

Decision No. 92516 DEC 16 1980

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
SANTA PAULA WATER WORKS, LTD., a)
California corporation, for authori-)
zation to increase its rates for)
water service.)

Application No. 59527
(Filed March 21, 1980)

Gibson, Dunn & Crutcher, by Raymond L. Curran, Attorney at Law, for applicant.
William C. Bricca, Attorney at Law, and Robert M. Mann, for the Commission staff.

O P I N I O N

Introduction

Applicant, Santa Paula Water Works, Ltd., seeks authority to increase rates for water service in its service area located in the city of Santa Paula and vicinity, in Ventura County. The annual step rates proposed through the year 1981 were designed to increase revenues by approximately \$257,200 (32.0 percent) in 1980 and by an additional amount of approximately \$76,500 (9.3 percent) in 1981. The decision authorizes one increase of rates, based on applicant's 1981 revenue requirement. This will avoid authorizing successive increases only weeks apart, which would result in two successive billing prorations for some of applicant's customers and a single proration involving three rate levels for other customers.

Hearings

After notice, including a customer mailing, a public hearing was held before Administrative Law Judge Levander on June 5, 1980, in Los Angeles. The matter was submitted on that date subject to receipt

of late-filed exhibits (and supplements to those exhibits) and to receipt of applicant's statement on the appropriate level for purchased power costs, which have been received. There was no customer participation at this hearing. However, approximately 14 customers participated in a noticed public meeting held in Santa Paula on April 30, 1980. One of those customers complained about a water quality problem, which has been resolved.

Reasons for Increases

Applicant's vice president and general manager Wilde testified that applicant has tried to keep its expenses down through tight procurement control, but that increases, particularly for power, payroll, and ground water pumping taxes, have eroded applicant's rate of return. He testified that applicant was evaluating alternative solutions to cope with a long-term deterioration in the quality of its local water supplies and that further deferral of needed maintenance, made necessary by the lack of funds, should be avoided to prevent a deterioration of the quality of applicant's service. He also testified that (a) applicant's conservation efforts (described below) have been instrumental in lowering water sales; (b) lower revenues, due to the lowered water sales coupled with increased expenses, have resulted in continuing declines in its rate of return; and that (c) by letter dated June 2, 1980, the city of Santa Paula stated that it would not pay for public fire hydrant service, after January 1, 1980, as permitted by Assembly Bill 1653.

The loss of \$5,350 in fire hydrant revenues is not reflected in the results of operation studies prepared by applicant or by the staff, but this loss is reflected in the adopted results.

Transfer of Control of Applicant

By D.90217 dated April 24, 1979 in A.58695, Park Water Company (Park) was authorized to purchase applicant's common and preferred stocks. The acquisition was completed on January 23, 1980.

Park plans to initially operate applicant as an independent, self-contained entity. Park plans to gradually make the following changes to coordinate applicant's operations with its existing operations: (a) contract with a computer company to provide applicant's billing services; (b) arrange for a transition in insurance coverages; (c) integrate applicant's personnel into its retirement plan; and (d) coordinate wage levels.

Applicant's cost of living increases had been made effective in mid-year; Park's cost of living increases are made at the beginning of the year. On February 3, 1980 Park increased the wages of applicant's employees by 7 percent to bring them into phase with those of its existing employees. Park will provide major accounting services for applicant and it will initially assume the costs of providing that service. Park anticipates that it will take approximately two years to accomplish the transition in control and that economies would flow from centralizing accounting procedures and from the revamping of applicant's billing services. Park will file consolidated income tax returns with applicant.

This decision will follow the procedure adopted by applicant and the staff of treating applicant as a separate entity. There were no estimates made in this proceeding to allocate common plant and expense during this transition period.

Applicant's Conservation Program

Applicant has and is continuing to publicize the proper and beneficial uses of water to its customers. Due to drought conditions applicant distributed water conservation kits in 1977. It has an ongoing program to reinforce customer awareness of the beneficial effects of water conservation. These efforts include describing methods of leak detection and of proper irrigation techniques for landscaping, promoting full clothes washer and dishwasher loads, installing devices to reduce water used to flush toilets, working with the local fire department to reduce water use in their practice drills, and displaying conservation messages in its business office.

Irrigation customers served by applicant are reducing the amount of water used per acre irrigated primarily by changing to water-saving, drip irrigation methods to replace furrow irrigation.

In its own operations applicant is conserving water by reducing main flushing, not topping reservoirs, continuing an aggressive leak detection program, minimizing irrigation of its own landscaping, and by participating in countywide programs including public meetings oriented toward the furtherance of water conservation measures and practices on an industrywide basis.

Applicant is also using surface water diversions to meet the needs of its irrigation customers to the maximum extent possible to reduce energy use in its irrigation system wells. It monitors pumping records and pump efficiency tests

and, when necessary, renovates equipment to improve pumping efficiencies and to reduce its energy use. However, when possible, applicant is selectively pumping its wells to provide less highly mineralized water to its customers.

Rate of Return

Applicant's Request

Applicant requests a 10.00 percent return on its rate base for test years 1980 and 1981. Applicant projects a continuing decline in its rate of return on rate base from 5.68 percent for 1978 adjusted (3.82 percent for 1978 recorded) to 4.32 percent, 2.93 percent, and 1.51 percent for estimated years 1979, 1980, and 1981, respectively. Applicant states that the projected decline in its earnings is (a) primarily due to the impact of inflation on its costs, (b) affected by declining water use, and (c) affected by increased maintenance expense required for its aging water system. Applicant must also raise capital to replace old undersize mains and to develop other sources of good quality water.

Applicant contends that its present and projected revenues provide an insufficient cash flow to fund system improvements and make it extremely difficult, if not impossible, to obtain needed long-term financing of \$350,000 to \$500,000 at favorable terms. Applicant's common stockholders have not received dividend payments since 1974 and applicant did not anticipate paying common dividends before 1981.

Applicant's original estimate of its end-of-year capital structure and costs did not reflect additional financing completed in 1979^{2/} and the additional long-term debt financing anticipated by applicant. The tabulation below shows applicant's revised estimate of its December 31, 1981 capital structure with a total capitalization equal to its revised rate base estimate.

<u>Component</u>	<u>Amount (Thousands)</u>	<u>Ratio</u>	<u>Cost Factor</u>	<u>Weighted Cost</u>
Debt	\$ 448	23.40%	12.75%	2.98%
Preferred Stock	750	39.10	5.00	1.96
Common Equity	<u>720</u>	<u>37.50</u>	13.49	<u>5.06</u>
Total	<u>\$1,918</u>	<u>100.00</u>		<u>10.00</u>

^{2/} Applicant's outstanding debt totaled \$185,358 on December 31, 1979. Park subsequently paid off all of applicant's outstanding debt in exchange for its \$190,000 note. The terms of that note had not been determined at the time of hearing.

Staff Recommendation

After obtaining updated information from applicant, the staff made the following estimates of applicant's capital structure at December 31, 1981 to yield applicant's requested 10.00 percent rate of return on rate base:

Assumption 1

<u>Component</u>	<u>Amount (Thousands)</u>	<u>Ratio</u>	<u>Cost Factor</u>	<u>Weighted Cost</u>
Debt	\$ 673	30.83%	12.75%	3.93%
Preferred Stock	750	34.36	5.00	1.72
Common Equity	<u>760</u>	<u>34.81</u>	12.50	<u>4.35</u>
Total	<u>\$2,183</u>	<u>100.00%</u>		<u>10.00%</u>

Assumption 2^{a/}

Debt	\$ 473	23.85%	12.75%	3.04%
Preferred Stock	750	37.82	5.00	1.89
Common Equity	<u>760</u>	<u>38.33</u>	13.23	<u>5.07</u>
Total	<u>1,983</u>	<u>100.00%</u>		<u>10.00%</u>

a/ Assumption 2 reflects the exclusion of \$200,000 of debt financing to delete funding for plant additions, deferred by applicant, beyond December 31, 1981.

The staff has recently recommended returns on common equity in the range of 13 percent for Class A water utilities. The staff considered (a) applicant's history of providing good service, (b) its relatively inexpensive capital structure largely comprised of 5 percent preferred stock, (c) the lack of paid common dividends for the last five years, and (d) applicant's anticipated needs for long-term financing. The staff concludes that a 10.00 percent rate of return on rate base with a corresponding range between 12.50 percent to 13.23 percent return on common equity is fair and reasonable.

Adopted Capital Structure

Applicant's revised capital structure gives consideration to later planned net reductions in its construction program and reflects a lesser requirement of high cost debt (which may turn out to be underpriced). We will adopt the components of applicant's estimated capitalization. The interest expense associated with that debt requirement will be used in the income tax computation for 1981. Applicant's proposal, designed to yield a return on common equity of 13.49 percent, is reasonable. Applicant must secure financing for substantial additional nonrevenue-producing plant improvements in a slow growth area. Applicant is providing good quality water service and needs to make substantial system improvements to avoid deterioration of its service.

Results of Operation

The estimated results of operation for test year 1981 are shown on Table I. The adopted rates will increase revenues by \$322,300 (41.20 percent) in test year 1981. The adopted rates were designed to yield a 10.00 percent rate of return on the adopted rate base. The differences in estimates between applicant and the staff are discussed below.

TABLE I

SANTA PAULA WATER WORKS, LTD.
Estimated Results of Operation
 Test Year 1981

Item	Present Rates			Authorized
	Applicant	Staff	Adopted	Adopted
	Results	Results	Results	Results
(Dollars in Thousands)				
Operating Revenues	\$ 819.4	\$ 789.7	\$ 782.2	\$1,104.5
<u>Operating Expenses</u>				
Purchased Water	56.5	56.1	51.6	51.6
Purchased Power	123.9 ^{a/}	109.5 ^{a/}	171.8 ^{e/}	171.8 ^{e/}
Uncollectibles	1.1	1.1	1.1	1.6
Other O & M	273.4	273.0	273.0	273.0
Admin. & General	207.5	211.8	205.5	205.5
Subtotal	662.4 ^{b/}	651.5	703.0	703.5
Depreciation Expense	70.5 ^{c/}	69.0	70.5	70.5
Taxes Other Than Income	44.2	44.2	42.2	42.2
Income Taxes	4.4 ^{d/}	11.7	.2	96.5
Total Oper. Exp.	781.5	776.4	815.9	912.7
Net Operating Revenue	37.9	13.3	(33.1)	191.8
Rate Base	1,918.0	2,073.6	1,918.0	1,918.0
Rate of Return	1.98%	0.64%	(1.72%)	10.00%

(Negative)

a/ At January 1, 1979 Edison rates.

b/ Applicant's estimated expenses are approximately \$500 higher at proposed rates than at present rates, apparently an increase in uncollectible expense. Applicant did not explain why it revised its operating expense estimate to \$666,317 in late-filed Exhibit 11.

c/ Applicant reduced its plant estimates. In late-filed Exhibit 11 it also reduced its depreciation expense to \$70,500.

d/ Calculated at current tax rates to reflect applicant's revision of depreciation expense and of interest expense.

e/ At October 9, 1980 Edison rates (\$109,300 at January 1, 1979 rates).

Operating Revenues

Both applicant and the staff prepared computer regression analyses to develop estimates of weather-sensitive consumption. The staff had the benefit of later 1979 recorded data for its analysis. The staff analysis reflects a higher use per commercial and industrial customer and a lower use per public authority customer than estimated by applicant. Applicant reduced the trended use per commercial customer by 4 percent to account for long-term conservation practices.

The staff estimates a slower growth in customers than applicant based on later data than used by applicant. We will adopt the staff's customer estimates.

As a result of the 1977-1978 drought, flow restricters and devices to reduce the volume of water in toilet tanks on existing construction were installed. More water-efficient plumbing facilities are required for new construction. The adopted annual use per commercial customer of 238 Ccf for 1981 is an average of the estimates of applicant and the staff to consider later data and the step impact of drought-induced conservation.

In applicant's service area, industrial use per customer does not correlate well with climatic variations. Much of this use is related to the size of crops processed. There are extensive citrus crops produced in applicant's service area. We will adopt the staff's later annual estimate of use per industrial customer of 3,207 Ccf for 1981. The staff estimates of irrigation use and resale volumes, based on later data than used by applicant, are adopted.

The adopted 1981 revenue at present rates is \$782,200. The corresponding revenue at applicant's proposed rates is \$1,131,400. These adopted amounts do not include any public fire hydrant revenues.

Source of Supply Expenses

Differences in groundwater extraction charges are related to differences in water sales volumes and unaccounted-for-water. The adopted revenue estimates are based on sales of 2,360.2 MCcf for 1981. The following tabulation contains the breakout of adopted groundwater charges by classification which uses the later staff estimate of 11.0 percent for unaccounted-for-water for 1981. There is no groundwater charge for gravity irrigation water supplied from stream diversions.

<u>Classification</u>	<u>Cost Per Acre-foot</u>	<u>Acre-feet Extracted^{a/}</u> <u>1981</u> (Thousands)	<u>Cost for Ground-water Extraction</u> <u>1981</u>
Domestic	\$11.44	4,438	\$50.8
Irrigation pumped ^{b/}	2.86	507	1.4

a/ Includes unaccounted-for-water.

b/ Stream diversions for the gravity irrigation water supply are 958 AF in 1981.

Purchased Power Expense

The cost of purchased power for pumping is the largest item in applicant's operating expenses. Applicant's results of operation study developed purchased power expenses based upon the rates of its electric supplier, Southern California Edison Company (Edison) as of January 1, 1979. The Commission staff results of operation study incorporated an increase in the Edison energy cost adjustment billing factor (ECABF) which became effective on January 31, 1980.

The central issue herein is which Edison rate level should be used in the adopted results of operation. Applicant notes that another ECABF became effective on May 20, 1980.^{1/}

Applicant contends that Commission adoption of the later and substantially higher electric rates used by staff would prevent it from earning its requested 10 percent rate of return on rate base, which the staff found reasonable. Applicant requests that (a) the Commission use Edison's January 1, 1979 rates in computing the adopted results of operation and that (b) it be permitted to use the Commission's offset procedure to recover increased purchased power expenses resulting from the later electric rate increases.

Applicant bases its request on the assumption that the highest rates which can be authorized herein are those requested by it. Applicant states that if there were some procedure to allow for adopted rates to be increased above those requested to include known changes in purchased power expenses, use of the latest electric power rates would be immaterial to it. However, absent such a procedure, it should be given the opportunity to earn the requested rate of return through use of the January 1, 1979 level of electric rates.

^{1/} The ECABF was subsequently increased as of July 5, 1980 and reduced as of October 9, 1980.

The staff approach is valid when the revenue requirement adopted by the Commission is sufficient to provide an applicant with the opportunity to earn a reasonable rate of return and to recover increased expenses for items such as purchased water or purchased power due to higher rate levels for those expenses. In this instance, use of updated actual rates eliminates the need and expense required to process an advice letter offset increase and does not exceed the level set forth in applicant's notice to its customers and to the public. We will use Edison's October 9, 1980 rates in the adopted results of operation.

Due to the frequency and magnitude of increases in items such as purchased power and purchased water expenses, the Commission has permitted water utilities to expeditiously recover such increases for the financial stability of the utilities. On the other side of the coin, utilities should promptly file advice letters to flow through rate reductions for such expenses to their customers.

Applicant recalculated its recorded 1978 power bills using Edison's January 1, 1979 rates as a base for its 1979, 1980, and 1981 power bill estimates. The staff used recorded 1979 power consumption as a base for its 1980 and 1981 estimates. Applicant's estimates show an increase in kWh power use per acre-foot (AF) pumped from 581 kWh/AF in 1978, to 607 kWh/AF in 1979, to 612 kWh/AF in 1980, and to 616 kWh/AF in 1981.

Applicant estimated a 1979 energy requirement of 3,106,609 kWh to extract 5,120 AF of groundwater and for necessary boosting. However, in recorded year 1979 applicant used 2,636,048 kWh for these purposes to produce 4,852 AF of groundwater, an average of 543 kWh/AF which is 64 kWh/AF below its estimate.

The power requirements per unit of groundwater extracted in 1978 could be expected to be higher than normal since these extractions reflected depletion of the underground water table due to a prolonged drought. The 1979 base year used by the staff would reflect some replenishment of the groundwater basin. Adopted purchased power expense, tabulated below, is based on the staff analysis, modified to reflect adopted sales and unaccounted-for-water and Edison's October 9, 1980 rates.

	<u>Energy Use</u> MkWh	<u>Nonenergy</u> <u>Rate Charges</u>	<u>Base Rate</u> <u>Energy Charges</u> (Thousands of Dollars)	<u>Adjustment</u> <u>Clauses</u> <u>Energy Cost*</u>	<u>Total</u> <u>Purchased</u> <u>Power</u>
Purchased Power					
1981	2,683.8	\$30.7	\$24.4	\$116.7	\$171.8

* Includes California Energy Commission tax.

Regulatory Commission Expenses

Applicant amortized an estimated \$50,000 over five years beginning in 1979 to recover the expenses of this proceeding. Applicant's witness testified that unanticipated expenses were incurred in organizing and furnishing his work papers to comply with the Commission's Regulatory Lag Plan. At the time of hearing the engineering expenses incurred exceeded \$30,000. Legal expenses had not been determined. The staff amortized \$40,000 over five years for regulatory expense.

The staff estimate of \$8,000 per year is reasonable. For ratemaking purposes the amortization should begin in 1981.

Other Administrative and General and
Miscellaneous Expenses

The staff adopted applicant's other administrative and general and miscellaneous expense estimates and combined these expenses. However, in certain tables the staff omitted the net deduction for miscellaneous expenses of \$6,330 in 1981.

Applicant's estimates for these other expenses will be adopted. The total adopted administrative and general expenses (including miscellaneous expenses) is \$205,500 for 1981.

Other Changes in Operating Expenses

Applicant's original estimates reflected increases of approximately \$500 between present and proposed rates, presumably for uncollectibles. However, applicant did not explain its further increase in estimated expenses of \$3,455 in 1981 as shown in late-filed Exhibit 11.

Taxes Other Than Income

Applicant's estimate for taxes other than income is \$44,217 for 1981. The staff used this amount in its revised estimates.

We will adopt \$42,200 for taxes other than income. This represents a \$2,000 reduction in applicant's ad valorem tax estimate to reflect changes in 1980 plant construction.

Income Taxes

Applicant adopted the ratable flow-through option for amortizing its federal investment tax credits over 50 years.

The adopted income taxes reflect adopted revenues, expenses, depreciation expense, and investment tax credit of \$2,500 in 1981, and the use of current state and federal tax rates.

Applicant's revised estimates of interest expense are lower than the cost of debt in its capital structure. The staff engineer's report did not reproduce his income tax computations. It appears that he used applicant's original estimate of interest expense.

Both applicant and the staff financial witness used 12.75 percent for the cost of debt. In calculating adopted income taxes an interest deduction of \$57,100 was used in 1981 to reflect \$448,000 of debt at 12.75 percent in the adopted capital structure.

Depreciation Expense

Applicant set forth the basis of its estimates for depreciation expense on the straight-line remaining life method prescribed by the Commission. The staff did not explain the basis for its lower estimates nor did it challenge the basis of applicant's estimates. In late-filed Exhibit 11, applicant reduced its depreciation expense estimates to reflect reductions in new plant expenditures.

We will adopt applicant's revised 1981 depreciation expense estimate.

Applicant made a corresponding reduction of its estimate of reserve for depreciation.

Rate Base

The staff modified applicant's 1980 and 1981 estimates to reflect recorded end-of-year 1979 rate base items. Applicant subsequently revised the elements of its rate base estimates to reflect the recorded end-of-year 1979 and to reflect its revised plan to arrest further water quality deterioration by seeking alternate sources of supply through modification of an existing well to avoid use of certain aquifers or to drill and equip another well rather than build a water treatment plant. The net effect of these changes reduces applicant's rate base estimates.

Applicant's revised 1981 rate base estimate is adopted.

Federal Voluntary Wage and Price Guidelines

Applicant states that based on its showing in late-filed Exhibits 9 and 9-1, it is in compliance with the wage standards^{3/} for 1980 and 1981 and with the price standards through September 30, 1980 (the latest date established for such standards). It requests that if the granting of its requested rate increase would result in exceeding standards which have not yet been set for 1981, an exemption be allowed on the basis that the requested increase is cost-justified and is not intended to increase allowed profit margins beyond that justified by current and projected capital costs.

Applicant will receive limited benefits in 1980 from the increase authorized herein. Applicant's existing earnings are deficient. Due to inflation, applicant must pay more for replacement facilities than for the plant being replaced. In addition, some main replacements must be enlarged to meet current fire-flow requirements. Applicant's capital requirements for improving its water supply are substantial. The increase authorized herein is needed to attract capital and debt at reasonable costs. If necessary, applicant should be granted an exemption from a 1981 profit margin standard.

^{3/} However, applicant does not know if it will have to increase wages beyond its projections to retain a competent work force. However, applicant believes it will still be able to comply with the wage standards.

Rates

The following tabulations show applicant's present rates, proposed rates, and authorized rates for 1981 for the following classifications: general metered service, limited measured irrigation service, and fire sprinkler service. Applicant is not seeking changes in the special conditions applicable to these schedules. Applicant did not seek an increase for public fire hydrant service. As noted above, applicant will receive no revenue from this source.

The staff did not take exception to applicant's rate design proposal.

Applicant was granted two offset increases in 1978 totaling 13 percent, none of which was applied to the service charges. The general metered service rates authorized by this decision will result in a 29 percent increase to customers using the lifeline quantity of 300 cubic feet of water monthly. The present service charges for the larger meters do not increase in accordance with standard practice; therefore, applicant's request for greater increases in these service charges has been considered, but not to the extent requested. However, 86 percent of these customers have 5/8 x 3/4-inch meters and another 11 percent have 1-inch meters.

The reductions needed to achieve the adopted revenue requirement for 1981 will be made by reducing applicant's requested general metered service quantity rates by approximately equal percentages.

General Metered Service
Rates Per Meter Per Month
Proposed Authorized
Present 1981 1981

Quantity Rates:

First 300 cu.ft., per 100 cu.ft.	\$ 0.305	\$ 0.385	\$ 0.365
Over 300 cu.ft., per 100 cu.ft.	0.336	0.477	0.452

Service Charge:

For 5/8 x 3/4-inch meter	\$ 2.25	\$ 3.00	\$ 3.00
For 3/4-inch meter	2.50	3.50	3.50
For 1-inch meter	3.00	4.75	4.50
For 1-1/2-inch meter	4.00	7.75	6.00
For 2-inch meter	5.00	11.00	8.25
For 3-inch meter	7.00	18.25	15.00
For 4-inch meter	9.00	27.75	21.00
For 6-inch meter	14.00	50.00	35.00
For 8-inch meter	20.00	75.00	51.00

Limited Measured Irrigation Service
Rates Per Miner's-Inch Day
Proposed Authorized
Present 1981 1981

Quantity Rates:

For gravity flow prior to the commencement of pumping operations	\$0.774	\$1.10	\$1.10
When gravity flow is insufficient to supply all of the utility's irrigation customers and pumping operations of the utility are necessary	1.545	2.20	2.20

Minimum Charge:

For each irrigation water delivery	\$7.30	\$9.50	\$9.50
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Fire Sprinkler Service
Per Service Proposed Authorized
Per Month 1981 1981

Rate:

For each inch of diameter of fire sprinkler service	\$1.00	\$1.40	\$1.40
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Findings of Fact

1. Applicant's conservation program is satisfactory.
2. Applicant needs to arrest the water quality deterioration of its water supply.
3. Applicant proposes to modify an existing well or drill a new well to avoid construction and operation of a more costly water treatment plant.
4. Applicant needs to replace and upgrade older portions of its distribution system to avoid a deterioration in water service and to meet higher fire-flow requirements.
5. The well construction and replacement programs will not generate additional revenues.
6. Applicant has been acquired by Park. Applicant's operations will initially be handled as an independent unit. There will be a transition period for meshing the billing and administrative functions of applicant with Park. Park will absorb certain charges during the transition.
7. For purposes of this proceeding, applicant should be treated as an independent operation.
8. A rate of return of 10.00 percent on rate base is reasonable. This rate of return will yield a return on common equity of 13.49 percent using the adopted capital structure.
9. Applicant is in need of additional revenues, but the rates requested would produce an excessive rate of return.
10. The Commission has set up a procedure to permit water utilities to seek offset rate increases to expeditiously recover substantial and frequent increases in operating expenses for items such as purchased water expense and purchased power expense which could materially affect the financial ability of these utilities to meet their obligations and to provide high quality water service. Reductions in such expenses can be expeditiously reflected in rate reductions.

11. It is reasonable to use updated Edison rates in the adopted results of operation. Use of these later rates will not prevent applicant from earning the adopted rate of return within the limits of its request for rate relief.

12. The adopted results of operation shown in Table I show that an increase in revenues of \$322,300, or 41.20 percent, for test year 1981 will allow applicant to earn its authorized rate of return.

13. Applicant's basic rate proposals, modified to reflect the lower adopted level of rate relief authorized, are reasonable. These rates are set forth in Appendix A attached to this decision.

14. The increase authorized herein is in compliance with the President's Council on Wage and Price Stability Guidelines for 1980.

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

Conclusions of Law

1. The application should be granted to the extent provided by the following order. The increased rates are just and reasonable.

2. Applicant would operate at a loss at present rates in the 1981 test year. Because of applicant's immediate need for increased revenues, the effective date of this order should be the date hereof.

O R D E R

IT IS ORDERED that after the effective date of this order, Santa Paula Water Works, Ltd. is authorized to file the revised rate schedules for 1981 shown in the attached Appendix A. Such filing shall comply with General Order No. 96-A. The effective date of the revised rate schedules shall be four days after the date of filing. The revised schedules shall apply only to service rendered on and after the date thereof.

The effective date of this order is the date hereof.

Dated DEC 16 1980, at San Francisco, California.

John E. Conroy
President

Richard D. Greville
Clair J. Erick

Commissioners

Commissioner Vernon L. Sturgeon, being necessarily absent, did not participate in the disposition of this proceeding.

Commissioner Leonard M. Grimes, Jr., being necessarily absent, did not participate.

Schedule No. 1

GENERAL METERED SERVICE

APPLICABILITY

Applicable to general metered water service.

TERRITORY

Santa Paula and vicinity, Ventura County.

RATES

Quantity Rates:

	<u>Per Meter Per Month</u>
First 300 cu.ft., per 100 cu.ft.....	\$ 0.365
Over 300 cu.ft., per 100 cu.ft.....	\$ 0.452

Service Charge:

For 5/8 x 3/4-inch meter.....	\$ 3.00
For 3/4-inch meter.....	3.50
For 1-inch meter.....	4.50
For 1-1/2-inch meter.....	6.00
For 2-inch meter.....	8.25
For 3-inch meter.....	15.00
For 4-inch meter.....	21.00
For 6-inch meter.....	35.00
For 8-inch meter.....	51.00

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.

Schedule No. 3ML

LIMITED MEASURED IRRIGATION SERVICE

APPLICABILITY

Applicable to all measured irrigation service furnished on a limited basis.

TERRITORY

Santa Paula and vicinity, Ventura County.

RATES

	<u>Per Miner's-Inch Day</u>
<u>Quantity Rates:</u>	
For gravity flow prior to the commencement of pumping operations.....	\$ 1.10
When gravity flow is insufficient to supply all of the utility's irrigation customers and pumping operations of the utility are necessary.....	2.20
 <u>Minimum Charge:</u>	
For each irrigation water delivery.....	<u>Per 24-hour Day or Any Portion Thereof</u> \$ 9.50

SPECIAL CONDITIONS

1. Service under this schedule is limited to the lands being rendered irrigation service as of February 15, 1954.
2. Requests for each irrigation water delivery shall be made to the utility not less than 48 hours in advance of the time said delivery is desired.
3. A miner's-inch day is defined as the volume resulting from a continuous flow of one-fiftieth of a cubic foot of water per second for 24-hour period.

FIRE SPRINKLER SERVICE

APPLICABILITY

Applicable to all fire sprinkler service.

TERRITORY

The incorporated City of Santa Paula and adjacent unincorporated areas, Ventura County.

RATES

	<u>Per Service Per Month</u>
For each inch of diameter of fire sprinkler service.....	\$1.40

SPECIAL CONDITIONS

1. The customer will pay, without refund, the entire cost of installing the fire sprinkler service.
2. The minimum diameter for fire sprinkler service will be 4 inches and the maximum diameter will be not more than the diameter of the main to which the service is connected.
3. The customer's installation must be such as to effectively separate the fire sprinkler system from that of the customer's regular water service. As a part of the sprinkler service installation there shall be a detector check or other similar device acceptable to the Company which will indicate the use of water. Any unauthorized use will be charged for at the regular established rate for General Metered Service, and/or may be grounds for the Company's discontinuing the fire sprinkler service without liability to the Company.
4. There shall be no cross-connection between the fire sprinkler system supplied by water through the Company's fire sprinkler service to any other source of supply without the specific approval of the Company. This specific approval will require, at the customer's expense, a special double check valve installation or other device acceptable to the Company. Any unauthorized cross-connection may be the grounds for immediately discontinuing the sprinkler service without liability to the Company.