in effect and normal ratemaking adjustments for the 12 months ended September 30, 1983 and/or September 30, 1984, exceeds the lower of (a) the rate of return found reasonable by the Commission for applicant during the corresponding period in the most recent rate decision, or (b) 11.29% for 1983 and 11.56% for 1984.

31. The further increases authorized in Appendix B for the years 1984 and 1985 should be appropriately modified in the event the rate of return on rate base, adjusted to reflect (a) the rates then in effect modified where applicable to compensate for the deferred portion of the rate increase and (b) normal ratemaking adjustments for the 12 months ended September 30, 1983 and/or September 30, 1984, exceeds the lower of (1) the rate of return



found reasonable by the Commission for applicant during the corresponding period in the most recent rate decision, or (2) 11.29% for 1983 and 11.56% for 1984.

Conclusions of Law

1. The adopted rates are just, reasonable, and nondiscriminatory for the future.
2. The application should be granted to the extent provided by the following order.
3. Barstow District Schedule BA-9 should be closed to new customers.
4. Because of the immediate need for additional revenue, the following order should be effective today.

O R D E R

IT IS ORDERED that:

1. Applicant Southern California Water Company is authorized to file for its Barstow, San Bernardino Valley, and Metropolitan Districts, effective today, the revised rate schedules in Appendix A. The filing shall comply with General Order Series 96. The effective date of the revised schedules shall be the date of filing. The revised schedules shall apply only to service rendered on and after their effective date.
2. On or after November 15, 1983 applicant is authorized to file an advice letter, with appropriate work papers, requesting the step rate increases for 1984 included in Appendix A, or to file a lesser increase which includes a uniform cents per 100 cubic feet of water adjustment from Appendix A for a district (Barstow,

San Bernardino Valley, or Metropolitan) in the event that district's 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 applicant during the corresponding period in the then most recent rate decision or (b) 11.29%. This filing shall comply with General Order Series 96. The requested step rates shall be reviewed by staff to determine their conformity with this order and shall go into effect upon staff's determination of conformity. 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 schedules shall be no earlier than January 1, 1984, or 30 days after the filing of the step rates, whichever is later. The revised schedules shall apply only to service rendered on and after their effective date.

3. On or after November 15, 1984 applicant is authorized to file an advice letter, with appropriate work papers, requesting the step rate increases for 1985 included in Appendix A, or to file a lesser increase which includes a uniform cents per 100 cubic feet of water adjustment from Appendix A for a district (Barstow, San Bernardino Valley, or Metropolitan) in the event that district's 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, 1984, exceeds the lower of (a) the rate of return found reasonable by the Commission for applicant during the corresponding period in the then most recent rate decision or (b) 11.56%. This filing shall comply with

General Order Series 96. The requested step rates shall be reviewed by staff to determine their conformity with this order and shall go into effect upon staff's determination of conformity. 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 schedules shall be no earlier than January 1, 1985, or 30 days after the filing of the step rates, whichever is later. The revised schedules shall apply only to service rendered on and after their effective date.

4. Applicant is authorized to file for its Desert District, effective today, the revised rate schedules in Appendix B. The filing shall comply with General Order Series 96. The effective date of the revised schedules shall be the date of filing. The revised schedules shall apply only to service rendered on and after their effective date.

5. On or after November 15, 1983 applicant is authorized to file an advice letter, with appropriate work papers, requesting the step rate increases for 1984 included in 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 Desert District rate of return on rate base, adjusted to reflect the rates then in effect modified where applicable to compensate for the deferred portion of the rate increase 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 applicant during the corresponding period

in the then most recent rate decision or (b) 11.29%. This filing shall comply with General Order Series 96. The requested step rates shall be reviewed by staff to determine their conformity with this order and shall go into effect upon staff's determination of conformity. 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 schedules shall be no earlier than January 1, 1984, or 30 days after the filing of the step rates, whichever is later. The revised schedules shall apply only to service rendered on and after their effective date.

6.a. On or after November 15, 1984 applicant is authorized to file an advice letter, with appropriate work papers, requesting the step rate increases for 1985 included in 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 Desert District rate of return on rate base, adjusted to reflect the rates then in effect modified where applicable to compensate for the deferred portion of the rate increase and normal ratemaking adjustments for the 12 months ending September 30, 1984, exceeds the lower of (a) the rate of return found reasonable by the Commission for applicant during the corresponding period in the then most recent rate decision or (b) 11.56%. This filing shall comply with General Order Series 96. The requested step rates shall be reviewed by staff to determine their conformity with this order and shall go into effect upon staff's determination of conformity. 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 schedules shall be no earlier than January 1, 1985, or 30 days after the filing of the step rates, whichever is later. The revised schedules shall apply only to service rendered on and after their effective date.

b. Because the full step rate increase for 1985 for the Morongo Valley service area of the Desert District should not extend beyond 1985, applicant shall file an advice letter on or before December 1, 1985 requesting the revision of rates to reduce annual revenue by \$114,000 based on the adopted data for 1984. The revised rates shall be in effect on January 1, 1986. ✓

7. Applicant shall submit annually to the Commission staff a report on the Morongo Valley Service Area recorded results of operations for Calendar Years 1983, 1984, and 1985, respectively. These reports shall be due no later than March 31 of 1984, 1985, and 1986, respectively. These reports must be supported by workpapers and be in the same detail as those filed in this application. Failure to submit reports may result in reduction of the authorized rate of return.

8. Applicant shall submit to Commission staff, no later than January 1, 1985, detailed plans for a main improvement program. The objective of this program will be to reduce unaccounted-for water to 10% within a reasonable amount of time. Staff will review the plans; and if they appear reasonable, the utility will be instructed to file an advice letter seeking Commission approval for the necessary expenditures for the main improvement program. This service improvement program will be handled according to the new procedures, endorsed by the Commission on June 15, 1983, for handling water company service problems.

9. Applicant shall demonstrate in its 1984 advice letter filing that it has installed 6,000 feet of main in addition to the amount ✓

of main replacement budgeted by this decision for the Morongo Valley system of the Desert District. Failure to make such installation shall result in a two percent reduction in return on rate base for the Desert District.

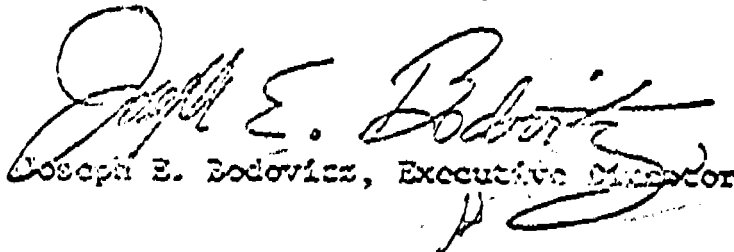
This order is effective today.

Dated August 3, 1983, at San Francisco, California.

LEONARD M. GRIMES, JR.  
President

VICTOR CALVO  
PRISCILLA C. GREW  
DONALD VIAL  
WILLIAM T. BAGLEY  
Commissioners

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

  
Joseph E. Bodovick, Executive Director

APPENDIX A

Page 1

Schedule No. BA-1

Barstow District

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

Barstow and vicinity, San Bernardino County.

RATES

Quantity Rates:		Per Meter Per Month
First	300 cu. ft., per 100 cu. ft. ....	\$ 0.305
Next	9,700 cu. ft., per 100 cu. ft. ....	0.410
Over	10,000 cu. ft., per 100 cu. ft. ....	0.331

Service Charge:

For	5/8 x 3/4-inch meter .....	\$ 4.25
For	3/4-inch meter .....	4.70
For	1-inch meter .....	5.60
For	1 1/2-inch meter .....	7.20
For	2-inch meter .....	12.00
For	3-inch meter .....	16.00
For	4-inch meter .....	31.00
For	6-inch meter .....	50.00
For	8-inch meter .....	67.00
For	10-inch meter .....	125.00

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.

APPENDIX A  
Page 2

Schedule No. BA-1

Barstow DistrictGENERAL METERED SERVICE  
(Continued)RATES (Continued)

The rates for quantities of water used above 300 cu. ft., include an amount per 100 cu. ft. granted as offset rates as shown below.

<u>Advice Letter Number</u>	<u>CPUC Resolution Number</u>	<u>Date Rate Effective</u>	<u>Offset Supply Cost Increase</u>	<u>Offset Included in Rates</u>
531-W	W-2452	11-28-78	2.8¢	2.8¢
568-W	W-2628	4-18-80	3.1¢	5.9¢
582-W	W-2712	9-16-80	3.2¢	9.1¢
603-W			1.6¢	10.7¢

SPECIAL CONDITIONS

1. For The Atchison, Topeka and Santa Fe Railway Company, all meter readings will be combined for the purpose of computing monthly bills at the Quantity Rates, and there will be a monthly service charge in the amount of the sum of the Service Charge for all of that customer's meters.



## APPENDIX A

Page 3

Schedule No. BA-9

Barstow DistrictOPTIONAL SPECIAL METERED SERVICEApplicability

Applicable to all optional special metered water service.

Territory

Barstow and vicinity, San Bernardino County.

Rates

Quantity Rates:		Per Meter Per Month
First	300 cu.ft., per 100 cu.ft. ....	\$ 0.305
Next	9,700 cu.ft., per 100 cu.ft. ....	0.410
Over	10,000 cu.ft., per 100 cu.ft. ....	0.306

Service Charge:

For	3-inch meter .....	\$ 16.00
For	4-inch meter .....	32.00
For	6-inch meter .....	50.00
For	8-inch meter .....	67.00
For	10-inch meter .....	125.00

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.

(Continued)

## APPENDIX A

Page 4

Schedule No. BA-9

Barstow DistrictOPTIONAL SPECIAL METERED SERVICE  
(Continued)RATES (Continued)

The rates for quantities of water used above 300 cu.ft. include an amount per 100 cu.ft. granted as offset rates as shown below.

<u>Advice Letter Number</u>	<u>CPUC Resolution Number</u>	<u>Date Rate Effective</u>	<u>Offset Supply Cost Increase</u>	<u>Offset Included in Rates</u>
531-W	W-2452	11-28-78	2.8¢	2.8¢
568-W	W-2628	4-18-80	3.1¢	5.9¢
582-W	W-2712	9-16-80	3.2¢	9.1¢
603-W			1.6¢	10.7¢

SPECIAL CONDITIONS

1. Service under this schedule will be furnished only when 75% of the water used is taken between the hours of 12 midnight and 10 a.m. The utility will provide adequate control to conform with this condition.

2. This schedule applies only to service furnished through a 3-inch meter or its equivalent capacity, or larger meter.

3. For The Atchison, Topeka and Santa Fe Railway Company, all meter readings will be combined for the purpose of computing monthly bills at the Quantity Rates, and there will be a monthly service charge in the amount of the sum of the Service Charge for all of that customer's meters.

4. This schedule is closed to new customers as of July 20, 1983 per D.

APPENDIX A  
Page 5Barstow District

Each of the following-increases in rates may be put into effect of 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.

METERED RATES

		<u>Effective Dates</u>	
		<u>1-1-84</u>	<u>1-1-85</u>
<u>Service Charge</u>			
		<u>Per Meter Per Month</u>	
For 5/8 x 3/4-inch meter .....	\$	0.05	\$ 0.05
For 3/4-inch meter .....		0.10	0.10
For 1-inch meter .....		0.20	0.10
For 1 1/2-inch meter .....		0.20	0.20
For 2-inch meter .....		1.00	1.00
For 3-inch meter .....		1.00	1.00
For 4-inch meter .....		1.00	1.00
For 6-inch meter .....		1.00	1.00
For 8-inch meter .....		2.00	2.00
For 10-inch meter .....		3.00	3.00

Quantity Rates:

For the first 300 cu. ft., per 100 cu. ft.....	0.008	0.007
Next 9,700 cu. ft., per 100 cu. ft.....	0.009	0.011
Over 10,000 cu. ft., per 100 cu. ft.....	0.008	0.009

Schedule BA-9

The rates for Schedule BA-9 will be revised per rates for Schedule BA-1.

APPENDIX A  
Page 6

Schedule No. SB-1

San Bernardino Valley District

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

The communities of Highland and Muscoy and portions of the City of San Bernardino, San Bernardino County.

RATES

Quantity Rates:	Per Meter Per Month
First 300 cu.ft., per 100 cu.ft. ....	\$0.642
Over 300 cu.ft., per 100 cu.ft. ....	0.832

Service Charge:

For 5/8 x 3/4-inch meter .....	\$ 4.15
For 3/4-inch meter .....	4.70
For 1-inch meter .....	6.80
For 1-1/2 inch meter .....	11.00
For 2-inch meter .....	12.00
For 3-inch meter .....	21.00
For 4-inch meter .....	29.00
For 6-inch meter .....	49.00
For 8-inch meter .....	73.00

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.

## APPENDIX A

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San Bernardino Valley District

Each of the following increases in rates may be put into effect of 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.

METERED RATES

	<u>Effective Dates</u>	
	<u>1-1-84</u>	<u>1-1-85</u>
<u>Service Charge</u>		
	<u>Per Meter Per Month</u>	
For 5/8 x 3/4-inch meter .....	\$ 0.10	0.05
For 3/4-inch meter .....	0.30	0.20
For 1-inch meter .....	0.70	0.80
For 1 1/2-inch meter .....	1.00	1.00
For 2-inch meter .....	1.00	1.00
For 3-inch meter .....	2.00	2.00
For 4-inch meter .....	2.00	2.00
For 6-inch meter .....	3.00	3.00
For 8-inch meter .....	3.00	3.00

Quantity Rates:

For the first 300 cu.ft., per 100 cu.ft. ..	0.000	0.000
For all over 300 cu.ft., per 100 cu.ft. ..	0.000	0.000

APPENDIX A  
Page 8

Schedule No. ME-1

Metropolitan DistrictGENERAL METERED SERVICEAPPLICABILITY

Applicable to all metered water service.

TERRITORY

Portions of the Cities of Artesia, Bell, Bell Gardens, Carson, Cerritos, Compton, Cudahy, Culver City, Downey, El Segundo, Gardena, Hawaiian Gardens, Hawthorne, Huntington Park, Inglewood, Lakewood, La Mirada, Lawndale, Long Beach, Norwalk, Paramount, Santa Fe Springs, South Gate, Vernon and the communities of Athens, Lennox and Moneta and vicinity, Los Angeles County, and portions of the City of Los Alamitos and vicinity, Orange County.

RATES

## Quantity Rates:

		Per Meter Per Month
First	300 cu.ft., per 100 cu.ft.....	\$ 0.464
Over	300 cu.ft., per 100 cu.ft. ....	0.556

## Service Charge:

For	5/8 x 3/4-inch meter .....	3.45
For	3/4-inch meter .....	5.60
For	1-inch meter .....	8.00
For	1 1/2-inch meter .....	13.10
For	2-inch meter .....	21.00
For	3-inch meter .....	28.00
For	4-inch meter .....	52.00
For	6-inch meter .....	75.00
For	8-inch meter .....	121.00
For	10-inch meter .....	192.00

The service charge applies to all metered service connections; to it is added the charge for water used during the month at quantity rates.

All quantity rates include an amount per 100 cu.ft. granted as offset rates as shown below.

<u>Advice Letter Number</u>	<u>CPUC Resolution Number</u>	<u>Date Rate Effective</u>	<u>Offset Supply Cost Increase</u>	<u>Offset Included in Rates</u>
598-W	W-2793	03-03-81	1.3¢	1.3¢
607-W	W-2924	01-19-82	1.3¢	2.6¢
632-W	W-3032	11-03-82	3.0¢	5.6¢

APPENDIX A  
Page 9

Schedule No. ME-2M

Metropolitan District

FLAT RATE SERVICE

APPLICABILITY

Applicable to all Flat Rate water service.

TERRITORY

The area formerly served by the Monterey Acres Mutual Water Company in the City of Lakewood.

RATES

Per Service  
Connection  
Per Month

- |  |         |
|--|---------|
| 1. For each single unit of occupancy on a lot<br>50 feet by 170 feet, or smaller .....                     | \$ 8.00 |
| 2. For each single unit of occupancy<br>larger than 50 feet by 170 feet. ....                              | 8.90    |
| 3. For each additional unit of occupancy served from<br>the same service connection of 1. or 2. above..... | 7.50    |
| 4. For each vacant lot larger than 50 feet<br>by 170 feet .....  | 2.80    |
| 5. For each vacant lot 50 feet by 170 feet<br>or smaller .....   | 1.90    |

SPECIAL CONDITIONS

1. This service is limited to existing customers as of December 18, 1981.
2. For service covered by the above classifications 1. through 3., if either the utility or the customer so elects, a meter shall be installed and service provided under Schedule No. ME-1, General Metered Service.

## APPENDIX A

Page 10

Metropolitan District

Each of the following increases in rates may be put into effect of 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.

METERED RATES

	<u>Effective Dates</u>	
	<u>1-1-84</u>	<u>1-1-85</u>
<u>Service Charge</u>		
	<u>Per Meter Per Month</u>	
For 5/8 x 3/4-inch meter .....	\$ 0.05	0.05
For 3/4-inch meter .....	0.10	0.10
For 1-inch meter .....	0.20	0.10
For 1 1/2-inch meter .....	0.20	0.25
For 2-inch meter .....	1.00	1.00
For 3-inch meter .....	1.00	1.00
For 4-inch meter .....	1.00	1.00
For 6-inch meter .....	1.00	1.00
For 8-inch meter .....	1.00	1.00
For 10-inch meter .....	3.00	2.00

Quantity Rates

For the first 300 cu.ft., per 100 cu.ft....	0.007	0.005
For all over 300 cu.ft., per 100 cu.ft.....	0.010	0.009

Flat Rates (Schedule ME-2M)

1. For each single unit of occupancy on a lot 50 feet by 170 feet, or smaller .....	\$ 0.15	\$ 0.15
2. For each single unit of occupancy on a lot larger than 50 feet by 170 feet .....	0.15	0.15
3. For each additional unit of occupancy served from the same service connection of 1. or 2. above .....	0.15	0.15
4. For each vacant lot larger than 50 feet by 170 feet .....	0.05	0.05
5. For each vacant lot 50 feet by 170 feet or smaller .....	0.05	0.05

(End of Appendix A)



APPENDIX B

Page 1

Schedule No. DEM-1

Desert District

Morongo Valley Tariff Area

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

Morongo Valley and vicinity, San Bernardino County.

RATES

Quantity Rates:

	Per Meter Per Month
First 300 cu.ft., per 100 cu.ft. ....	\$1.159
Over 300 cu.ft., per 100 cu.ft. ....	1.778

Service Charge:

For 5/8 x 3/4-inch meter .....	\$ 9.00
For 3/4-inch meter .....	9.90
For 1-inch meter .....	12.00
For 1 1/2-inch meter .....	15.00
For 2-inch meter .....	21.00
For 3-inch meter .....	43.00
For 4-inch meter .....	62.00
For 6-inch meter .....	108.00

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.

APPENDIX B

Page 2

Schedule No. DEM-2H

Desert District  
Morongo Valley Tariff Area

HAULAGE FLAT RATE SERVICE

APPLICABILITY

Applicable to all water delivered from company-designated outlets for haulage by customers for domestic use.

TERRITORY

Morongo Valley and vicinity, San Bernardino County

RATE

Per Month

For water delivered for domestic use only  
and when hauled by the customer ..... \$5.00

SPECIAL CONDITIONS

1. Each customer desiring to obtain water under this schedule must make an application for service to the utility.

2. Service under this schedule will be furnished only from company designated outlets specified for haulage service consisting of 3/4-inch hose bib with garden hose fitting located in Morongo Valley as follows:

West side of Bella Vista Drive 400 feet north of Canyon Road,

Northwest corner of Park Avenue and Cholla Avenue,

East side of Hess Boulevard 100 feet north of Paradise Avenue.

## APPENDIX B

Page 3

Desert DistrictMorongo Valley Service Area

Each of the following increases in rates may be put into effect of 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.

METERED RATES

	<u>Effective Dates</u>	
	<u>1-1-84</u>	<u>1-1-85</u>
Service Charge:		
	<u>Per Meter Per Month</u>	
For 5/8 x 3/4-inch meter .....	\$4.50	\$6.75
For 3/4-inch meter .....	4.90	7.40
For 1-inch meter .....	6.00	9.00
For 1 1/2-inch meter .....	7.00	11.00
For 2-inch meter .....	10.00	15.00
For 3-inch meter .....	21.00	32.00
For 4-inch meter .....	31.00	47.00
For 6-inch meter .....	54.00	81.00
Quantity Rates:		
For the first 300 cu.ft., per 100 cu.ft. ....	0.581	0.854
Over 300 cu.ft., per 100 cu.ft. ....	0.892	1.310
Flat Rates:		
Schedule DEM-2H .....	\$2.00	\$2.00

## APPENDIX B

Page 4

Schedule No. DELQ-1

Desert DistrictLa Quinta Service AreaGENERAL METERED SERVICEAPPLICABILITY

Applicable to all metered water service.

TERRITORY

La Quinta and vicinity, Riverside County.

## Service Charge:

	<u>Per Meter</u> <u>Per Month</u>
For 5/8 x 3/4-inch meter .....	\$ 7.00
For 3/4-inch meter .....	7.70
For 1-inch meter .....	10.50
For 1 1/2-inch meter .....	14.00
For 2-inch meter .....	20.00
For 3-inch meter .....	30.00
For 4-inch meter .....	40.00

Quantity Rates:

For First 300 cu.ft., per 100 cu.ft. ....	0.430
For all over 300 cu.ft., per 100 cu.ft. ....	0.488

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.

## APPENDIX B

Page 5

Desert District  
La Quinta Service Area

Each of the following increases in rates may be put into effect of the indicated date by filing a rate schedule which adds the appropriate increase or (decrease) to the rate which would otherwise be in effect on that date.

METERED RATES

<u>Service Charge</u>	<u>Effective Dates</u>	
	<u>1-1-84</u>	<u>1-1-85</u>
	<u>Per Meter Per Month</u>	
For 5/8 x 3/4-inch meter .....	\$ 1.95	\$(0.30)
For 3/4-inch meter .....	2.15	(0.40)
For 1-inch meter .....	2.90	(0.60)
For 1 1/2-inch meter .....	4.00	(1.00)
For 2-inch meter .....	6.00	(1.00)
For 3-inch meter .....	8.00	(2.00)
For 4-inch meter .....	11.00	(4.00)

Quantity Rates

For the first 300 cu.ft., per 100 cu.ft. ...	0.120	(0.025)
For all over 300 cu.ft., per 100 cu.ft. ...	0.136	(0.027)

APPENDIX B

Page 6

Schedule No. DEV-1

Desert District  
Victorville Service Area

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

The vicinity of Victorville and Lucerne, San Bernardino County.

RATES

Quantity Rates:

	<u>Per Meter</u> <u>Per Month</u>
First 300 cu.ft., per 100 cu.ft. ....	\$ 1.25
Over 300 cu.ft., per 100 cu.ft. ....	1.30

Service Charge:

For 5/8 x 3/4-inch meter .....	\$ 6.60
For 3/4-inch meter .....	8.80
For 1-inch meter .....	10.60
For 1 1/2-inch meter .....	12.60
For 2-inch meter .....	19.00
For 3-inch meter .....	35.00
For 4-inch meter .....	55.00
For 6-inch meter .....	93.00

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

Water supplied in the territory comprising a portion of Section 16, Township 4 north, Range 2 west, San Bernardino Base and Meridian, located 15 miles southeasterly of Victorville, San Bernardino County, is of high fluoride content.

APPENDIX B

Page 7

Desert District  
Victorville Service Area

Each of the following increases in rates may be put into effect of 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.

METERED RATES

	<u>Effective Dates</u>	
	<u>1-1-84</u>	<u>1-1-85</u>
<u>Quantity Rates:</u>		
For the first 300 cu.ft., per 100 cu.ft. ....	\$0.010	\$0.010
For all over 300 cu.ft., per 100 cu.ft. ....	0.015	0.010

(END OF APPENDIX B)

APPENDIX C

Page 1

Barstow District

ADOPTED QUANTITIES

Name of Company: Southern California Water Company

District: Barstow

1. Net-to-Gross Multiplier: 2.0785
2. Federal Tax Rate: 46%
3. State Tax Rate: 9.6%
4. Local Franchise Tax Rate: 1.180%
5. Uncollectibles Rate: 0.265%

<u>Offset Items</u>	<u>Test Years</u>	
	<u>1983</u>	<u>1984</u>
6. <u>Purchased Power</u>		
A. Ccf/kWh - Electric Pumps	0.879	0.879
Electric Boosters	1.737	1.737
B. kWh (Total)	6,952,500	7,046,900
C. Average Cost/kWh	\$ 0.07150	\$ 0.07150
Date Rates Effective	1/1/83	1/1/83
D. Cf (Total)	11,700,600	11,860,400
E. Average Cost/Therm	0.8355	0.8355
Date Rates Effective	1/1/83	1/1/83
F. Total Cost of Power	\$ 606,400	\$ 615,600



## APPENDIX C

Page 2

Barstow DistrictADOPTED QUANTITIESOffset Items (Cont'd)Test Years19831984

7. Ad Valorem Taxes  
Effective Tax Rate

\$35,800  
0.552%

\$38,600  
0.552%

8. Number of Services:

	<u>No. of Services</u>		<u>Usage-KCcf</u>		<u>Avg. Usage-Ccf/Yr.</u>	
	<u>1983</u>	<u>1984</u>	<u>1983</u>	<u>1984</u>	<u>1983</u>	<u>1984</u>
Commercial	7,469	7,599	2,793.7	2,842.7	374.0	374.0
Industrial	12	12	150.0	150.0	12,500.0	12,500.0
Public Authority	77	77	548.2	548.2	7,120.0	7,120.0
Contract	1	1	547.3	559.9	547,336.0	559,945.0
Other	5	5	38.7	36.1	7,740.0	7,224.0
Subtotal	7,564	7,694	4,077.9	4,136.9		
Private Fire Prot.	19	19				
Total	7,583	7,713				
Water Losses			408.2	414.1		
Total Wtr. Prod.			4,486.1	4,551.0		

APPENDIX C

Page 3

Bartow District

ADOPTED SERVICE BY METER SIZE

9. Adopted Service by Meter Size

<u>Meter Size</u>	<u>1983</u>	<u>1984</u>
5/8" x 3/4"	6,722	6,845
3/4"	-	-
1"	563	568
1 1/2"	62	62
2"	178	177
3"	20	20
4"	10	10
6"	9	9
8"	1	1
10"	-	-
	<u>7,565</u>	<u>7,692</u>

10. Metered Water Sales Used to Design Rates

<u>Range - Ccf</u>	<u>Usage - Ccf</u>	
	<u>1983</u>	<u>1984</u>
0-3	266,344	270,954
3-10	2,222,947	2,259,976
Over 10	<u>1,588,687</u>	<u>1,606,079</u>
	4,077,981	4,137,009

## APPENDIX c

Page 4

Barstow District

## INCOME TAX CALCULATION

1983

: No. :	Item	: Present Rates :		: Adopted Rates :	
		: CCFT :	: FIT :	: CCFT :	: FIT :
		(A)	(B)	(C)	(D)
(Thousands of Dollars)					
1	Operating Revenues	\$1,695.1	\$1,695.1	\$1,948.9	\$1,948.9
2	O&M Expenses	1,070.1	1,070.1	1,073.8	1,073.8
3	Taxes Other Than Income	49.8	49.8	49.8	49.8
4	CCFT	-	9.5	0.0	33.5
5	Subtotal	1,119.9	1,129.4	1,123.6	1,157.1
6	Deductions From Taxable Income				
7	Tax Depreciation	259.7	205.1	259.7	205.1
8	Capitalized Overhead	20.1	20.1	20.1	20.1
9	Interest	196.6	196.9	196.6	196.6
10	Preferred Stock Div. Credit	0.0	0.3	0.0	0.3
11	Subtotal Deductions	476.4	422.1	476.4	422.1
12	Net Taxable Income for CCFT	98.8		348.9	
13	CCFT	9.5		33.5	
14	Total CCFT	9.5		33.5	
15	Net Taxable Income for FIT		143.6		369.7
16	Federal Income Tax		66.0		171.0
17	Graduated Tax Adjustment		-0.8		-0.8
18	Fed Income Tax Before Adj.		65.2		169.2
19	Investment Tax Credit		0.0		0.0
20	Total FIT		65.2		169.2

## APPENDIX C

Page 5

Barstow District

## INCOME TAX CALCULATION

1984

: No.:	Item	: Present Rates :		: Adopted Rates :	
		: CCFT :	: FIT :	: CCFT :	: FIT :
		(A)	(B)	(C)	(D)
(Thousands of Dollars)					
1	Operating Revenues	\$1,720.3	\$1,720.3	\$2,030.2	\$2,030.2
2	O&M Expenses	1,104.9	1,104.9	1,109.5	1,109.5
3	Taxes Other Than Income	53.2	53.2	53.2	53.2
4	CCFT	0.0	5.7	0.0	35.0
5	Subtotal	1,158.1	1,163.8	1,162.7	1,197.7
6	Deductions From Taxable Income				
7	Tax Depreciation	267.4	205.2	267.4	205.2
8	Capitalized Overhead	21.1	21.1	21.1	21.1
9	Interest	214.8	214.8	214.8	214.8
10	Preferred Stock Div. Credit	0.0	0.3	0.0	0.3
11	Subtotal Deductions	503.3	441.4	503.3	441.4
12	Net Taxable Income for CCFT	58.9		364.2	
13	CCFT	5.7		35.0	
14	Total CCFT	5.7		35.0	
15	Net Taxable Income for FIT		115.1		391.1
16	Federal Income Tax		53.0		179.9
17	Graduated Tax Adjustment		-0.8		-0.8
18	Fed Income Tax Before Adj.		52.2		179.1
19	Investment Tax Credit		0		0
20	Total FIT		52.2		179.1

## APPENDIX C

Page 6

San Bernardino Valley DistrictADOPTED QUANTITIES

Name of Company: Southern California Water Company

District: San Bernardino

1. Net-to-Gross Multiplier: 2.0748
2. Federal Tax Rate: 46%
3. State Tax Rate: 9.6%
4. Local Franchise Tax Rate: 0.907%
5. Uncollectibles Rate: 0.361%

Offset ItemsTest Years198319846. Purchased Power

A. Ccf/kWh - Pumps	0.540	0.540
Boosters	3.135	3.135
B. kWh (Total)	1,523,100	1,569,800
C. Average Cost/kWh	\$ 0.08043	\$ 0.08020
So. Cal. Edison Rates Effective	1/1/83	1/1/83
D. Total Power Cost	\$ 122,500	\$ 125,900

7. Purchased Water

A. East San Bernardino County (Ccf)	159,000	365,000
(A.F.)	364.8	375.9
B. Cost/A.F. (7/1/82)	\$ 137.00	\$ 137.00
C. Purchased Water Cost (ESBWD)	\$ 50,000	\$ 51,500
D. San Bernardino Municipal (Ccf)	354,100	365,000
(A.F.)	813.0	837.8
E. Cost/A.F. (1/1/83)	80.00	80.00
F. Purchased Water Cost (SBVMD)	\$ 65,000	\$ 67,000
G. Total Purchased Water Cost	\$ 115,000	\$ 118,500

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San Bernardino Valley DistrictADOPTED QUANTITIESOffset Items (Cont'd)

	<u>Test Years</u>	
	<u>1983</u>	<u>1984</u>
8. Ad Valorem Taxes	\$30,900	\$33,000
Effective Tax Rate	1.397%	1.397%
9. <u>Number of Services:</u>		

	<u>No. of Services</u>		<u>Usage-KCcf</u>		<u>Avg. Usage-Ccf/Yr.</u>	
	<u>1983</u>	<u>1984</u>	<u>1983</u>	<u>1984</u>	<u>1983</u>	<u>1984</u>
Commercial	3,876	3,993	890.2	917.1	229.7	229.7
Public Authority	13	13	67.6	67.6	5,200.0	5,200.0
Industrial	1	1	0.1	0.1	125.0	125.0
Other	2	3	4.6	7.1	2,275.0	2,350.0
Subtotal	3,892	4,010	962.5	991.9		
Private Fire Prot.	6	6				
Total	3,898	4,016				
Water Losses			122.5	125.2		
Total Wtr. Prod.			1,084.0	1,117.1		

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San Bernardino Valley District

ADOPTED SERVICE BY METER SIZE

10. Adopted Service by Meter Size

<u>Meter Size</u>	<u>1983</u>	<u>1984</u>
5/8" x 3/4"	3,636	3,751
3/4"	6	6
1"	178	180
1 1/2"	35	35
2"	32	33
3"	4	4
4"	1	1
6"	-	-
8"	-	-
10"	-	-
	<u>3,892</u>	<u>4,010</u>

11. Metered Water Sales Used to Design Rates

<u>Range - Ccf</u>	<u>Usage - Ccf</u>	
	<u>1983</u>	<u>1984</u>
0-3	118,973	122,583
> 3	<u>843,503</u>	<u>869,264</u>
	962,476	991,847

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San Bernardino Valley District

## INCOME TAX CALCULATION

1983

: No. :	Item	: Present Rates :		: Adopted Rates :	
		: CCFT :	: FIT :	: CCFT :	: FIT :
		(A)	(B)	(C)	(D)
(Thousands of Dollars)					
1	Operating Revenues	\$750.1	\$750.1	\$988.7	\$988.7
2	O&M Expenses	511.7	511.7	514.7	514.7
3	Taxes Other Than Income	39.5	39.5	39.5	39.5
4	CCFT	0.0	-2.6	0.0	20.0
5	Subtotal	551.2	548.6	554.2	574.2
6	Deductions From Taxable Income				
7	Tax Depreciation	88.5	55.9	88.5	55.9
8	Capitalized Overhead	33.7	33.7	33.7	33.7
9	Interest	103.5	103.5	103.5	103.5
10	Preferred Stock Div. Credit	0.0	0.2	0.0	0.2
11	Subtotal Deductions	225.7	193.3	225.7	193.3
12	Net Taxable Income for CCFT	-26.8		208.8	
13	CCFT	-2.6		20.0	
14	Total CCFT	-2.6		20.0	
15	Net Taxable Income for FIT		8.2		221.2
16	Federal Income Tax		3.8		101.7
17	Graduated Tax Adjustment		-0.3		-0.2
18	Fed Income Tax Before Adj.		3.5		101.5
19	Investment Tax Credit		0.0		0.0
20	Total FIT		3.5		101.5



## APPENDIX C

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San Bernardino Valley District

## INCOME TAX CALCULATION

1984

No.	Item	Present Rates		Adopted Rates	
		CCFT	FIT	CCFT	FIT
		(A)	(B)	(C)	(D)
(Thousands of Dollars)					
1	Operating Revenues	\$772.7	\$772.7	\$1,025.4	\$1,025.4
2	O&M Expenses	532.6	532.6	535.8	535.8
3	Taxes Other Than Income	42.0	42.0	42.0	42.0
4	CCFT	0.0	-2.8	.0	21.2
5	Subtotal	574.6	571.8	577.8	599.0
6	Deductions From Taxable Income				
7	Tax Depreciation	108.5	69.4	108.5	69.4
8	Capitalized Overhead	7.6	7.6	7.6	7.6
9	Interest	111.4	111.4	111.4	111.4
10	Preferred Stock Div. Credit	0.0	0.2	0.0	0.2
11	Subtotal Deductions	227.5	188.6	227.5	188.6
12	Net Taxable Income for CCFT	-29.4		220.1	
13	CCFT	-2.8		21.2	
14	Total CCFT	-2.8		21.2	
15	Net Taxable Income for FIT		12.3		237.8
16	Federal Income Tax		5.6		109.2
17	Graduated Tax Adjustment		-0.3		-0.2
18	Fed Income Tax Before Adj.		5.3		109.0
19	Investment Tax Credit		0.0		0.0
20	Total FIT		5.3		109.0

## APPENDIX C

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Metropolitan DistrictADOPTED QUANTITIES

Name of Company: Southern California Water Company

District: Metropolitan

1. Net-to-Gross Multiplier: 2.0875
2. Federal Tax Rate: 46%
3. State Tax Rate: 9.6%
4. Local Franchise Tax Rate: 1.490%
5. Uncollectibles Rate: 0.382%

	<u>Offset Items</u>	<u>Test Years</u>	
		<u>1983</u>	<u>1984</u>
6.	<u>Pump Tax</u>		
	Pumped Water (Ccf)	9,494,900	9,514,900
	(A.F.)	21,797.3	21,843.2
	Pump Tax Rate Effective 7-1-83 (A.F.)	\$ 27	\$ 27
	Pump Tax Cost	\$ 588,500	\$ 589,800
7.	<u>Purchased Water</u>		
	A. West Basin MWD (A.F.)	29,442.0	29,504.0
	Rates Effective 7-1-83 (A.F.)	\$ 173	\$ 173
	West Basin MWD Cost	\$5,093,500	\$5,104,200
	B. Central Basin MWD (A.F.)	13,490.0	13,519.0
	Rates Effective 7-1-83 (A.F.)	\$ 173.72	\$ 173.72
	Central Basin MWD Cost	\$2,343,500	\$2,348,500
	C. MWD Credit Interruptible Water (A.F.)	4,000.0	4,000.0
	Credit Effective 7-1-83 (A.F.)	\$ (44.44)	\$ (44.44)
	Total MWD Credit	\$ (177,800)	\$ (177,800)
	D. City of Carritos (A.F.)	1,933.0	1,937.0
	Rates Effective 7-1-82 (A.F.)	\$ 145.5	\$ 145.5
	Carritos Cost	\$ 281,200	\$ 281,800

(Red Figure)

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Metropolitan DistrictADOPTED QUANTITIES

<u>Offset Items</u>	<u>Test Years</u>	
	<u>1983</u>	<u>1984</u>
7. <u>Purchased Water (Continued)</u>		
E. City of Huntington Park (Ccf)	3,560.0	3,570.0
Rates Effective 7-1-82 (Ccf)	\$ 0.580	\$ 0.580
Huntington Park Cost	\$ 2,100	\$ 2,100
F. Southwest Suburban (Ccf)	18,260.0	18,300.0
Rates Effective 1-1-83 (Ccf)	\$ 0.534	\$ 0.534
Southwest Cost	\$ 9,700	\$ 9,800
G. City of Inglewood (Ccf)	74,280	74,430
Rates Effective 10-1-82 (Ccf)	\$ 1.065	\$ 1.065
Inglewood Cost	\$ 79,100	\$ 79,300
H. Total Purchased Water Cost	7,631,300	7,647,900
8. <u>Purchased Power</u>		
A. Los Angeles Department of Water and Power (DWP)		
kWh (Total)	1,486,400	1,489,500
Average Cost/kWh (Effective 12-1-82)	\$ 0.0722	\$ 0.0722
DWP Power Cost	\$ 107,300	\$ 107,500
B. Southern California Edison Co. (SCE)		
kWh Schedule GS-2	699,000	700,500
kWh Schedule PA-1	10,255,800	10,277,300
kWh Schedule PA-2	2,160,000	2,164,600
kWh (SCE Total)	13,114,800	13,142,400
Avg. Cost/kWh (Effective 1-1-83)	\$ 0.07971	\$ 0.07969
SCE Power Cost	\$ 1,045,400	\$ 1,047,300
C. Southern California Gas (SCG) cf (Total)	5,663,800	5,676,800
Avg. Cost/cf (Effective 1-1-83)	\$ 0.00674	\$ 0.00674
SCG Power Cost	\$ 38,200	\$ 38,300
D. Total Purchased Power Cost	\$ 1,190,900	\$ 1,193,100

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Metropolitan DistrictADOPTED QUANTITIES

<u>Offset Items (Cont'd)</u>	<u>Test Years</u>					
	<u>1983</u>		<u>1984</u>			
9. Ad Valorem Taxes	\$465,400		\$473,400			
Effective Tax Rate	1.313%		1.313%			
10. <u>Number of Services:</u>						
	<u>: No. of Services : Usage - KCcf : Avg. Usage-Ccf/Yr. :</u>					
	<u>: 1983 : 1984 :</u>		<u>: 1983 : 1984 :</u>		<u>: 1983 : 1984 :</u>	
Commercial - Metered	86,377	86,929	23,379.7	23,529.1	270.7	270.7
Commercial - Flat Rate	200	200	54.1	54.1	270.7	270.7
Industrial	460	437	1,267.3	1,173.6	2,755.0	2,755.0
Public Authority	716	716	1,615.7	1,615.7	2,256.5	2,256.5
Resale	1	1	49.0	49.0	49,000.0	49,000.0
Other	9	9	24.9	24.9	2,767.0	2,767.0
Subtotal	87,763	88,292				
Private Fire Prot.	1,079	1,122	5.0	5.0		
Total	88,842	89,414				
Water Losses			2,738.6	2,744.4		
Total Wtr. Prod.			29,134.3	29,195.8		

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Metropolitan DistrictADOPTED SERVICE BY METER SIZE11. Adopted Service by Meter Size

<u>Meter Size</u>	<u>1983</u>	<u>1984</u>
5/8" x 3/4"	73,152	73,677
3/4"	333	333
1"	8,286	8,305
1 1/2"	2,754	2,751
2"	2,592	2,580
3"	280	280
4"	109	109
6"	31	31
8"	23	23
10"	<u>3</u>	<u>3</u>
Subtotal	87,563	88,092
Flat Rate	<u>200</u>	<u>200</u>
Total	87,763	88,292

12. Metered Water Sales Used to Design Rates

<u>Range - Ccf</u>	<u>Usage - Ccf</u>	
	<u>1983</u>	<u>1984</u>
0-3	3,084,390	3,102,995
>3	<u>23,252,134</u>	<u>23,289,268</u>
	26,336,524	26,392,263

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Metropolitan District

## INCOME TAX CALCULATION

1983

:Line : : No. :	Item	: Present Rates :		: Adopted Rates :	
		: CCFT :	: FIT :	: CCFT :	: FIT :
		(A)	(B)	(C)	(D)
(Thousands of Dollars)					
1	Operating Revenues	\$19,228.6	\$19,228.6	\$19,915.6	\$19,915.6
2	O&M Expenses	13,521.4	13,521.4	13,534.2	13,534.2
3	Taxes Other Than Income	592.4	592.4	592.4	592.4
4	CCFT	0.0	243.0	0.0	307.7
5	Subtotal	14,113.8	14,356.8	14,126.6	14,434.3
6	Deductions From Taxable Income				
7	Tax Depreciation	1,138.0	975.9	1,138.0	975.9
8	Capitalized Overhead	59.3	59.3	59.3	59.3
9	Interest	1,386.2	1,386.2	1,386.2	1,386.2
10	Preferred Stock Div. Credit	0.0	3.5	0.0	3.5
11	Subtotal Deductions	2,583.5	2,424.9	2,583.5	2,424.9
12	Net Taxable Income for CCFT	2,531.3		3,205.5	
13	CCFT	243.0		307.7	
14	Total CCFT	243.0		307.7	
15	Net Taxable Income for FIT		2,446.9		3,056.4
16	Federal Income Tax		1,125.6		1,405.9
17	Graduated Tax Adjustment		-6.5		-6.5
18	Fed Income Tax Before Adj.		1,119.1		1,399.4
19	Investment Tax Credit		0.0		0.0
20	Total FIT		1,119.1		1,399.4

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Metropolitan District

## INCOME TAX CALCULATION

1984

: Line: : No.:	Item	: Present Rates :		: Adopted Rates :	
		: CCFT :	: FIT :	: CCFT :	: FIT :
		(A)	(B)	(C)	(D)
(Thousands of Dollars)					
1	Operating Revenues	\$19,287.5	\$19,287.5	\$20,330.2	\$20,330.2
2	O&M Expenses	13,754.3	13,754.3	13,773.8	13,773.8
3	Taxes Other Than Income	606.1	606.1	606.1	606.1
4	CCFT	0.0	216.4	0.0	314.6
5	Subtotal	14,360.4	14,576.8	14,379.9	14,694.5
6	Deductions From Taxable Income				
7	Tax Depreciation	1,145.4	957.3	1,145.4	957.3
8	Capitalized Overhead	61.3	61.3	61.3	61.3
9	Interest	1,466.4	1,466.4	1,466.4	1,466.4
10	Preferred Stock Div. Credit	0.0	3.5	0.0	3.5
11	Subtotal Deductions	2,673.1	2,488.5	2,673.1	2,488.5
12	Net Taxable Income for CCFT	2,254.0		3,277.2	
13	CCFT	216.4		314.6	
14	Total CCFT	216.4		314.6	
15	Net Taxable Income for FIT		2,222.2		3,147.2
16	Federal Income Tax		1,022.2		1,447.7
17	Graduated Tax Adjustment		-6.5		-6.5
18	Fed Income Tax Before Adj.		1,015.7		1,441.2
19	Investment Tax Credit		0.0		0.0
20	Total FIT		1,015.7		1,441.2

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Desert District  
La Quinta Service Area

ADOPTED QUANTITIES

Name of Company: Southern California Water Company

District: La Quinta

1. Net-to-Gross Multiplier: 2.0765
2. Federal Tax Rate: 46%
3. State Tax Rate: 9.6%
4. Local Franchise Tax Rate: 0.902%
5. Uncollectibles Rate: 0.431%

Offset Items

<u>Test Years</u>	
<u>1983</u>	<u>1984</u>

6. Purchased Power

A. Ccf/kWh	0.689	0.689
B. kWh (Total)	1,050,144	1,081,142
C. Average Cost/kWh	\$ 0.05453	\$ 0.05453
Imperial Irrigation District Rates Effective	3/1/82	3/1/82
D. Total Power Cost	\$ 57,300	\$ 59,000

7. Purchased Water

Cost of Water	\$ 1,200	\$ 1,200
Coachella County District Rates Effective	7/1/82	7/1/82



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Desert District  
La Quinta Service Area

ADOPTED QUANTITIES

<u>Offset Items (Cont'd)</u>	<u>Test Years</u>	
	<u>1983</u>	<u>1984</u>
8. Ad Valorem Taxes	\$5,100	\$5,600
Effective Tax Rate	0.699%	0.699%

9. Number of Services:

	<u>No. of Services :</u>		<u>Usage - KCcf</u>		<u>Avg. Usage-Ccf/Yr.:</u>	
	<u>1983</u>	<u>1984</u>	<u>1983</u>	<u>1984</u>	<u>1983</u>	<u>1984</u>
Commercial	1,966	2,024	615.4	633.5	313.0	313.0
Public Authority	2	2	1.3	1.3	667.0	667.0
Other	1	1	0.5	0.5	450.0	450.0
Subtotal	1,969	2,027	617.2	635.3		
Private Fire Prot.	0	0				
Total	1,969	2,027				
Water Losses			108.8	112.1		
Total Wtr. Prod.			726.0	747.4		

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Desert District  
La Quinta Service Area

ADOPTED SERVICE BY METER SIZE10. Adopted Service by Meter Size

<u>Meter Size</u>	<u>1983</u>	<u>1984</u>
5/8" x 3/4"	1,855	1,911
3/4"	56	57
1"	24	24
1 1/2"	27	28
2"	6	6
3"	-	-
4"	1	1
6"	-	-
8"	-	-
10"	-	-
	<u>1,969</u>	<u>2,027</u>

11. Metered Water Sales Used to Design Rates

<u>Range - Ccf</u>	<u>Usage - Ccf</u>	
	<u>1983</u>	<u>1984</u>
0-3	59,675	61,432
> 3	<u>557,467</u>	<u>573,864</u>
	617,142	635,296

## APPENDIX C

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Desert District  
La Quinta Service Area

## INCOME TAX CALCULATION

1983

Line :		Present Rates		Adopted Rates	
No. :	Item	CCFT	FIT	CCFT	FIT
		(A)	(B)	(C)	(D)
(Thousands of Dollars)					
1	Operating Revenues	\$312.1	\$312.1	\$546.7	\$546.7
2	O&M Expenses	360.8	360.8	364.0	364.0
3	Taxes Other Than Income	17.9	17.9	17.9	17.9
4	CCFT	0.0	-12.5	0.0	9.7
5	Subtotal	378.7	366.2	381.9	391.6
6	Deductions From Taxable Income				
7	Tax Depreciation	24.3	17.4	24.3	17.4
8	Capitalized Overhead	2.9	2.9	2.9	2.9
9	Interest	36.1	36.1	36.1	36.1
10	Preferred Stock Div. Credit	0.0	0.1	0.0	0.1
11	Subtotal Deductions	63.3	56.5	63.3	56.5
12	Net Taxable Income for CCFT	-129.9		101.5	
13	CCFT	-12.5		9.7	
14	Total CCFT	-12.5		9.7	
15	Net Taxable Income for FIT		-110.6		98.6
16	Federal Income Tax		-50.9		45.3
17	Graduated Tax Adjustment		-0.1		-0.1
18	Fed Income Tax Before Adj.		-51.0		45.2
19	Investment Tax Credit		0.0		0.0
20	Total FIT		-51.0		45.2

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Desert District  
La Quinta Service Area  
 INCOME TAX CALCULATION

1984

: Line: : No.:	Item	: Present Rates :		: Adopted Rates :	
		: CCFT :	: FIT :	: CCFT :	: FIT :
		(A)	(B)	(C)	(D)
(Thousands of Dollars)					
1	Operating Revenues	\$321.3	\$321.3	\$577.5	\$577.5
2	O&M Expenses	379.0	379.0	382.4	382.4
3	Taxes Other Than Income	19.0	19.0	19.0	19.0
4	CCFT	0.0	-13.5	0.0	10.8
5	Subtotal	398.0	384.5	401.4	412.2
6	Deductions From Taxable Income				
7	Tax Depreciation	22.1	17.3	22.1	17.3
8	Capitalized Overhead	2.0	2.0	2.0	2.0
9	Interest	39.4	39.4	39.4	39.4
10	Preferred Stock Div. Credit	0.0	0.1	0.0	0.1
11	Subtotal Deductions	63.5	58.8	63.5	58.8
12	Net Taxable Income for CCFT	-140.2		112.6	
13	CCFT	-13.5		10.8	
14	Total CCFT	-13.5		10.8	
15	Net Taxable Income for FIT		-122.0		106.5
16	Federal Income Tax		-56.1		49.0
17	Graduated Tax Adjustment		-0.1		-0.1
18	Fed Income Tax Before Adj.		-56.2		48.9
19	Investment Tax Credit		0.0		0.0
20	Total FIT		-56.2		48.9

## APPENDIX C

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Desert District  
Morongo Valley Service Area

ADOPTED QUANTITIES

Name of Company: Southern California Water Company

District: Morongo Valley

1. Net-to-Gross Multiplier: 2.0765
2. Federal Tax Rate: 46%
3. State Tax Rate: 9.6%
4. Local Franchise Tax Rate: 0.902%
5. Uncollectibles Rate: 0.431%

<u>Offset Items</u>	<u>Test Years</u>	
	<u>1983</u>	<u>1984</u>
6. <u>Purchased Power</u>		
A. Ccf/kWh - Pumps	0.595	0.595
Boosters	0.703	0.703
B. kWh (total)	416,100	375,800
C. Avg. Cost/kWh	\$0.07763	0.07823
So. Cal. Edison rates effective:	1/1/83	1/1/83
D. Total Power Cost	\$32,300	\$29,400

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Desert District  
Morongo Valley Service Area

ADOPTED QUANTITIES

<u>Offset Items (Cont'd)</u>	<u>Test Years</u>	
	<u>1983</u>	<u>1984</u>
7. Ad Valorem Taxes	\$7,800	\$8,600
Effective Tax Rate	0.905%	0.905%
8. <u>Number of Services:</u>		

	<u>No. of Services :</u>		<u>Usage - KCcf</u>		<u>Avg. Usage-Ccf/Yr.:</u>	
	<u>1983</u>	<u>1984</u>	<u>1983</u>	<u>1984</u>	<u>1983</u>	<u>1984</u>
Commercial - Metered	775	800	93.0	96.0	120.0	120.0
Public Authority	3	3	0.2	0.2	50.0	50.0
Commercial - Flat Rate	36	36	0.7	0.7	20.0	20.0
Subtotal	814	839	93.9	96.9		
Private Fire Prot.	0	0				
Total	814	839				
Water Losses			40.2	24.2		
Total Wtr. Prod.			134.1	121.1		

## APPENDIX C

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Desert District  
Morongo Valley Service AreaADOPTED SERVICE BY METER SIZE9. Adopted Service by Meter Size

<u>Meter Size</u>	<u>1983</u>	<u>1984</u>
5/8" x 3/4"	760	785
3/4"	-	-
1"	8	8
1 1/2"	4	4
2"	5	5
3"	1	1
4"	-	-
6"	-	-
8"	-	-
10"	-	-
	<u>778</u>	<u>803</u>
Flat Rate	36	36

10. Metered Water Sales Used to Design Rates

<u>Range - Ccf</u>	<u>Usage - Ccf</u>	
	<u>1983</u>	<u>1984</u>
0-3	21,786	22,486
> 3	<u>71,764</u>	<u>73,674</u>
	93,550	96,160

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Desert District  
Morongo Service Area

## INCOME TAX CALCULATION

1983

: Line: : No.:	Item	: Present Rates :		: Adopted Rates :	
		: CCFT :	: FIT :	: CCFT :	: FIT :
		(A)	(B)	(C)	(D)
(Thousands of Dollars)					
1	Operating Revenues	\$157.7	\$157.7	\$367.2	\$367.2
2	O&M Expenses	144.7	144.7	147.5	147.5
3	Taxes Other Than Income	12.4	12.4	12.4	12.4
4	CCFT	<u>0.0</u>	<u>-7.9</u>	<u>0.0</u>	<u>12.0</u>
5	Subtotal	157.1	149.2	159.9	171.9
6	Deductions From Taxable Income				
7	Tax Depreciation	29.4	21.7	29.4	21.7
8	Capitalized Overhead	4.2	4.2	4.2	4.2
9	Interest	49.0	49.0	49.0	49.0
10	Preferred Stock Div. Credit	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
11	Subtotal Deductions	82.6	74.9	82.6	74.9
12	Net Taxable Income for CCFT	-82.0		124.7	
13	CCFT	<u>-7.9</u>		<u>12.0</u>	
14	Total CCFT	-7.9		12.0	
15	Net Taxable Income for FIT		-66.4		120.4
16	Federal Income Tax		-30.5		55.4
17	Graduated Tax Adjustment		-0.1		-0.1
18	Fed Income Tax Before Adj.		-30.6		55.3
19	Investment Tax Credit		<u>0.0</u>		<u>0.0</u>
20	Total FIT		-30.6		55.3



## APPENDIX C

Page 26

Desert District  
Morongo Service Area

## INCOME TAX CALCULATION

1984

: Line: : No.:	Item	: Present Rates :		: Adopted Rates :	
		: CCFT :	: FIT :	: CCFT :	: FIT :
		(A)	(B)	(C)	(D)
(Thousands of Dollars)					
1	Operating Revenues	\$162.6	\$162.6	\$410.9	\$410.9
2	O&M Expenses	148.1	148.1	151.4	151.4
3	Taxes Other Than Income	13.5	13.5	13.5	13.5
4	CCFT	0.0	-9.2	0.0	14.3
5	Subtotal	161.6	152.4	164.9	179.2
6	Deductions From Taxable Income				
7	Tax Depreciation	32.4	28.7	32.4	28.7
8	Capitalized Overhead	4.3	4.3	4.3	4.3
9	Interest	60.6	60.6	60.6	60.6
10	Preferred Stock Div. Credit	0.0	0.0	0.0	0.0
11	Subtotal Deductions	97.3	93.6	97.3	93.6
12	Net Taxable Income for CCFT	-96.3		148.7	
13	CCFT	-9.2		14.3	
14	Total CCFT	-9.2		14.3	
15	Net Taxable Income for FIT		-83.4		138.1
16	Federal Income Tax		-38.4		63.5
17	Graduated Tax Adjustment		-0.1		-0.1
18	Fed Income Tax Before Adj.		-38.5		63.4
19	Investment Tax Credit		0.0		0.0
20	Total FIT		-38.5		63.4

APPENDIX C  
Page 27

Desert District  
Victorville Tariff Area

ADOPTED QUANTITIES

Name of Company: Southern California Water Company

District: Victorville

1. Net-to-Gross Multiplier: 2.0765
2. Federal Tax Rate: 46%
3. State Tax Rate: 9.6%
4. Local Franchise Tax Rate: 0.902%
5. Uncollectibles Rate: 0.431%

	<u>Offset Items</u>	<u>Test Years</u>	
		<u>1983</u>	<u>1984</u>
6.	<u>Purchased Power</u>		
A.	Ccf/kWh - Electric	0.380	0.380
B.	kWh (Total)	580,300	633,500
C.	Average Cost/kWh	\$ 0.08013	\$ 0.07940
	So. Cal. Edison Rates Effective	1/1/83	1/1/83
D.	Total Power Cost	\$ 46,500	\$ 50,300

## APPENDIX C

Page 28

Desert District  
Victorville Tariff AreaADOPTED QUANTITIESOffset Items (Cont'd)

	<u>Test Years</u>	
	<u>1983</u>	<u>1984</u>
7. Ad Valorem Taxes	\$17,500	\$19,800
Effective Tax Rate	1.9456%	1.9456%

8. Number of Services:

	<u>No. of Services :</u>		<u>Usage-KCcf</u>		<u>Avg. Usage-Ccf/Yr.:</u>	
	<u>1983</u>	<u>1984</u>	<u>1983</u>	<u>1984</u>	<u>1983</u>	<u>1984</u>
Commercial	1,116	1,226	174.1	191.3	156.0	156.0
Public Authority	1	1	5.2	5.2	5,237.0	5,237.0
Resale	2	2	7.5	7.5	3,770.0	3,770.0
Other	1	1	0.5	0.5	450.0	450.0
Subtotal	1,120	1,230	187.3	204.5		
Private Fire Prot.	0	0				
Total	1,120	1,230				
Water Losses			33.1	36.1		
Total Wtr. Prod.			220.4	240.6		

APPENDIX C  
Page 29

Desert District  
Victorville Tariff Area

ADOPTED SERVICE BY METER SIZE

9. Adopted Service by Meter Size

<u>Meter Size</u>	<u>1983</u>	<u>1984</u>
5/8" x 3/4"	1,046	1,153
3/4"	-	-
1"	64	67
1 1/2"	2	2
2"	4	4
3"	3	3
4"	1	1
6"	-	-
8"	-	-
10"	-	-
	<u>1,120</u>	<u>1,230</u>

10. Metered Water Sales Used to Design Rates

<u>Range - Ccf</u>	<u>Usage - Ccf</u>	
	<u>1983</u>	<u>1984</u>
0-3	32,909	36,138
> 3	154,407	168,338
	187,316	204,476

APPENDIX C  
Page 30  
Desert District  
Victorville Tariff Area

INCOME TAX CALCULATION

1983

No.:	Item	Present Rates		Adopted Rates	
		CCFT	FIT	CCFT	FIT
		(A)	(B)	(C)	(D)
(Thousands of Dollars)					
1	Operating Revenues	249.8	249.8	336.0	336.0
2	O&M Expenses	170.4	170.4	171.5	171.5
3	Taxes Other Than Income	22.1	22.1	22.1	22.1
4	CCFT	0.0	-2.4	0.0	5.8
5	Subtotal	192.5	190.1	193.6	199.4
6	Deductions From Taxable Income				
7	Tax Depreciation	41.5	27.3	41.5	27.3
8	Capitalized Overhead	5.7	5.7	5.7	5.7
9	Interest	35.0	35.0	35.0	35.0
10	Preferred Stock Div. Credit	0.0	0.1	0.0	0.1
11	Subtotal Deductions	82.2	68.1	82.2	68.1
12	Net Taxable Income for CCFT	-24.9		60.2	
13	CCFT	-2.4		5.8	
14	Total CCFT	-2.4		5.8	
15	Net Taxable Income for FIT		-8.4		68.5
16	Federal Income Tax		-3.9		31.5
17	Graduated Tax Adjustment		00.2		-0.2
18	Fed Income Tax Before Adj.		-4.1		31.3
19	Investment Tax Credit		0.0		0.0
20	Total FIT		-4.1		31.3

## APPENDIX C

Page 31

Desert District  
Victorville Tariff Area

INCOME TAX CALCULATION

1984

: No. :	Item	: Present Rates :		: Adopted Rates :	
		: CCFT :	: FIT :	: CCFT :	: FIT :
		(A)	(B)	(C)	(D)
(Thousands of Dollars)					
1	Operating Revenues	\$272.9	\$272.9	\$369.9	\$369.9
2	O&M Expenses	182.3	182.3	183.6	183.6
3	Taxes Other Than Income	24.7	24.7	24.7	24.7
4	CCFT	0.0	-2.3	0.0	6.9
5	Subtotal	207.0	204.7	208.3	215.2
6	Deductions From Taxable Income				
7	Tax Depreciation	44.1	29.9	44.1	29.9
8	Capitalized Overhead	4.9	4.9	4.9	4.9
9	Interest	41.2	41.2	41.2	41.2
10	Preferred Stock Div. Credit	0.0	0.1	0.0	0.1
11	Subtotal Deductions	90.2	76.1	90.2	76.1
12	Net Taxable Income for CCFT	-24.3		71.4	
13	CCFT	-2.3		6.9	
14	Total CCFT	-2.3		6.9	
15	Net Taxable Income for FIT		-7.9		78.6
16	Federal Income Tax		-3.6		36.2
17	Graduated Tax Adjustment		-0.2		-0.2
18	Fed Income Tax Before Adj.		-3.8		36.0
19	Investment Tax Credit		0.0		0.0
20	Total FIT		-3.8		36.0

(END OF APPENDIX C)

APPENDIX D

Page 1

Desert District  
La Quinta Service Area

RATE DESIGN

		<u>Authorized</u>
<u>1983</u>		
Present Rate Revenue	312.1	
Adopted	546.7	
Authorized (312.1 x 1.5)	468.2	468.2
Deferred	78.5	
Actual deferred (7/20/83)	35.3	
Interest at 11.29%	<u>1.0</u>	
Total deferred	36.3	
<u>1984</u>		
Adopted	577.5	
Deferred	36.3	
Interest at 11.56%	<u>2.1</u>	
	615.9	615.9
<u>1985</u>		
Adopted	591.4	591.4

## APPENDIX D

Page 2

Desert District  
Morongo Valley Service Area

## RATE DESIGN

<u>1983</u>		<u>Int.</u>	<u>Authorized</u>
Present Rates Revenue	157.7		
Adopted	367.2		
Authorized	240.0		240.0
Deferred	127.2		
Actual Deferred (7/20/83)	57.2		
Interest in 1983 @ 11.29%	<u>1.6</u>	<u>1.6</u>	
Total Deferred	58.8		
<u>1984</u>			
Adopted	410.9		
Rev. at 1983 rate $\frac{162.6}{157.7} 240.0 =$	247.5		
Authorized (50%)	371.3		371.3
Adopted	410.9		
Deferred	58.8		
Int. at 11.56%	<u>3.4</u>	3.4	
Total	473.1		
Authorized	<u>371.3</u>		
Deferred	101.8		
Int. @ 11.56%	<u>5.9</u>	5.9	
Total Deferred	107.7		
<u>1985</u>			
Adopted	442.9		
Deferred	107.7		
Int. @ 11.78%	<u>6.3</u>	6.3	
	555.9		<u>555.9</u>

The utility should, by filing advice letter, reduce rates as of 1/1/86 to reduce annual revenue by \$114,000 based on adopted data for 1984.

(END OF APPENDIX D)



APPENDIX E  
Page 1

Barstow District

Comparison of typical bills for residential metered customers of various usage level and average usage level at present and authorized rates for the year 1983.

## General Metered Service (5/8 x 3/4) inch Meters

: Monthly Usage :	At Present	At Authorized	Percent
	Rates	Rates	Increase
(Cubic Feet)			
300	\$ 4.49	\$ 5.17	15.1%
500	5.20	5.99	15.2
1,000	6.98	8.04	15.2
2,000	10.54	12.14	15.2
3,000	14.10	16.24	15.2
3,117 (Average)	14.52	16.72	15.2
5,000	21.22	24.44	15.2
10,000	39.02	44.94	15.2

APPENDIX E  
Page 2

San Bernardino Valley District

Comparison of typical bills for residential metered customers of various usage level and average usage level at present and authorized rates for the year 1983.

General Metered Service (5/8 x 3/4) inch Meters

: Monthly Usage :	: At Present :	: At Authorized :	: Percent :
: (Cubic Feet) :	: Rates :	: Rates :	: Increase :
300	\$ 4.63	\$ 6.08	31.3%
500	5.89	7.74	31.4
1,000	9.04	11.90	31.6
1,914 (Average)	14.80	19.50	31.8
2,000	15.34	20.22	31.9
3,000	21.64	28.54	31.9
5,000	34.24	45.18	32.0
10,000	65.74	86.78	32.0

## APPENDIX E

Page 3

Metropolitan District

Comparison of typical bills for residential metered customers of various usage level and average usage level at present and authorized rates for the year 1983.

## General Metered Service (5/8 x 3/4) inch Meters

Monthly Usage (Cubic Feet)	At Present Rates	At Authorized Rates	Percent Increase
300	\$ 4.54	\$ 4.78	5.3 %
500	5.49	5.89	7.3
1,000	7.87	8.67	10.2
2,000	12.62	14.23	12.8
2,256 (Average)	13.84	15.65	13.1
3,000	17.37	19.79	13.9
5,000	26.87	30.91	15.0
10,000	50.62	58.71	15.99

## APPENDIX E

Page 4

Desert District  
La Quinta Service Area

Comparison of typical bills for residential metered customers of various usage level and average usage level at present and authorized rates for the year 1983.

General Metered Service (5/8 x 3/4) inch Meters

		At Present	At Authorized	Percent
Monthly Usage		Rates	Rates	Increase
(Cubic Feet)				
300	\$ 9.80	\$ 8.29	(15.4)%	
500	9.80	9.27	(5.4)	
1,000	9.80	11.71	19.5	
2,000	9.80	16.57	69.1	
2,600 (Average)	11.35	19.52	72.0	
3,000	12.66	21.47	69.6	
5,000	17.84	31.23	75.1	
10,000	30.79	55.63	80.7	

(Decrease)

## APPENDIX E

Page 5

Desert District  
Morengo Tariff Area

Comparison of typical bills for residential metered customers of various usage level and average usage level at present and authorized rates for the year 1983.

## General Metered Service (5/8 x 3/4 inch Meters)

:		At Present	:	At Authorized	:	Percent	:
:		Rates	:	Rates	:	Increase	:
:		(Cubic Feet)					
	300	\$ 8.70		\$12.48		43.5%	
	500	10.58		16.03		51.5	
	1,000 (Average)	16.49		24.92		51.1	
	2,000	28.31		42.70		50.8	
	3,000	39.33		60.48		53.8	
	5,000	61.37		96.04		56.5	

## APPENDIX E

Page 6

Desert District  
Victorville Tariff Area

Comparison of typical bills for residential metered customers of various usage level and average usage level at present and authorized rates for the year 1983.

General Metered Service (5/8 x 3/4) Inch Meters

	: At Present	: At Authorized	: Percent
Monthly Usage	: Rates	: Rates	: Increase
(Cubic Feet)			
300	\$ 7.84	\$10.35	32.0%
500	9.74	12.95	32.9
1,000	14.71	19.45	32.2
1,267 (Average)	17.39	22.92	31.8
2,000	24.64	32.45	31.7
3,000	33.97	45.45	33.8
5,000	52.63	71.45	35.7

(END OF APPENDIX E)

APPENDIX F INDEX

Correspondence re: Morongo Valley Water Systems

1. State Health Department letter dated March 16, 1983 to PUC.
2. State Health Department letter dated March 16, 1983 to Southern California Water Company.
3. Southern California Water Company's reply letters dated March 29, 1983 and April 11, 1983.

DEPARTMENT OF HEALTH SERVICES

Sanitary Engineering Branch  
606 East Mill Street, Suite 1011  
San Bernardino, CA 92408  
(714) 383-4328



March 16, 1983

Public Utilities Commission  
107 So. Broadway, Room 5109  
Los Angeles, California 90012

Subject: Southern Cal. Water Co.  
Morongo del Sur System  
Application #82-10-011

Attention: Archibald Main  
Administrative Law Judge

Gentlemen:

This Department has been advised that the Southern California Water Company is currently seeking a rate increase for their Desert District which includes the Morongo del Sur system. This is to advise you of this Department's concerns regarding the extremely substandard distribution system conditions in this system, and to confirm that in our judgement these conditions pose a significant potential public health hazard.

Enclosed are copies of correspondence between this Department and the Southern California Water Company from the last several years. We have repeatedly requested that the Company formulate a "master plan" of improvements to systematically eliminate the numerous substandard main lines in the system. The Company has not complied with our request.

The Company presently replaces a limited amount of substandard, leaky line each year but this approach has not resulted in the timely replacement of some extremely substandard, leaky mains. The attached letter to the Company outlines two examples of such mains which are in deplorable condition.

It is our opinion that the Public Utilities Commission should order the Company to spend a much greater amount annually for the replacement of substandard mains and the replacement should be based on a prioritized engineered master plan. We recommend that you require the master plan and main replacement program as a condition of the rate increase.



Please contact this office if we can provide any additional information on this matter.

Very truly yours,

  
C. E. Anderson  
District Engineer

CEA:MJB:mo

Attachments

cc: Southern Cal. Water Co.  
San Bdno. Co. Environmental Health Services  
Public Utilities Commission, Los Angeles

## DEPARTMENT OF HEALTH SERVICES

Sanitary Engineering Branch  
606 East Mill Street, Suite 1011  
San Bernardino, CA 92408  
(714) 383-4328



March 16, 1983

Southern California Water Co.  
3625 West Sixth Street  
Los Angeles, CA 90076-0893

Subject: Morongo del Sur System

Attention: William Caveney, President

Gentlemen:

On March 8, 1983 Mark Bartson, an engineer with this Department, conducted a field survey of your Morongo del Sur domestic water distribution system with Mr. Richard McDowell, District Superintendent, and Mr. Fred Rigel, Field Serviceman. Deficiencies requiring correction were noted and are listed on the attached sheet.

A potential public health hazard exists in this system because of the extremely deteriorated condition of much of the distribution pipeline in the system. The following are two examples of the poor conditions noted during the inspection:

1. Three visible leaks were discovered in the line between Mescalero and Knobb Avenues from Pioneer to Mojave Avenues. This line has been brought to your attention on several previous occasions by this Department but we understand you still have not even formulated plans to replace it.
2. The line which runs directly west from the Juniper Booster Station was above ground in many places and inadequately buried in others. The exposed portions were clamped in many places to stop leaks. In one exposed 35-foot section, approximately 25 repair clamps had been installed. Mr. Rigel attempted to repair a new leak with a repair clamp but the leak could not be completely stopped.

Conditions such as these pose a serious potential public health hazard since the opportunity for contamination by infiltration or backsiphonage is significant. The hazard is compounded by the fact that the leaks often go uncorrected for extended periods because of their number and because they are not always quickly detected.

A master plan of system improvements to systematically eliminate all substandard pipelines in the system must be prepared and implemented. This master plan must include, as a minimum, estimates of the amount of substandard pipeline in the system, cost estimates for the replacement program and a schedule for the timely replacement of the deteriorated pipeline on a priority basis.

It is noted that you have failed to adequately respond to our several previous requests for action on this matter. (See attached). Therefore, we request that you advise us in writing by March 31, 1983 of your firm intention to prepare a plan of improvements for the Morongo del Sur system and submit it to this office for review and approval no later than July 1, 1983. If a satisfactory response is not received by March 31, 1983, it will be necessary to pursue this matter with our Office of Legal Services.

We have advised the Public Utilities Commission of our concerns about this system. A copy of our letter to the Commission is enclosed for your information.

Please call this office should you have any questions.

Very truly yours,

  
C. E. Anderson  
District Engineer

CEA:MJB:mo

Attachments

cc: Richard McDowell, La Quinta  
D. F. Kosta, Los Angeles  
W. Downey, San Dimas  
San Bdno. Co. Environmental Health Services  
Public Utilities Commission

Water System: Southern California Water Co. (Morongo)  
 Person Interviewed: Rich McDowell, Supt. Del Sur)  
 Fred Rigel

Date of Field Review: March 8, 1983  
 Engineer: Mark Bartsen

Upon inspection of your water system, the following deficiencies were found. Please report all corrections made to this office no later than April 17, 1983 so that follow-up inspection may be planned if necessary.

No.	Deficiencies and Recommendations	Urgency
1.	Many distribution system main lines are in extremely substandard condition as evidenced by the numerous and extensive leaks in the system each year. The Company must make an engineering evaluation of all older system main lines and submit a timely plan for their replacement.	H
2.	A hasp and lock must be installed on the small hatch on the Pinion Tank to provide security. Fencing around this tank and booster is needed.	H
3.	Screens must be installed on the overflow and the vent of Mojave Tank.	H
4.	Mojave Tank has a leak in need of repair on the north side.	H
5.	Chlorination records must be kept up-to-date and readily available for use and inspection.	H
6.	Broken nipple on the air-vacuum valve at the Yeager #1 Well must be repaired.	H

cc: W. Caveney, R. McDowell, La Quinta District

Signature

*Mark J. Bartsen*

Date March 16, 1983

\*Urgency to perform needed corrections:

H = High, corrections should be performed immediately.

M = Medium, corrections should be performed as soon as possible.

L = Low, corrections should be performed after H & M are done.

P = Planned, corrections should be planned to be done in a year's time.

March 29, 1983

State of California  
Department of Health Services  
Sanitary Engineering Branch  
606 East Mill Street - Suite 101  
San Bernardino, California 92408

Attention: C. E. Anderson, District Engineer

Reference: Morongo System

Gentlemen:

William Caveney, the President of our Company, has asked me to reply to your letter addressed to the Company, dated March 16, 1983, which was the result of a field investigation of our Morongo Del Sur system by a representative of your department on March 8, 1983. As you are aware, both the Del Norte and Del Sur systems represent our Morongo system as far as our Company is concerned although they are each under permits from different health agencies (State-County).

The deficiency list that was attached to the letter included five items and they were discussed with our field representative by Mark Barton. As a result, Items 3, 4 and 5 have been corrected as well as the portion of Item 2 which referred to a trap and lock on the Pinon Tank. Regarding the second portion of Item 2, it would be nice to have a fence around the Pinon Plant, however, we have not experienced any vandalism so we have judged that the best interests of our customers would be served by investing such monies in main replacements.

With respect to Item 1, main replacements, I have reviewed the past couple of years' correspondence between our Company and the Health Department and, in my opinion, we have previously explained our general philosophy regarding main replacements in Morongo Valley. The philosophy is to be flexible in the actual mains to be replaced but to continue to work away at replacing the worst mains. So far we have replaced 31,000-plus feet of mains as shown on the enclosed map in "pink". The map is a duplicate of Exhibit 26 in our Desert rate case.

Department of Health Services

-2-

March 29, 1983

Listed below is our 1982 and 1983 water supply and main replacement Capital Budgets for Morongo and the 1984 projected distribution main replacements. The 1983 and 1984 main replacements are shown in "yellow" on the map. As an example of our flexible program, you will see a "yellow" replacement of the main between Hess and Knobb Avenue which we had planned for 1984, however, we are now planning instead for the replacement of the main between Knobb and Mescalero in 1984 since its condition has deteriorated faster.

Morongo - 1982 Capital Improvements

Purchase property for reservoir (Macalla)	\$ 26,600
Drill, develop and equip Yeager-Vale #3 well	79,100
1,012 feet of 6-inch A.C. Piedras Trail from Northridge southerly, including new services and fire hydrants (replacement)	20,300
1,270 feet of 6-inch A.C. Vista Drive west of Pinion westerly to Hill including new services and new fire hydrants (replacement)	22,200
187 feet of 6-inch A.C. Ash Drive at Pinion Drive (replacement)	6,600
1,905 feet of 6-inch A.C. Lanning Lane - Elm to Canyon (replacement)	<u>30,200</u>
Total (including \$79,300 of main replacements)	<u>\$185,000</u>

The 1982 work is all completed.

Morongo - 1983 Capital Improvements

250,000 gallon reservoir - Macalla (new)	\$210,000
2 - Booster - Pinon Plant (replacement)	24,000
800 feet of 6-inch A.C. in Trail Way from Vale Drive to Mountain View Drive (replacement)	19,600
550 feet of 6-inch A.C. in Piedras Trail from 1,100 feet south of Northridge (replacement)	14,400
2,100 feet of 10-inch A.C. from new Macalla Reservoir to system at Juniper Plant (250 feet replacement at \$6,000 and 1,850 feet new at \$44,400)	<u>50,400</u>
Total (including \$40,000 main replacement)	<u>\$318,400</u>

Department of Health Services

-3-

March 28, 1983

Morongo - 1984 Main Replacements

1. 1,200 feet of 6-inch A.C. - Knobb Avenue, Mojave northerly	\$78,200
2. 150 feet of 6-inch A.C. - San Jacinto from Highway southerly	5,200
3. 1,200 feet of 6-inch A.C. - Balla Vista from Northridge southerly	27,300
4. 600 feet of 6-inch A.C. - Matsena from Juniper westerly	<u>14,200</u>
Total	\$74,900

You will note that the average expenditures for main replacements in 1983 and 1984 is \$57,400 per year. Our master plan for distribution system replacements is to spend an annual amount of not less than \$50,000 using our flexible program regarding the actual mains to be replaced based upon their condition just prior to replacement. We consider this to be a definitive main replacement program.

The two examples that you have included on the first page of your letter of March 16 are covered by our 1983 and 1984 Budgets. The pipeline that you refer to in Item 1 between Mescalero and Knobb Avenue from Pioneer to Mojave Avenues was not originally in our improvement program for 1984, however, you are correct that the deterioration of the pipeline has accelerated. The leaks that you mentioned that were running when your representative made the investigation have been repaired, however, in 1984 the pipeline will be replaced by the installation of a water main not in an easement but in the public streets. The second item will be corrected by the 10-inch pipeline from Juniper to our new Macelle Reservoir and this job has been completely engineered, we have the easement and it should be installed approximately mid-year 1983.

In reviewing the history of our Company in Morongo Valley, it has been our policy to continually improve the system, making sure that there was an adequate supply of water and replacing the mains at the same time. In reviewing the correspondence over the past few years from the Health Department, I note that we have followed through on every commitment that we have made to you. In 1983, as a result of a State Health Department inspection we are revising and improving our booster station at the Pinion Plant. The cost we estimate for this work is \$24,000.

Department of Health Services -4-

March 29, 1983

We will continue to keep you informed of improvements in the system and if you have any further suggestions we would be happy to discuss them with you.

Very truly yours,

SOUTHERN CALIFORNIA WATER COMPANY

*Donald L. Tumbley*  
Donald L. Tumbley  
Manager of Operations

DLT/las  
Enclosure

cc: /ALJ A. E. Main  
California Public Utilities Commission  
State Office Building - Room 5109  
107 South Broadway  
Los Angeles, California 90012

Mahdi Radpour  
California Public Utilities Commission  
California State Building  
350 McAllister Street  
San Francisco, California 94102



1025 WEST SEVENTH STREET  
LOS ANGELES, CALIFORNIA 90057

April 11, 1983

Mr. C. E. Anderson  
District Engineer  
State of California  
Department of Health Services  
Sanitary Engineering Branch  
606 East Mill Street - Suite 1011  
San Bernardino, California 92408

Reference: Morongo System

Dear Chat:

I was pleased to make your personal acquaintance at the meeting which was held in your office on Friday, April 1, 1983, with you and Mark Bartson, an engineer with your department. In my initial response, I had indicated that the 10-inch main we are installing on Juniper to our new Macalla Reservoir would correct the problem with the line running westerly from Juniper. Mark brought to our attention that in actuality the main with the leak problem was the line running easterly from Juniper at the Juniper Booster Station.

We are therefore, in conjunction with other improvements noted in my letter of March 29, 1983 (shown on the map), also planning to replace the steel main which runs easterly from the Juniper Booster Station approximately 400 feet. This installation will be done in 1983.

On Saturday, April 2, 1983, after our visit of April 1, I made a personal on-site inspection of the problems outlined in your letter of March 16, 1983.

In subsequent conversations with you and Mark Bartson, it seems that we are pretty much in agreement with all issues with the exception of the disparity we have as to the magnitude of an annual main replacement program.

Among other things that the Southern California Water Company had to do was evaluate where and how the expenditure of funds in the Morongo system might best serve the interests of the customers. In our judgment, the installation of the Macalla Reservoir and the approach line was at this time more important than main replacements.

Mr. C. E. Anderson

-2-

April 11, 1983

At the present time, a power outage at the Mojave Boosters causes an outage to a significant number of customers including those on Knobb, Mescalero and Hess Streets. The storage and approach main which I listed in my previous letter (\$260,400) will permit gravity feed to all this area.

The storage listed together with our other storage facilities will provide gravity feed to all consumers in the event of power failure. This, in my opinion, should significantly eliminate any problem of back siphonage which you indicate to be of great concern.

In keeping with our Company's ongoing practice of thoroughly evaluating our systems, particularly in conjunction with new installations, we reinspected the system on April 8, 1983 and in fact ascertained some additional remedial action that should significantly reduce the number of leaks we are presently experiencing in the system. Some of these problems and proposed corrections I have already shared with Mr. Barton.

1. I found a regulator leading the area to Knobb, Mescalero and Hess Streets and other adjoining areas in fact set 25% higher than necessary. This setting was corrected before I left the district.
2. Additional air will be added to the pressure tank at the Mojave Plant to absorb pressure fluctuations from the Juniper Booster shutting off and on.
3. The completion of the Macelle Reservoir will also serve as a significant "buffer" from fluctuating pressure.
4. The new Pinon Boosters will be equipped with surge control valves to prevent surges during starts and stops.
5. There was a very significant fluctuation in pressure noted on the starting and stopping of the Yeager Vale Well. In 1983 we will spend the necessary funds to equip this unit with a surge control valve to eliminate surges on starts and stops.

I am extremely confident that the above mentioned items will dramatically reduce the leak problems and also restore your confidence in the integrity of our intentions. At this time I do not have adequate information to give you any projections of specific main replacement jobs that will be done beyond 1984. As previously indicated, we will definitely on an annual basis spend a minimum of \$50,000 per year in main replacements in the Morongo system. We will conscientiously endeavor to replace the mains that are at that time what we deem most worthy of replacement basically on the prevailing leak history at the time of our budget preparation.

Mr. C. E. Anderson

-3-

April 11, 1983

As I personally advised you, we will annually solicit information from your department such as the job on Knobb we recently changed which you brought to our attention. We will be happy to evaluate your suggestions and work cooperatively with you in our considerations.

I would hope that you might share the same optimism that I have about our ability to reduce the leaks and water losses as a result of the corrective actions I have suggested. After the completion of the aforementioned projects, I will be more than glad to provide you with full disclosure of the results as related to the changes in water loss, leaks and/or any other reasonable information you might desire.

With the completion of the projects I have outlined for 1983, I am sure the leak pattern will significantly be altered as a result of this work. Within six months of the completion of our 1983 capital work, I would hope to have developed creditable data with which I might provide you information with some degree of integrity. With your kind indulgence within six months of the completion of the jobs I have outlined, I will give you my personal prognosis of where the Company will inaugurate main replacements through the year 1990.

Very truly yours,

SOUTHERN CALIFORNIA WATER COMPANY

*Donald L. Twonley*  
Donald L. Twonley  
Manager-Operations

DLT/las  
Attachments

cc: ALJ A. E. Main  
California Public Utilities Commission  
State Office Building - Room 5109  
107 South Broadway  
Los Angeles, California 90012

Mehdi Radpour  
California Public Utilities Commission  
California State Building  
350 McAllister Street  
San Francisco, California 94102

(END OF APPENDIX F)

APPENDIX G

Page 1

Schedule No. AA-4

All Districts

PRIVATE FIRE PROTECTION SERVICE

APPLICABILITY

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

TERRITORY

Rate A - Applicable within the Los Osos, Metropolitan and San Bernardino Valley Districts.

Rate B - Applicable within the Arden-Cordova, Barstow, Bay, Big Bear, Calipatria-Miland, Desert, Ojai, Orange County, Pomona Valley, San Dimas, San Gabriel Valley, Santa Maria, Simi Valley, Clearlake and Wrightwood Districts.

RATE

	Per Month	
	<u>A</u>	<u>B</u>
For each inch of diameter of service connection	\$4.00	\$3.00

APPENDIX G  
Page 2

Schedule No. AA-4 (Continued)

All Districts

SPECIAL CONDITIONS

1. The fire protection service connection shall be installed by the utility and the cost paid by the applicant. Such payment shall not be subject to refund. The facilities paid for by the applicant shall be the sole property of the applicant.

2. The minimum diameter for fire protection service shall be four inches, and the maximum diameter shall be not more than the diameter of the main to which the service is connected.

3. 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 shall be installed by the utility and the cost paid by the applicant. Such payment shall not be subject to refund.

4. Service hereunder is for private fire protection systems to which no connection 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 install the standard detector-type meter approved by the Board of Fire Underwriters for protecting against theft, leakage or waste of water and the cost paid by the applicant. Such payment shall not be subject to refund.

5. In accordance with Section 774 of the Public Utilities Code, the utility is not liable for injury, damage or loss resulting from failure to provide adequate water supply or pressure.

(END OF APPENDIX G)

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the cost burden is removed through subsidy. Clearly, from the standpoint of fairness, it would be preferable to have the cost burden of a low customer density water system assumed by those benefiting from the existence of the system. In that regard, applicant has not looked into whether the residents and their community service districts can cause the owners of vacant land to participate in the cost of improving a water system. Government Code, Title 6, Division 3, Community Service Districts, may permit the districts to be so empowered.

A consolidation of the type proposed by applicant may ultimately prove necessary. But it should not be undertaken as long as there is reason to believe that the community service districts serving the areas can bring about the needed participation in water system costs by the owners of vacant land, which, of course, benefits from the existence of the water system.

A consolidation of the type proposed by applicant may ultimately prove necessary. But it should not be undertaken as long as there is reason to believe that, if necessary actions are taken by the residents served by low customer density water systems, the community service districts serving the areas can bring about the needed participation in water system costs by the owners of vacant land, which, of course, benefits from the existence of the water system.

The proposed consolidation is rejected at this time.

#### VIII - NEED FOR RATE RELIEF

In its application applicant stated that its depressed earnings for these districts are "mainly caused by increases in the costs of purchased water and power, labor, postage, payroll taxes, income taxes, liability insurance, depreciation, materials, purchased services, increased rate base and increased cost of capital since these costs were last considered by the Commission in setting rates."

in Table 3 of this decision, together with an additional revenue requirement of \$31,000 for 1985 due to attrition, reasonably indicate the results of applicant's future operations in the Morongo Valley service area of the Desert District.

15. a. To meet the rates of return specified in Finding of Fact 3 above, the required increases in the Morongo Valley service area of the Desert District are \$209,500, or 132.8% in annual revenues for 1983; a further increase of \$32,300, or 8.5% for 1984; and a further increase of \$31,000, or 7.5% for 1985.

b. To mitigate the effect of the large 1983 increase on customers, the revenue increase will be held to \$114,800 in 1983. A further increase of \$114,800 will be provided for 1984 and a further increase of \$114,800 will be provided for 1985. As a final step, rates for Morongo Valley shall be reduced effective January 1, 1986 to the 1985 adopted attrition level of gross revenues of \$441,900. Interest on the deferred portion of 1983 required revenue increase at the adopted rate of return will ensure that applicant is adequately compensated for the deferral.

16. The adopted rate design for the Morongo Valley service area of the Desert District is reasonable.

17. Applicant's service in the Victorville service area of the Desert District is about what can be expected from several separate older systems consisting mostly of small mains.

18. a. A substantial improvement in unaccounted-for water in the Victorville service area of the Desert District resulted in 1982, dropping from 39% in 1981 to 19% in 1982, after replacement of a badly deteriorated section of pipe.

b. The staff estimate of 15% unaccounted-for water for both test years is compatible with this trend and is reasonable for ratemaking.



of the revised schedules shall be no earlier than January 1, 1985, or 30 days after the filing of the step rates, whichever is later. The revised schedules shall apply only to service rendered on and after their effective date.

b. Because the full step rate increase for 1985 for the Morongo Valley service area of the Desert District should not extend beyond 1985, applicant shall file an advice letter on or before December 1, 1985 requesting the revision of rates to reduce annual revenue by \$68,700 based on the adopted data for 1984. The revised rates shall be in effect on January 1, 1986.

7. Applicant shall submit annually to the Commission staff a report on the Morongo Valley Service Area recorded results of operations for Calendar Years 1983, 1984, and 1985, respectively. These reports shall be due no later than March 31 of 1984, 1985, and 1986, respectively. These reports must be supported by workpapers and be in the same detail as those filed in this application. Failure to submit reports may result in reduction of the authorized rate of return.

8. Applicant shall submit to Commission staff, no later than January 1, 1985, detailed plans for a main improvement program. The objective of this program will be to reduce unaccounted-for water to 10% within a reasonable amount of time. Staff will review the plans; and if they appear reasonable, the utility will be instructed to file an advice letter seeking Commission approval for the necessary expenditures for the main improvement program. This service improvement program will be handled according to the new procedures, endorsed by the Commission on June 15, 1983, for handling water company service problems.

9. Applicant shall demonstrate in its advice letter filing that it has installed 6,000 feet of main in addition to the amount

A.82-10-11 ALJ/ec

budgeted for the Morongo Valley system of the Desert District.  
Failure to make such installation shall result in a percent reduction  
in return on rate base for the Desert District.

This order is effective today.

Dated AUG 3 1983, at San Francisco, California.

LEONARD M. GRIMES, JR.  
President

VICTOR CALVO

FRISCILLA C. CREW

DONALD VIAT

WILLIAM T. LARSEN

Commissioners

APPENDIX A  
Page 3

Schedule No. BA-9

Barstow DistrictOPTIONAL SPECIAL METERED SERVICEApplicability

Applicable to all optional special metered water service.

Territory

Barstow and vicinity, San Bernardino County.

RatesQuantity Rates:

		<u>Per Meter</u> <u>Per Month</u>
First	300 cu.ft., per 100 cu.ft. ....	\$ 0.305
Next	9,700 cu.ft., per 100 cu.ft. ....	0.410
Over	10,000 cu.ft., per 100 cu.ft. ....	0.331

Service Charge:

For	3-inch meter .....	\$ 16.00
For	4-inch meter .....	31.00
For	6-inch meter .....	50.00
For	8-inch meter .....	67.00
For	10-inch meter .....	125.00

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.

(Continued)

APPENDIX B

Page 1

Schedule No. DEM-1

Desert District

Morongo Valley Tariff Area

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

Morongo Valley and vicinity, San Bernardino County.

RATES

Quantity Rates:		Per Meter Per Month
First 30 cu.ft., per 100 cu.ft. ....		\$1.368
Over 300 cu.ft., per 100 cu.ft. ....		2.098
Service Charge:		
For 5/8 x 3/4-inch meter .....		\$ 9.50
For 3/4-inch meter .....		11.20
For 1-inch meter .....		14.00
For 1 1/2-inch meter .....		17.00
For 2-inch meter .....		24.00
For 3-inch meter .....		48.00
For 4-inch meter .....		70.00
For 6-inch meter .....		121.00

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.

## APPENDIX B

Page 3

Desert DistrictMorongo Valley Service Area

Each of the following increases in rates may be put into effect of 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.

MONETIZED RATES

	<u>Effective Dates</u>	
	<u>1-1-84</u>	<u>1-1-85</u>
Service Charge:		
	<u>Per Meter Per Month</u>	
For 5/8 x 3/4-inch meter .....	\$3.90	\$3.90
For 3/4-inch meter .....	4.60	4.60
For 1-inch meter .....	6.00	6.00
For 1 1/2-inch meter .....	7.00	7.00
For 2-inch meter .....	9.00	9.00
For 3-inch meter .....	19.00	19.00
For 4-inch meter .....	25.00	25.00
For 6-inch meter .....	30.00	30.00
Quantity Rates:		
For the first 300 cu.ft., per 100 cu.ft. ....	0.555	0.555
Over 300 cu.ft., per 100 cu.ft. ....	0.854	0.854
Flat Rates:		
Schedule DEM-2H .....	\$2.00	\$2.00

## APPENDIX D

Page 2

Desert District  
Morongo Valley Service Area

## RATE DESIGN

<u>1983</u>		<u>Int.</u>	<u>Authorized</u>
Present Rates Revenue	157.7		
Adopted	367.2		
Authorized	272.5		272.5
Deferred	94.7		
Actual Deferred (7/20/83)	42.6		
Interest in 1983 @ 11.29%	<u>1.2</u>	<u>1.2</u>	
Total Deferred	43.8		
<u>1984</u>			
Adopted	410.9		
Rev. at 1983 rate $\frac{162.6}{157.7} \times 272.5 =$	281.0		
Authorized (281 + 114.8) <sup>1/</sup>	395.8		395.8
Adopted	410.9		
Deferred	43.8		
Int. at 11.56%	<u>2.5</u>	2.5	
Total	457.2		
Authorized	<u>395.8</u>		
Deferred	61.4		
Int. @ 11.56%	<u>3.5</u>	3.5	
Total Deferred	64.9		
<u>1985</u>			
Adopted	441.9		
Deferred	64.9		
Int. @ 11.78%	<u>3.8</u>	3.8	
	510.6		510.6

The utility should, by filing advice letter, reduce rates as of 1/1/86 to reduce annual revenue by \$68,700 based on adopted data for 1984.

<sup>1/</sup> For computation see page 3.

## APPENDIX D

Page 3

Desert District  
Morongo Valley Service Area  
Annual Increase Computation

$$\text{1st Year } X = (209.5 - Y - Z) + \frac{.1129}{4} (Y+Z)$$

$$\text{2nd Year } X = 32.3 + 1.5Y + \frac{.1156}{2} Z$$

$$\text{3rd Year } X = 31.0 + 2.5Z - \frac{Y}{2}$$

X = annual increase

Y = Portion of 1983 increase deferred to 1984

Z = " " " " " " 1985

Result

$$Z = 44.17$$

$$Y = 53.29$$

$$X = 114.80$$

(END OF APPENDIX D)

## APPENDIX E

Page 5

Desert District  
Morongo Tariff Area

Comparison of typical bills for residential metered customers of various usage level and average usage level at present and authorized rates for the year 1983.

General Metered Service (5/8 x 3/4) inch Meters

: Monthly Usage :		At Present	At Authorized	Percent
: (Cubic Feet) :		Rates	Rates	Increase
300		\$ 8.70	\$13.60	56.3%
500		10.58	17.80	68.2
1,000 (Average)		16.49	28.29	71.6
2,000		28.31	49.27	74.0
3,000		39.33	70.25	78.6
5,000		61.37	112.21	82.8