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ORIGINAL

Decision No. 86690

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the matter of the Application )  
of TEMESCAL WATER COMPANY, )  
a California corporation, for )  
authority to increase its rates )  
charged for water service. )

Application No. 56180  
(Filed January 2, 1976)

Clayson, Rothrock & Mann, by Roy H. Mann, Attorney  
at Law, for applicant.  
Andrew Tokmakoff, for the Commission staff.

O P I N I O N

Applicant Temescal Water Company, a California corporation, furnishes irrigation and industrial and emergency water in the vicinity of the city of Corona. It furnishes domestic water to a mobile home park but this service is minimal; the operator of the park takes water at metered rates. There are no other domestic customers. Applicant seeks to increase rates by \$180,340.

A public hearing on the application was held in Corona before Examiner William S. Pilling on September 20, 1976. Prior to the hearing, notice thereof was published, posted, and mailed to customers as required. There are no protests.

Applicant was formed as a part of a reorganization effective September 1, 1975, as approved by the Commission in Decision No. 84781. The former "Temescal Water Company" formed a wholly owned subsidiary. The new subsidiary (applicant here) then took the name "Temescal Water Company" and the parent changed its name to "Temesco". Substantially all of the utility assets were transferred to applicant although certain office furniture and equipment, transportation equipment, and related communication equipment were retained by the parent (Temesco) to the extent

they were associated with the administrative, general, and customer accounting personnel who remained employees of the parent and who service applicant and other affiliated companies of Temesco. Applicant pays Temesco a management fee as set forth in Exhibit C to the application.

Decision No. 71028 dated July 26, 1966 in Application No. 47813 gives a concise outline of the operation of applicant's parent, its history, and operations. Applicant is the successor to that operation and operates the same system with the same service area.

Present rates for irrigation and industrial service have been in effect since February 24, 1975. Present rates for domestic (commercial) service became effective on July 1, 1972. Although a two-step increase was proposed by applicant, only the Step 2 rates are considered in this order since the requested effective date of the second increase was July 1, 1976.

The following table compares applicant's and the staff's results of operations:

SUMMARY OF EARNINGS  
Year 1975, Estimated

<u>Item</u>	<u>Applicant</u>		<u>Staff</u>	
	<u>Present Rates</u>	<u>Proposed<sup>1/</sup> Rates</u>	<u>Present Rates</u>	<u>Proposed<sup>1/</sup> Rates</u>
Oper. Revenues	\$ 546,640	\$ 726,980 <sup>1/</sup>	\$ 546,640	\$ 726,680 <sup>1/</sup>
<u>Expenses</u>				
Oper. Expenses	444,550	451,930	436,970	436,970
Deprec. & Amort.	39,340	39,340	39,090	39,090
Taxes except Income	32,610	32,610	31,990	31,990
Taxes-Income	<u>9,310<sup>2/</sup></u>	<u>100,430<sup>2/</sup></u>	<u>10,640<sup>2/</sup></u>	<u>101,620<sup>2/</sup></u>
Total Expenses	525,810	624,310	518,690	609,670
Net Oper. Revenue	20,830	102,670	27,950	117,010
Rate Base	1,511,200	1,511,200	1,522,400	1,522,400
Rate of Return	1.38%	6.79%	1.84%	7.69%

<sup>1/</sup> Revenues at proposed rates are at Step 2 level.

<sup>2/</sup> Applicant's taxes at 1974 tax rates, staff taxes at 1975 tax rates.

There are a number of differences between applicant and the staff. Except for the following matters, the staff agreed with applicant's estimate of expenses and revenues.

Applicant estimated payroll costs by increasing recorded payroll costs for the first six months of 1975 by 5 percent and then annualizing. Other expense components, such as materials and supplies, were estimated by applicant by increasing 1974 recorded expenses by 5 percent. The staff used the recorded accounts for 1970 through 1974 and used either averages or trends to project each account for 1975, taking into account increases in costs of materials and labor recorded in 1975. Applicant assumed the ratio observed in the first half of 1975 was representative.

Applicant and the staff differed on the amount of water needed from Western Municipal Water District (WMWD) to maintain Railroad Canyon Reservoir at a level dictated by the lease of surface rights. In setting the charge to the lessee of the surface rights, applicant used the 1975 charges and the staff used the 1976 charges. Applicant used the recorded 1975 mutual company costs; the staff averaged the three prior years' costs. Applicant used the 1975 Gage Canal assessment; the staff averaged the last four years.

The staff's estimated cost of power exceeds applicant's because the staff used Southern California Gas Schedule G-45 effective July 30, 1976, and Southern California Edison Schedules PA-1 and D-6 effective December 31, 1975.

Applicant estimated two of the accounts making up transmission and distribution--maintenance of mains and maintenance of other plant--on recorded 1975 costs plus 5 percent annualized. The staff estimates were based on a five-year average plus consideration for increase in materials and labor.

Applicant included depreciation on a well leased to others. The staff excluded this expense. The staff made a correction to applicant's average depreciation reserve by charging the 1974 end-of-year depreciation reserve of plant account 324, pumping equipment, an additional \$5,559 for the retirement of certain pumping equipment in 1974. Applicant agreed with this correction. As noted in the staff report, the entry correcting this discrepancy has been made in applicant's books of account. Applicant used 1974 income tax rates in computing income taxes whereas the staff used the 1975 tax rates in effect on June 30, 1976.

After adjustments, the staff estimated a rate of return at 7.69 percent at proposed rates. Although this is higher than the applicant's estimated rate of return, it is within the allowable range of reasonable earnings at the present time and is just and reasonable. The staff did not object to applicant's requested increase of \$180,340.

At the hearing applicant stated that because the differences were relatively small and the staff had concluded the proposed rates were reasonable, applicant desired the rates requested be approved without resolving the differences.

The following staff recommendations were made:

- 1.a. That prior to bringing the plant held for future use and plant leased to others back into active service, applicant should redetermine plant valuation using the original cost method.
- b. That prior to recording, the amounts should be submitted to the staff for approval; and
2. That applicant should file more definitive up-to-date service area maps with the Commission.

The staff recommendations are reasonable and will be provided for in our order. As the staff agreed with applicant's requested rate increase we need not determine whether the staff's or the applicant's treatment of various items of expense is proper.

Findings

1. Applicant requires a \$180,340 increase in rates to enable it to meet its expenses of operation and earn a return of between 6.79 percent and 7.69 percent on its depreciated rate base, which range of return is reasonable.

2. The increases in rates and charges authorized herein are justified. The present rates and charges, insofar as they differ from those authorized herein, are, for the future, unjust and unreasonable.

The Commission concludes that the application should be granted.

O R D E R

IT IS ORDERED that:

1. After the effective date of this order, Temescal Water Company is authorized to file the revised rate schedules attached to this order as Appendix A. Such filing shall comply with General Order No. 96A. The effective date of such revised schedules shall be four days after the date of filing. The revised schedules shall apply only to service rendered on and after the effective date thereof.

2.a. Prior to bringing the plant held for future use and plant leased to others back into active service, applicant shall redetermine plant valuation using the original cost method.

b. Prior to recording, the amounts shall be submitted to the staff for approval.

3. Applicant shall file definitive up-to-date service area maps with the Commission.

The effective date of this order shall be twenty days after the date hereof.

Dated at San Francisco, California, this 30<sup>th</sup> day of NOVEMBER, 1976.

William Synovis Jr. President  
Yunip B. Stutzman  
Robert D. ...  
Robert D. ... Commissioners

Commissioner D. W. Holmes, being necessarily absent, did not participate in the disposition of this proceeding.

APPENDIX A  
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Schedule No. 1

MEASURED DOMESTIC SERVICE

APPLICABILITY

Applicable to all domestic water service furnished in the "Glen Ivy Area".

TERRITORY

The "Glen Ivy Area," which is defined as the following portions of Township 5 South, Range 6 West, SEM, Riverside County, California:

- Section 3;
- Southwest 1/4 of Section 2;
- Northwest 1/4 of Section 11;
- North 1,000 feet of Northwest 1/4 of Section 10.

RATES

	<u>Per Meter</u> <u>Per Month</u>	
<b>Quantity Rates:</b>		
First 1,400 cu.ft. or less .....	\$ 3.50	(I)
Over 1,400 cu.ft., per 100 cu.ft. ....	.26	(I)
<b>Minimum Charge:</b>		
For 5/8-inch meter .....	3.50	(I)
For 3/4-inch meter .....	5.25	
For 1-inch meter .....	9.00	
For 1 1/2-inch meter .....	18.00	
For 2-inch meter .....	28.00	
For 3-inch meter .....	50.00	
For 4-inch meter .....	70.00	
For 6-inch meter .....	160.00	(I)

The minimum charge entitles the customer to the quantity of water each month which that minimum charge will purchase at the Quantity Rates.



Schedule No. 3M

MEASURED IRRIGATION SERVICE

APPLICABILITY

Applicable to all measured irrigation service.

TERRITORY

Corona, Temescal Canyon and vicinity, Riverside County.

RATES

	<u>Per Miner's Inch Day</u>	
For irrigation water delivered to the Lower Area in Corona and vicinity .....	\$2.243	(I)
For irrigation water delivered to the Upper Area in Temescal Canyon and vicinity .....	2.420	(I)

SPECIAL CONDITIONS

1. Application for service: Written application for service under the above schedules shall be made on forms provided by the company. Applicants for service shall indicate the number of acres to be irrigated and shall notify the company of changes in irrigated acreage as they occur.
2. Service pressures: Water shall be delivered at pressures available.
3. Water potability: The water supplied under this schedule is untreated water from open ditches, canals, conduits, and flumes. The company does not represent or guarantee that any water delivered hereunder is potable or of a quality suitable for human consumption. Any customer who uses said water or makes it available or offers it to others for human consumption shall take all necessary precautions to make the same potable and shall assume all risks and liabilities in connection therewith.

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APPENDIX A  
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Schedule No. 3M

MEASURED IRRIGATION SERVICE

SPECIAL CONDITIONS - Contd.

4. Delivery will be made at a constant rate of flow in integers of 24 hours and changes will require 48 hours' advance notice.

5. A miner's inch day is defined as the volume resulting from a continuous flow of one-fiftieth of a cubic foot of water per second over a 24-hour period.

Schedule No. T-4M

MEASURED INDUSTRIAL SERVICE

APPLICABILITY

Applicable to all non-potable industrial service.

TERRITORY

The territory served by company's No. 5 line in Temescal Canyon, Riverside County, southerly of the north line of Sections 27 and 28 T4S R6W SBEM.

RATES

	<u>Per Meter</u>	
	<u>Per Month</u>	
Quantity Rate:		
For each 100 cu. ft. ....	\$ 0.147	(I)
Minimum Charge:		
For 1-inch meter .....	\$ 10.00	(I)
For 2-inch meter .....	40.00	I
For 4-inch meter .....	160.00	(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. Water shall be delivered at available pressures.

(Continued)

Schedule No. T-4M

MEASURED INDUSTRIAL SERVICE

SPECIAL CONDITIONS - Contd.

2. The water supplied under this schedule is untreated water from open ditches, canals, conduits, and flumes. The company does not represent or guarantee that any water delivered hereunder is potable or of a quality suitable for human consumption. Any customer who uses said water or makes it available or offers it to others for human consumption shall take all necessary precautions to make the same potable and shall assume all risks and liabilities in connection therewith.

3. Delivery will be made at a constant rate of flow in integers of 24 hours and changes require 48 hours' advance notice.

Schedule No. AA-6XZ

MEASURED EMERGENCY SERVICE

APPLICABILITY

Applicable to emergency water service furnished for resale purposes to "water purveyors" as hereinafter defined.

TERRITORY

Temescal Canyon, Corona and vicinity, Riverside County.

RATES

<u>Quantity Rate:</u>	<u>Per Meter</u> <u>Per Month</u>	
For each 100 cu. ft. ....	\$0.147	(I)

DEFINITION

As used in this schedule, "water purveyor" means a public district whose principal function is the sale of water to retail customers, a water public utility, a city water department, or a mutual water company.

SPECIAL CONDITIONS

1. Service under this schedule will be made only during bona fide emergency when the water facilities or supplies of a nearby water purveyor are temporarily unable to provide necessary service to its customers or members.

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