

Decision No. 90918

OCT 16 1979

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application )  
of the SOUTHERN CALIFORNIA WATER )  
COMPANY for an order authorizing )  
it to increase the rates for water )  
service in its Calipatria-Niland )

Application No. 58137  
(Filed June 7, 1978)

ORDER MODIFYING DECISION NO. 90660  
AND DENYING REHEARING

Southern California Water Company (SCWC) has filed a petition for rehearing of Decision No. 90660 issued August 14, 1979, in its Application No. 58137. The petition concerns an issue omitted from discussion in that decision and as yet unresolved by the Commission.

Decision No. 90660 granted to SCWC for its Niland-Calipatria District a rate increase of approximately \$71,000 (53.0 percent) for 1979 at a 9.29 percent rate of return and authority to apply step increases in its rates for 1980 in order to compensate SCWC for a projected 0.90 percent attrition in its rate of return. However, we did not include in the 1979 test year rate base figure the projected costs attributable to the construction of a dual media rapid sand pressure filtration plant at Calipatria. (See pp. 7-8 of Decision No. 90660.) It is expected that such plant will be completed and placed in operation during 1980. The plant is needed to meet the requirements of the State Department of Health Services' primary health standards which provide the maximum contaminant level for turbidity in drinking water as measured daily and averaged monthly.

The Commission staff objected to the inclusion of the costs of the Calipatria filtration plant in rate base prior to that

plant's being placed in actual operation and proposed instead that such costs be made the subject of an advice letter filing upon the occurrence of that event. (See Staff Exhibit No. 15, para. 44, p. 12.) This would permit SCWC to receive some return on its investment without necessitating a new rate proceeding in 1980, the only subject of which would be the costs of the Calipatria filtration plant. SCWC agreed to the efficacy of that procedure and sponsored an exhibit which set forth sample rates and calculations under the procedure using an estimate of the costs of the plant. (See Record, Vol. 1, at pp. 49-50, 60; SCWC Exhibit No. 6.) No objections to staff's proposals were heard or taken.

It is our opinion that the staff's proposal on this issue should be adopted. Inasmuch as this issue was raised at hearing and is the subject of evidence already on record in this proceeding, no further hearings are necessary.

THEREFORE, IT IS ORDERED that:

1. Decision No. 90660 is hereby modified by the addition of the following findings of fact:

"13. Southern California Water Company is currently constructing a dual media rapid sand pressure filtration plant at Calipatria in its Niland-Calipatria District. It is expected that this plant will be completed and placed in operation in 1980.

"14. The Calipatria filtration plant is necessary to meet the standards set by the State Department of Health Services governing maximum contaminant levels for turbidity in drinking water.

"15. Staff's proposal to include the costs of the Calipatria filtration plant in rate base upon the filing of an advice letter after the completion of construction of the plant and commencement of its operation is reasonable."

2. The Order in Decision No. 90660 is hereby modified by the addition of the following ordering paragraphs:

"3. Southern California Water Company may file, upon the completion of construction and the placing into operation of the dual media rapid sand pressure

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filtration plant at Calipatria in its Niland-Calipatria District, an advice letter to General Order No. 96-A requesting the additional gross revenues required to bring its rate of return, with the operating expense and rate base figures adopted in Decision No. 90660 for test year 1979 adjusted to reflect such additional plant, up to the authorized rate of return.

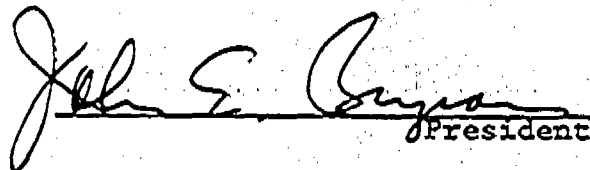
"4. The advice letter filed shall consider the effects of the following items: applicable investment tax credits, book depreciation, recorded depreciation for federal and state tax purposes, ad valorem taxes, uncollectible debts, and franchise requirements.

"5. The staff will evaluate the requested increase and, if appropriate, prepare the necessary resolution for the Commission's consideration."

3. Rehearing of Decision No. 90660 as modified by this order is hereby denied.

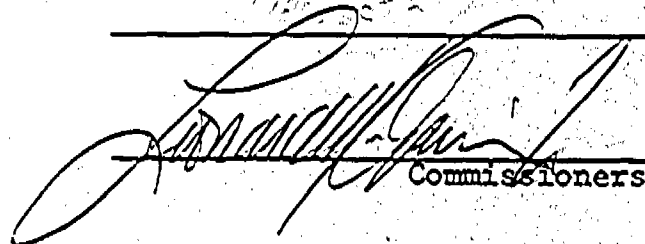
The effective date of this order is the date hereof.

Dated OCT 10 1979, at San Francisco, California.

  
President





  
Commissioners

Commissioner Claire T. Dedrick, being necessarily absent, did not participate in the disposition of this proceeding.

fc/ks

Decision No. 90660 August 14, 1979

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application )  
of the SOUTHERN CALIFORNIA WATER )  
COMPANY for an order authorizing )  
it to increase the rates for water )  
service in its Calipatria-Niland )  
District. )

Application No. 58137  
(Filed June 7, 1978)

O'Melveny & Myers, by Harold M. Messmer, Attorney  
at Law, for applicant.  
Philip S. Weismehl, Attorney at Law, and John Foth,  
for the Commission staff.

O P I N I O N

Applicant Southern California Water Company (SCWC) requests authority to increase water rates by \$95,900 (68.9 percent) annually on the basis of test year 1979 for its Calipatria-Niland District in Imperial County. SCWC states that the rates proposed would earn an estimated 9.6 percent rate of return for test year 1979 and an average 15.0 percent return on common equity for the three-year period 1978 through 1980.

SCWC, a California corporation, renders public utility water service in various areas in the counties of Contra Costa, Imperial, Los Angeles, Orange, Sacramento, San Bernardino, and Ventura, and public utility electric service in the vicinity of Big Bear Lake in San Bernardino County. SCWC also owns all of the outstanding capital stock of a subsidiary, California Cities Water Company, which renders public utility water service in various areas in the counties of Lake, Los Angeles, Orange, San Bernardino, San Luis Obispo, and Santa Barbara.

All water supply for the Calipatria-Niland District is purchased from the Imperial Irrigation District. In the Calipatria area the water is delivered into settling basins. It is then pumped to an elevated steel tank and on into the distribution system. The water in the Niland area is delivered into settling basins and is then delivered to the distribution system by gravity flow. All purchased water is treated with chlorine, copper sulphate, aluminum sulphate, and polyelectrolyte as it enters the settling basins. The water is further chlorinated after it is discharged from the settling basins and prior to delivery to the distribution system. The application states that in 1978 a dual media rapid sand pressure filter is to be constructed at Niland with a similar plant to be built in 1979 at Calipatria. These plants are necessary to meet the requirements of the Public Health Department of the State of California.

As of December 31, 1977, there were 100,004 feet of distribution mains in the Calipatria-Niland District ranging in size up to 12 inches in diameter. The various types of pipe comprising the distribution mains in the system are as follows:

<u>Type of Pipe</u>	<u>Total Length In Feet</u>	<u>Percent Of Total</u>
Asbestos Cement	85,700	85.70%
Cast Iron	3,772	3.77
Standard Steel	5,705	5.07
Steel Casing	<u>4,827</u>	<u>4.83</u>
Total	100,004	100.00%

Storage facilities in the Calipatria-Niland District consist of eight earth-filled settling basins with a combined capacity of 15,000,000 gallons. One of the earth-filled settling basins has a gunite lining. There is also one elevated steel tank, 50,000-gallon capacity, in the Calipatria area.

As of February 28, 1978, the Calipatria-Niland District was providing water service to 984 customers; 914 were on an unmetered schedule and the balance was on a metered schedule. In addition, there were 76 fire hydrants for public fire protection connected to the system.

After due notice public hearing was held before Administrative Law Judge Banks in Brawley on February 21, 1979, at which time the matter was submitted.

Testimony on behalf of SCWC was presented by its vice president of operations and its manager of the rate and valuation department. The Commission staff presentation was made through a utility engineer with the Operations Division.

Approximately 15 to 20 members of the public attended the hearing and three customers made statements in opposition to the increase. Each of these customers stated they had problems relating to water pressure, taste, water quality, fire protection, and overall company service. The Commission also received letters from the mayor of Calipatria and the city attorney of Calipatria. In addition to objecting to the hearing having been held in Brawley, the mayor expressed concern over fire hydrant pressure available in Calipatria with the resultant high fire insurance premiums.

#### Rates

Rates for the Calipatria-Niland District were last adjusted by Decision No. 81258 dated April 10, 1973, in Application No. 53594. The present rates were reduced effective September 1, 1978, with the filing of Advice Letter No. 532-W which gave effect to the reduction of ad valorem taxes with the adoption of Article XIII-A of the California Constitution (Proposition 13).

#### Need for Rate Increase

The application states that at present rates the rate of return on rate base will be only 3.46 percent on estimated 1979 test year. It states that this low rate of return is mainly caused by a

major increase in rate base due to the required installation of two filtration plants in addition to increases in the costs of purchased water, labor, postage, payroll taxes, liability insurance, property taxes, and depreciation since these items were last considered by the Commission in setting rates.

SCWC estimates that at proposed rates it would earn a rate of return of approximately 9.60 percent based on test year 1979, which it alleges is the minimum rate of return necessary to attract capital at a reasonable cost and to maintain appropriate borrowing capability or credit. It is also alleged that the expense levels reflected in test year 1979 are the latest known rates for purchased water, energy, postage, labor, payroll taxes, ad valorem taxes, and income taxes.

With respect to the addition of the two filtration plants, SCWC states that the California Department of Health on October 20, 1977, incorporated into Title 22, Division 4 of the California Administrative Code, Chapter 15, Domestic Water Quality and Monitoring, which established "primary and secondary drinking water standards for public water systems". The primary drinking water standards contained in these regulations are based upon the National Interim Primary Drinking Water Regulations to be met by all public water systems. The regulation also provides the maximum contaminant level for turbidity in drinking water, measured daily and averaged monthly. SCWC states that to meet this primary health standard in its Calipatria-Niland District, it is necessary to install the dual media rapid sand filtration plants. The estimated installed capital cost of the two plants is \$353,100 which represents an increase in rate base of 95 percent over the present rate base, excluding the filter plants, and that average revenue requirement caused by the filter plants is \$4.83 per customer per month. This

average revenue requirement is approximately 61 percent of the increase of \$7.92 per customer per month requested.

Results of Operation

The following table compares the summary of earnings estimates of SCWC and the staff for estimated test year 1979 at present and proposed rates, together with the adopted summary of earnings for test year 1979.

SOUTHERN CALIFORNIA WATER COMPANY

Calipatria-Niland District

Summary of Earnings  
Test Year 1979

	Present Rates		Proposed Rates		Adopted
	Staff	Utility	Staff	Utility	
Operating Revenues	\$135.4	\$139.8	\$233.3	\$235.7	\$207.1
Operating Expenses					
Operation & Maint.	86.9	84.5	87.1	84.7	87.1
Adm. & Gen.	20.3	19.2	21.6	20.6	21.3
Gen. Office Prorated	7.9	7.5	7.9	7.5	7.9
Total	115.1	111.2	116.6	112.6	116.3
Depreciation	18.7	23.9	18.7	23.9	18.7
Taxes Other Than Inc.	8.3	19.8	8.3	19.8	8.3
State Corp. Franch. Tax	-4.0	-4.7	4.7	3.8	2.4
Federal Inc. Tax	-26.8	-35.5	13.5	5.7	2.7
Total	111.3	114.7	161.8	166.0	148.3
Net Operating Revenues	24.1	25.1	71.5	69.7	58.8
Rate Base	633.2	726.1	633.2	726.1	633.2
Rate of Return	3.81%	3.46%	11.29%	9.60%	9.29%

Operating Revenues

The staff's estimated total operating revenue, as contained in Exhibit 15, is reasonably close to SCWC's estimate, differing by only \$2,400. In its estimates the staff accepted as reasonable SCWC's



estimated average commercial metered and commercial flat rate consumption. These two classes account for the bulk of SCWC's revenues.

The small difference between staff's and SCWC's estimates occurs mainly because (1) for metered revenues at present rates for commercial and public authority, SCWC placed all the quantity usage in the first rate block with industrial usage allocated between the first and second rate block while the staff's estimates for commercial, public authority, and industrial usage was based on an allocation to the first and second rate block as indicated by recorded data for 12 months ending June 30, 1978, and (2) for flat rate service SCWC estimated service at a higher flat rate than did the staff.

We believe the staff method of allocating the usage between rate blocks based on recorded data is more reliable than is SCWC's and it will be adopted for test year 1979.

#### Operating Expenses

The staff estimate of operating and maintenance expenses exceeded SCWC's estimates by \$2,400. Both SCWC and staff used basic power rates effective September 1, 1974, to estimate purchased power costs, but SCWC included the power to operate the proposed Calipatria filtration plant whereas the staff excluded it because the filtration is not expected to go into operation until the beginning of 1980. For payroll SCWC used recorded 1977 payroll projected to 1979 using a 9.13 percent increase for 1978 and a 7.0 percent increase for 1979. The staff estimated payroll expense using 1977 recorded figures adjusted to reflect the replacement of three part-time employees with one full-time employee and giving full-year effect to the new employees' salary.

The staff's and SCWC's administrative and general expenses differed only slightly with minor differences in payroll, employee pension and benefits, injuries and damages expenses, and regulatory

expenses. We will adopt the staff's estimates as they are based on later information, particularly those dealing with payroll and related items, and because the Calipatria plant will not go into operation until 1980.

Administrative and General Expenses

The staff estimated administrative and general expenses exceeded SCWC's estimate by only \$1,000. Because the staff used more recent data, particularly those expenses dealing with payroll and related items, we will adopt the staff estimate.

Depreciation Expense

SCWC uses the straight line remaining life method to calculate depreciation expense. The difference of \$5,200 between SCWC and staff estimates is explained by the timing of the two new filtration plants coming on line. Because the staff had access to later information as to the date the plants would come on line, its estimate is more accurate and will be adopted.

Taxes Other Than Income

SCWC's estimate for ad valorem taxes exceeded staff's by \$11,500. The staff estimate took into account the enactment and implementation of Proposition 13, using the composite tax rate of 1.094 percent from the actual 1978-1979 tax bill times the estimated market value for 1979-1980. Staff's estimate did not include any value for the Calipatria filtration plant. SCWC used the latest effective tax rate prior to the enactment of Proposition 13 and included in its assessed value estimate the Calipatria filtration plant. We will adopt the staff's estimate for ad valorem taxes.

Rate Base

SCWC's estimate for average depreciated rate base exceeded staff's estimate by \$92,900. This is explained by SCWC's rolling back to the beginning of 1978 both the Niland and the Calipatria filtration plants while the staff rolled back to the beginning of 1979 only the Niland plant. The staff also had access to SCWC's

updated construction budget for estimating additions. The combination of not "rolling back" the Calipatria filtration plant plus access to the updated construction budget resulted in the staff's estimated beginning of year balance for plant being \$128,900 lower than that of SCWC's. SCWC did not disagree with the staff figures. We will adopt staff's rate base figures as they are based on later information and because it is unfair to roll back to 1978 the cost of the two filtration plants.

Rate of Return

Incorporated by reference in this record were the exhibits, testimony, and related cross-examination presented by witnesses for SCWC and the staff at the hearings held in Application No. 58203 for a general rate increase in SCWC's Ojai District.<sup>1/</sup>

The rates proposed in this application were designed by SCWC to produce a rate of return of approximately 9.60 percent based on estimated test year 1979. SCWC alleges that this is the minimum rate of return required by it to attract capital at a reasonable cost and to maintain appropriate borrowing capability or credit. SCWC also alleges that the expense levels reflected in test year 1979 are the lowest known for purchased water, energy, postage, labor, payroll taxes, ad valorem taxes, and income taxes, and requests that the effect of any increases or decreases of these expense items at the time of decision be included in the rates authorized.

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<sup>1/</sup> Testimony and exhibits relating to SCWC's general office revenues and expenses, including adjustments to the staff report giving effect to later information, cost of money, capitalization ratios, and rate of return were presented by SCWC and staff witnesses in Application No. 58203 for SCWC's Ojai District. These exhibits, together with cross-examination, were included in this record by reference as Exhibits 9, 10, 10a, 11, 12, 13, 14, 14a, 16, and 17.

In this proceeding the staff's financial witness in Exhibit 16,<sup>2/</sup> as amended by Exhibit 17, recommends that the rate of return be set at 9.28 percent for 1979 and 9.38 percent for 1980 which would provide a return on common stock equity of approximately 13 percent. The increase recommended for 1980 is necessary in order to maintain a 13.0 percent return on common equity since the embedded cost of debt will increase from 7.22 percent in 1979 to 7.40 percent in 1980. Exhibit 16 states that the recommended rates of return give consideration to the financial attrition expected to occur and is consistent with the Commission's policy of taking into consideration attrition in rate of return so that major utilities can go two years without general rate relief. We concur with the staff recommendation and will adopt as reasonable a 9.29 percent rate of return on rate base.<sup>3/</sup>

#### Attrition in Rate of Return

Attrition in rate of return can take the form of operational attrition or financial attrition.

Although SCWC requests a 9.60 percent rate of return on rate base for 1979 test year, it states that due to an upward trend of 0.20 percent, indicated by a 9.40 percent rate of return on 1978 rate base and the 9.60 percent for 1979, the requested 9.80 percent rate of return would be realized in 1980. However, SCWC's estimated upward trend in rate of return is due to its "rolling back" to the beginning of year 1978 both filtration plants.

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<sup>2/</sup> Staff's financial witness originally recommended a rate of return of 9.23 percent and 9.33 percent for the years 1979 and 1980, respectively. The recommendation was changed to reflect changes in interest rate on long-term debt and capital ratios resulting from the conversion of convertible debentures to common stock.

<sup>3/</sup> Because of the size of the adopted rate base, a 9.28 percent rate of return equals \$58,760, which, when rounded off to the nearest \$100 would be \$58,800 or 9.29 percent.

The staff report estimates the following changes in rate of return based on our analysis of the results of operation for Calipatria-Niland District for estimated 1978 and test year 1979:

<u>Item</u>	<u>Rate of Return</u>			
	<u>Present Rates</u>		<u>Proposed Rates</u>	
	<u>Staff</u>	<u>Utility</u>	<u>Staff</u>	<u>Utility</u>
1978	5.05%	3.54%	16.35%	9.40%
1979	<u>3.81</u>	<u>3.46</u>	<u>11.29</u>	<u>9.60</u>
Change in Rate of Return	1.24	0.08	5.06	(0.20)
Change Resulting From:				
Increase in Oper. Exp. Excluding Filtr. Plant	.59	-	.59	-
Increase in Util. Fin. Plant Add. Excluding Filtr. Plant	.33	-	.68	-
Increase in Oper. Exp. Due To Filtr. Plant	.31	-	.31	-
Increase Due to Filtr. Plant	(.07)	-	3.70	-
Other	<u>(.08)</u>	-	<u>(.22)</u>	-
Change in Rate of Return	1.24	-	5.06	-
Change in Rate of Return Without Filtr. Plant	1.00	-	1.05	-

(Red Figure)

With respect to the specific recommendation on rate of return, the staff in Exhibit 16 states that the efficiency of the Calipatria-Niland District can and should be improved which in turn would reduce operation and maintenance expenses. The staff also alleges that since the attrition in rate of return without the filtration plant is primarily due to the increase in operating expenses, it recommends that a 0.90 percent attrition in rate of return be considered in setting rates for the Calipatria-Niland District. It also recommends that the attrition due to the Niland filtration plant not be considered in that it is an abnormal plant investment for this district and that the adopted rates

be in the form of step rates with SCWC required to file an advice letter at the end of the 1979 test year to justify the next step increase based on the adopted normalized consumption. We will adopt the staff recommendation as it is a reasonable approach to eliminating the erosion problem.

### Rate Design

Water service in the Calipatria-Niland District is now provided under the following schedules:

- General Metered Service
- General Flat Rate Service
- Public Fire Hydrant Service
- Private Fire Hydrant Service
- Construction and Other Temporary Flat Rate Service
- Service to Company Employees

SCWC proposes to increase its general metered service and general flat rate service. It proposes to increase private fire protection service from a charge of \$2 per inch to \$3 per inch of service size. No change is proposed for public fire hydrant service.

SCWC states that in recent decisions the Commission defined lifeline rates as service charges of 5/8 inch x 3/4 inch meters and the first 300 cubic feet per month of sales and that the proposed rates were designed according to this definition.

With respect to the specific rate design for metered service in its Calipatria-Niland District, SCWC states that it believes that a reasonable interpretation of the lifeline concept would be to propose no increase in rates for lifeline service until the rates for all other service have increased approximately 25 percent over rates prevailing on January 1, 1976. Using this concept in designing the proposed rates, once the 25 percent increase to all other service was determined, the remaining proposed increase was spread on a pro rata percentage basis to lifeline and other service. It is alleged that the effect of this rate design is that the overall increase for lifeline service is 40 percent while for overall service the average increase is 68.6 percent and that this results in a uniform quantity rate.

The staff recommends that SCWC's rate design proposal be adopted and, in addition, that: (1) the service charge for 3/4-inch and 1-inch meters be rounded to the nearest 10 cents; (2) that the service charge for meters larger than 1 inch be rounded to the nearest dollar; and (3) to accept SCWC's proposal of revising its company-wide Schedule No. 44-A, Private Fire Protection Service, to include the Calipatria-Niland District under Rate A.

Applicant's showing in this proceeding included no metered residential services. Thus, the matter of lifeline allowances should be considered in a future proceeding if and when meters are installed on the flat rate services. Applicant's design with a single quantity rate would result in an excessive increase in costs to large water users. Therefore we will adopt the present two-block structure with declining rates, but with a larger percentage increase on the second rate block.

#### Service

The staff exhibit summarizes SCWC's complaint file for 1977 and 1978 as follows:

<u>Item</u>	<u>1977</u>	<u>1978</u>
Leaks	25	51
High Bills	2	2
Water Quality	1	4
Pressure	<u>5</u>	<u>15</u>
Total	35	72

The report states that all of the above were satisfactorily resolved.

At the hearing one customer stated that the quality of water furnished was poor and that it necessitated constant replacement of bathroom and kitchen fixtures. On cross-examination SCWC's vice president, Mr. Anthony, stated, with the installation of the treatment plants, the water quality would improve significantly, that turbidity would be reduced from its present 1.0 percent to about 0.3, 0.4, or 0.5 percent and that water quality would be comparable to other cities, such as Los Angeles.

Based on the record herein, we conclude that overall service is satisfactory and that with the two new filtration plants coming on line in 1979, water quality will improve, further reducing the number of customer complaints.

By Decision No. 88692, dated April 11, 1978, in Case No. 10114, we required that Class A and Class B water utilities include, as part of any new general rate application, an analysis of (1) the costs and benefits of metering new service to various classes of customers and (2) the cost and benefits of converting various classes of existing flat rate service to metered service. The term "various classes of customers" referred to the following:

- A. Nonresidential (excluding fire protection).
- B. Residential with a service pipe larger than one inch.
- C. Residential with multi-family dwellings.
- D. Residential with lot larger than 25,000 square feet.
- E. Residential with lot larger than 16,001 square feet, but less than 25,000 square feet.
- F. Residential with lot larger than 10,001 square feet, but less than 16,000 square feet.
- G. Residential, with lot larger than 6,001 square feet, but less than 10,000 square feet.
- H. Residential with lot less than 6,000 square feet.

In response to this requirement, applicant submitted Table 12-C as part of the "Report on the Results of Operations for Calipatria-Niland District", which was later introduced and accepted as Exhibit 4 in the hearing. Table 12-C, titled, "Incremental Revenue Requirement of Meter Installations" purported to show that capitalization of costs of providing meters for 1,009 customers would increase rate base by \$154,400, and that a return on this base of 9.7 percent would require \$28,400 gross revenue, of which \$15,000 would be net revenue. The cost per customer was computed at \$28 per year or \$2.33 per month.



Applicant failed to provide a breakdown by classification or conclusions as to cost benefits, nor were any evaluations of water conservation made.

By letter, dated November 20, 1978, applicant was notified by the Commission staff that the analysis was rejected and was to be resubmitted in conformance with Decision No. 88692 and Section 781.

The cost/benefit study introduced as Exhibit 4 fails to show any offsetting benefits to be derived from metering; i.e. the expected savings in water use and the benefit value which may be ascribed to such savings. Nor does it meet the requirements either of Decision No. 88692 or Section 781 of the California Public Utilities Code.

As the cost comparison made has no validity as a cost/benefit analysis, and does not permit the Commission to make any of the findings required by Section 781, this matter should be continued to the next general rate increase application proceeding when, after proper public notice to customers of the metering issue, the applicant should provide a study which would form a basis for determining whether or not such findings are possible.

Voluntary Wage and Price Guidelines

SCWC's witness Young sponsored Exhibit 8 to illustrate how the requested rate increase complied with the President's guidelines on wage and price stability. The basis for the exhibit was the Profit Margin Limitation published in The Federal Register. The exhibit compared total requested revenue increases sought by SCWC to the maximum net pretax company revenue increase permitted by the guidelines. The exhibit also compared the pretax profit margin, which could occur if SCWC's requested revenue increase were granted, with the profit margin permitted by the guidelines. The witness stated that in each instance the requested revenue increase would not exceed the voluntary guidelines imposed.

Findings of Fact

1. SCWC is in need of additional revenues for its Calipatria-Niland District, but the proposed rates set forth in the application are excessive.
2. The adopted estimates previously discussed herein of operating revenues, operating expenses, and rate base for test year 1979 reasonably indicate the results of SCWC's operations in its Calipatria-Niland District in the near future.
3. The adopted estimates for ad valorem taxes included in "Taxes Other Than Income" include the estimated effect of Proposition 13.
4. The proposed rate of return on rate base of 9.60 percent which is estimated to produce a 15.0 percent return on common equity is excessive.

5. A rate of return of 9.29 percent for 1979 and 9.38 percent for 1980 on the adopted rate base, which is estimated to produce a return on common equity of 13.0 percent is reasonable. It balances the interest of the ratepayers while providing a reasonable return to investors.

6. The authorized increase in rates for 1979 at the 9.29 percent rate of return for test year 1979 is expected to provide increased revenues of approximately \$71,700 (53.0 percent) for SCWC's metered, unmetered, and private fire protection service compared to the requested increase of \$95,900 (68.9 percent on SCWC's estimate of revenue at present rates).

7. Estimates of attrition in rate of return of 0.90 percent between 1979 and 1980 are reasonable.

8. An additional step increase in rates for 1980, due to 0.90 percent attrition, is expected to provide increased revenues of approximately \$11,800.

9. The overall quality of service rendered by SCWC in its Calipatria-Niland District is adequate.

10. The requirements of Decision No. 88692 were not met by the applicant's presentation. The metering study requirements for Calipatria-Niland District should be continued to the next general rate increase of applicant, with proper public notice to customers of the metering issue, to provide a basis for determination of proper findings under Section 781 of the California Public Utilities Code.

11. The increase authorized herein is in compliance with the President's Guidelines on Wage and Price Stability.

12. The adopted rates, incorporating the present two-block schedule with declining quantity rates, are reasonable and will result in the most equitable rates for the customers in the Calipatria-Niland District.

Conclusion of Law

The application should be granted to the extent set forth herein. Since there is a demonstrated immediate need for this rate relief, the following order should be effective the date of signature.

O R D E R

IT IS ORDERED that:

1. After the effective date of this order, Southern California Water Company is authorized to file the revised rate schedules attached to this order as Appendix A, and concurrently to withdraw and cancel its presently effective schedules. Such filing shall comply with General Order No. 96-A. The effective date of the revised filing shall be four days after the date of the filing. The revised schedules shall apply only to service rendered on and after the effective date hereof.

2. On or before November 15, 1979, Southern California Water Company is authorized to file step rates 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 the Calipatria-Niland District rate of return on rate base, adjusted to reflect the rates then in effect and normal ratemaking adjustments for the twelve months ending September 30, 1979, exceeds 9.38 percent. Such filing shall comply with General Order No. 96-A. The effective

date of the revised schedule shall be January 1, 1980. The revised schedule shall apply only to service rendered on and after the effective date hereof.

The effective date of this order is the date hereof.

Dated August 14, 1979, at San Francisco, California.

JOHN E. BRYSON  
President  
VERNON L. STURGEON  
CLAIRE T. DEDRICK  
LEONARD M. GRIMES, JR.  
Commissioners

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

APPENDIX A  
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SOUTHERN CALIFORNIA WATER COMPANY

Calipatria-Niland District  
Schedule No. CN-1

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

City of Calipatria and community of Niland, and adjacent territory in Imperial County.

RATES

Quantity Rates:	Per Meter Per Month
For the first 20,000 cu.ft., per 100 cu.ft. ..	\$ 0.42 (I)
For all over 20,000 cu.ft., per 100 cu.ft. ..	0.304 (I)
Service Charge:	
For 5/8 x 3/4-inch meter .....	\$ 6.10 (I)
For 3/4-inch meter .....	8.10
For 1-inch meter .....	9.90
For 1-1/2-inch meter .....	13.00
For 2-inch meter .....	18.00
For 3-inch meter .....	24.00
For 4-inch meter .....	54.00
For 6-inch meter .....	92.00
For 8-inch meter .....	122.00 (I)

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

APPENDIX A  
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SOUTHERN CALIFORNIA WATER COMPANY

Calipatria-Niland District  
Schedule No. CN-2

GENERAL FLAT RATE SERVICE

APPLICABILITY

Applicable to all flat rate water service.

TERRITORY

City of Calipatria and community of Niland, and adjacent territory in Imperial County.

RATES

Per Service  
Connection  
Per Month

- |                                                                                                                                                        |          |     |
|--------------------------------------------------------------------------------------------------------------------------------------------------------|----------|-----|
| 1. For each single unit of occupancy, with inside plumbing, served through a 3/4-inch service connection .....                                         | \$ 13.50 | (I) |
| 2. For each single unit of occupancy, with inside plumbing, served through a 1-inch service connection .....                                           | 16.80    |     |
| 3. For each additional unit of occupancy, with inside plumbing, on the same premises and served from the same service connection of 1 or 2 above ..... | 7.30     |     |
| 4. For each single unit of occupancy, without inside plumbing, served through a 3/4-inch service connection .....                                      | 6.70     | (I) |

SPECIAL CONDITIONS

1- The above flat rates apply to service connections not larger than one inch in diameter.

2- All service not covered by the above classifications shall be furnished only on a metered basis.

3. For service covered by the above classifications, if either the utility or the customer so elects, a meter shall be installed and service provided under Schedule No. CN-1, General Metered Service.

SOUTHERN CALIFORNIA WATER COMPANYSchedule No. AA-4All DistrictsPRIVATE FIRE PROTECTION SERVICEAPPLICABILITY

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

TERRITORY

Rate A - Applicable within the Bay, Big Bear, Calipatria-Niland, Central Basin, Cowan Heights, Los Osos, Orange County, Pomona Valley, San Bernardino Valley, San Dimas, San Gabriel Valley, Santa Maria, Southwest, ClearLake, and Wrightwood Districts. (T)

Rate B - Applicable within the Barstow, Culver City, and Simi Valley Districts. (T)

Rate C - Applicable within the Arden-Cordova, Desert, and Ojai Districts. (T)

RATE

	Per Month		
	A	B	C
For each inch of diameter of service connection	\$3.00	\$2.25	\$2.00

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. The facilities paid for by the applicant shall be the sole property of the applicant.

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



APPENDIX A  
Page 4 of 4SOUTHERN CALIFORNIA WATER COMPANYSchedule No. AA-4 ContinuedAll DistrictsPRIVATE FIRE PROTECTION SERVICESPECIAL CONDITIONS (Continued)

to the satisfaction of the utility. The utility may install the standard 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. In accordance with Section 774 of the Public Utilities Code, the utility is not liable for injury, damage or loss resulting from failure to provide adequate water supply or pressure.

APPENDIX B  
Page 1 of 2

SOUTHERN CALIFORNIA WATER COMPANY

Calipatria-Niland District  
Schedule No. CN-1

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

City of Calipatria and community of Niland, and adjacent territory  
in Imperial County.

RATES

Quantity Rates:	Per Meter Per Month
For the first 20,000 cu.-ft., per 100 cu.-ft. ....	\$ 0.44 (I)
For all over 20,000 cu.-ft., per 100 cu.-ft. ....	0.322 (I)
 Service Charge:	
For 5/8" x 3/4-inch meter .....	\$ 6.45 (I)
For 3/4-inch meter .....	8.60
For 1-inch meter .....	10.50
For 1-1/2-inch meter .....	14.00
For 2-inch meter .....	19.00
For 3-inch meter .....	25.00
For 4-inch meter .....	57.00
For 6-inch meter .....	97.00
For 8-inch meter .....	129.00 (I)

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

SOUTHERN CALIFORNIA WATER COMPANYCalipatria-Niland District  
Schedule No. CN-2GENERAL FLAT RATE SERVICEAPPLICABILITY

Applicable to all flat rate water service.

TERRITORY

City of Calipatria and community of Niland, and adjacent territory in Imperial County.

RATES

	<u>Per Service</u> <u>Connection</u> <u>Per Month</u>
1. For each single unit of occupancy, with inside plumbing, served through a 3/4-inch service connection .....	\$14.30 (I)
2. For each single unit of occupancy, with inside plumbing, served through a 1-inch service connection .....	17.80
3. For each additional unit of occupancy, with inside plumbing, on the same premises and served from the same service connection of 1 or 2 above .....	7.70
4. For each single unit of occupancy, without inside plumbing, served through a 3/4-inch service connection .....	7.10 (I)

SPECIAL CONDITIONS

1. The above flat rates apply to service connections not larger than one inch in diameter.

2. All service not covered by the above classifications shall be furnished only on a metered basis.

3. For service covered by the above classifications, if either the utility or the customer so elects, a meter shall be installed and service provided under Schedule No. CN-1, General Metered Service.