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Decision No. 91540 APR 2 1980

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application)
of CALIFORNIA WATER SERVICE COMPANY,)
a corporation, for an order)
authorizing it to increase rates)
charged for water service in the)
East Los Angeles District.)

Application No. 58800
(Filed April 12, 1979)

McCutchen, Doyle, Brown & Enersen, by
A. Crawford Greene, Attorney at Law, and
Donald L. Houck, for applicant.
Donald F. McLean, Jr., Attorney at Law, for
City of San Carlos, protestant.
Elinore C. Morgan, Attorney at Law, and
A. V. Garde, for the Commission staff.

INTERIM OPINION ✓

Applicant California Water Service Company seeks authority to increase rates for water service in its East Los Angeles District. The proposed annual step rates through the year 1982 would increase annual revenues by \$700,400 (14 percent) in 1980, and by additional amounts of \$181,600 (3 percent) in 1981 and \$157,500 (3 percent) in 1982.

Pursuant to the "Regulatory Lag Plan" adopted by Commission Resolution No. M-4705, dated April 24, 1979, an informal public meeting was held by the Commission staff in Montebello on September 4, 1979. Notice of the meeting had been published in accordance with the staff's instructions. Additional notice was

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provided by a press release printed by the local newspapers.

No customers attended the meeting.

Public hearings were held on a consolidated record with proceedings^{1/} involving four other districts of applicant before Administrative Law Judge Banks in Los Angeles on October 16, 1979, and in San Francisco on October 18, 29, 30, 31 and November 1 and 2, 1979. Copies of the application had been served; notice of filing of the application published and mailed to customers; and notice of hearing published, mailed to customers, and posted, in accordance with the Commission's Rules of Practice and Procedure. No East Los Angeles District customers appeared at the hearing reserved for public witnesses in Los Angeles. The application was submitted as of November 2, 1979, subject to receipt of briefs from any of the parties by November 26, 1979. Briefs were filed by applicant and the staff on that date and by the City of San Carlos (San Carlos) on November 28, 1979.

In support of the requests for rate relief in the five districts, applicant presented testimony of its vice president - chief financial officer and treasurer, and its vice president in charge of regulatory matters, and its regulatory advisor.

The Commission staff presentation in these proceedings was made through a research analyst and seven engineers.

^{1/} The consolidated proceedings are Applications Nos. 58781, 58782, 58783, 58800, and 58826 involving, respectively, applicant's Livermore, Los Altos-Suburban, San Carlos, East Los Angeles, and Palos Verdes Districts.

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San Carlos introduced evidence through its city manager and a consultant economist.

Service Area and Water System

Applicant owns and operates water systems in 20 districts in California. Its East Los Angeles District includes the incorporated city of Commerce, fringe sections of the cities of Montebello and Vernon, and unincorporated portions of Los Angeles County adjacent to those communities. Some of the terrain is relatively flat but the service area also includes hills with elevations ranging from approximately 145 to 632 feet above sea level. The population within the area served is estimated at 85,500.

Water for the East Los Angeles District is obtained from two sources: imported water plus local ground water. There are three metered connections from feeder mains of the Metropolitan Water District of Southern California (MWD) through Central Basin Municipal Water District (CBMWD). Those are supplemented by water from 28 company-owned local wells. Water from all sources is delivered to the distribution system by a combination of direct delivery to the system and delivery into storage tanks with subsequent boosting. Nine separate pressure zones are required to serve the area, due to the topography. The electrically powered booster stations are equipped with connections which permit the use of portable gasoline-powered booster pumps, one of which is permanently stationed in the district, with others being available at other districts on relatively short notice.

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The transmission and distribution system includes about 267 miles of mains, ranging in size up to 24 inches, and approximately 19.8 million gallons of storage capacity. There are about 25,200 metered services, 490 private fire protection services and 1,880 public fire hydrants.

Service

There were no informal complaints to the Commission from this district between July 1, 1978 and July 30, 1979. The staff investigation showed that customer complaints received at applicant's district office were quickly resolved. The absence of any customer service complaints at the public meeting and hearing is a further indication that service is satisfactory.

Rates

Applicant's present tariffs for this district consist primarily of schedules for general metered service and public fire hydrant service.

Applicant proposes to increase its rates for general metered service. The following Table 1 presents a comparison of applicant's present and proposed general metered service rates along with those authorized herein.

TABLE I
EAST LOS ANGELES DISTRICT
COMPARISON OF MONTHLY RATES

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	Present* Rates	Proposed Rates [‡]			Authorized Rates		
		1980	1981	1982	1980	1981	1982
Service Charge:							
For 5/8 x 3/4-inch meter	\$ 4.22	\$ 4.37.	\$ 4.50	\$ 4.62	\$ 4.22	\$ 4.26	\$ 4.38
For 3/4-inch meter	5.37	7.00	7.25	7.50	6.20	6.60	6.95
For 1-inch meter	7.32	9.50	9.90	10.20	8.50	9.00	9.50
For 1-1/2-inch meter	10.26	13.50	14.20	14.60	11.90	12.60	13.30
For 2-inch meter	13.19	18.00	19.00	20.00	15.00	16.00	17.00
For 3-inch meter	24.40	32.00	33.00	34.00	28.00	30.00	32.00
For 4-inch meter	33.18	43.00	45.00	46.00	38.00	40.00	42.00
For 6-inch meter	55.14	72.00	74.00	77.00	64.00	68.00	72.00
For 8-inch meter	81.98	107.00	110.00	114.00	95.00	101.00	106.00
For 10-inch meter	101.50	132.00	137.00	142.00	118.00	125.00	131.00
Quantity Rates:							
For the first 300 cu.ft., per 100 cu.ft.	0.371	0.385	0.397	0.408	0.371	0.375	0.386
For the next 200 cu.ft., per 100 cu.ft. ....	.400	.530	.548	.564	.500	.518	.529
For the next 29,500 cu.ft., per 100 cu.ft. ....	.449	.530	.548	.564	.500	.518	.529
For all over 30,000 cu.ft., per 100 cu.ft. ....	.449	.494	.505	.513	.473	.491	.501

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 2339-W, effective September 1, 1979.

‡ Set forth in applicant's Exhibit 6-A, Page 12-4.

In this district, an average commercial (business and residential) customer will use about 24,000 cubic feet of water per year, or 20 Ccf (hundreds of cubic feet) per month. The corresponding use for an average industrial service in this district is 600,000 cubic feet of water per year, or 500 Ccf per month. The following Table II presents a comparison of monthly charges for an average commercial customer with a 5/8 x 3/4-inch meter under present rates, applicant's proposed rates and the rates authorized herein. The table also presents similar comparisons for an average industrial service with a 4-inch meter.

TABLE II

Comparison of Monthly Charges

<u>Item</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>
<u>Average Commercial Customer</u>			
Present Rates, Monthly Charge	\$ 12.87	\$ 12.87	\$ 12.87
Rates Proposed by Applicant:			
Monthly Charge	14.54	15.01	15.43
Increase Over Present Rates:			
Amount	1.67	2.14	2.56
Percent	13.0%	16.6%	19.9%
Authorized Rates:			
Monthly Charge	13.83	14.19	14.53
Increase Over Present Rates:			
Amount	.96	1.32	1.66
Percent	7.5%	10.3%	12.9%
<u>Average Industrial Service</u>			
Present Rates:			
Monthly Charge	\$257.35	\$257.35	\$257.35
Rates Proposed by Applicant:			
Monthly Charge	300.36	309.95	317.33
Increase Over Present Rates:			
Amount	43.01	52.60	59.98
Percent	16.7%	20.4%	23.3%
Authorized Rates:			
Monthly Charge	282.21	293.17	301.47
Increase Over Present Rates:			
Amount	24.86	35.82	43.12
Percent	9.7%	13.9%	16.8%

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Fire Hydrant Agreements

Section VIII.4, "Fire Hydrant Agreement," of General Order No. 103 provides for agreements between the water utility and fire protection agencies which permit the agencies to be relieved of hydrant service charges under specific circumstances. Recent legislation adds Section 2713, effective January 1, 1980, to the Public Utilities Code, and provides, in part, for free public fire hydrant service.

In the East Los Angeles District, some of the monthly fire hydrant charges have already been discontinued pursuant to agreements conforming with the requirements of General Order No. 103. The change in the Public Utilities Code thus results in a potential additional hydrant revenue loss of only about \$4,600 per year in this district. The staff recommended that applicant file an advice letter to offset that additional revenue loss when such loss becomes established. The summary of earnings adopted herein therefore includes fire hydrant revenues as though the hydrant charges will continue for these agencies not yet covered by an agreement.

Results of Operation

Witnesses for applicant and the Commission staff have analyzed and estimated applicant's operational results. Summarized in the following Table III, based upon Pages 1 and 2 of Exhibit 13, the final reconciliation exhibit, modified by the staff's rate base stipulation, are the estimated results of operation for the test years 1980 and 1981, under present rates and under the step rates proposed by applicant for those years.

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Applicant's original estimates were completed in March of 1979. Between then and the completion date of the staff's exhibit, several changes took place in rates for such things as purchased power and ad valorem taxes, some of which have been reflected in offset changes in applicant's rates. Also, additional data became available as to actual numbers of customers, plant balances, and other recorded data.

Instead of amending the estimated summaries of earnings each time a change took place and each time later data became available, applicant kept the Commission staff advised of changes and new data so they could be reflected in the staff's estimates. When the staff exhibits were distributed, applicant checked and adopted as reasonable those portions on which there were no issues and also some portions where the impact of the potential issue was felt to be insignificant. Applicant did not entirely agree with some of the staff's adjustments and estimates of expense items but, for the purpose of expediting the proceedings, did not take issue with the staff in regard to those particular items. Two issues to be resolved with respect to summary of earnings related to (1) the staff's adjustment for pump efficiencies and (2) the staff's estimates of rate base items and related expenses.

At the hearing, however, the issue of rate base items and related expenses was resolved after staff review of applicant's and its own work papers and concluded that applicant's rate base estimates were reasonable. The effect of the pump efficiency issue is shown on Table III.

TABLE III
(Page 1 of 2)
RECONCILIATION OF APPLICANT'S AND STAFF'S SUMMARY OF EARNINGS
EAST LOS ANGELES DISTRICT, TEST YEAR 1980

(Dollars in Thousands)

<u>Item</u>	<u>Applicant's Adjusted Estimates</u> (a)	<u>Effect of Issue</u> (b)	<u>Staff's Adjusted Estimates</u> (c)
<u>Present Rates</u>			
Operating Revenues	\$ 5,234.0	\$ -	\$ 5,234.0
Operating Expenses:			
Purchased Water	1,115.9	-	1,115.9
Replenishment Assessment	239.5	-	239.5
Purchased Power	400.9	(12.2)	388.7
Payroll - District	702.6	-	702.6
Other Oper. & Maint.	257.7	-	257.7
Other A & G & Misc.	42.1	-	42.1
Ad Valorem Taxes - District	174.5	-	174.5
Business Licenses	0.8	-	0.8
Payroll Taxes - District	48.2	-	48.2
Depreciation	361.7	-	361.7
Ad Valorem Taxes - G.O.	2.6	-	2.6
Payroll Taxes - G.O.	10.6	-	10.6
Other Prorates - G.O.	387.8	-	387.8
Balancing Account Adjustment	(26.1)	-	(26.1)
Subtotal*	3,718.8	(12.2)	3,706.6
Local Franchise Tax	85.7	-	85.7
Income Taxes Before ITC	347.9	6.2	354.1
Investment Tax Credit	(67.7)	-	(67.7)
Total Operating Expenses	4,084.7	(6.0)	4,078.7
Net Operating Revenues	1,149.3	6.0	1,155.3
Rate Base	13,126.0	-	13,126.0
Rate of Return	8.76%	0.04%	8.80%
<u>Proposed Rates</u>			
Operating Revenues	\$ 5,974.8	-	\$ 5,974.8
Operating Expenses:			
Subtotal*	3,718.8	\$(12.2)	3,706.6
Local Franchise Tax	97.8	-	97.8
Income Taxes Before ITC	720.9	6.2	727.1
Investment Tax Credit	(67.7)	-	(67.7)
Total Operating Expenses	4,469.8	(6.0)	4,463.8
Net Operating Revenues	1,505.0	6.0	1,511.0
Rate Base	13,126.0	-	13,126.0
Rate of Return	11.47%	0.04%	11.51%

- (a) Applicant's adjusted estimates, Column (c) minus Column (b).
 (b) Staff's pump efficiency adjustments not concurred in by applicant.
 (c) Staff's adjusted estimates from Exhibit 13, Page 1, Column (f), modified by staff's adoption of applicant's rate base estimates.

* Subtotal of expenses exclusive of uncollectibles, local franchise taxes, and income tax items.

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RECONCILIATION OF APPLICANT'S AND STAFF'S SUMMARY OF EARNINGS
EAST LOS ANGELES DISTRICT, TEST YEAR 1981

(Dollars in Thousands)

<u>Item</u>	<u>Applicant's Adjusted Estimates</u> (a)	<u>Effect of Issue</u> (b)	<u>Staff's Adjusted Estimates</u> (c)
<u>Present Rates</u>			
Operating Revenues	\$ 5,238.8	\$ --	\$ 5,238.8
Operating Expenses:			
Purchased Water	1,117.1	-	1,117.1
Replenishment Assessment	239.5	-	239.5
Purchased Power	400.9	(12.2)	388.7
Payroll - District	751.8	-	751.8
Other Oper. & Maint.	273.5	-	273.5
Other A & G & Misc.	45.0	-	45.0
Ad Valorem Taxes - District	186.2	-	186.2
Business Licenses*	0.8	-	0.8
Payroll Taxes - District	55.1	-	55.1
Depreciation	373.1	-	373.1
Ad Valorem Taxes - G.O.	2.7	-	2.7
Payroll Taxes - G.O.	12.1	-	12.1
Other Prorates - G.O.	414.0	-	414.0
Balancing Account Adjustment	(26.1)	-	(26.1)
Subtotal*	3,845.7	(12.2)	3,833.5
Local Franchise Tax	85.8	-	85.8
Income Taxes Before ITC	256.4	6.2	262.6
Investment Tax Credit	(73.6)	-	(73.6)
Total Operating Expenses	4,114.3	(6.0)	4,108.3
Net Operating Revenues	1,124.5	6.0	1,130.5
Rate Base	13,483.7	-	13,483.7
Rate of Return	8.34%	0.04%	8.38%
<u>Proposed Rates</u>			
Operating Revenues	\$ 6,169.3	-	\$ 6,169.3
Operating Expenses:			
Subtotal*	3,845.7	\$(12.2)	3,833.5
Local Franchise Tax	101.0	-	101.0
Income Taxes Before ITC	724.9	6.2	731.1
Investment Tax Credit	(73.6)	-	(73.6)
Total Operating Expenses	4,598.0	(6.0)	4,592.0
Net Operating Revenues	1,571.3	6.0	1,577.3
Rate Base	13,483.7	-	13,483.7
Rate of Return	11.65%	0.05%	11.70%

- (a) Applicant's adjusted estimates, Column (c) minus Column (b).
 (b) Staff's pump efficiency adjustments not concurred in by applicant.
 (c) Staff's adjusted estimates from Exhibit 13, Page 2, Column (f),
 modified by staff's adoption of applicant's rate base estimates.

* Subtotal of expenses exclusive of uncollectibles, local franchise taxes, and income tax items.

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Future Sales Levels

During the 1977 severe drought in California, applicant's customers reduced their water consumption significantly. Applicant feels that some of the extreme drought-inspired measures taken by customers cannot reasonably be expected to continue fully after the drought. These include such things as hauling heavy buckets of used wash water from the laundry to the bathroom for flushing purposes, and letting lawns and gardens die. Other than during a drought, using clean water for sanitary purposes and environmental beautification would not be considered nonbeneficial use.

Applicant expects that other drought-inspired actions will have a more permanent effect on conservation. These include such things as the installation of water closet displacement bottles and shower head restrictors provided by applicant, the conversion of conventional lawns and gardens to native shrubs or rock gardens, and the installation of water-recirculating systems by industrial customers. Applicant states that it will continue to remind customers to avoid nonbeneficial use which should help keep actual waste of water to a minimum.

Estimating the amount of future residual conservation by all classes of users this soon after the end of the drought is not an exact science. After more post-drought experience, the trend of usage can be more readily estimated but at the time applicant's estimates were being prepared, consumption data were available only through December, 1978. By the time the staff's

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estimates were being prepared, data for another six or seven months were available. The later information led the staff to conclude that applicant's estimates of consumption levels for the near future were significantly low. Applicant reviewed the staff's use of the later available data and has concluded that the staff's estimates of future consumption are reasonable.

Balancing Accounts Adjustment

Applicant maintains balancing accounts for each of its districts, pursuant to Section 792.5 of the Public Utilities Code. Those accounts compare offsettable changes in expenses due to changes in unit costs for water production, composite ad valorem tax rates and other items, with the corresponding revenue changes resulting from offset changes in applicant's rates authorized by the Commission. Section 792.5 provides, in part, that "the commission shall take into account by appropriate adjustment or other action any positive or negative balance remaining in any such reserve account at the time of any subsequent rate adjustment."

For this district, the offset revenues have been less than the offsettable net increase in expenses. The staff recommends that the accumulated \$78,172 overcollection as of June 30, 1979 be removed from the balancing accounts and amortized for ratemaking purposes during 1980, 1981 and 1982. Applicant does not object to this procedure, inasmuch as the 1980 rates authorized in this proceeding will become effective essentially concurrently with the beginning

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of the amortization period. The amortization is shown as a separate item in Table III. The rates authorized in this proceeding include a decrease on all sales of \$0.0031 per Ccf for 1980, 1981, and 1982 to achieve this amortization. These unit charges are based upon the staff's sales estimates.

Pump Efficiencies

In Decision No. 91537 relating to Application No. 58781, applicant's Livermore District rate proceeding, we discussed the issue of pump efficiencies. In the East Los Angeles District, applicant takes issue with the staff's ratemaking adjustment primarily because the cost to customers of the required premature overhaul or replacement of pumps would far exceed the savings in cost of electric power for the reasons stated in Decision No. 91537. We do not concur in the staff adjustment.

Depreciation

Applicant did not take exception to the depreciation rates used by the staff in these proceedings. Those rates should be used by the applicant until such time as applicant submits a new detailed study and a change authorized.

Rate of Return

In the Livermore District decision, supra, we discussed at some length the basis for our recommended findings that rates of return of 10.28, 10.46, and 10.58 percent on rate base and a uniform 13.2 percent on common equity are reasonable for applicant's

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operations for the period from 1980 through 1982. The same discussion, and consideration of quality of service, applies to applicant's East Los Angeles District and need not be repeated in this decision.

Trend in Rate of Return

The Livermore District decision, supra, also discussed the allowance that must be made beyond the 1981 test year for the reduction in rate of return on rate base that would otherwise result primarily from continuing changes in expenses and rate base. Absent any unusual conditions either in the 1980 or 1981 test-year estimates or in the 1982 projected year, the operational attrition allowance should be the amount indicated between the adopted test years 1980 and 1981, as recommended by the staff.

In the East Los Angeles District adopted results, there are no significant unusual conditions which must be recognized in the attrition allowance. The indicated operational attrition between 1980 and 1981, when applying present rates to both test years is 0.42 percent. The 1982 rates authorized herein reflect that attrition and the financial attrition of 0.12 percent discussed in the Livermore District decision, supra.

Adopted Summary of Earnings

The following Table IV is derived from Column (a) of Table III and shows the adopted summary of earnings at present rates and at the rates authorized herein.

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Table IV will provide a basis for applicant's preparation and the staff's review of future advice letter requests for rate increases or decreases to offset changes not reflected either in the test years 1980 and 1981 or in the operational attrition in rate of return on rate base adopted as the basis for the rates authorized herein. The purchased water rates and pump tax rates used are the CBMWD rates of \$105 and \$24 per acre-foot which became effective July 1, 1979. The purchased power rates utilized are those of Southern California Edison which became effective July 3, 1979. The composite effect of the assumed rates for purchased water, pump tax, and purchased power is an average cost of \$0.2116 per Ccf of water sold. The district ad valorem tax rate is the assumed rate of 1.200 percent of estimated "market value" used for assessment purposes, which is the rate estimated to be applicable to the fiscal year 1978-79 and is equivalent to 1.216, 1.269, and 1.321 percent of beginning-of-year net plant plus materials and supplies for the fiscal years 1979-80, 1980-81, and 1981-82, respectively. The corresponding equivalent rate for prorated general office ad valorem taxes is 1.237 percent of "market value" and 1.163, 1.221, and 1.285 percent for the three fiscal years. The local franchise tax rate is the 1979 rate of 1.637 percent of gross revenues. The fees for business licenses are equal to the fixed amounts charged in 1979. The income tax rates are the 9.6 percent state and 46 percent (with intermediate steps) federal rates.

TABLE IV
ADOPTED SUMMARY OF EARNINGS
EAST LOS ANGELES DISTRICT, TEST YEARS 1980-1981

(Dollars in Thousands)

	<u>1980</u>	<u>1981</u>
<u>Present Rates</u>		
Operating Revenues	\$ 5,234.0	\$ 5,238.8
Operating Expenses:		
Purchased Water	1,115.9	1,117.1
Replenishment Assess.	239.5	239.5
Purchased Power	400.9	400.9
Payroll - District	702.6	751.8
Other Oper. & Maint.	257.7	273.5
Other A & G & Misc.	42.1	45.0
Ad Valorem Tax - Dist.	174.5	186.2
Business Licenses	0.8	0.8
Payroll Taxes - Dist.	48.2	55.1
Depreciation	361.7	373.1
Ad Valorem Tax - G.O.	2.6	2.7
Payroll Taxes - G.O.	10.6	12.1
Other Prorates - G.O.	387.8	414.0
Balancing Account Adjustment	(26.1)	(26.1)
Subtotal*	3,718.8	3,845.7
Local Franchise Taxes	85.7	85.8
Income Taxes Before ITC	347.9	256.4
Investment Tax Credit	(67.7)	(73.6)
Total Oper. Exp.	4,084.7	4,114.3
Net Operating Revenues	1,149.3	1,124.5
Rate Base	13,126.0	13,483.7
Rate of Return	8.76%	8.34%
<u>Authorized Rates</u>		
Operating Revenues	\$ 5,650.7	\$ 5,834.2
Operating Expenses:		
Subtotal*	3,718.8	3,845.7
Local Franchise Taxes	92.5	95.5
Income Taxes Before ITC	557.7	556.2
Investment Tax Credit	(67.7)	(73.6)
Total Oper. Exp.	4,301.3	4,423.8
Net Operating Revenues	1,349.4	1,410.4
Rate Base	13,126.0	13,483.7
Rate of Return	10.28%	10.46%
Average Services	25,263	25,289
Sales - KCcf	8,301.5	8,305.8

* Subtotal of expenses exclusive of local franchise taxes and income tax items.

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Rate Spread

The Livermore District decision, supra, discussed the equitable distribution of the revenue requirement among the various components of the rate structure. We concluded that an appropriate rate structure should include "lifeline" concept with a three-block quantity rate consisting of a 300 c.f. lifeline block priced at the lowest quantity rate, a 29,700 c.f. second block priced at the highest quantity rate, and a tail block for all usage in excess of 30,000 c.f. per month priced at a rate between that charged for the first two blocks. Further, we concluded that increases in the monthly service charge rates for other than the 5/8 x 3/4 inch meter should be limited to a maximum of twice the increase authorized herein or about 16 percent in 1980 and 6 percent for the 1981 and 1982 step increases. A rate schedule should be specified for 1980, with incremental increases specified for 1981 and 1982 in the rate appendixes of the decision. Those same conclusions apply to the East Los Angeles District.

Other Items

The discussion of applicant's conservation program in the Livermore District decision, supra, applies also to the East Los Angeles District.

Wage and Price Standards

By Resolution No. M-4704 dated January 30, 1979, the Commission ordered all utilities and regulated entities requesting general rate increases to submit an exhibit to accompany their applications to show whether the requested increase complies with

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the Voluntary Wage and Price Standards issued by the Council on Wage and Price Stability. Applicant's Exhibit 9 shows that (1) wage increases granted by applicant and (2) the requested rate increases, together with step increases in other districts, are within the established guidelines.

Findings of Fact

1. Applicant's water quality, 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 1980 and 1981 and an annual fixed-rate decline of 0.42 percent in rate of return into 1982 due to operational attrition reasonably indicate the results of applicant's operations for the near future.

4. Rates of return of 10.28, 10.46, and 10.58 percent, respectively, on applicant's rate base for 1980, 1981, and 1982 are reasonable. The related return on common equity each year is 13.2 percent. This will require an increase of \$416,700 or 8.0 percent, in annual revenues for 1980; a further increase of \$178,700, or 3.2 percent, for 1981; and a further increase of \$151,600, or 2.6 percent, for 1982.

5. The type of rate spread hereinbefore discussed is reasonable.

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6. 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.

7. 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 rate-making adjustments for the twelve months ended September 30, 1980 and/or September 30, 1981 exceeds the lower of (a) the rate of return found reasonable by the Commission for applicant during the corresponding period in the most recent rate decision or (b) 10.28 percent for 1980 and 10.46 percent for 1981.

Conclusions of Law

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

2. Because of the immediate need for additional revenues the effective date of this order should be the date hereof.

INTERIM ORDER

IT IS ORDERED that:

1. After the effective date of this order, applicant California Water Service Company is authorized to file for its East Los Angeles District the 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, 1980, applicant is authorized to file an advice letter, with appropriate work papers, requesting the 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 in the event that the East Los Angeles District 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, 1980, exceeds the lower of (a) the rate of return found reasonable by the Commission for applicant during the corresponding period in the then most recent rate decision or (b) 10.28 percent. Such filing shall comply with General Order No. 96-A. The requested step rates shall be reviewed and, if appropriate, approved by the staff prior to becoming effective. The effective date of the revised schedule shall be no sooner than January 1, 1981, or thirty days after the filing of the step rates, whichever comes later. The revised schedule shall apply to service rendered on and after the effective date thereof.

3. On or after November 15, 1981, applicant is authorized to file an advice letter, with appropriate work papers, requesting the 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 in the event that the East Los Angeles District 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, 1981, exceeds the lower of (a) the rate of return found reasonable by the Commission for applicant during

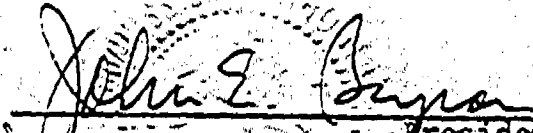
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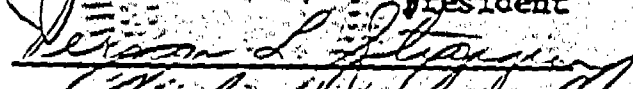
the corresponding period in the then most recent rate decision or (b) 10.46 percent. Such filing shall comply with General Order No. 96-A. The requested step rates shall be reviewed and, if appropriate, approved by the staff prior to becoming effective. The effective date of the revised schedule shall be no sooner than January 1, 1982, 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.

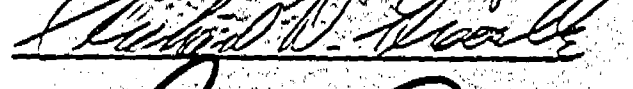
4. This proceeding will be held open in order to determine whether the rate designs for ~~1980~~¹⁹⁸¹ and 1982 adopted herein are appropriate or should be further modified in order to promote conservation. *thj*

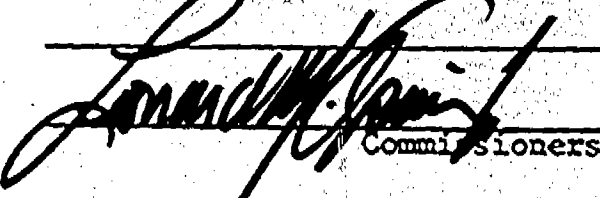
The effective date of this order is the date hereof.

Dated APR 2 1980, at San Francisco, California.



President






Commissioners

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

Schedule No. EL-1

East Los Angeles Tariff AreaGENERAL METERED SERVICEAPPLICABILITY

Applicable to all metered water service.

TERRITORY

East Los Angeles, Commerce and vicinity, Los Angeles County.

RATES

	<u>Per Meter</u> <u>Per Month</u>	
Service Charge:		
For 5/8 x 3/4-inch meter	\$ 4.22	
For 3/4-inch meter	6.20	(I)
For 1-inch meter	8.50	|
For 1 1/2-inch meter	11.90	|
For 2-inch meter	15.00	|
For 3-inch meter	28.00	|
For 4-inch meter	38.00	|
For 6-inch meter	64.00	|
For 8-inch meter	95.00	|
For 10-inch meter	118.00	(I)
Quantity Rates:		
For the first 300 cu.ft., per 100 cu.ft.	0.371	
For the next 29,700 cu.ft., per 100 cu.ft. ....	.500	(I) (T)
For all over 30,000 cu.ft., per 100 cu.ft. ....	.473	(I) (T)

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.

APPENDIX B

East Los Angeles Tariff Area

AUTHORIZED INCREASE IN RATES

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.

	<u>Rates to be Effective</u>	
	<u>1-1-81</u>	<u>1-1-82</u>
Service Charge:		
For 5/8 x 3/4-inch meter	\$ 0.04	\$ 0.12
For 3/4-inch meter	.40	.35
For 1-inch meter	.50	.50
For 1 1/2-inch meter	.70	.70
For 2-inch meter	1.00	1.00
For 3-inch meter	2.00	2.00
For 4-inch meter	2.00	2.00
For 6-inch meter	4.00	4.00
For 8-inch meter	6.00	5.00
For 10-inch meter	7.00	6.00
Quantity Rates:		
For the first 300 cu.ft., per 100 cu.ft.	0.004	0.011
For the next 29,700 cu.ft., per 100 cu.ft.	.018	.011
For all over 30,000 cu.ft., per 100 cu.ft.	.018	.010