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Decision 83 09 075 SEP 30 1983**ORIGINAL**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
 WATER WEST CORPORATION a California)
 corporation for authority to increase) Application 83-01-54
 rates charged for water service in its) (Filed January 27, 1983)
 Bolsa Knolls Division as authorized)
 in NOI.)

Brobeck, Phleger & Harrison, by Robert N. Lowry,
 Attorney at Law, for applicant.
Patricia A. Bennett, Attorney at Law, and Richard
Tom, for the Commission staff.

O P I N I O N

Water West Corporation (Water West), a California corporation, seeks authorization to increase water rates in its Bolsa Knolls Division by an annual amount of \$108,850 (or 37.1%) over present rates for 1983, and by an additional amount of \$22,720 (or 5.7%) over proposed 1983 rates for 1984.

A duly noticed public hearing was held before Administrative Law Judge Orville I. Wright in Salinas on July 26, 1983 at which time applicant and staff agreed to a stipulation that the staff's summary of earnings would be accepted by Water West for the purpose of expediting this application and without conceding the reasonableness of any of the staff adjustments, particularly its recommended rate of return.

In accordance with the stipulation a late-filed exhibit was presented on August 5, 1983. Table I taken from that exhibit shows the summary of earnings for test years 1983 and 1984 as revised by the staff and approved by applicant. Table II shows a comparison of the monthly customer bills at the utility's present and proposed rates for 1983 for a 5/8 x 3/4-inch meter, the average usage for Bolsa Knolls being 20 Ccf per month.

The major difference settled by the stipulation between the parties is that Water West accepts the staff's recommended rate of return on rate base of 12.90% which equates to a 13.0% return on equity based upon the recorded capital structure of 30% debt and 70% common equity. Applicant had requested a 14.9% rate of return on rate base.

We find that the stipulation whereby applicant accepts the several staff adjustments, including rate of return, for the purpose of settlement only to be fair and reasonable, and we will adopt it.

The last general rate increase for Bolsa Knolls was authorized by Resolution No. W-2518, dated June 1, 1979. We are here authorizing an annual increase of \$67,840 (or 22.9%) over present rates for 1983, and an additional amount of \$30,710 for 1984.

A rate of return on rate base of 12.9% for 1983 and 1984 is reasonable. The authorized return on equity is 13.0%.

A reason for applicant's acceptance of the staff's adjustments and recommendations in this proceeding is to expedite rate relief to which it is entitled for the year 1983. Accordingly, the effective date of the following order should be the date of signature.

The adopted quantities are shown in Appendix C.

TABLE I

Summary of Earnings

:Line: :No.:	Item	: APPLICANT :		: BRANCH :		: Authorized : Rates :
		: Present : Rates :	: Proposed : Rates :	: Present : Rates :	: Proposed : Rates :	
		(A)	(B)	(C)	(D)	
<u>TEST YEAR 1983</u>						
1	Operating Revenues	\$293,020	\$401,870	\$296,160	\$403,200	\$364,000
2	<u>Deductions</u>					
3	Operation & Maintenance Expenses	231,400	231,400	215,770	215,770	215,770
4	Taxes Other Than Income	16,920	16,920	17,360	17,480	17,480
5	Depreciation Expense	34,470	34,470	34,600	34,600	34,600
6	Income Taxes	-	22,420	200	31,890	16,130
7	Total Operating Expenses	282,790	305,210	267,930	299,740	283,980
8	Net Operating Revenues	10,230	96,660	28,230	103,460	80,020
9	Depreciated Rate Base	648,770	648,770	622,210	622,210	622,210
10	Rate of Return	1.6%	14.9%	4.5%	16.6%	12.9%
11	Average Number of Customers	1,602	1,602	1,602	1,602	1,602
<u>TEST YEAR 1984</u>						
12	Operating Revenues	\$297,070	\$424,590	\$299,240	\$424,590	394,710
13	<u>Deductions</u>					
14	Operation & Maintenance Expenses	232,810	232,810	225,930	225,930	225,930
15	Taxes Other Than Income	18,150	18,150	18,810	19,330	19,330
16	Depreciation Expense	37,740	37,740	36,580	36,580	36,580
17	Income Taxes	-	27,150	200	35,530	22,230
18	Total Operating Expenses	288,700	315,850	281,520	317,370	304,070
19	Net Operating Revenues	8,370	108,740	17,720	107,220	90,640
20	Depreciated Rate Base	729,790	729,790	703,450	703,450	703,450
21	Rate of Return	1.1%	14.9%	2.5%	15.2%	12.9%
22	Average Number of Customers	1,623	1,623	1,623	1,623	1,623

(Red Figure)

TABLE II

A comparison of the monthly customer bills at the utility's present and authorized rates for a 5/8 x 3/4-inch meter is shown below:

Usage 100 cu.ft.	Present Bills	Authorized Bills (1983)	Amount Increase	Percent Increase
0	\$ 3.73	\$ 3.85	\$ 0.12	3.2
3	4.84	5.20	0.36	7.4
5	5.98	6.70	0.72	12.0
10	8.83	10.45	1.62	18.3
20 ^{1/}	14.53	17.95	3.42	23.5
30	20.23	25.45	5.22	25.8
40	25.93	32.95	7.02	27.1
50	31.63	40.45	8.82	27.9
100	60.13	77.95	17.82	29.6
200	117.13	152.95	35.82	30.6

^{1/} Average usage for Bolsa Knolls.

Findings of Fact

1. The last general rate increase was authorized for Bolsa Knolls in 1979.
2. By this application Water West sought an annual increase in rates for its Bolsa Knolls Division of \$108,850 (or 37.1%) over present rates for 1983, and an additional increase of \$22,720 (or 5.7%) over proposed 1983 rates for 1984.
3. Staff's summary of earnings for 1983 and 1984, as stipulated to by applicant for settlement purposes only, is reasonable and should be adopted.
4. The adopted summary of earnings should yield an annual revenue increase of \$67,840 (or 22.9%) over present rates for 1983 and an additional amount of \$30,710 for 1984.
5. Staff's rate of return of 12.9%, including 13.0% on equity, is reasonable.
6. The compilation of the adopted quantities and the adopted tax calculation are contained in Appendix C to this
7. Staff's recommended rate design is reasonable.
8. Applicant should be authorized to place its 1983 rates into effect as soon as practicable.
9. The increases in rates and charges authorized by this decision are justified and are just and reasonable.

Conclusions of Law

1. The application should be granted to the extent provided by the following order.
2. Because of the immediate need for additional revenue for 1983, the order should be effective today.

O R D E R

IT IS ORDERED that:

1. After the effective date of this order, Water West Corporation, Bolsa Knolls Division, is authorized to file the revised rate schedules contained in Appendix A attached to this order. Such

filing shall comply with General Order 96-A. The effective date of the revised schedules shall be four days after the date of filing. The revised schedules shall apply to service rendered on and after their effective date.

2. On or after November 15, 1983 applicant is authorized to file the revised rate schedules contained in Appendix B attached to this order. Such filing shall comply with General Order 96-A. The effective date of the revised schedules shall be no earlier than January 1, 1984. The revised schedules shall apply to service rendered on and after their effective date.

This order is effective today.

Dated SEP 30 1983, at San Francisco, California.

LEONARD M. CRIMES, JR.
President
VICTOR CALVO
DONALD VIAL
Commissioners

Commissioner Priscilla C. Grew,
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

Schedule No. 1
(Bolsa Knolls Division)

METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

Bolsa Knolls Subdivision and vicinity, 3 miles north of Salinas,
Monterey County.

RATES

Per Meter Per Month

Service Charge:

For 5/8 x 3/4-inch meter.....	\$ 3.85	(I)
For 3/4-inch meter.....	6.60	
For 1-inch meter.....	9.30	
For 1-1/2-inch meter.....	11.90	
For 2-inch meter.....	16.60	
For 3-inch meter.....	31.70	
For 4-inch meter.....	46.10	

The Service Charge is applicable to all metered service.
It is a readiness-to-serve charge to which is added the
charge, computed at the Quantity Rate, for water used
during the month.

Quantity Rates:

First 300 cu.ft., per 100 cu.ft.....	0.45	(I)
Over 300 cu.ft., per 100 cu.ft.....	0.75	(I)

APPENDIX B

Schedule No. 1
(Bolsa Knolls Division)

METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

Bolsa Knolls subdivision and vicinity, 3 miles north of Salinas,
Monterey County.

RATES

Per Meter Per Month

Service Charge:

For 5/8 x 3/4-inch meter.....	\$ 4.00	(I)
For 3/4-inch meter.....	7.20	
For 1-inch meter.....	10.10	
For 1-1/2-inch meter.....	12.90	
For 2-inch meter.....	18.00	
For 3-inch meter.....	34.40	
For 4-inch meter.....	50.00	

The Service Charge is applicable to all metered service.
It is a readiness-to-serve charge to which is added the
charge, computed at the Quantity Rate, for water used
during the month.

Quantity Rates:

First 300 cu.ft., per 100 cu.ft.....	0.50	(I)
Over 300 cu.ft., per 100 cu.ft.....	0.80	(I)

ADOPTED QUANTITIES

Name of Company: Water West Corporation

Division: Bolsa Knolls

Net-to-Gross Multiplier: 1.862

Federal Tax Rate: 40%

State Tax Rate: 9.6%

Local Franchise Tax Rate: 1.0%

1. Metered Water Sales Used to Design Rates:

	<u>Range-Ccf</u>	<u>Usage-Ccf</u>	
		<u>1983</u>	<u>1984</u>
Block 1	0-3	55,888	56,619
Block 2	over 3	<u>333,799</u>	<u>338,176</u>
Total Metered Usage		389,687	394,795

2. Water Production:

	<u>No.</u>		<u>Usage-KCcf</u>		<u>Avg. Usage-Ccf/Svc/Yr.</u>	
	<u>1983</u>	<u>1984</u>	<u>1983</u>	<u>1984</u>	<u>1983</u>	<u>1984</u>
Metered	1,602	1,623	389.7	394.8	243	243
Water Loss (10.3%)			44.6	45.2		
Total Production			434.3	440.0		

3. Purchased Power:

	<u>Test Years</u>	
	<u>1983</u>	<u>1984</u>
Total Cost	\$ 56,800	\$ 57,540
kWh	693,893	702,933
Eff. PG&E Sch. Date	2/6/83	2/6/83
\$/kWh Used	0.081857	0.081857

APPENDIX C
Page 2ADOPTED QUANTITIES

Name of Company: Water West Corporation

Division: Bolsa Knolls

4. Number of Services-Metered Size (inch):

	<u>1983</u>	<u>1984</u>
5/8 x 3/4	1,442	1,454
3/4	86	93
1	19	19
1-1/2	5	5
2	47	49
3	0	0
4	3	3
	<u>1,602</u>	<u>1,623</u>

5. Payroll and Employee Benefits:

Management	\$ 24,830	\$26,680
Office	28,370	30,490
Field	<u>35,470</u>	<u>38,120</u>
Total	\$88,670	\$95,290
Payroll Taxes	\$5,650	\$6,360

6. Ad Valorem Taxes:

Ad Valorem Taxes	\$8,920	\$9,660
Tax Rate (Per \$100)	4.822	4.822

7. Pump Tax - Replenishment Tax: None8. Four-Factor Allocation: 55.66%

APPENDIX C

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Bolsa Knolls Division

ADOPTED TAX CALCULATION

:Line:	:	1983	:	1984	:
: No.:	Items	Adopted Rates	:	Adopted Rates	:
1	Operating Revenues	\$ 364,000		\$ 394,710	
	<u>Deductions</u>				
2	Operating Expenses	215,770		225,930	
3	Taxes Other Than Income	17,480		18,810	
4	Interest	26,000		26,000	
5	Depreciation	<u>43,250</u>		<u>45,050</u>	
6	Total Deductions	302,380		315,790	
7	State Taxable Income	61,620		78,920	
8	State Income Tax 9.6%	5,916		7,576	
9	Federal Taxable Income	55,704		71,344	
10	1st \$25,000 taxed at 15%	3,750		3,750	
11	2nd \$25,000 taxed at 18%	4,500		4,500	
12	3rd \$25,000 taxed at 30%	1,711		6,403	
13	4th \$25,000 taxed at 40%	-		-	
14	Over \$100,000 taxed at 46%	<u>-</u>		<u>-</u>	
15	Federal Income Tax	9,961		14,653	
16	Total Income Taxes	15,877		22,229	
	Use	\$16,130		\$22,230	

(END OF APPENDIX C)