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ORIGINAL

Decision No. 90780 SEP 12 1979

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of AZUSA VALLEY WATER COMPANY, a California corporation, for authorization to increase rates and charges for water service.	Application No. 58308 (Filed August 18, 1978)

Gibson, Dunn & Crutcher, by Raymond L. Curran, Attorney at Law, for applicant.
Bertram Patrick, for the Commission staff.

O P I N I O N

Azusa Valley Water Company (Azusa) is a California public utility water corporation headquartered in the city of Azusa and furnishing domestic water to portions of the cities of Azusa, Covina, Glendora, Glendale, and West Covina, and to unincorporated portions of Los Angeles County. The subject application seeks general rate relief, including an increase in Azusa's rate of return.

After notice, hearings were held in the city of Los Angeles before Administrative Law Judge Jerry Levander on March 27 and 28, 1979. The proceeding was submitted on the latter date subject to the receipt of late-filed exhibits which were received on April 4, 1979.

Prior to these hearings Azusa and the Commission staff held an informal public meeting in Azusa to answer customer questions concerning the proposed rate increase.

Azusa's revenue requirements study (Exhibit 1) filed with and in support of its application requests a rate increase of $322,133 (22.35 percent) for 1979 and a further 1980 step increase of $85,794 (5.86 percent) as an attrition offset to maintain a 10.5 percent rate of return on rate base. Azusa's revised request (Exhibit 4) is for an increase of $242,163 (17.2 percent) over present rates (see Advice Letter No. 21) for 1979 and an additional $93,450 (5.7 percent) for 1980. Exhibit 4 reflects reductions of (a) revenues by $35,201 (1979) and $35,742 (1980) to flow through ad valorem tax savings due to the incorporation of Article XIII-A in the California Constitution and to correct an earlier error, (b) federal income tax rates, (c) $53,203 for 1979 and $47,825 for 1980 to reflect lower ad valorem tax expense, (d) groundwater replenishment estimates of $29,592 for 1979 and $30,099 for 1980 to reflect the then current replenishment assessment rate of $3.50 per acre-foot, (e) franchise taxes, and (f) uncollectible expenses.

Azusa seeks a 10.5 percent rate of return on its rate base for test years 1979 and 1980. It claims that due to attrition in its rate of return, a step increase in rates is necessary to offset a deterioration in earnings due to increased payroll, purchased power, insurance, and maintenace expenses, and due to increased interest charges (which impact its income taxes and its cost of capital).

Azusa's updated study, Exhibit 4, shows de minimus changes in net operating revenue at present rates between 1979 and 1980 and that the attrition in rate of return is due to an estimated 12.6 percent increase in rate base, primarily due to Azusa's contemplated construction program.

The staff did not believe that Azusa would meet its ambitious 1980 construction schedule, which includes $575,000 for filter plant structures and improvements and additional water treatment equipment to expand its San Gabriel River surface water treatment plant and $100,000 for a new telemetry system. The staff excluded these amounts from its utility plant estimates.[1/] These improvements would increase the filter plant capacity from 5.0 million gallons per day (mgd)[2/] to 7.5 mgd by providing for the settlement of turbidity to permit processing of surface waters which are presently bypassed around the treatment plant. The treatment plant is located at a high elevation. The treated water could be gravity fed into most of Azusa's system. Azusa's energy requirements for well pumping and boosting could be cut back by supplying more treated water to the system.

There will be water quality benefits for Azusa's customers related to expansion of the treatment plant. Due to Azusa's lesser dependence on its well supplies, the impacts of increasing nitrate concentrations in some of Azusa's wells would be reduced.

The improvements in Azusa's telemetry are designed to improve operational control and to achieve further energy savings.

The staff concludes that the filter plant and telemetry improvements are reasonable and necessary for improvement of Azusa's system.

1/ The staff included $37,000 for filtration plant design in 1979.

2/ When turbidity in the San Gabriel River is very low, 7.5 mgd can be processed through the plant.

A staff witness recommended Commission adoption of an offset procedure in which Azusa could seek further rate relief by advice letters after the filter plant improvements and after the new telemetry system are placed in service. He recommends that changes be reflected in a revised summary of earnings for increases in (a) operation and maintenance expenses of $5,000 annually to clean two clarifying tanks, and (b) ad valorem taxes resulting from using a 1.32 percent composite tax rate for the $538,000 treatment plant addition and for the $100,000 telemetry system addition, and for increases in rate base to reflect the filtration plant and telemetry system additions. He recommends inclusion of offsetting reductions in income taxes caused by increases in tax deductions for additional depreciation, interest, and investment tax credits (ITC).

Azusa's unrebutted testimony shows that (1) its actual design commitment for the filter plant was $41,500 rather than $37,000,[3/] (2) the design would be completed in May 1979, (3) construction contracts for this work would be let on June 1, 1979, (4) most of the construction would be accomplished between July and October of 1979, (5) the existing treatment plant would be taken out of service for two weeks during a period of low demand to connect the new facilities with the existing plant, and that (6) the filter plant addition would be operative late in the fall of 1979 rather than in 1980 as originally contemplated.

3/ The staff concurs.

Azusa contends that it could live with the staff filter plant offset proposal but that it would be penalized if the Commission did not allow for this construction in 1979, and that it had verbally secured a $400,000 commitment for financing the filter plant construction.

We will give recognition to this construction by including $162,000 in construction work in progress for 1979 (based upon a two-thirds weighing of the $41,500 design charges and a one-fourth weighing of the $538,000 construction cost for this facility). The staff offset proposal should be modified to add the remaining $417,500 of filter plant additions to plant and to reflect annualized changes in expenses as follows: (a) The initial summary of earnings should begin with the summary of earnings adopted herein adjusted for any subsequent rate relief authorized by the Commission; (b) changes in chemical costs at the treatment plant; (c) increased depreciation expense; and (d) reduction in rate base to reflect adjustments to the reserve for depreciation (e.g., the depreciation accrual for the first year of operations of the new plant) and to reflect an additional ITC adjustment.

The staff further recommends that the telemetry system offset be combined with another offset (e.g., for purchased water or purchased power expenses).

The staff concludes that painting the Wilson, Gladstone, and Griffith reservoirs and cement-mortar lining of mains within Tracts Nos. 19943 and 12002 will be accomplished in 1980 rather than in 1979, as estimated by Azusa.

We will adopt the staff proposal for a telemetry offset modified to include an ITC rate base adjustment and an operational expense adjustment,[4/] and to permit inclusion of the revenue requirement for inclusion of the plant additions and expenses for painting and cement-mortar lining work on the staff basis.[5/]

The step increase proposed by Azusa would offset attrition caused by rate base increases from 1979 to 1980. The offset procedure authorized herein eliminates the need for consideration of a 1980 test year. Therefore, this decision will be based upon Azusa's 1979 test year revenue requirement.

<u>1979 Results of Operation</u>

Table 1 compares the 1979 summary of earnings estimates of Azusa and the staff for 1979 at present rates (the rates reflected in Advice Letter No. 21) and at Azusa's proposed rates, as revised in Exhibit 4,[6/] and shows the adopted summary of earnings. The differences are discussed below.

4/ Azusa should quantify its estimated operational cost savings including reductions in energy requirements.

5/ See page 10 of Exhibit 7.

6/ The revised staff estimates were calculated on a basis consistent with its original estimate.

TABLE 1

Azusa Valley Water Company

Summary of Earnings
(Estimated Year 1979)

Item	(Advice Letter 21) Present Rates: Azusa Estimate (Exh. 4)	(Advice Letter 21) Present Rates: Staff Estimate (Exh. 9)	Proposed Rates as Revised by Azusa: Azusa Estimate (Exh. 4)	Proposed Rates as Revised by Azusa: Staff Estimate (Calculated)	(Advice Letter 21) Present Rates Adopted
	(Dollars in Thousands)				
Operating Revenues	$1,405.8	$1,395.8	$1,648.0	$1,629.5	$1,395.8
<u>Deductions</u>					
Operating & Maint. Exp.	777.7	741.4	778.9	745.1	864.7
Depreciation Exp.	133.4	126.5	133.4	126.5	126.5
Taxes Other Than Income	93.2	72.9	96.2	72.9	75.0
Income Taxes	152.5	179.7	273.6	296.7	81.9
Total Deductions	1,156.8	1,120.5	1,282.1	1,241.2	1,148.1
Net Operating Income	249.0	275.3	365.9	388.3	247.7
Rate Base	3,485.1	3,219.2	3,485.1	3,219.2	3,381.2
Rate of Return	7.14%	8.55%	10.50%	12.06%	7.33%

Operating Revenues

The staff adopted Azusa's estimate of use per customer which includes the impact of Azusa's past and ongoing conservation programs. The staff estimate of numbers of customers is lower than Azusa's due to staff review of later data and a more conservative approach in estimating customer growth. Azusa's consultant made a last minute review of his customer estimate, together with the related plant estimates, and testified that he believed that his original average customer estimates were still valid, even though his 1978 estimate was 78 customers too high. There has been a downtrend in residential and single-family and multiple-residential construction in the southern California area between 1977 and 1978. The combined impact of continuing high levels of inflation and high building loan costs leads us to adopt the staff's more conservative 1979 estimate of numbers of customers and revenues.

Operating Expenses

Source of Supply and Power

Azusa and the staff agreed that the cost for replenishment and administrative assessments levied by the Upper San Gabriel Valley Watermaster for all water pumped or diverted by Azusa should be based upon actual assessment rates[7/] and that any changes in the electric rates of the

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7/ We take official notice of the increase in the Watermaster assessment for makeup water of $12 per acre-foot (AF) adopted on June 6, 1979 and of the replenishment and administrative assessments adopted by the Upper San Gabriel Valley Watermaster for all water pumped or diverted of $7.00 and $0.90 per AF, respectively.

Southern California Edison Company (Edison)[8/] prior to the issuance of this decision should be reflected in this decision. Power requirements for operation of Azusa's wells and booster plants[9/] are dependent upon numbers of customers, use per customer, which is impacted by Azusa's past and ongoing water conservation programs,[10/] and by the level of unaccounted for water. Azusa's programs have reduced the percentage of unaccounted for water in its system to a level below the industry average. Azusa makes the maximum possible use of surface water diversions through its treatment plant to cut back on well pumping to conserve energy. As noted above, operation of the new treatment plant will further reduce well pumping requirements. Azusa's energy and water requirements have been further reduced through the lowering of pressures in one of its system pressure zones from a range of 70 to 100 psi to a range of 60 to 90 psi.

8/ Azusa also purchases power for pumping from the city of Azusa.

9/ Azusa's Gladstone Reservoir booster pumps operate at a below normal efficiency level. However, these units are presently operated on a very limited basis during extreme peaking conditions. Azusa's manager testified that the cost of overhauling these units was not economically justified due to the limited use of the equipment. While we would ordinarily require a utility to overhaul its equipment to operate at a reasonable efficiency level, the limited use of this equipment does not justify mandating that overhaul at this time. Installation of Wanlass motors should be evaluated at such time as Azusa does overhaul any of its pumping units and for new installations.

10/ These programs include: (a) reduced main flushing, (b) not topping its reservoirs, (c) a continuous leak detection program, (d) less irrigation on company landscaping, (e) a cement-mortar lining or replacement program with emphasis on old unlined steel mains at locations of known or suspected subsurface leaks, and (f) installation of connecting mains to eliminate deadends and reduce flushing associated with deadend mains.

The following tabulation shows total water production from the treatment plant and from wells adopted in this decision and the related source of supply expenses based upon the rates shown in footnote 7. The tabulation also shows the amount of kilowatt-hours and expenses required for Azusa's operations at Edison's July 3, 1979 rates and at the city of Azusa's March 1976 rates utilized in the company's operations for test year 1979. The staff's estimate for unaccounted for water will be adopted because it better reflects the impact of the measures being taken by Azusa to lower the percentage of unaccounted for water than does Azusa's estimate.

Source of Supply and Power for Pumping Expenses
Test Year 1979

Item	Wells	Boosters	Treatment Plant	Total
Volume of Water Produced	4,462.1 AF		5,259.7 AF	9,721.8 AF
Source of Suppy Expenses				
Makeup Watera/	$53,545		$63,116	$116,661
Replenishmenta/	-0-		-0-	-0-
Administrativea/	4,016		4,734	4,734
Total	$57,561		$67,850	$121,395
Purchased Power	3,207.8 MkWh	722.7 MkWh	99.4 MkWh	4,029.9 MkWh
Purchased Power Expense				
City of Azusab/	$ 49,710	$11,786	$ -0-	$ 61,496
Edisonc/	96,117	26,887	5,018	128,022
Total	$145,827	$38,673	$ 5,018	$189,518

a/ Rates shown in footnote 7.
b/ Rates in effect as of March 1976.
c/ Rates in effect as of July 3, 1979.

Payroll

The staff concurred with the need for an additional employee to handle customer growth in commercial accounts and for capital improvements. However, the staff opposed the inclusion of $20,000 in payroll to fill the assistant manager vacancy which has been unfilled for two years. Azusa's manager testified that (a) he became manager after his predecessor was suddenly incapacitated; (b) he was trained and able to meet his new responsibilities; (c) he had anticipated being able to run the company without an assistant manager, but found that he was working overtime during weekdays and on weekends and was not taking his vacation allowance; (d) there was no other person in the firm who could do the minor engineering and technical work which were part of his job requirements; and (e) he was directed to and wanted to hire an employee capable of being trained to take over his duties. The chairman of the board of directors and president of Azusa testified that the board of directors believed Azusa's entire operations were in jeopardy because no person with managerial ability could take over in the event it became necessary to do so.

Azusa's estimates include 8 percent annual increases in payroll expense. The staff recommends a 7 percent payroll increase limitation, or a $3,000 adjustment to payroll expense, to conform with the Federal Council on Wage and Price Stability's voluntary guidelines. Azusa contends that its increases represent both cost-of-living increases for all employees and merit increases for certain employees. Beginning January 1, 1979 Azusa authorized a 5.39 percent increase in payroll consisting of a 3.48 percent cost-of-living increase and 1.91 percent for merit increases. Azusa authorized a 3 percent cost-of-living increase to its employees on January 1, 1978 and a 3.1 percent cost-of-living increase and merit increases of 3.19 percent on July 1, 1978. The average annual payroll increase for 1978 was 6.1 percent. Azusa authorized a 4.6 percent payroll increase on May 1, 1977, which included a 3.76 percent cost-of-living increase.

We concur with Azusa as to its need for filling the position of assistant manager and have included $20,000 in operating expenses for that position.

The 8 percent increase in wage levels proposed by Azusa for 1979 is reasonable, given industry wage increase trends in recent years and the company's need to attract and retain competent personnel. The 1979 expense payroll estimates of Azusa and the staff and the adopted payroll are $340,200, $319,900, and $345,300, respectively.

Postage

The adopted postage expense estimate should parallel the adopted staff estimate of numbers of customers. However, the amount paid should reflect the 14-cent bulk mailing zip-coded rate paid by Azusa, rather than the 15-cent rate used by the staff.

Pensions and Benefits

The staff estimate of pensions and benefits is based upon later recorded data than used by Azusa, a three-year average of expense per employee, and wage adjustments. The adopted expense of $42,000 applies the staff methodology to the adopted payroll.

Directors' Fees

The staff proposes a reduction of $3,600 in directors' expenses consisting of $150 per month for the president, $100 a month for the vice president, and $50 per month for the treasurer. The staff contends that these expenses constituted administrative and general payroll representing expenses for official services performed for the administration of the company. Azusa contends that an increase in directors' fees is necessary to compensate the directors for their involvement in its extensive construction program and in negotiations for required financing.

Azusa's position is reasonable and will be adopted.

Payroll Taxes

The payroll taxes incorporated in the adopted results of operation incorporate the latest applicable tax rates and the adopted payroll. Azusa should correct the classification of payroll taxes and certain expenses (e.g., postage expense) in accordance with the Uniform System of Accounts as recommended by the Commission staff.

Ad Valorem Taxes and Depreciation Expenses

The staff's ad valorem tax estimate and depreciation expense should be modified to reflect the adopted plant additions described herein.

Other Deductions

We will adopt the staff estimates of the remaining differences in expenses, other than for taxes on income, which are based upon later data than used by Azusa.

Income Taxes

The adopted income taxes reflect current federal and state corporation tax rates, adopted operating revenues, and revenue deductions. The adopted $130,600 interest and amortization of debt expense used in calculating Azusa's income tax expense reflects the $400,000 1979 loan commitment for Azusa's construction programs[11/] at 1-1/8 percent above the prime rate.[12/] Azusa has elected to reduce its rate base by its investment tax credit (Option 1). It utilizes straight-line depreciation for income tax purposes.

Rate Base

In our prior discussion of Azusa's 1979 test year construction schedule, we have included $162,000 in construction work in progress for the filtration plant expansion, and have excluded telemetry system improvements, painting, and cement mortar-lining work. Inclusion of the revenue requirements associated with completion of these items will be authorized by offset filings.

We will adopt the remaining staff estimates for other plant additions and retirements based upon later information and for consistency with our adoption of staff customer estimates. Most of the remaining facilities are for in-tract distribution systems, financed primarily by advances for construction, which are related to customer growth.

11/ Azusa estimated $500,000 new borrowings in 1980. Azusa states that it had secured an informal commitment for $400,000 of such borrowings for 1979.

12/ The prime rate was 11-3/4 percent as of July 27, 1979.

Differences between Azusa and the staff for depreciation expense, the reserve for depreciation, advances for construction, contributions in aid of construction, and for the investment tax credit adjustment to rate base were based upon their respective weighted plant estimates. The staff estimates based upon later data are reasonable and are adopted for those items not discussed above.

Azusa's working cash allowance was based upon use of one-sixth of its estimated operating expenses. The staff utilized the simplified method of determining working cash set forth in a staff standard practice (U-16) for determining working cash. We have previously adopted working cash allowances based upon the methodologies set forth in U-16. We will adopt the staff method in this proceeding as applied to adopted expenses.

The adopted rate base for test year 1979 is $2,381,200.

Rate of Return

Azusa is seeking authorization to increase its rates to produce returns on its 1979 and 1980 rate bases of 10.50 percent. It seeks a 1980 return on common equity of 13.75 percent. Azusa's witness testified that (a) Azusa is faced with extensive capital expenditures over the next several years; (b) a large amount of the capital to finance these improvements must come from internally generated revenues; (c) it will also be necessary to acquire debt from outside financial institutions and (d) the proposed rates were designed to meet Azusa's need for additional income, to demonstrate financial strength to acquire outside financing at fair terms, and to provide a fair return to its stockholders.

Azusa's computation of debt cost contained errors in loan balances which were carried through to its estimated capital ratios and cost of capital. Azusa estimated a 9.5 percent rate on an existing five-year loan based upon prime plus 7/8 percent and a 10 percent rate on a new five-year $500,000 loan.

The staff estimated a 10 percent prime rate, which resulted in a nominal 10.875 percent on Azusa's old loan and 11.125 percent on Azusa's proposed $500,000 loan. The staff recommends an overall rate of return of 10.04 percent on rate base, which equates to a 12.50 percent return on common equity on the staff capital structure. This rate of return was estimated to provide an after tax interest coverage of 3.55 times and a combined interest and preferred stock dividend coverage of 3.02 times after income taxes.

The 1979 capital ratios would not significantly differ from the staff 1980 estimates,[13/] given the reduction in new debt from $500,000 to $400,000 and a reduction in earned surplus included in common equity. Azusa's long-term debt cost will be 9.97 percent based upon a new $400,000 loan issued at 1-1/8 percent over the recent prime rate of 11-3/4 percent. Using the staff estimated capital ratios, the cost of debt would increase from 2.83 to 3.12 percent of total capitalization, a 0.29 percent difference.

13/ Long-term debt 31.30 percent, preferred stock 14.94 percent, and common stock equity 53.76 percent.

We have considered the factors cited by Azusa and by the staff (see pages 8 and 9 of Exhibit 10), Azusa's very healthy and flexible capital structure, and the further increase in the cost of debt in adopting a 10.35 percent rate of return on rate base for test year 1979. The staff recommendation for return on common equity is reasonable.

The operating revenue requirement required to produce a 10.35 percent return on a rate base of $3,381,200 is $1,607,400, an increase of $211,600 (15.2 percent) over present rates.

Azusa should file an application to secure Commission authorization for new long-term debt.

Azusa should explore the possibility of securing longer term debt commitments (e.g., mortgage bonds) to lower its interest costs.

Rates

The following tabulation shows Azusa's present general metered service rates which were effective on October 26, 1978 and its proposed rates for 1979 and for 1980:

Item	Per Meter Per Month		
		Proposed Rates 1979 and 1980	
	Present Rates	Contract[a]	Non-contract
Service Charge			
For 5/8 x 3/4-inch meter	$ 1.50	$ 2.60	$ 2.40
For 3/4-inch meter	3.00	4.60	4.40
For 1-inch meter	5.50	8.10	7.90
For 1-1/2-inch meter	8.00	13.10	12.90
For 2-inch meter	12.00	20.10	19.90
For 3-inch meter	18.00	33.10	32.90
For 4-inch meter	28.00	53.10	52.90
For 6-inch meter	40.00	90.10	89.90
For 8-inch meter	55.00	135.10	134.90
Quantity Rates	Present Rates	1979 Rates	1980 Rates
First 300 cu.ft., per 100 cu.ft.	$ 0.230	$ 0.230	$ 0.241
Over 300 cu.ft., per 100 cu.ft.	0.270	0.274	0.299

The service charge is a readiness-to-serve charge to which is added the charge, computed at Quantity Rates, for water used during the month.

a/ "The contract rate service charge is applicable to all general metered service located in the Company's service area receiving fire protection from fire protection agencies receiving fire hydrant service from the Company under fire hydrant agreements provided for in Section VIII, Paragraph 4, of General Order No. 103. The non-contract service charge rate is applicable to all other metered service located in the Company's service area."

The staff recommends a lesser percentage differential between the first and second quantity blocks than proposed by Azusa and no change for the lifeline quantity block of 300 cubic feet. Therefore, the balance of the revenue requirement for general metered service would come from increases in service charges.

Increases in the magnitude of plant additions, in the recent past and as contemplated for 1979 and 1980, which are not primarily related to customer growth, are increasing Azusa's fixed costs. This increase in fixed costs justifies increases in Azusa's relatively low service charges. We will adopt the staff recommendation not to increase the lifeline commodity block charges in the adopted rates and in the offset increases discussed herein.

The proposed contract versus non-contract differentials (e.g., 20 cents per month for customers served through a 5/8 x 3/4-inch meter) were designed to recover fire hydrant revenue losses from customers served by fire protection agencies which entered into fire hydrant agreements with Azusa pursuant to Section VIII.4. of the Commission's General Order No. 103. Such agencies assume responsibility for maintaining public fire hydrants and are relieved from paying fire hydrant rentals pursuant to Azusa's tariff Schedule No. 5. There is a tax burden on customers served by fire protection agencies which continue to pay fire hydrant rentals to Azusa.

Fire hydrant revenues exceed operating and maintenance expenses. However, fire hydrant rates are not designed to recover the very large fixed costs associated with installing larger mains, pumps, and storage necessary to meet fire flow requirements in addition to meeting metered sales requirements.

The proposed differential avoids burdening customers paying taxes for fire hydrant rentals from absorbing revenue losses caused by agencies electing not to pay fire hydrant rentals. Azusa's proposed differential is reasonable and is adopted.

The changes in rates and conditions proposed by Azusa for private and public fire protection service are reasonable and are adopted.

Appendix A, attached hereto, contains the rates adopted herein. The timing of this decision is such that the 1979 authorized increase complies with the Federal Voluntary Wage and Price Standards.

Findings of Fact

1. Azusa is in need of additional revenues, but the proposed increases of $242,163 for 1979 and additional increases of $93,450 for 1980 are excessive.

2. The primary reason for attrition in the rate of return on Azusa's rate base between 1979 and 1980 is due to increases in rate base.

3. The timing of when Azusa's new plant is placed in service will affect the rate of attrition.

4. Adoption of a 1979 test year together with the adoption of the offset procedure set forth on pages 5 and 6 herein will provide a reasonable balance between Azusa's revenues and its revenue requirements.

5. The proposed rate of return on rate base of 10.50 percent requested by Azusa to produce a 13.75 percent return on common equity is excessive.

6. A rate of return on rate base of 10.35 percent is reasonable.

7. The adopted estimates previously discussed herein (as set forth in Table 1) of operating revenues, expenses, and rate base for test year 1979 reasonably indicate the results of operations in the near future.

8. It is reasonable to adopt the rates set forth in Appendix A attached hereto.

9. Revenues will be increased $211,600 by the rates authorized herein.

10. The authorized rates set forth in Appendix A are just, reasonable, and nondiscriminatory. All other rates and charges to the extent that they differ from Appendix A are unjust and unreasonable.

11. These rates are consonant with the Voluntary Wage and Price Standards promulgated by the Federal Council on Wage and Price Stability. An 8 percent wage increase is justified due to the level of past wage increases and to Azusa's need to attract and retain competent personnel.

Conclusions of Law

1. The application should be granted to the extent set forth in the order which follows.

2. The effective date of this order should be the date hereof consistent with the timing parameters contained in the Commission's Regulatory Lag Plan for water utilities (see Resolution No. M-4705).

O R D E R

IT IS ORDERED that:

1. After the effective date of this order, Azusa Valley Water Company (Azusa) is authorized to file the rate schedules attached to this order as Appendix A. Such filing shall comply with General Order No. 96-A. The effective date of the new and revised schedules shall apply only to service rendered on and after the effective date of the revised schedules.

2. Azusa is authorized to file advice letter offsets for rate relief covering the plant additions described on pages 5 and 6. These advice letters may be filed only after the additions are placed in service and staff has verified completion.

The effective date of this order is the date hereof.

Dated SEP 12 1979, at San Francisco, California.

President

Commissioners

Appendix A

Schedule No. 1

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

Portions of Azusa, Covina, Glendora, Irwindale, West Covina and vicinity, Los Angeles County.

RATES

	Per Meter Per Month	
Service Charge:	Contract[a/]	Non-Contract
For 5/8 x 3/4-inch meter	$ 2.60	$ 2.40
For 3/4-inch meter	3.60	3.40
For 1-inch meter	6.60	6.40
For 1 1/2-inch meter	11.10	10.90
For 2-inch meter	20.10	19.90
For 3-inch meter	33.10	32.90
For 4-inch meter	53.10	52.90
For 6-inch meter	90.10	89.90
For 8-inch meter	135.10	134.90
Quantity Rates:		
First 300 cu.ft., per 100 cu.ft.	0.230	0.230
Over 300 cu.ft., per 100 cu.ft.	0.270	0.270

The service change is a readiness-to-serve charge to which is added the charge, computed at Quantity Rates, for water used during the month.

a/ "The contract rate service charge is applicable to all general metered service located in the Company's service area receiving fire protection from fire protection agencies receiving fire hydrant service from the Company under fire hydrant agreements provided for in Section VIII, Paragraph 4, of General Order No. 103. The non-contract service charge rate is applicable to all other metered service located in the Company's service area."