

ORIGINAL

Decision 83 CS 074 SEP 30 1983

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application )  
of VALENCIA WATER COMPANY, a )  
California corporation, for )  
authorization to increase rates )  
for water service. )

Application 83-02-19  
(Filed February 10, 1983)

Gibson, Dunn & Crutcher, by Raymond L. Curran,  
Attorney at Law, for applicant.  
B. S. Johnson, Attorney at Law, for Vista Ridge  
Homeowners Association; and William K. Cowan,  
for Valencia Fairways Homeowners Association;  
interested parties.  
Mary McKenzie, Attorney at Law, Jasjit S. Sekhon,  
and Chris Blunt, for the Commission staff.

INTERIM OPINION

Summary

By Application 83-02-19 Valencia Water Company (VWC or applicant) sought an order from the Commission granting it authority to increase its rates and charges for water service through 1985 by the following amounts:

	<u>Original Request</u>	
	<u>Amount of Increase</u>	<u>Percent Increase Over Previous Year</u>
1983	\$523,200	33%
1984	184,900	5%
1985	179,600	5%

This decision accepts the final agreement between staff and VWC and grants an increase of the following amounts:

Granted By This Decision

	<u>Amount of Increase</u>	<u>Percent Increase</u>
1983	\$412,400	25.23%
1984	75,000	3.51%
1985	85,400	3.72%

Presently, the typical residential bimonthly bill is about \$22.68. This increase will raise that amount to about \$28.25 in 1983. A comparison of the summary of earnings for present and adopted rates is shown in Table 1 on page 3.

In addition to granting the rate increase, this decision holds open for further hearing the issue raised by two homeowners associations located in VWC's service area. Those associations request that VWC's golf course tariff schedule be applied to their landscaping use. The present record is insufficient to act on the requests, but we find that the associations did raise a question regarding the tariff schedule in question which must be addressed further.

A comparison of typical residential monthly customer bills at present and adopted rates for a 5/8 x 3/4-inch meter is set forth below:

<u>Usage 100 cu.ft.</u>	<u>Present Bill</u>	<u>Adopted Bill</u>	<u>Amount Increase</u>	<u>Percent Increase</u>
-	\$ 3.00	\$ 3.85	\$ 0.85	28.3
5	4.71	5.90	1.19	25.3
10	6.60	8.25	1.65	25.0
25	12.29	15.30	3.01	24.5
50	21.76	27.05	5.29	24.3
100	40.71	50.55	9.84	24.2
200	78.61	97.55	18.94	24.1

Table 1

## VALENCIA WATER COMPANY

Estimated Results of Operations  
Test Years 1983, 1984, and 1985

Item	:1983 Stipulated:		Authorized Rates		
	: Present Rates <sup>a/</sup> :	1983	: 1984	: 1985	:
Operating Revenues	\$1,634,400	\$2,046,800	\$2,214,100	\$2,379,100	
<u>Deductions:</u>					
Purchased Water	360,000	360,000	439,400	545,700	
Purchased Power	277,600	277,600	271,500	263,700	
Payroll	178,000	178,000	186,200	198,700	
Other O&M Expense	37,100	38,100	44,300	46,700	
Admin. & Gen.	174,900	174,900	185,300	200,600	
Subtotal	1,027,600	1,028,600	1,126,700	1,255,400	
Deprec. Expense	146,200	146,200	155,200	161,500	
Taxes Other Than Inc.	80,100	80,100	85,000	88,600	
Income Taxes	19,700	228,900	256,700	269,700	
Tot. Deduc.	1,273,600	1,483,800	1,623,600	1,775,200	
Net Oper. Revenue	360,800	563,000	590,500	603,900	
Depr. Rate Base	4,344,600	4,344,600	4,556,300	4,659,900	
Rate of Return	8.3%	12.96%	12.96%	12.96%	

<sup>a/</sup> Also adopted.

Background

VWC is a wholly owned subsidiary of The Newhall Land and Farming Company, a corporation. VWC provides water to approximately 6,300 customers in and around the Los Angeles County community of Valencia.

VWC's last regular rate increase was granted in December 1980 by Decision 92510. The rates authorized by that decision have been amended three times by Commission resolutions issued as a result of VWC's advice letter requests for adjustments for increased costs of purchased power.

VWC's application states that the requested increases will allow it the opportunity to earn a 13.5% rate of return on rate base for each test year. It further states that the rate of return realized in 1981 was 11.1% and it estimates that at present rates the rate of return will decrease by nearly 2% per year from that level for the years 1982 through 1985.

The application claims that VWC's revenues must be increased to the proposed rates to permit it to earn a fair, sufficient, just, and reasonable rate of return and that without such increase its ability to obtain sufficient funds to continue the proper maintenance and expansion of its facility will be impeded.

An informal public meeting was held concerning this rate increase application in Newhall on the evening of March 31, 1983. Customers were notified of the meeting by mail. Only four customers attended. There were no service or water quality complaints.

A regular public hearing, of which customers were properly notified, was held in the Commission Courtroom in Los Angeles before Administrative Law Judge (ALJ) Colgan on June 14, 1983. The matter was submitted on the same date pending receipt of various late-filed exhibits and written comments to be post-marked not later than July 1, 1983. The ALJ later continued the final filing date to July 29 at the request of the parties.

Positions of VWC and Staff

Staff agrees with VWC that rate relief is in order. In contrast to VWC's request that it be allowed the opportunity to earn 13.46% return on rate base for the test years, staff recommends a range of rate of return with a midpoint of 12.96%. The initial filings of the parties agree on the embedded cost of debt (long-term debt) but disagree about the appropriate earnings allowance on common stock equity.

Staff explains (Exhibit 9) that it recommends a lower return on common equity for VWC than other Class A water utilities have recently received in order to balance the effects of the unusually high cost of long-term debt to VWC. This is a result of the fact that VWC's parent company has provided all outside financing either directly or by acting as a guarantor of short-term notes. As a result, while the practice is less risky than that of other such companies, staff asserts that all VWC's outstanding debts are renegotiated at one time and thus have a higher than average overall interest rate.

Along with the disagreement about earnings on common stock equity, other differences between the positions of staff and VWC representatives were resolved during the course of the hearing. As a result, VWC filed Exhibits 10, 11, and 12 near the end of the hearing and staff stipulated to the data in each. Exhibit 11 repeats the summary of earnings which is then used as a basis for calculating state and federal income taxes. Exhibit 12 sets out agreed-upon figures for projected numbers of customers, water consumption, and amount of purchased power for the three test years. These figures form the basis for some of the expense figures used in Exhibits 10 and 11.

Witness testimony indicated that staff and VWC representatives got together shortly before the hearing and were able to come to an agreement about differences in the amounts each had initially attributed to various projected expenses and revenues and to rate of return and rate base. VWC agreed to adopt staff's mid-point rate of return recommendation of 12.96%. After staff corrected an error in its initial payroll estimates, VWC also agreed to staff's lower payroll estimates. These two items accounted for most of the differences in the parties' figures. Other similar agreements were reached regarding some smaller items. These agreements resulted in the stipulated data of Exhibits 10, 11, and 12 which formed the basis for the late-filed Exhibit 13, the jointly proposed new rate schedules for VWC.

Exhibit 13 deletes Schedule 9-MC, Metered Construction Service,<sup>1/</sup> as proposed and retains the same rates initially proposed by VWC for Schedule 3-ML, Golf Course Metered Interruptible Off-Peak Service; Schedule 4, Private Fire Service; and Schedule 9-FC, Flat Rate Construction Service. Exhibit 13 differs from VWC's initial proposal in its Schedule 1, General Metered Service, which is lower than the initial proposal in every category. We believe that this is the proper schedule to adjust since it affects the largest segment, about 97%, of VWC's customers.

Furthermore, this jointly sponsored exhibit comports with current Commission policy regarding service charges, a 300-cubic-foot lifeline allowance, and having a second block inverted rate which is less than 50% higher than the first block.

From our review of Exhibits 10, 11, 12, and 13 we conclude that the final resolutions between staff and VWC are fair and reasonable. The rate of return, while lower than what we have granted to other Class A companies recently, is proper under the circumstances noted in staff Exhibit 9 regarding corporate structure. Furthermore, the final figures relied upon in arriving at projected costs and revenues all appear reasonable. Therefore, we will adopt the jointly sponsored tariff schedule.

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<sup>1/</sup> Although this schedule is included in Exhibit 12, its deletion would not change the projections of water consumption and purchased power portrayed by that exhibit. The consumption and power need would just be attributed to a different schedule--flat rate construction.

Homeowners Associations' Concerns

Aside from the hearing participation by VWC and staff, appearances were also made by representatives of two condominium homeowners associations, Vista Ridge Homeowners Association (Vista Ridge) and Valencia Fairways Homeowners Association (Valencia Fairways). These associations participated solely to address the desire of each association to receive water for landscape irrigation under proposed Schedule 3-ML, Golf Course Metered Interruptible Off-Peak Service. Under both the present and the jointly proposed tariff, Schedule 3-ML is applicable only to "privately or publicly owned golf courses" of which there is only one in Valencia's service territory.

Vista Ridge requests this less expensive schedule be applied to its landscaping "for a period not to exceed five (5) years or any such period deemed equitable by the Public Utilities Commission. . . ." (Exhibit 1.) Vista Ridge states that annual landscape irrigation costs for its 26 acres presently average about \$13,600. This association has developed a program to replace the present plants on 20 of these acres with drought-resistant plants which it claims will reduce its water consumption by 70%. Vista Ridge states that without lowered water rates it will not have funds sufficient to complete this replanting in the next three years as planned. Vista Ridge also states that it is, in effect, requesting a rebate program to help it cut its future consumption.



Valencia Fairways also requests that it be permitted to use the same water rates used by the golf course for its landscape watering (RT 45, Exhibit 5). Unlike Vista Ridge, Valencia Fairways does not propose that this service be limited in time. The rationale offered in support of this request is that it will reduce the "high cost of keeping California green" and it will afford Valencia Fairways the same treatment afforded the golf course. Valencia Fairways points out that it already does its landscape watering at night benefiting VWC by reducing "daytime drag", and adds that it is willing to abide by the service restrictions set out in Schedule 3-ML.

VWC opposes these requested changes and staff supports VWC's position. However, since this issue was only raised on the day of the hearing, neither VWC nor staff has had an opportunity to study the consequences of these requests with the attention they require.

We believe that these two appearances have raised a question regarding possible "unreasonable difference as to rates" as that term is used in Public Utilities (PU) Code Section 453(c). However, the record before us now is insufficient for us to act on these requests. Therefore, we will issue an interim order now addressing the rate relief request of VWC and reserve a decision on the condominium landscape irrigation issue for a further hearing.

In order to decide on the propriety of the homeowners associations' proposed changes, we will treat the further hearing as we would a complaint filed by them under PU Code Section 1702.

The purpose will be to afford VWC the opportunity to fully present its response to the implicit claim that Schedule 3-ML is unreasonable insofar as it treats golf courses differently from condominium landscaping at the Valencia Fairways and Vista Ridge condominium developments. In addition, we will expect both parties to address the following issues:

1. Are there any other condominium developments in VWC's service area? If so, is this rate schedule unreasonable in excluding them too?
2. Is there a rational basis for distinguishing between irrigation use by condominium associations and private homeowners?
3. If Schedule 3-ML were to apply to all customers similar to these two homeowners associations, what would happen to VWC's water use patterns and to revenue?
4. Assuming the present Schedule 3-ML is unreasonable, is there presently a means of monitoring homeowner association use to assure that the Schedule 3-ML restrictive conditions are being observed? If not, how could it be done and who should pay for any special equipment or related extra cost of such monitoring?
5. Assuming the present Schedule 3-ML is unreasonable, should future applicability of the schedule be mandatory or optional? What financial consequences might accrue to VWC if it were optional?

Findings of Fact

1. VWC's service and water quality are satisfactory.
2. The adopted estimates of operating revenues, operating expenses, and rate base for test years 1983, 1984, and 1985 shown in Table 1, supra, reasonably indicate the results of VWC's future operations.
3. The adopted tariffs for 1983, 1984, and 1985 for VWC are contained in Appendix A.
4. Adopted income tax computations and quantities for the test years are contained in Appendix B.
5. Appendix C sets forth a notice which should be used as a bill insert for VWC's customers in the first bill after VWC initiates these new adopted rates.
6. A rate of return of 12.96% on VWC's rate base for 1983, 1984, and 1985 is reasonable. The related return on common equity is a constant 13%. This will require an increase of \$412,400, or 25.23% in annual revenues for 1983; a further increase of \$75,000, or 3.51% for 1984; and a further increase of \$85,400, or 3.72% for 1985.
7. The further increases authorized in Appendix A 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 VWC during the corresponding period in the most recent rate decision, or (b) 12.96%.

8. There is insufficient evidence in the record for this Commission to rule on the propriety of permitting the two homeowners associations which have so requested to do landscape irrigation under Schedule 3-ML. Furthermore, these requests raise a broader issue regarding the propriety of Schedule 3-ML.

Conclusions of Law

1. The adopted rate design is just and reasonable.
2. The increases in rates and charges authorized by this decision are justified, and are just and reasonable.
3. A further hearing should be held addressing whether Schedule 3-ML complies with PU Code Section 453(c) and if not, whether such noncompliance can be remedied by extending the schedule to cover the two homeowners associations' requesting such coverage or by some other means.
4. The application should be granted to the extent provided by the following order.
5. Because of the immediate need for additional revenue, the following order should be effective today.

INTERIM ORDER

IT IS ORDERED that:

1. Applicant Valencia Water Company (VWC) is authorized to file 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 and, again, on or after November 15, 1984 VWC is authorized to file an advice letter, with appropriate work papers, requesting the respective increases for 1984 and 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 in the event that the VWC 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 and September 30, 1984, respectively, exceeds the lower of (a) the rate of return found reasonable by this Commission for VWC during the corresponding period in the then most recent rate decision, or (b) 12.96%. These filings shall comply with General Order Series 96. The requested increases shall be reviewed by staff to determine their conformity with this order and shall take effect upon staff's determination of conformity. Staff shall inform the Commission if it finds that the proposed increases are not in accord with this decision so that the Commission may modify the increase if appropriate. The effective date of the revised schedules shall be no earlier than January 1, 1984 and January 1, 1985, respectively, or 30 days after the filing of the proposed increases, whichever is later.

3. Within 60 days of the effective date of this order, VWC shall mail to all its customers a bill insert notice as shown in Appendix C.

4. A further hearing shall be held in this matter to address whether VWC's tariff Schedule 3-ML complies with PU Code Section 453(c) and if not, whether such noncompliance can be remedied by extending Schedule 3-ML to cover the two homeowners associations who requested such coverage, or by some other means.

This order is effective today.

Dated SEP 30 1983, at San Francisco, California.

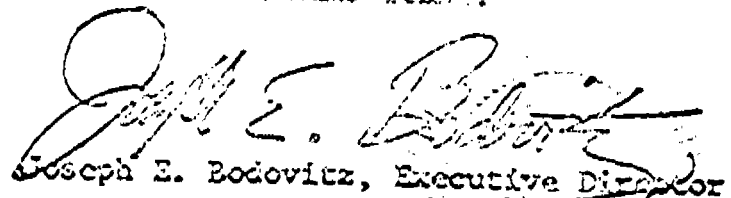
LEONARD M. GRIMES, JR.  
President

VICTOR CALVO  
DONALD VIAL  
Commissioners

Commissioner Priscilla C. Grow,  
being necessarily absent, did  
not participate

Commissioner William T. Bagley  
being necessarily absent, did  
not participate.

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

  
Joseph E. Bodovitz, Executive Director

APPENDIX A  
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## VALENCIA WATER COMPANY

## Schedule No. 1

GENERAL METERED SERVICEAPPLICABILITY

Applicable to all metered water service for which no special schedule is available.

TERRITORY

The service area of Valencia Water Company in the community of Valencia in Los Angeles County.

RATES

Quantity Rates:	Per Meter Per Month			
	1983	1984	1985	
First 300 cu.ft., per 100 cu.ft.	\$ 0.370	\$ 0.390	\$ 0.400	(I)
Over 300 cu.ft., per 100 cu.ft.	0.470	0.486	0.502	(I)
Service Charge:				
For 5/8 x 3/4-inch meter	3.85	3.95	4.10	(I)
For 3/4-inch meter	4.50	4.60	4.75	
For 1-inch meter	6.40	6.65	6.90	
For 1 1/2-inch meter	9.00	9.25	9.60	
For 2-inch meter	12.85	13.20	13.70	
For 3-inch meter	23.00	24.00	25.00	
For 4-inch meter	32.00	33.00	35.00	
For 6-inch meter	51.00	53.00	55.00	
For 8-inch meter	77.00	80.00	83.00	
For 10-inch meter	89.00	92.00	96.00	

The Service Charge is a readiness-to-serve charge which is applicable to all General Metered Service and to which is to be added the monthly charge computed at the Quantity Rates.

For construction water service under this schedule, an installation and removal charge of \$45.00 is required in advance of service. (N)

## APPENDIX A

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## VALENCIA WATER COMPANY

Schedule No. 3-ML

GOLF COURSE METERED INTERRUPTIBLE OFF-PEAK SERVICEAPPLICABILITY

Applicable to irrigation water service furnished to private or publicly owned golf courses.

TERRITORY

Valencia and vicinity, Los Angeles County.

RATES

Quantity Rates:	Per Meter Per Month			
	1983	1984	1985	
For all water delivered, per 100 cu.ft.	\$ 0.270	\$ 0.280	\$ 0.290	(I)
Minimum Charge:				
For 4-inch meter	67.00	69.00	72.00	(I)
For 6-inch meter	108.00	112.00	116.00	
For 8-inch meter	166.00	172.00	179.00	
For 10-inch meter	249.00	258.00	268.00	(I)

The minimum charge will entitle the customer to the quantity of water which that minimum charge will purchase at the quantity rate.

SPECIAL CONDITIONS

1. The golf course metered interruptible off-peak service is subject to interruption of service whenever the utility determines that service to its other customers will be impaired.
2. The off-peak period during which this schedule is applicable is between the hours of 9 p.m. and 7 a.m. of the following day, or during other hours as may be determined from day to day by the utility.
3. The minimum diameter for 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.



APPENDIX A  
Page 3VALENCIA WATER COMPANY  
Schedule No. 4  
PRIVATE FIRE SERVICEAPPLICABILITY

Applicable to all private fire service.

TERRITORY

Valencia and vicinity, Los Angeles County.

RATES

	Per Service Per Month			
	1983	1984	1985	
For each 4-inch service connection	\$ 13.25	\$ 15.00	\$ 18.75	(I)
For each 6-inch service connection	19.75	22.50	28.25	
For each 8-inch service connection	26.25	30.00	37.50	
For each 10-inch service connection	55.00	62.50	78.25	
For each 12-inch service connection	77.00	87.50	109.00	(I)

SPECIAL CONDITIONS

1. The private 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.
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 service 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 connections 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 Insurance Services Office for protection against theft, leakage, or waste of water and the cost paid by the applicant. Such payment shall not be subject to refund.
5. For water delivered for other than fire protection purposes, charges shall be made therefore under Schedule No. 1, General Metered Service.
6. The utility will supply only such water at such pressure as may be available from time to time as a result of its normal operation of the system.

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## VALENCIA WATER COMPANY

Schedule No. 9-FC

FLAT RATE CONSTRUCTION SERVICEAPPLICABILITY

Applicable to unmetered construction water service provided from permanently installed water service prior to meter installation and used on the premises for which the service was installed.

TERRITORY

Valencia and vicinity, Los Angeles County.

RATES

	Per Meter Per Month			(I)
	1983	1984	1985	
For 3/4-inch service	\$ 5.00	\$ 5.15	\$ 5.35	(I)
For 1-inch service	7.30	7.55	7.90	
For 1 1/4-inch service	8.00	8.25	8.60	
For 2-inch service	10.60	11.00	11.45	
For 3-inch service	16.00	16.50	17.15	
For 4-inch service	27.00	28.00	30.00	
For 6-inch service	40.00	41.00	43.00	
For 8-inch service	60.00	62.00	64.00	
For 10-inch service	93.00	96.00	100.00	

SPECIAL CONDITIONS

For other unmetered water use, as determined by the utility, an estimate of the quantity of water used will be made by the utility. The charge for this water will be made at the quantity rate Schedule No. 1, General Metered Service.

(END OF APPENDIX A)

APPENDIX B  
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ADOPTED QUANTITIES

Name of Company: Valencia Water Company  
 Net-to-Gross Multiplier: 2.0536  
 Federal Tax Rates: 46%  
 State Tax Rates: 9.6%  
 Local Franchise Tax Rate: 0.0  
 Business License: \$0  
 Uncollectibles Rate: 0.25%

<u>Offset Items</u>	<u>Test Years</u>		
	<u>1983</u>	<u>1984</u>	<u>1985</u>
1. <u>Purchased Power:</u>			
Total Production-Ccf	3,986,200	4,164,600	4,313,600
Acre Feet	9151.1	9560.6	9902.7
Electric:			
<u>Southern California Edison Co.</u>			
Total Cost	\$277,600	\$271,500	\$263,700
kWh	3,573,210	3,490,040	3,383,260
Eff. Sch. Date	2/2/83	2/2/83	2/2/83
\$/kWh Used	\$0.0733	\$0.0733	\$0.0733
2. <u>Purchased Water:</u>			
Acre Feet	3600	4350	5100

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ADOPTED QUANTITIES

Name of Company: Valencia Water Company

3. Pump Tax - Replenishment tax: none

4. Payroll and Employee Benefits:

	<u>Test Years</u>		
	<u>1983</u>	<u>1984</u>	<u>1985</u>
Operation and Maintenance	\$ 92,200	\$ 96,500	\$ 102,700
Administrative & General	<u>85,800</u>	<u>89,700</u>	<u>96,000</u>
Total	\$ 178,000	\$ 186,200	\$ 198,700
Payroll Taxes	\$ 10,500	\$ 11,000	\$ 12,300
4. <u>Ad Valorem Taxes:</u>	69,600	73,900	76,300
	<u>1983-84</u>	<u>1984-85</u>	<u>1985-86</u>
Tax Rate	1.31%	1.31%	1.31%
Assessed Value	5,308,500	5,640,200	5,823,000

Metered Water Sales Used to Design Rates:

		<u>Usage-Ccf</u>		
	<u>Range-Ccf</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>
Block 1	0-3	228,000	237,900	247,800 Lifeline
Block 2	3	<u>3,379,500</u>	<u>3,531,100</u>	<u>3,656,000</u>
Total Metered Usage		3,607,500	3,769,000	3,903,800

ADOPTED QUANTITIES

Name of Company: Valencia Water Company

Customers & Usage

	<u>No.</u>			<u>Usage-Ccf</u>			<u>Avg. Usage-Ccf/yr.</u>		
	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>
Residential	5,897	6,157	6,417	1,604.0	1,674.7	1,745.4	272	272	272
Special Residential	97	102	106	174.6	183.6	190.8	1,800	1,800	1,800
Commercial	159	165	171	1,055.3	1,106.3	1,157.3	6,637	6,705	6,768
Industrial	89	93	97	289.5	295.3	301.1	3,253	3,175	3,104
Public Authority	72	72	72	324.1	324.1	324.1	4,502	4,502	4,502
Irrigation	1	1	1	125.0	125.0	125.0	125,000	125,000	125,000
Metered Construction	<u>20</u>	<u>20</u>	<u>20</u>	<u>35.0</u>	<u>60.0</u>	<u>60.0</u>	1,750	3,000	3,000
Subtotal	6,335	6,610	6,884	3,607.5	3,769.0	3,903.8			
Private Fire Protection	<u>121</u>	<u>126</u>	<u>131</u>						
Total	6,456	6,736	7,015						
Water Loss @ 9.5%				<u>378.7</u>	<u>395.7</u>	<u>409.8</u>			
Total Water Produced				3,986.2	4,164.7	4,313.6			

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VALENCIA WATER COMPANY

ADOPTED SERVICES BY METER SIZE  
(all classes)

	<u>1983</u>	<u>1984</u>	<u>1985</u>
5/8" x 3/4"	1071 services	1254 services	1436
3/4"	4908	4990	5072
1"	57	58	59
1½"	220	227	234
2"	53	55	57
3"	12	12	12
4"	10	11	12
6"	87	90	93
8"	31	32	33
10"	6	6	6
12"	<u>1</u>	<u>1</u>	<u>1</u>
Total	6456	6736	7015

FLAT RATE SERVICES

	<u>1983</u>	<u>1984</u>	<u>1985</u>
Private Fire Service	121	126	131
Flat Rate Construction Service	<u>45</u>	<u>100</u>	<u>100</u>
Total	166	226	231

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VALENCIA WATER COMPANY

Income Tax Calculation at  
Authorized Rates

	<u>1983</u>	<u>1984</u>	<u>1985</u>
Operating revenues	\$ 2,046,800	\$ 2,214,100	\$ 2,379,100
Operation and maintenance	853,700	941,400	1,054,800
Administrative and general	174,900	185,300	200,600
Taxes other than income	80,100	85,000	88,600
Depreciation	146,200	155,200	161,500
Interest expense	296,900	296,900	296,900
California franchise tax	<u>47,500</u>	<u>52,800</u>	<u>55,400</u>
Sub-total deductions	<u>1,599,300</u>	<u>1,716,600</u>	<u>1,857,800</u>
Taxable income	447,500	497,500	521,300
Federal income tax:			
First 100,000	25,800	25,800	25,800
Over 100,000	159,900	182,900	193,800
Investment tax credit	<u>(4,300)</u>	<u>(4,800)</u>	<u>(5,300)</u>
Total federal income tax	<u>181,400</u>	<u>203,900</u>	<u>214,300</u>
Total income tax	<u>\$ 228,900</u>	<u>\$ 256,700</u>	<u>\$ 269,700</u>

CALIFORNIA FRANCHISE TAX

Operating revenues	\$ 2,046,800	\$ 2,214,100	\$ 2,379,100
Operation and maintenance	853,700	941,400	1,054,800
Administrative and general	174,900	185,300	200,600
Taxes other than income	80,100	85,000	88,600
Depreciation	146,200	155,200	161,500
Interest expense	<u>296,900</u>	<u>296,900</u>	<u>296,900</u>
Subtotal deductions	<u>1,551,800</u>	<u>1,663,800</u>	<u>1,802,400</u>
Taxable income	495,000	550,300	576,700
California franchise tax 9.6%	<u>\$ 47,500</u>	<u>\$ 52,800</u>	<u>\$ 55,400</u>

( END OF APPENDIX B )

APPENDIX C

Bill Insert for Valencia Water Company

N O T I C E

\$40,700 of the recent rate increase granted to Valencia Water Company was made necessary by changes in tax laws proposed by the President and passed by Congress in 1981. This was the Economic Recovery Tax Act of 1981. Among its provisions was a requirement that utility ratepayers be charged for certain corporate taxes even though the utility does not have to pay them. This results from the way utilities may treat tax savings from depreciation on their plant and equipment. The savings can no longer be credited to the ratepayer, but must be left with the company and its shareholders.

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

Consumer Affairs Branch  
Public Utilities Commission  
107 South Broadway, Room 5109  
Los Angeles, CA 90012

(END OF APPENDIX C)



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Bill Insert for Valencia Water Company

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

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

(END OF APPENDIX C)