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ORIGINAL

Decision No. 90590 JUL 31 1979

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the matter of the application )  
of TUSTIN WATER WORKS for an )  
order authorizing a raise in )  
rates. )

Application No. 58202  
(Filed July 5, 1978)

Milford W. Dahl, Attorney at Law,  
for applicant.  
R. M. Mann, for the Commission staff.

O P I N I O N

Applicant, Tustin Water Works, a California corporation, is presently serving a population of over 60,000 in the Tustin area of East Orange County through approximately 13,500 service connections. In this application for a general increase in water rates, applicant proposes annual step rates designed to yield a 10 percent rate of return. In the year 1980 the step rates would, according to the application, increase annual revenues by a total of \$499,600, or 29 percent, over the present rates used in applicant's revenue requirement study. In addition, applicant proposes that the annual step rates be modified to include any offset rate increases or decreases authorized subsequent to the filing of the application.

After due notice, public hearings were held before Administrative Law Judge Main on January 23 and 25, 1979 in Tustin. Testimony for applicant was presented by its office manager-controller and by a consulting engineer. The

Commission staff presentation was made by an engineer and by a financial examiner. One customer spoke in opposition to the rate increase. (Prior to the hearing, 30 letters had been received from customers opposing the increase.) Six customers complained that their service pressures were too low, and another complained about an old water main, which he contended was long overdue for replacement because of its leak history. One customer commented favorably on the performance of applicant's work crews and supported a rate increase. The matter was submitted March 9, 1979 upon receiving late-filed Exhibit 4, the report by applicant of its investigation of service problems raised by customers at the hearing; late-filed Exhibit 8, the staff rate design; and written comments on Exhibit 8 by applicant.

The most recent general rate increase for applicant was authorized in Decision No. 84623 dated July 8, 1975 in Application No. 54903. The authorized rates were designed to yield an 8.75 percent rate of return on rate base and comprised two rate levels (i.e., step rates), one being applicable to part of 1975 and the other to 1976. Applicant's rates have subsequently been decreased to offset a decrease in ad valorem taxes and increased to offset increases in the cost of purchased water, water replenishment taxes, and electric power expenses. The most recent of these offset rate increases was authorized by Resolution No. W-2468 dated January 16, 1979 on applicant's Advice Letter No. 46-W and was structured to yield \$27,175 to offset an increase in the cost of purchased water from \$104 per acre-foot to \$109 per acre-foot.

On June 11, 1979 applicant filed Advice Letter No. 48-W for another offset rate increase. Specifically, this new advice letter is for authorization to raise rates (1) to offset the net effect of increases and decreases in offsettable expenses, and (2) to amortize a revenue deficiency of \$37,104 in the Supply Balancing Account. According to the advice letter, applicant "...has been notified of increased water costs of \$5.00 per acre foot effective July 1, 1979, resulting in an estimated net increase of \$46,500 for 1979, and \$62,200 for 1980. Notification has also been received of changes in the Basin Equity Assessment, and in the Basin Requirement or Limitation. These changes result in estimated net decreases of Power Costs of \$7,700 for 1979 and \$7,800 for 1980; and, an estimated net decrease in the Pump Taxes of \$21,600 for 1979 and \$35,000 for 1980."

Official notice is taken of Advice Letter No. 48-W. For convenience, the matters covered therein will be treated in this decision.

Rates

Applicant proposes to increase the rates for all water service except public fire hydrant service.

More than 95 percent of applicant's operating revenues is generated under its Schedule No. 1, General Metered Service. The following Table I sets forth a comparison of applicant's present and proposed general metered service rates and those authorized herein.

In applicant's service area, an average commercial (business and residential) customer will use about 32,000 cubic feet of water per year, or 27 Ccf (hundreds of cubic feet) per month. Under present rates the monthly charge for an average commercial customer with a 5/8 x 3/4-inch meter is \$10.30. At the adopted rates for 1979 it will increase by \$1.84, or 17.9 percent, to \$12.14. At the adopted rates for 1980 it will increase by \$2.09, or 20.3 percent, to \$12.39.

TABLE I

TUSTIN WATER WORKS  
COMPARISON OF MONTHLY RATES

A-58202 GMS

	Present* Rates	Proposed Rates**		Adopted Rates	
		1979	1980	1979	1980
<b>Service Charge:</b>					
For 5/8 x 3/4-inch meter .....	\$ 2.50	\$ 3.84	\$ 3.94	\$ <del>5.15</del> 2.75	\$ <del>3.20</del> 2.80
For 1-inch meter .....	3.75	7.57	7.67	<del>4.70</del> 4.15	<del>4.75</del> 4.70
For 1 1/2-inch meter .....	5.00	10.10	10.23	<del>6.50</del> 5.50	<del>6.65</del> 5.65
For 2-inch meter .....	6.75	13.63	13.81	<del>9.00</del> 7.45	<del>9.25</del> 7.70
For 3-inch meter .....	12.50	25.25	25.58	<del>17.00</del> 13.75	<del>17.50</del> 14.25
For 4-inch meter .....	17.00	34.34	34.79	<del>23.00</del> 18.70	<del>23.50</del> 19.20
For 6-inch meter .....	28.25	57.06	57.81	<del>38.00</del> 31.10	<del>39.00</del> 32.10
<b>Quantity Rates:</b>					
For the first 300 cu.ft., per 100 cu.ft. ....	-	0.231	0.231	<del>0.253</del> <del>0.301</del>	<del>0.263</del> <del>0.311</del>
For all over 300 cu.ft., per 100 cu.ft. ....	-	0.301***	0.307***	<del>0.359***</del> <del>0.337***</del>	<del>0.366***</del> <del>0.344***</del>
For the first 500 cu.ft., per 100 cu.ft. ....	0.231	-	-	-	-
For all over 500 cu.ft., per 100 cu.ft. ....	0.302	-	-	-	-

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

\* From tariff Sheet No. 211-W, effective January 16, 1979.

\*\* Set forth in applicant's Exhibit No. 1, page 59, which reflects rates set forth in the application, minus the reduction effected by Advice Letter No. 45 plus the increase effected by Advice Letter No. 46-W and plus the increase requested by Advice Letter No. 48-W.

\*\*\* Includes \$0.006 per 100 cubic feet for the specific purpose of recovering the undercollection balance as of April 30, 1979 in the Water Supply Balancing account. This balancing rate component of the effective quantity rate terminates December 31, 1980.

Increases for Schedules No. 4, No. 9FC, No. 9MC, and No. 9MZ proposed by applicant, which were supported by the staff and which will be authorized herein, follow:

Schedule No. 4, Private Fire Protection, was increased from \$2.50 to \$3.50 for each diameter inch of service connection.

Schedule No. 9FC, Unmetered Service Dwelling Units During Construction, was increased from \$6 to \$9 for the first two months of the construction period and from \$3 to \$4.50 for each additional month thereafter. The rate will then be more commensurate with the service rendered.

Schedule No. 9MC, Metered Construction, was increased in the quantity rate from 25 cents to 35 cents per 100 cubic feet to more accurately reflect the cost of water. The connection charge was increased to \$20 per meter for any size meter.

Schedule No. 9MZ, Haulage Service, was increased in the quantity rate from 5 cents to 10 cents per 100 gallons and a \$5 minimum charge was established.

#### Rate of Return

In applicant's previous general rate proceeding (D.84623 dated July 8, 1975 in A.54903, supra), the Commission found that a rate of return of 8.75 percent on rate base was reasonable at that time. The related return on common equity was 12.50 percent.

In this proceeding applicant took the position that its cost of capital indicates it should be authorized to earn approximately 10 percent on its rate base. Accordingly, applicant structured its proposed rates for 1979 to yield, on the basis of its estimates, a 10.11 percent rate of return

on rate base. Applicant further estimated that a return of 10.11 percent on rate base would yield a return on common equity of 11.26 percent.

In its rate of return study, the staff projected applicant's average capital structure for 1979 to consist of 65.86 percent long-term debt and 34.14 percent common stock equity and calculated an 8.30 percent cost factor for long-term debt. These capital ratios and the cost factor for long-term debt appear reasonable and should be adopted. It was the staff position that the reasonable range in rate of return for applicant is 9.3 to 9.8 percent. The related range in return on common equity, based on the adopted capital ratios and debt cost factor, is 11.22 to 12.68 percent.

As part of the staff evidence, a compilation was provided of rates of return authorized by this Commission for Class A water utilities during 1976 and 1977, and through mid-December of 1978. Since then a rate of return for California Water Service - Hermosa Redondo District was authorized. Set out in Table II which follows are the rates of return authorized for Class A water utilities during 1978 and the first half of 1979.

TABLE II

Rates of Return Authorized - Class A Water Utilities

Month	Company	No.	Return	Ratio	Rate
<u>1978</u>					
March	Francis Land and Water Co.-Citizens Utilities Co. of Calif.	88600	9.10	64.17	10.21
March	Citizens Utilities Co. of Calif.-Felton District	88600	9.10	64.17	10.21
March	Cal-Cities Water Co.-Wrightwood District	88604	9.00	35.00	12.83
April	Laguna Hills Water Co.	88705	9.00	41.70	10.34
April	So. Calif. Water Co.-San Gabriel Valley District	88719	9.00	35.00	12.83
May	So. Calif. Water Co.-Bay District	88760	9.00	35.00	12.83
May	So. Calif. Water Co.-San Bernardino Valley District	88761	9.00	35.00	12.83
May	Cal-American Water Co.-San Marino District	88875	9.60	50.00	10.60
May	Cal-American Water Co.-Village District	88876	9.60	50.00	10.60
May	Citizens Utilities Co. of Calif.-Sacramento County Water District	88829	9.10	66.48	10.00
July	Calif. Water Service Co.-Various Districts	89108, et al.	9.95	41.45	12.81
July	Cal-American Water Co.-Baldwin Hills District	89114	9.60	50.00	10.60
August	Southwest Suburban Water Co.-La Mirada District	89249	10.00	33.72	10.80
September	Washington Water & Light	89321	8.80	*	9.74
December	Dominguez Water Co.	89709	10.20	41.83	12.85
<u>1979</u>					
June	Calif. Water Service-Hermosa-Redondo District	90425	10.27	41.44	13.00

\*Washington Water & Light is a subsidiary of Citizens Utilities Co. Service difficulties were taken into consideration in determining rate of return.



We have carefully considered the evidence on rate of return. In light of (a) applicant's common equity ratio of 34.14 percent, (b) the above array of rates of return authorized during 1978 and thus far into 1979, and (c) the 12.50 percent return on common equity used in applicant's 1975 rate decision, we are persuaded that adoption of the upper end of the staff recommendation is warranted. We therefore adopt as reasonable a rate of return of 9.8 percent which will provide an earnings allowance of 12.68 percent on common stock equity. To achieve this return for the future, we will authorize step rate increases to offset attrition in rate of return.

Results of Operation

Aside from the request for a higher rate of return, the general rate increase request is, according to the application, made necessary principally by increases in operation and maintenance expenses and a downtrend in water sales. A comprehensive general review of applicant's system, its operations and its financial needs from applicant's viewpoint is contained in Exhibit 1. The staff's study of applicant's operating results is contained in Exhibit 2.

The staff study was based on later information than that available when applicant prepared Exhibit 1. At the hearing applicant stated that it agreed with and accepted the staff estimates as set forth in Exhibit 2. Our adopted operating results in the last column of the following Table III reflect this staff showing after modifications. The modifications are made to accommodate the increase in purchased water costs, the decrease in water extraction tax, and the decrease in purchased power set out in Advice Letter No. 48-W which was cited on page 3 of this decision. In that regard the Operations Division staff has reviewed the workpapers submitted with that advice letter and has found applicant's requests therein made to be reasonable. The designation "present rates" as used in Table III denotes rates in effect at the time Application No. 58202 was filed (July 5, 1978), exclusive of the limited term surcharge authorized by Resolution No. W-2359 (Advice Letter No. 42-W) to recover the cost of distributed water conservation kits and related costs.

TABLE III  
(Page 1 of 2)

TUSTIN WATER WORKS  
Summary of Earnings  
(Test Year 1979)

Item	: Applicant's : Staff's : Advice : : Estimates : Estimates : Letter : Adopted : : : : No. 48-W:Estimates :			
	(Dollars in Thousands)			
<u>Present Rates</u>				
Operating Revenues	\$1,702.5	\$1,770.0		\$1,770.0
Operating Expenses:				
Purchased Water	537.1	625.2	\$ 46.5	671.7
Water Extraction Tax	146.9	144.8	(21.6)	123.2
Purchased Power	171.0	168.1	(7.7)	160.4
Payroll	273.6	273.6		273.6
Other Oper. & Maint.	116.1	116.1		116.1
Other Admin. & Gen. and Misc.	72.0	72.0		72.0
Ad Valorem Tax	103.1	74.2		74.2
Membership Dues & Expenses	2.2	2.2		2.2
Payroll Taxes	16.7	17.8		17.8
Depreciation	132.7	135.3		135.3
Property Insurance	14.3	13.3		13.3
Subtotal*	1,585.7	1,642.6	17.2	1,659.8
Uncollectibles	1.7	1.7	-0-	1.7
Local Franchise Tax	16.0	23.8	-0-	23.8
Income Taxes before ITC	0.2	0.2	-0-	0.2
Investment Tax Credit	-0-	-0-	-0-	-0-
Total Operating Expenses	1,603.6	1,668.3	17.2	1,685.5
Net Operating Revenues	98.9	101.7		84.5
Rate Base	3,818.3	3,758.6		3,758.6
Rate of Return	2.59%	2.71%		2.25%
<u>Authorized Rates</u>				
Operating Revenues				2,211.3
Operating Expenses:				
Subtotal*				1,659.8
Uncollectibles				1.7
Local Franchise Tax				30.2
Income Taxes before ITC				151.3
Investment Tax Credit				-0-
Total Operating Expenses				1,843.0
Net Operating Revenues				368.3
Rate Base				3,758.6
Rate of Return				9.80%
Average Metered Services	13,653	13,654		13,654
Total Metered Sales (Acre Feet)	10,252.27	10,818.78		10,818.78

(Red Figure)

\*Exclusive of uncollectibles, local franchise taxes, and income tax items.

TABLE III  
(Page 2 of 2)

## TUSTIN WATER WORKS

Summary of Earnings  
(Test Year 1980)

Item	: Applicant's : : Estimates :	: Staff's : : Estimates :	: Advice : : Letter : : No. 48-W :	: Adopted : : Estimates :
	(Dollars in Thousands)			
<u>Present Rates</u>				
Operating Revenues	\$1,722.5	\$1,790.4		\$1,790.4
Operating Expenses:				
Purchased Water	544.0	633.2	\$ 62.2	695.4
Water Extraction Tax	148.7	146.6	(35.0)	111.6
Purchased Power	172.2	171.6	(7.8)	163.8
Payroll	291.1	291.1		291.1
Other Oper. & Maint.	123.0	123.0		123.0
Other Admin. & Gen. and Misc.	75.4	75.5		75.5
Ad Valorem Tax	104.7	75.0		75.0
Membership Dues & Expenses	2.3	2.2		2.3
Payroll Taxes	17.2	19.6		19.6
Depreciation	134.6	137.4		137.4
Property Insurance	15.8	14.6		14.6
Subtotal*	1,629.0	1,689.9	19.4	1,709.3
Uncollectibles	1.7	1.7	-0-	1.7
Local Franchise Tax	16.5	24.1	-0-	24.1
Income Taxes before ITC	0.2	0.2	-0-	0.2
Investment Tax Credit	-0-	-0-	-0-	-0-
Total Operating Expenses	1,647.4	1,715.9	19.4	1,735.3
Net Operating Revenues	75.1	74.5		55.1
Rate Base	3,908.0	3,856.7		3,856.7
Rate of Return	1.92%	1.93%		1.43%
<u>Authorized Rates</u>				
Operating Revenues				2,278.3
Operating Expenses:				
Subtotal*				1,709.3
Uncollectibles				1.7
Local Franchise Tax				31.1
Income Taxes before ITC				158.2
Investment Tax Credit				-0-
Total Operating Revenues				1,900.3
Net Operating Revenues				378.0
Rate Base				3,856.7
Rate of Return				9.80%
Average Metered Services	13,789	13,790		13,790
Total Metered Service (Acre Feet)	10,381.38	10,955.67		10,955.67

(Red Figure)

\*Exclusive of uncollectibles, local franchise taxes, and income tax items.

The above Table III will provide a basis for  
review of future advice letter requests for rate increases or  
decreases to offset changes not reflected in the adopted  
estimates for the test years 1979 and 1980. The purchased  
water rate utilized is the current composite East Orange County  
Water District (EOCWD) rate of \$114 per acre-foot which  
became effective July 1, 1979. The pump tax rate is the  
Orange County Water District rate of \$30 per acre-foot which  
became effective July 1, 1978. The net pump tax applicable  
to the second half of 1979 and to all of 1980 was developed  
using that pump tax rate, a basin production percentage of  
65 percent, a basin production requirement or limitation of  
50 percent, and a basin equity assessment of \$39 per acre-  
foot. The purchased power rates are the composite Southern  
California Edison Company service charges of \$12,425 per year  
and the quantity rates of 3.850 cents per kWh for well pumps  
and 2.087 cents per kWh for booster pumps, which became  
effective July 26, 1978. The composite ad valorem tax rate  
used is 1.40 percent applicable to average net plant and is  
based on the rate estimated to be applicable to the fiscal  
year 1979-1980. The income tax rates are the 9 percent  
state and 46 percent (with intermediate steps) federal rates.

Wage and Price Guidelines

When this application was heard, the Wage and Price Council had not issued detailed regulations to adopt its general guidelines for application to regulated water utilities. Since the water utility industry is so fundamentally different from either manufacturing or service industries, any attempt to apply the guidelines directly involves more art than science. Under these circumstances, we can only assert our belief that this increase, being the minimum which could be justified under California law, complies with the spirit if not the letter of the guidelines. It is clear that the wage increases granted by applicant to its employees and executives fall well within guideline levels.

Rate Spread

Applicant's proposed rates for general metered service have anticipated that the lifeline rate would apply to 300 cubic feet per month consistent with recent Commission decisions. The lifeline quantity rate was held at the existing 23.1 cents per 100 cubic feet. However, the service charge per month for a 5/8 x 3/4-inch meter was proposed to be increased from \$2.50 to \$3.84 in 1979 and \$3.94 in 1980.

Applicant stressed that advice letter increases have been effected solely through increases in quantity rates, that currently only about 30 percent of its revenue is derived through service charges, and that its fixed expenses are about 50 percent of total expenses. Its proposed service charge by meter size was therefore designed to yield approximately 40 percent of its total revenue to more nearly reflect its fixed expenses.

The staff took exception to applicant's rate design. In this regard the staff witness testified as follows:

"The increase for the monthly water use of zero usage is 53.6 percent for 1979 rate proposal and 57.6 percent for the 1980 rate proposal. In utilizing a lifeline rate of 500 cubic feet per month the charge would be \$5.11 for 1979 and \$5.22 for 1980. These increases compute to 40 percent for 1979 and to 43 percent for 1980. Considering average water use per customer at 320 ccf's per year it would amount to 26.67 ccf per month, and the charge, utilizing 1979 rates, would be \$11.37, an increase of 20 percent, and for 1980, \$11.58, an increase of 22 percent over present rates.

"In view of the above the company's proposal does not meet the basic considerations of lifeline rates in that the minimal water user will bear a greater proportion of the requested increase and that the proposed rates do not encourage water conservation or to avoid wasting or non-beneficial use of the utility's commodity."

The rates adopted for general metered service are in substantial accord with the staff's position on rate design, as reflected by the above criticisms and by its illustrative rate design (Exhibit 8).

Appendix A to this decision sets forth the rates to be made effective for the year 1979 as authorized by this decision. Appendix B contains the step increase rates being authorized for the year 1980. Because rates are frequently revised through the advice letter procedure, it is doubtful that a rate schedule for 1980 predicated upon rates authorized herein for 1979 would still be the correct rates at the time the step rate filing is to be made. Therefore, the increases in rates shown on Appendix B can be added to the rates that would otherwise be effective on the date the step increase is to go into effect in order to derive the rates to be filed.

Elimination of Designated Pressure Areas

According to Rule No. 2 of applicant's tariffs, applicant "will endeavor to maintain normal minimum operating pressure between 25 p.s.i.g. and 40 p.s.i.g." within designated pressure areas instead of "normal operating pressures of not less than 40 pounds per square inch." Three such areas, lying northerly from the 200-foot elevation contour line in the northwestern portion of applicant's service, are delineated in Figure 1 of Exhibit 1. A witness for applicant testified that these designated pressure areas will be eliminated when the Fairhaven transmission line of the EOCWD is completed and placed in operation. EOCWD is a water supplier to applicant.

In November of 1977, a \$6 million bond issue was approved by the voters in the EOCWD. This bond money is for added transmission facilities, storage, and capacity rights in the new proposed Diemer Intertie. All of these facilities will materially help supply applicant with imported water, both directly and indirectly. The Fairhaven transmission line will transverse through the northern part of applicant's service area.

This 20-inch transmission line will go from Tustin Avenue to applicant's Newport reservoir on Newport Road, a distance of 14,700 feet, and temporarily terminate at a one million gallon reservoir. Applicant will have four connections to this line at various points. These connections will provide a better supply of water that will alleviate low pressure problems in the higher elevations. This transmission line and the connections will be installed and placed in operation during 1979.



Late-filed Exhibit 4, applicant's investigation of service problems raised by customers at the hearing, appears to have provided for a satisfactory resolution of these matters. Moreover, applicant's service is being improved where it needs improvement, as evidenced by elimination of the designated pressure areas discussed above and by a \$150,000 main replacement program budgeted for 1978 but carrying over into 1979.

As an overall assessment, the staff engineering witness testified that he found applicant's service to be satisfactory.

Conservation of Water and Electrical Energy

In compliance with Ordering Paragraph 1 of Decision No. 86959 dated February 10, 1977, applicant entered into an extensive water conservation program. It notified all of its 13,000 customers of the availability of water conservation kits. More than 10,800 kits were distributed and put into use in the service area at a cost in excess of \$15,000. It ran a series of cartoons in the local paper stressing the need of water and energy conservation. In addition, the Orange County Water District, the Orange County Water Association, the Municipal Water District of Orange County, and applicant joined forces in placing conservation messages in public advertisements and news releases and in making available films and public speakers on the subject.

Applicant's assessment is that its water conservation program had good results, both in educating consumers and in reducing water consumption. The total water consumption for 1977 was reduced by 11.3 percent of the 1976 total consumption, with reductions of 22.6 percent and 18.6 percent during the months of June and July 1977, respectively.

Although there is no longer a drought, water conservation kits are still available. It is expected that water consumption will still be influenced by conservation efforts.

Pump test reports on applicant's 12 wells were furnished by Southern California Edison Company in August 1977, consonant with this Commission's efforts to have power conserved. In the first half of 1978 extensive repair work was performed on three of applicant's 12 wells to replace pump bowls and/or motors for greater efficiency.

Applicant is continuing the policy of conserving energy by having the power company conduct tests, on a routine basis, on each of its electrical water production facilities, as well as electrical boosting equipment. The results of these tests are used to determine the efficiency of each unit, which in turn is used to schedule repairs or replacements needed to maintain reasonable operating efficiency.

#### Findings of Fact

1. Applicant's conservation program and service are satisfactory.
2. Applicant is in need of additional revenues, but the rates requested would produce an excessive rate of return.
3. The adopted estimates, previously discussed herein, of operating revenues, operating expenses, and rate base for the test years 1979 and 1980 reasonably indicate the results of applicant's operations for the near future.
4. A rate of return of 9.80 percent on applicant's rate base for 1979 and 1980 is reasonable. The related return on common equity is 12.68 percent. This will require an

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increase of \$315,700, or 16.7 percent, in annual revenues for 1979, and a further increase of \$46,600, or 2.4 percent, for 1980. The increase required for 1979 is \$125,600 less than that indicated in Table III because the rates presently in effect include offset increases made effective after this application was filed.

5. The adopted rate spread is reasonable.

6.a. As of April 30, 1979 the balance in applicant's Supply Balancing Account was \$37,104 and represented an undercollection.

b. A balancing rate of \$0.006 per 100 cubic feet should be included, as a component of the quantity rate for general metered service, as prescribed in Appendix A to this decision. This component of the quantity rate must terminate December 31, 1980.

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

8. The offset increases authorized in Appendix B 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, 1979 exceeds 9.80 percent.

#### Conclusions of Law

1. The Commission concludes that the application should be granted to the extent provided by the following order.

2. Because of the limited number of issues involved in this proceeding, the fact that applicant and the staff are the only active parties to this proceeding, and the fact that the returns found reasonable herein are based upon the full-year 1979 effect of the rate increase, the following order should be effective on the date of signature.

O R D E R

IT IS ORDERED that:

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

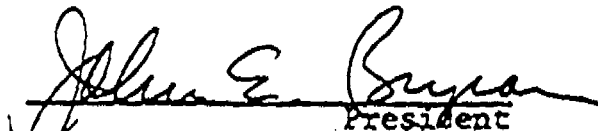


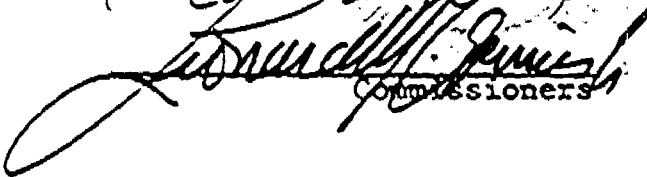
2. On or after November 15, 1979, applicant is authorized to file step rates incorporating the appropriate step rate increases attached to this order as Appendix B or to file a lesser increase which includes a uniform cents per hundred cubic feet of water adjustment from Appendix B for consumption over 300 cubic feet per month in the event that applicant's rate of return on rate base, adjusted to reflect the rates then in effect and normal ratemaking adjustments for the twelve months ended September 30, 1979, exceeds 9.80 percent. Such filing shall comply with General Order No. 96-A. The effective date of the revised schedule shall

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be January 1, 1980, or thirty days after the filing of the step rates, whichever comes later. The revised schedule shall apply only to service rendered on and after the effective date thereof.

The effective date of this order is the date hereof.

Dated JUL 31 1979, at San Francisco, California.

  
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President  
  
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Commissioners

APPENDIX A  
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Schedule No. 1

METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

Tustin and portions of Santa Ana, Orange and vicinity, Orange County.

RATES

Service Charge:	<u>Per Meter</u> <u>Per Month</u>	
For 5/8 x 3/4-inch meter . . . . .	\$ 2.75	(I)
For 1-inch meter . . . . .	4.15	
For 1½-inch meter . . . . .	5.50	
For 2-inch meter . . . . .	7.45	
For 3-inch meter . . . . .	13.75	
For 4-inch meter . . . . .	18.70	
For 6-inch meter . . . . .	31.10	(I)

Quantity Rate:

First 300 cu.ft., per 100 cu.ft. . . . .	\$ 0.253	(C) (I)
All over 300 cu.ft., per 100 cu.ft. . . . .	0.359*	(C) (I)

\*A surcharge of \$0.006 per 100 cu.ft. is included in this quantity rate. The surcharge is for the specific purpose of recovering the undercollection balance in the water supply balance account as of April 30, 1979, and will be applicable until January 1, 1981 only. (N)

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

Schedule No. 4

PRIVATE FIRE PROTECTION SERVICE

APPLICABILITY

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

TERRITORY

Tustin and portions of Santa Ana, Orange and vicinity, Orange County.

RATE

	<u>Per Month</u>
For each inch of diameter of service connection	\$ 3.50 (I)

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.
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 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 stand detector type meter approved by the Board of Fire Underwriters 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. The utility undertakes to supply only such water at such pressure as may be available at any time through the normal operation of its system.

Schedule No. 9FC

UNMETERED SERVICE TO DWELLING UNITS DURING CONSTRUCTION

APPLICABILITY

Applicable to all houses or apartments being constructed as part of a total real estate development.

TERRITORY

Tustin and portions of Santa Ana, Orange and vicinity, Orange County.

RATES

For each dwelling unit for the first two months of the construction period . . . . .	\$9.00	(I)
For each dwelling unit for each additional month or portion thereof . . . . .	4.50	(I)

SPECIAL CONDITIONS

1. This rate is available only to real estate developers who undertake the construction of all or a substantial portion of the dwelling units in a tract as part of the tract development. It does not apply to builders of houses in tracts which have been subdivided for lot sales.
2. The water service under this tariff schedule applies only to use of water for construction of residences. It does not include water for garden irrigation or for model homes or for general tract improvement work.



## Schedule No. 9MC

METERED CONSTRUCTION SERVICEAPPLICABILITY

Applicable to all metered water service furnished for construction.

TERRITORY

Tustin and portions of Santa Ana, Orange and vicinity, Orange County.

RATES

## Quantity Rate:

All water sold, per 100 cu.ft.	\$ 0.35	(I)
Meter use and Connection Charge	\$20.00	(C) (I)

The meter use and Connection Charge is a one-time charge per application. (C)

SPECIAL CONDITIONS

1. A \$300.00 refundable deposit will be required for each meter. (C)
2. Tustin Water Works reserves the right to discontinue the service without notice if water is not used for a period of 15 consecutive days.
3. The customer shall notify Tustin Water Works when he wishes to discontinue service. The regular rates including connection charge shall continue until such notice has been received, unless the service is discontinued under Special Condition 2 above.
4. If during the course of obtaining flood water the applicant causes any damage to the water company's facilities, the company will bill the applicant for such damages.

Schedule No. 9MZ

HAULAGE SERVICEAPPLICABILITY

Applicable to all measured water service furnished for delivery to customers' tanks or containers.

TERRITORY

Tustin and portions of Santa Ana, Orange and vicinity, Orange County.

RATE

All water sold, per 100 gallons	\$0.10	(I)
Minimum Charge	\$5.00	(N)

The Minimum Charge will entitle the customer to the quantity of water which the minimum charge will purchase at the quantity rate. (N)

SPECIAL CONDITIONS

1. Water service under this schedule will be furnished only when surplus water is available and under conditions which will not adversely affect domestic service. The utility will be the sole judge as to the availability of such surplus water.

2. The utility will determine the locations at which the service will be provided and the conditions governing said service.

APPENDIX B  
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AUTHORIZED INCREASE IN RATES

Schedule No. 1

METERED SERVICE

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

Rates to be Effective  
1-1-80

Service Charge:

For 5/8 x 3/4-inch meter	\$0.05
For 1-inch meter	0.05
For 1½-inch meter	0.15
For 2-inch meter	0.25
For 3-inch meter	0.50
For 4-inch meter	0.50
For 6-inch meter	1.00

Quantity Rates:

For the first 300 cu.ft., per 100 cu.ft.	\$0.010
For all over 300 cu.ft., per 100 cu.ft.	0.007