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ORIGINAL

Decision No. 92605 JAN 21 1981

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 Pomona Valley District.)

Application No. 59594
(Filed April 9, 1980)

O'Melveny & Myers, by Guido R. Henry, Jr.,
Attorney at Law, for applicant.
Miki Bratt, Water Consultant, for League
of Women Voters of Claremont, interested
party.
Robert Cagen, Attorney at Law, for the
Commission staff.

O P I N I O N

Introduction

Southern California Water Company (SoCal) seeks authority to increase the rates in its Pomona Valley District (District). The District's service area includes virtually all of the city of Claremont, some adjacent unincorporated areas in Los Angeles County, and a small area in the cities of Montclair and Upland in San Bernardino County. The service area is primarily residential in nature.^{1/}

^{1/} SoCal provides water service to five divisions in 19 districts in Contra Costa, Imperial, Lake, Los Angeles, Orange, Riverside, Sacramento, San Bernardino, San Luis Obispo, Santa Barbara, and Ventura Counties and electric service near Big Bear Lake in San Bernardino County.

In the past SoCal rendered service in the District through two separate water systems and service areas. However, on March 18, 1980, the Commission issued D.91436 in A.59165 permitting SoCal to transfer certain utility properties to Park Water Company (Park) and to receive other properties from Park. SoCal now provides service in the District through one integrated water system.

Proposed Increases

SoCal prepared a results of operation study for test years 1979 through 1982, proposing increases of (a) \$549,900 (39.42 percent) in 1979 over present rates; (b) \$32,400 (1.59 percent) in 1980; (c) \$74,000 (3.43 percent) in 1981; and (d) \$137,800 (5.96 percent) in 1982.

Reasons for Increases

SoCal contends that it needed a rate increase because its rate of return is low. It states that the main causes for its low rate of return were a larger rate base and increases in the costs of purchased water and power, labor, payroll taxes, liability insurance, depreciation, and capital. In addition, its sales have declined because of its conservation activities and because of past drought conditions.

Public Meeting

Pursuant to the Regulatory Lag Plan, notice was given and an informal public meeting was held by the Commission staff in Claremont on April 24, 1980. Twenty-five people attended that meeting. The city of Claremont (Claremont) and the League of Women Voters of Claremont (League) brought up several rate design proposals, questioned the adequacy of SoCal's planning to avoid water losses due to leaks and to avoid tearing up streets, and inquired about the adequacy of SoCal's storage. Several customers complained of low water pressures at their homes.

Hearings

After due notice, public hearings were held before Administrative Law Judge Jerry Levander in Los Angeles on August 12 and 13, 1980. The matter was submitted subject to the filing of late-filed exhibits and of concurrent closing briefs, which have been received.

The hearing on August 12 was reserved for testimony from public witnesses. The only public witness presented a letter which was incorporated into the Commission's correspondence file. She objected to SoCal's proposals for retroactive rate increases.

SoCal intended that the District's rate increases be authorized prospectively. Another customer letter characterizes SoCal's notice as being devious because the rates authorized would consist of the sum of an initial 40 percent increase requested for 1979 and of relatively small additive increases in subsequent years (e.g., 1.7 percent in 1980).

In Exhibit C, attached to the application, and in its notices SoCal shows proposed rate levels effective as of January 1, 1979 through January 1, 1982. SoCal's pro forma rate proposal is confusing. SoCal was not explicit in stating that the requested general rate increases were prospective in nature. SoCal should have devised a clear method of explaining that it sought an initial 41 percent increase in revenues in 1980.

At hearings evidence was presented by SoCal and by the Commission staff. The League provided a conceptual rate design study for the record but did not present any evidence.

Rate of Return and Central Office Allocations

In A.59426 SoCal and the staff submitted evidence on appropriate systemwide rates of return and on allocations of central office rate base and expenses to SoCal's districts. The parties agreed to receive as exhibits in this proceeding the A.59426 exhibits and the related transcript excerpts of SoCal and staff witnesses testifying on those issues. In this proceeding, SoCal stipulated to the staff's central office allocations. The parties also agreed that the rates of return found reasonable in A.59426 should be adopted in this proceeding, since SoCal's financial requirements and capital structure are determined on a companywide basis.

Based on that procedure the rates of return adopted in D.92244, dated September 16, 1980, in A.59426 establish ceilings for rates of return of 9.83 percent for 1981 and of 9.96 percent for 1982. The related return on common equity each year is 13.40 percent.

Attrition

Because of operational and financial attrition,^{2/} SoCal will not achieve the rates of return adopted in D.92244, even with the offset rate relief for purchased water and energy expenses authorized below. The staff estimates, and SoCal concurs, that an operational attrition rate of 0.75 percent, resulting in an additional revenue requirement of \$66,000 in 1982, is reasonable.

So the operational attrition rate of 0.75 percent should be added a financial attrition rate of 0.13 percent from additions of capital proposed by SoCal, yielding a total step increase of \$78,100 (3.38 percent) in 1982.

The staff recommends that SoCal file supporting papers on or after November 15, 1981 to justify further increases in rates. The staff witness would recommend a reduction of the offset if the authorized rate of return was exceeded, but he probably would not recommend an increase in the step increase if the rate of return was below that authorized. The staff's proposal for a 1982 attrition offset based on a recorded year ending October 31, 1981 is reasonable and will be adopted.

^{2/} Operational attrition is due to the inflationary factors listed under Reasons for Increases, supra, to conservation and also occurs when rate base increases faster than net revenues. For example, when SoCal replaces worn-out plant with costly new facilities, rate base is increased, but the investment does not result in any increase in sales. Financial attrition is caused by infusions of higher cost capital into the capital structure.

Position of the League

The League raised several issues at the hearings and through correspondence on SoCal's proposed rate design which were addressed by SoCal and by the staff and will be discussed further in the rate section of this decision. In addition, the League expressed concern about the possibility of SoCal's becoming a participant in a contemplated capital improvement project to provide more water for the Pomona Valley Municipal Water District (PV)^{3/} (a member agency of the Metropolitan Water District (MWD)), which might involve financial commitments affecting the District's ratepayers.^{4/} The League argues that the coupling of anticipated higher energy charges to pump Feather River Project water and later increases in power costs for pumping Colorado River water would substantially affect the cost of purchased water; that these increases could result in a large drop in demand and eliminate the need for a new water importing facility; that the new facility would have to be paid for whether or not any water was delivered from it; and that voters (particularly in Claremont) have rejected PV's proposals regarding the new facility in two bond elections.

3/ Through correspondence, Claremont expressed its concern on these issues.

4/ The District obtains its water supply from its own wells and from purchases from PV.

In response, SoCal stated that it had not signed any agreement involving participation in a PV capital project or for a long-term, purchased-water commitment. However, on April 4, 1980 SoCal's president by letter requested PV to consider the District's revised estimate of its capacity requirements in PV's design (see Exhibit 17). At the hearing, SoCal agreed to make either a long-term rate commitment or a financial commitment to PV the subject of an application to permit a separate evaluation of these issues.

SoCal's letter indicates proper participation in future planning with PV to meet the District's future water requirements. However, SoCal is not a disinterested observer; it is implicitly involved in planning a project strongly opposed by the League.

The League's contention that the new water supply issues should be adequately analyzed at hearings is reasonable. SoCal's agreement to file an application, if necessary, would provide the proper forum to address these issues. SoCal and the staff agree that these issues are not a part of this proceeding. The League's letters and studies show concern with proper allocation of resources, conservation, and pricing policies of SoCal. The League is also concerned with governmental policies in these areas. If the League desires to pose these issues at a future hearing relating to SoCal its sponsorship of exhibits and prepared testimony would assist the Commission.

The League desires to promote conservation and reduce peak demands. It suggests that capital costs for major water facilities could be reduced if water deliveries were made on a relatively uniform basis. It notes that the city of Pomona (Pomona) maintains storage for one day of peak demand^{5/} and inquired about the adequacy of the District's storage.

A staff study shows that SoCal takes substantial deliveries of water from PV throughout the year. SoCal uses more groundwater than purchased water, except during certain summer months.

There is a complex interrelationship between (a) short-term and long-term storage requirements, (b) average and peak demands, (c) transmission capacity, and (d) the average and peaking capability of local and imported water supplies. The needs and abilities of SoCal, PV, and MWD vary. No evidence was produced showing that SoCal was not meeting the District's current supply requirements. SoCal's planning process to meet its future requirements appears reasonable.

^{5/} From the information supplied by the League, it appears that Pomona uses the MWD system only to help meet its peak demands.

SoCal's Request for
Further Rate Relief

SoCal contends that the "sharply changing economic conditions of recent times exacerbated by a pernicious inflation of our currency have made it extremely difficult to project the future with reasonable accuracy. Significant cost increases frequently intervene between the application date and the decision date in a rate proceeding. To assure that its application requested rates reflecting such intervening increases, SoCal requests:

"WHEREFORE, Applicant prays that this Commission issue its order:

* * *

- "2. Finding that the rates and charges proposed herein are fair, just and reasonable and that the effect of increases or decreases in the rates for purchased water, energy, postage, labor, payroll tax, property tax and income taxes from those reflected in this Application but in effect at the time of Decision should be included in the rates authorized; ..."

Increases occurred in the following categories included in SoCal's prayer: labor and related payroll taxes, energy (which includes purchased electric and purchased gas expenses), and purchased water.

SoCal further contends that if the most recent information is not reflected in the rates established, it will be denied the opportunity to earn a fair rate of return during the time that it takes to complete a further rate increase proceeding; and that with respect to costs that are not permitted to be offset by advice letter proceedings, the period of unfair return will generally extend for three years because of constraints in the Regulatory Lag Plan.

Purchased Power and Water

The staff notes that a \$168,100 increase in purchased power expense due to changes in gas and electric rates between November 1, 1979 and July 1, 1980 would reduce SoCal's rate of return by approximately two percentage points. For comparison purposes, the staff used the November 1, 1979 rates.

A purchased water increase, retroactive to July 1, 1980, was adopted on August 5, 1980 by the District's supplier, PV. PV's revised rates will increase the District's purchased water expense by \$123,400 in 1981. The staff objected to updating its exhibits to reflect this late change in expense and recommended that SoCal file an advice letter seeking offset rate relief based on the stipulated quantities of purchased water and the new purchased water rates for inclusion in the base rates adopted in this decision. The rates shown in Appendix A

of this decision are based on the sum of the revenue requirement adopted in this decision plus a \$263,600 offset which includes \$123,400 for purchased water, \$168,100 for purchased power, and an allowance of \$2,100 for uncollectible expense and franchise fees (0.3025 and 0.440 percent of revenues, respectively).

SoCal filed its Advice Letter No. 580-W on August 22, 1980 based on the 1980 stipulated test year to protect its position, but it contends that its prayer to offset this increase should have been sufficient. SoCal did not file an advice letter to offset the July 1, 1980 changes in rates by its electric supplier, the Southern California Edison Company (SCE), or of subsequent changes in the rates of SCE, a rate reduction in October 9, 1980, or to reflect rate changes of its gas supplier, the Southern California Gas Company (SCG), since September 17, 1979. General rate increases for SCE and for SCG were authorized in December 1980. SoCal's subsequent energy offset rate increase should reflect the latest rates of its suppliers. ✓

Appendix B of this decision shows the adopted quantities and a breakdown of the purchased water, purchased electric, and purchased gas expenses incorporated in the adopted rates shown in Appendix A to facilitate the filing of requests for offset rate relief. We will authorize SoCal to file an advice letter to increase its rates beyond those shown in Appendix A by amounts necessary to offset its increased expenses due to changes in the rates of SCE and SCG, plus increased uncollectible expense and increased franchise fees. The total increase will be made effective four days after the date of filing, providing that it is made in conformity with this paragraph. SoCal should provide its calculation of the additional expenses in its advice letter.

Payroll Expenses

The staff argues that:

(a) increased revenues to offset increased payroll expenses is governed by Rule 23(k) of the Commission's Rules of Practice and Procedure;^{6/}

(b) since the evidence shows that increased payroll and purchased water expenses would increase the level of rates above that requested in the application, Rule 23(k) requires the filing of an amendment to the application to further increase rates, and this has not been done;

(c) SoCal's failure to comply with Rule 23(k) is no mere technical or unimportant violation because the rule is designed specifically to prevent the casual updating of expenses;

(d) there must be a time deadline beyond which increased expenses may not be filed absent formal amendment of the application to avoid chaos and confusion;

(e) if late-filed requests for increases are allowed in seemingly harmless cases, they will inevitably open the door for last-minute filings of expenses which require complex and time-consuming analysis;

6/ Rule 23(k) states:

"In the event that applicant desires to revise the level of rates shown in its original application before hearing on the same, the applicant shall file an Amendment to Application in accordance with Rule 8. Such amendment shall contain a complete revised statement of proposed changes as required by subsection (c) hereof, and the information required by subsections (e), (f) and (j) shall also be revised accordingly."

(f) customers receiving notice of the rate increase applications have not been informed of the company's request for reimbursement for increased expenses; and

(g) if customers are to be given a meaningful right of participation in the hearing process, they must be timely informed, by amendment and notice of amendment, that the company seeks additional revenue reimbursement for payroll and purchased water expenses.

The staff notes that at least with respect to the increase in purchased water expense, the company can file an advice letter request. By following the established advice letter procedure, the applicant will be compensated for increased expenses without violating Rule 23(K).

SoCal originally developed payroll costs by increasing recorded 1978 costs by estimated increases of 10 percent per year for 1979 and 1980 and by 7 percent for 1981. The staff adopted these amounts for labor costs, which it determined to be in compliance with the Voluntary Wage and Price Standards (Standards) issued by the President's Council on Wage and Price Stability.

The staff did not use later actual payroll information timely furnished by SoCal. SoCal increased wages by 11.5 percent for the year beginning October 1, 1979. SoCal misplaced the decimal in its estimate of increased administrative and general payroll expenses. SoCal's 1981 total payroll expenses increased by \$10,100 rather than \$15,900. SoCal presented uncontroverted evidence that this increase covering all the District and central office employees, except for executives, was tied to the consumer price index and in compliance with the Standards.

The major staff adjustments stipulated to by SoCal and adopted herein are summarized in the results of operation section of this decision. The staff made a more thorough review of the District's operations than SoCal to eliminate the impacts of the transferred Chino system from the District operations and used more recent data in developing all of its basic estimates, except for labor-related expenses and for expenses which may be offset by advice letter increases.

Absent information that the wage increases granted by SoCal were unreasonable, unnecessary to attract or retain a trained work force, imprudent, or in violation of the Standards, the higher wage levels should have been incorporated in the staff's expense estimates. ✓

In this instance, we will not grant SoCal's request to increase its revenues to offset the increase in payroll expense because SoCal's notices did not advise its customers of its proposal for further rate relief for easily isolated items not now covered by the offset advice letter procedure. Nor did SoCal's application define whether it proposed to change (a) service charges, (b) all commodity charges, (c) all nonlifeline commodity charges, or (d) if it proposed a percentage change, to offset each type of expense change. Had SoCal followed those procedures, an amendment to its application would not have been necessary. However, the procedure outlined in SoCal's prayer would have to be carefully monitored to avoid opening the door to continuous updating of estimates, which would serve to frustrate our ability to implement the Regulatory Lag Plan. In effect, SoCal's proposal is an offset procedure limited to the time its application is pending for certain items not covered by the advice letter offset procedure. Therefore, we will not add \$10,100 to the adopted revenues to offset increased labor costs. ✓

Results of Operation

SoCal's filed results of operation studies were based on recorded data through December 31, 1978. The staff used 1979 recorded information and some additional 1980 information. SoCal adopted the staff's adjustments to its results of operation estimates, except for those items of additional relief described above. The SoCal, staff, and adopted results of operation estimates for test year 1981 are shown on Table I. The adopted rates will increase revenues by \$726,200 (45.91 percent) in test year 1981 over the "present rates", those in effect when SoCal prepared its studies to yield a 9.57 percent rate of return. The rates contained in Appendix A also include a purchased water and purchased power offset increase of \$293,600 (18.56 percent).

The staff is expected to test the validity of all elements in a rate increase proposal. Since the staff review follows the preparation of an applicant's exhibits, later data is available and should be used by the staff. In the event that later data indicates an expense reduction is appropriate or that a proposed utility plant addition would not be built in a test year, adjustments should be made to protect the ratepayers from bearing the revenue requirements associated with an applicant's high estimates. On the other hand, if the staff review indicates that a higher expense level is appropriate or that further additions to plant or to rate base are appropriate, the staff should make those adjustments to apprise the Commission of the best information available on the applicant's results of operation. The staff should have used later payroll costs, with the above-noted correction.

TABLE I

SOUTHERN CALIFORNIA WATER COMPANY

Pomona Valley District

Estimated Results of Operation
Test Year 1981

Item	Present Rates ^{a/}				Adopted Rates ^{e/}
	Staff	Adjustments	SoCal	Adopted	
(Dollars in Thousands)					
Operating Revenues	\$1,581.9		\$1,581.9	\$1,581.9	\$2,308.1
<u>Operating Expenses</u>					
Purchased Water	525.3	123.4 ^{b/}	648.7	525.3 ^{b/}	525.3 ^{b/}
Purchased Power	488.7	168.1 ^{c/}	656.8	488.7	488.7 ^{d/}
Payroll O&M	201.4	9.5	210.9	210.9	210.9
Uncollectibles	4.8		4.8	4.8	7.0
Other O&M Expenses	183.3		183.3	183.3	183.3
Total O&M Expenses	1,403.5	301.0	1,704.5	1,413.0	1,415.2
A&G Payroll	12.0	6.4	18.4	12.6	12.6
Local Franchise Taxes	6.9		6.9	6.9	10.1
Other A&G Expenses	73.7		73.7	73.7	73.7
Total A&G Expenses	92.6	6.4	99.0	93.2	96.4
General Office Prorated	72.8		72.8	72.8	72.8
Depreciation Expense	156.4		156.4	156.4	156.4
Taxes Other Than On Income	76.8		76.8	76.8	76.8
Subtotal	1,802.1	307.4	2,109.5	1,812.2	1,817.6
Net Income Before Inc. Taxes	(220.2)	(307.4)	(527.6)	(230.3)	492.7
CCFT	(41.5)	(29.5)	(71.0)	(42.4)	26.8
Federal Tax Before ITC	(190.8)	(127.8)	(318.6)	(195.1)	104.7
ITC	52.7		52.7	52.7	52.7
FIT	(243.5)	(127.8)	(371.3)	(247.8)	52.0
Total Taxes on Income	(285.0)	(157.3)	(442.3)	(290.2)	78.8
Total Operating Expenses	1,517.1	150.1	1,667.2	1,522.0	1,896.4
Net Revenue	64.8	(150.1)	(85.3)	59.9	411.7
Wtd. Avg. Deprec. Rate Base	4,300.4		4,300.4	4,300.4	4,300.4
Rate of Return	1.51%		(1.98)%	1.39%	9.57%

(Red Figure)

^{a/} The rates in effect on June 28, 1979.^{b/} Purchased water and purchased power offset increase of \$0.067/Gcf included in Appendix A rates. ✓^{c/} SCE ECAC increase authorized as of July 7, 1980.^{d/} Authorization granted to further increase rates in Appendix A to reflect rates of SCE and SCG authorized as of December 31, 1980. ✓

We will adopt the above-noted payroll adjustment and the major staff adjustments to SoCal's results of operations estimates described below.

Water Sales

Water sales volumes and the sum of purchased water and pumped well water supplies are weather-sensitive. Power required for pumping well water reflects groundwater levels. In its studies to arrive at weather-normalized estimates for those items, SoCal excluded 1977 data which it deemed unrepresentative due to drought conditions. The staff estimates for these items used recorded data through December 31, 1979. The staff excluded 1977 and 1978 weather-related data to eliminate abnormal drought-induced impacts. Both SoCal and the staff excluded the consumption of the Chino area commercial and public authority customers transferred to Park. In addition, the staff excluded the Chino industrial consumption from its estimates. SoCal used both Claremont College station and California State Polytechnic at Pomona station weather data for its normalized use estimates. Since data from the second station were representative of climatic conditions in the transferred Chino area, the staff did not use it. The staff used the Claremont College station data for the entire Pomona district.

Unaccounted-for Water

The staff reduced SoCal's estimate of unaccounted-for water from 12.3 percent to 10.0 percent, a level achieved in the 1974 to 1976 period. The District had subsequently experienced a sharp increase in the numbers of leaks which brought unaccounted-for water up to a 16.8 percent level in 1979. SoCal recently took steps to replace or repair leaking pipes and reduced the percentage of unaccounted-for water to 13.0 percent in May 1980. At the informal public meeting and by letter Claremont, joined by the League, requested SoCal to establish and implement a plan for timely maintenance and repair of its water pipes to avoid frequent tearing up and patching of streets.

The staff estimate of unaccounted-for water is reasonable for ratemaking purposes in this proceeding. SoCal should work cooperatively with Claremont, the League, the staff, and other interested parties in reviewing its maintenance and replacement criteria to minimize disruptions to its service and to street traffic. This review should outline SoCal's procedures for working concurrently with other utilities or governmental authorities in planning replacements or repairs when these other organizations schedule major projects near SoCal's facilities. SoCal should endeavor to reduce the percentage of unaccounted-for water below the 10 percent level.

Purchased and Pumped Water and
Purchased Power

The staff estimate of purchased water is lower than SoCal's. Its estimates of pumped water and related purchased power expenses are higher than SoCal's estimates.

New mains are far more costly than the mains being replaced. There is a rate impact associated with such replacements. However, in balancing the economics of replacements against the cost of repairs, SoCal should consider the costs of wasted water and wasted energy. These costs have been increasing faster than SoCal's other operating expenses. The League's contention that the District's purchased water costs are likely to increase sharply seems valid. The costs of pumping Feather River water and subsequently Colorado River water are likely to increase sharply when the present low rate, long-term power contracts expire. In addition, the proportion of Feather River water supplied by MWD to PV will increase due to growth in demand and due to reductions in MWD's Colorado River supply as diversions are made to supply the Central Arizona Project. Purchased power costs reflect the continuing trend of increases in fossil fuel expense.

Rate Base

In this proceeding the 1981 staff adjustments to SoCal's estimates included a \$392,800 reduction in utility plant (reducing rate base), a \$369,900 decrease in advances for construction (increasing rate base), and a net increase in rate base of \$115,900 and result in an adopted rate base of \$4,300,400.

Investment Tax Credit (ITC)

The staff properly used the ITC applicable to a given test year, rather than use a five-year moving average of qualified plant additions, to avoid distortion due to the very low level of 1979 plant additions and to eliminate ITC related to the transferred Chino system.

Income Taxes

Appendix C of this decision shows the derivation of income taxes in Table 1 at adopted rates. The purchased water and purchased power offset will add equal amounts to revenue and expenses and will not change those income taxes. ✓

Rates

The following tabulation compares SoCal's present, proposed, and authorized general metered service rate schedules (PV-1). SoCal's proposal, which reduces the lifeline quantity from 5 Ccf to 3 Ccf, will be adopted. The adopted rates shown in Appendix A includes a further increase in the quantity rates for all consumption of \$0.067 for all metered service schedules above the rates proposed in Exhibit C attached to the application. The 1982 rates were designed to increase revenues by \$78,100. ✓

General Metered Service

	Per Meter Per Month			
	Present Rates	Proposed and Authorized 1981 Rates ^{a/}	Proposed 1982 Rates	Authorized 1982 Rates ^{a/}
Quantity Rates:				
First 300 cu.ft., per 100 cu.ft.	-	\$ 0.335	\$ 0.346	\$ 0.343
Over 300 cu.ft., per 100 cu.ft.	-	0.410	0.421	0.418
First 500 cu.ft., per 100 cu.ft.	\$ 0.257	-	-	-
Over 500 cu.ft., per 100 cu.ft.	0.289	-	-	-
Service Charge:				
For 5/8 x 3/4-inch meter	\$ 2.50	\$ 3.80	\$ 4.40	\$ 4.00
For 3/4-inch meter	2.75	4.20	4.90	4.50
For 1-inch meter	3.25	5.10	5.70	5.40
For 1-1/2-inch meter	5.00	10.00	12.00	12.00
For 2-inch meter	7.50	16.00	21.00	19.00
For 3-inch meter	15.50	28.00	35.00	34.00
For 4-inch meter	25.00	42.00	57.00	53.00
For 6-inch meter	50.00	77.00	92.00	85.00
For 8-inch meter	85.00	129.00	148.00	139.00
For 10-inch meter	120.00	180.00	202.00	192.00

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.

^{a/} A purchased water and purchased power offset increase of \$0.067 per Ccf will be added to the quantity rates.

The present Schedule No. PVH-1 quantity rates are tabulated below. There is an additional \$2.50 per month service charge applicable to all meter sizes.

Quantity Rates:		<u>Per Meter</u> <u>Per Month</u>
First	500 cu.ft., per 100 cu.ft.	\$0.33
Next	9,500 cu.ft., per 100 cu.ft.	0.335
Next	10,000 cu.ft., per 100 cu.ft.	0.285
Over	20,000 cu.ft., per 100 cu.ft.	0.235

A staff witness testified that "w/ith respect to the lifeline principle established by the Commission concerning rates for water utilities, the accumulative percentage increase in revenue to date exceeds 25 percent over that which existed on January 1, 1976. Consequently, the percentage increase authorized in the additional revenue required should be applied equally to the service charge and commodity charge components for metered services." He recommends that (a) service charges for the 3/4-inch and 1-inch meters be rounded to the nearest 10 cents; (b) service charge for meters larger than one inch should be rounded to the nearest dollar; and (c) the Claremont facilities which use water during periods of peak use should be billed under Schedule No. PV-1. We concur.

The reduction in the lifeline allowance is consistent with our further review of the appropriate quantity to be included in the lifeline block for several water utilities. SoCal's basic rate design is reasonable. All of the initial purchased water and purchased energy revenue requirements set forth in the advice letter SoCal files in response to this decision should be spread on a total commodity basis.

SoCal proposes to establish a schedule to provide service to an elevated area north of Thompson Creek which requires two booster pump lifts totaling nearly 700 feet. The proposed schedule provides for a \$0.128 per Ccf differential above Schedule No. PV-1 for all water supplied to pay for extra power costs needed to supply this area. Claremont, the League, and the staff support the establishment of this zone. It will be authorized in this decision. SoCal should review the reasonableness of this differential in its next District general rate increase application.

SoCal also proposes, and we will authorize it, to consolidate its Claremont Heights service area general metered service Schedule No. PVH-1 with Schedule No. PV-1. This schedule was authorized by Resolution No. W-2288 dated January 24, 1978 in Advice Letter No. 511, after SoCal's acquisition of the system of the Claremont Heights Irrigation Company, a mutual water company. SoCal has not sought to restructure general metered service rates within the former mutual water company service area until this proceeding. SoCal has also continued to supply nonpotable water to the former mutual water company irrigation customers under limited Schedule No. PVH-3M. At the time of acquisition, there were 173 domestic and 10 irrigation customers on the system. There are several pressure gradients in the balance of the District's service area. There are differences in pumping and boosting requirements to supply these other zones but not of a sufficient magnitude to justify separate zone rates.

Parks, schools, libraries, and other municipal buildings use water on-peak for drinking and sanitary purposes and also use water for irrigation purposes. A special rate should not be applicable to on-peak uses. The record supports limitation of the general metered service schedule applicable to service to Claremont to off-peak parkway irrigation under Schedule No. PV-7ML. The proposed irrigation rate increase Schedule No. PVH-3M is reasonable and should be authorized.

SoCal plans to request approval for a countywide public fire hydrant schedule. In the interim, prior to submitting the contract for Commission approval, it is operating in accordance with an agreement negotiated with the Los Angeles County Fire Department which modifies Special Condition No. 2 of its tariff. In the interim, this special condition should read:

"2. Reference is made to 'Uniform Fire Hydrant Service Agreement' with the County of Los Angeles for terms of the relocation of hydrants."

SoCal will be authorized to incorporate the present surcharge established to offset the loss of fire hydrant revenues in its general metered service schedules.

SoCal requested establishment of an Offset Cost Adjustment Billing Factor in its tariffs to permit it to amortize the amounts in the supply cost balancing account it maintains pursuant to Public Utilities Code Section 792.5. SoCal presented no evidence concerning the magnitude of the balancing account, the proposed basis for spreading the rate changes, or of the amortization period it seeks. SoCal should file a separate advice letter to define its specific proposal.

Alternate Rate Proposals

Claremont contends that (a) the greatest proportion of the District's water consumption is well water; (b) during periods of heavy use, the well water is supplemented with expensive imported water; (c) the high cost of imported water reflects the high energy use and cost to deliver the water to the District; (d) it would be desirable to discourage water consumption during the peak periods of the year; (e) this could be accomplished with a surcharge during the months large quantities of water are purchased by the District; (f) this pricing mechanism more accurately relates the charges to the cost of providing service; (g) this price mechanism is more effective than other types of regulatory controls such as rationing; and (h) this type of pricing mechanism should be implemented now to alert customers to new economic factors before the cost of purchased water increases substantially due to increased energy charges.

The League supports a return to a minimum charge type of rate design, which would include a quantity of water in the minimum or service charge, and a flat commodity rate for additional consumption. The League believes that this type of design would result in a reward for conservation. The League also objects to MWD's low-cost pricing of off-peak surplus water for spreading and irrigation uses.

The League also objects to the rate preference enjoyed by Claremont. It notes that major institutional customers irrigate during off-peak periods.

SoCal's president testified that the League's proposal to impose a surcharge from May through September to reduce water use would (a) translate capital costs to quantity costs, (b) increase SoCal's risk, and would increase the volatility of its earnings. He stated that (a) if the League's proposal were implemented, lower sales would reduce SoCal's revenues at a faster rate than its reduction of costs;

(b) this proposal would be contrary to all past theories of rate design where capital costs were to be included in the service charge and then in the first block of the quantity charge; and that (c) subsequent blocks would be priced close to the incremental cost of water. He testified that if the minimum charge rate, which includes a quantity of water, was set at a high enough level and the quantity of water included was low enough, the remaining revenue requirement would not require high tail blocks and would tend to stabilize SoCal's earnings level. However, he doubted that the League was proposing to implement its proposal in that manner. He opposed a minimum charge as contrary to conservation goals because the customer could vary his use within the minimum with no change in his bill and that would be giving the customer the wrong message. He favored the service charge approach because every unit the customer uses would be included in his bill. He stated that the average incremental cost of water estimated by the staff was approximately 26 cents per Ccf, a weighted average of approximately 12 to 14 cents per Ccf for pumped water and of 41 cents per Ccf for purchased water; that recent increases in purchased

water and purchased power costs would add approximately 6 cents per Ccf to the average of expenses and revenues; and that the initial tail block rate proposed by SoCal of approximately 54 cents per Ccf would be increased to 60 cents per Ccf.

He estimated that the impact of a drop in summer water sales volume would be approximately 20 cents per Ccf (if all of the surcharge was included in quantity rates) above the incremental cost of purchased water and that SoCal's profits would increase to that extent during hot years.

The staff opposed the establishment of seasonal rates for the following reasons:

- "A. The task of administering the plan of seasonal rates for permanent residents may prove costly and may not achieve its ultimate goal.
- "B. A declined [sic] consumption per customer...indicates that residents are already keenly aware of the merits in conserving water and added penalties are not entirely justified.
- "C. Those customers requiring high water supply during the entire year irrespective of temperature or weather would be penalized with higher bills.
- "D. The inverted rate structure in commodity rates is intended to encourage conservation with the purpose of charging more to those using more by a set ratio.
- "E. Retirement type communities with master meters will be severely penalized in spite of the fact that each unit may be using water quantities close to the lifeline quantity."

The staff believes that the water use of District customers shows their concern about conserving the limited water supply; and that the pattern of a three-year (1977 to 1979) monthly average of the District's well production, water purchases, and sales quantities indicates that:

"...a seasonal surcharge will simply cause a greater change in the revenue...between summer months and the winter months. Because estimates are determined on a yearly basis, the additional revenue during the higher than average usage (see Graph 1, 340.0 KCcf average per month per year) will be offset by a further decline in revenue during the 'winter' months affecting cash flow."

Discussion of Alternate
Rate Proposals

The lifeline concept was designed as a conservation device. The inverted rate structure, which is a part of the rate design concept advanced by this Commission, is designed to encourage the user to limit his/her purchases of higher cost water. One reason for the elimination of minimum type charges, which include a water allowance, is that the user does not get a signal to conserve at lower levels of consumption. The bill would be the same for any level of consumption within the minimum allowance.

SoCal would find it desirable to deliver relatively uniform quantities of water throughout the year. But this cannot occur because irrigation demands are low during the rainy winter season and high during the dry summer growing season.

A working cash allowance is included in SoCal's rate base to compensate its investors for funds needed to bridge the gap between payments of expenses and receipt of revenues. During winter months operating revenues decline and utilities either operate at a loss or at low rates of return because of their need to pay both fixed expenses and variable expenses. Service charges make up a larger proportion of monthly winter revenues due to lower water sales volumes. Some of SoCal's filed monthly operating statements show losses during winter months. This shows that the fixed service charges are not providing sufficient revenues to meet noncommodity or demand-related costs. Therefore, some fixed charges are included in quantity rates.

If more of SoCal's annual revenue requirement is shifted to summer quantity charges during periods of heavy demand, its winter revenues must be reduced. This would increase winter losses and would necessitate a higher working cash allowance, and would increase SoCal's risk and rate of return requirements.

Furthermore, SoCal, as a water distribution utility, has a different problem in meeting its storage, pumping, and transmission requirements than PV or MWD. The design of a major portion of SoCal's water supply, storage, and pumping facilities and transmission and distribution mains is governed by Commission or public authority emergency fire-flow requirements for given periods of time. A major portion of SoCal's investment is needed specifically for meeting fire protection requirements. This is not the case for PV or MWD.

MWD's low rate sales of "surplus water" for spreading purposes is in effect a form of the rate proposal advocated by the League,^{8/} even though all elements of cost recovery and operating expenses sought by the League are not included (e.g., the League opposes MWD taxation, which is used to fund MWD's debt service and to meet its contractual obligations to the State of California). This water is used to supplement natural groundwater recharge. It permits SoCal and other well owners to extract more groundwater than would be possible if natural recharge was the only replenishment for well supplies. This in turn permits a lesser reliance on summer peaking off of the MWD systems.

Service

SoCal received 947 District complaints from customers during 1979. The matters complained of included poor water quality, high bills, low pressure, and leaks. The staff, however, considers SoCal's customer service within this District to be satisfactory.

Water Conservation and Pump Efficiency

SoCal has an established program to promote water conservation. Under that program it continues to make its staff available for presentations on conservation methods before interested groups, furnishes its customers with water conservation kits (toilet tank displacement bottles and shower head restrictors) upon request, and provides conservation reminders, periodically, through inserts mailed with customer bills.

7/ The same rationale does not apply to MWD's sales of surplus water for agricultural purposes.

As part of a program to maintain pump efficiency, it is SoCal's objective to have well pumps and booster pumps tested annually. If retesting is not indicated, departures from acceptable efficiency norms are examined to determine whether the cost of an indicated pump overhaul or replacement would be justified by the savings in power and related costs. The staff found the causes for some District pumps operating at low efficiencies are primarily due to higher than average water levels or are for infrequently used pumps. SoCal is considering overhauling two pumping facilities in 1981.

The staff did not propose any adjustments to SoCal's electric power cost due to low efficiencies. The estimated electric cost savings to overhaul pumps with low to average-to-fair ratings (as established in D.88466 in C.10114) would be \$32,000. The savings attributable to the two wells, which may be overhauled in 1981, and the amortization expense for all of the potential pump overhauls were not established. SoCal should periodically update its estimates of energy costs savings in evaluating the appropriate time for scheduling pumping plant overhauls.

Findings of Fact

1. SoCal's customer service and conservation program are satisfactory. SoCal should adopt a program to reduce its water and energy losses and to minimize traffic disruptions due to leaks in its system.

2. The adopted estimates, previously discussed herein, of operating revenues, operating expenses, and rate base for the test year 1981 and an annual fixed-rate decline of 0.75 percent in rate of return into 1982 due to operational attrition reasonably indicate the results of SoCal's future operations.

3. Rates of return of 9.83 and 9.96 percent, respectively, on SoCal's rate base for 1981 and 1982 and related return on common equity each year of 13.40 percent would be reasonable.

4. The rates authorized will increase revenues by \$726,200 (45.91 percent) and will yield a rate of return of 9.57 percent in 1981. A 1982 increase of \$78,100 (3.38 percent) will offset operational attrition for 1982 of 0.75 percent plus financial attrition of 0.13 percent.

5. SoCal stipulated to the purchased water quantity estimates of the staff for 1980 and 1981.

6. SoCal filed a purchased water cost offset advice letter based on its 1980 water purchases. It would be reasonable to modify this request to reflect the adopted 1981 sales level. The lifeline rate principle permits an increase in lifeline rates after the accumulated percentage increase in revenues is 25 percent above the District's January 1, 1976 rates. Since this has occurred, it would be reasonable to

spread the purchased water offset increase to all quantity rates on a uniform cents per Ccf basis.

7. The purchased water and purchased power cost offset increase of \$293,600 (18.56 percent) spread at a rate of \$0.067 per Ccf for all consumption, incorporated in the rates set forth in Appendix A of this decision, will not change SoCal's net revenues or the adopted rate of return.

8. The further energy cost offsets authorized in this decision will not change SoCal's net revenue or rate of return. The offsets for rate changes authorized through December 31, 1980 should be spread to all quantity rates on a uniform cents per Ccf basis.

9. The adopted rate design is reasonable.

10. 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.

11. The further step increases authorized in Appendix A should be appropriately modified in the event the rate of return on rate base, adjusted to reflect the rates then in effect and normal ratemaking adjustments for the twelve months ended September 30, 1981, exceeds the lower of (a) the rate of return found reasonable by the Commission for SoCal during the corresponding period in the most recent rate decision or (b) 9.83 percent for 1981.

Conclusions of Law

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

2. SoCal's failure to provide customer notice specifying that it sought additional offset rate relief for certain easily identifiable items not now included in the offset advice letter procedure, or in the alternative its failure to amend its application, precludes an increase of rates above those requested in its application to offset increased payroll costs.

3. This restriction would not apply to items included in the offset advice letter procedure where a reserve account is maintained pursuant to Public Utilities Code Section 792.5.

4. SoCal should be permitted to offset purchased water and purchased energy charges plus related uncollectible expense and franchise taxes where rate levels have increased above the rate levels used in its estimates. The addition of a uniform charge per Ccf to all quantity rates would be a reasonable basis for spreading the increase.

5. Because of the immediate need for additional revenues, the effective date of the following order should be the date of signature.

O R D E R

IT IS ORDERED that:

1. After the effective date of this order, applicant, Southern California Water Company, is authorized to:

- (a) File for its Pomona Valley District the revised rate schedules attached to this order as Appendix A. Such filing shall comply with General Order No. 96-A. The effective date of the revised schedules shall be four days after the date of filing. The revised schedules shall apply only to service rendered on and after the effective date hereof. ✓
- (b) Add the cost of an energy cost offset to offset changes in the rates of Southern California Edison Company and of Southern California Gas Company authorized through December 31, 1980, spread on a uniform cost per hundred cubic feet to all quantity rates and consistent with the data contained in Appendix B attached to this order. This offset may be made by a separate advice letter filing. ✓

2. On or after November 15, 1981 applicant is authorized ✓
to file an advise letter, with appropriate work papers, requesting the step rate increases attached to this order in Appendix A or to file a lesser increase which includes a uniform cents per hundred cubic feet of water adjustment from Appendix A rates in the event that the Pomona Valley 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 the corresponding period in the then most recent rate decision or (b) 9.83 percent. Such filing shall comply with General

Order No. 96-A. The requested step rates shall be reviewed and approved by the Commission prior to becoming effective. The effective date of the revised schedule shall be no earlier than January 1, 1982, or thirty days after the filing of the step rates, whichever is later. The revised schedule shall apply only to service rendered on and after the effective date thereof.

The effective date of this order is the date hereof.

Dated JAN 21 1981, at San Francisco, California.

John E. Byrne

President
Richard W. Hoyle

Donald W. Yant

Commissioners

APPENDIX A
Page 1 of 6

SOUTHERN CALIFORNIA WATER COMPANY
Pomona Valley District

Schedule No. PV-1

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

The City of Claremont, portions of the Cities of Montclair, Pomona, Upland and adjacent unincorporated territory in Los Angeles and San Bernardino Counties excluding that area specifically described on Schedule No. PVC-1.

(C) ✓

RATES

	<u>Per Meter Per Month</u>	
	<u>1981</u>	<u>1982^{a/}</u>
<u>Service Charge:</u>		
For 5/8 x 3/4-inch meter	\$ 3.80 (I)	\$ 4.00 (I)
For 3/4-inch meter	4.20	4.50
For 1-inch meter	5.10	5.40
For 1½-inch meter	10.00	12.00
For 2-inch meter	17.00	19.00
For 3-inch meter	28.00	34.00
For 4-inch meter	42.00	53.00
For 6-inch meter	77.00	85.00
For 8-inch meter	129.00	139.00
For 10-inch meter	180.00 (I)	192.00 (I)

Quantity Rates:

First 300 cu.ft., per 100 cu.ft.	\$ 0.402 (C)(I)	\$ 0.410 (C)(I) ✓
Over 300 cu.ft., per 100 cu.ft.	0.477 (C)(I)	0.485 (C)(I) ✓

The Service Charge applies to all metered service connection, to it is added the charge for water used during the month at Quantity Rates.

^{a/} The differential between 1981 and 1982 rates may be modified based upon the summary at earnings data supplied in the advice letter filing authorized in Ordering Paragraph 2 of this decision. This differential shall be added to the rates then in effect, which would include offset rate changes not reflected in this rate appendix.

SOUTHERN CALIFORNIA WATER COMPANY
Pomona Valley District

Schedule No. PVC-1

(N) ✓

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

Within the City of Claremont, that area north of Thompson Creek,
Los Angeles County.

RATES

	<u>Per Meter Per Month</u>	
	<u>1981</u>	<u>1982^{a/}</u>
Service Charge:		
For 5/8 x 3/4-inch meter	\$ 3.80 (I)	\$ 4.00 (I)
For 3/4-inch meter	4.20	4.50
For 1-inch meter	5.10	5.40
For 1½-inch meter	10.00	12.00
For 2-inch meter	17.00	19.00
For 3-inch meter	28.00	34.00
For 4-inch meter	42.00	53.00
For 6-inch meter	77.00	85.00
For 8-inch meter	129.00	139.00
For 10-inch meter	180.00 (I)	192.00 (I)

Quantity Rates:

First 300 cu.ft., per 100 cu.ft.	\$ 0.530 (I)	\$ 0.538 (I) ✓
Over 300 cu.ft., per 100 cu.ft.	0.605 (I)	0.613 (I) ✓

The Service Charge applies to all metered service connections, to it is added the charge for water used during the month at Quantity Rates.

a/ The differential between 1981 and 1982 rates may be modified based upon the summary at earnings data supplied in the advice letter filing authorized in Ordering Paragraph 2 of this decision. This differential shall be added to the rates then in effect, which would include offset rate changes not reflected in this rate appendix.

APPENDIX A
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SOUTHERN CALIFORNIA WATER COMPANY
Pomona Valley District

Schedule No. PV-7ML

LIMITED METERED SERVICE

APPLICABILITY

Applicable to metered water service to the City of Claremont.

TERRITORY

The City of Claremont, Los Angeles County.

RATES

	<u>Per Meter Per Month</u>	
	<u>1981</u>	<u>1982^{a/}</u>
Service Charge:		
For 5/8 x 3/4-inch meter	\$ 3.80 (I)	\$ 4.00 (I)
For 3/4-inch meter	4.20	4.50
For 1-inch meter	5.10	5.40
For 1½-inch meter	10.00	12.00
For 2-inch meter	17.00	19.00
For 3-inch meter	28.00	34.00
For 4-inch meter	42.00	53.00
For 6-inch meter	77.00	85.00
For 8-inch meter	129.00	139.00
For 10-inch meter	180.00 (I)	\$192.00 (I)

Quantity Rate:

Per 100 cu.ft.	\$ 0.400 (I)	\$ 0.408 (I) ✓
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The Service Charge applies to all metered service connections, to it is added the charge for water used during the month at Quantity Rates.

SPECIAL CONDITION

This tariff is limited to off-peak parkway irrigation service provided to the City of Claremont between the hours of 7:00 p.m. and 6:00 a.m. ✓

^{a/} The differential between 1981 and 1982 rates may be modified based upon the summary at earnings data supplied in the advice letter filing authorized in Ordering Paragraph 2 of this decision. This differential shall be added to the rates then in effect, which would include offset rate changes not reflected in this rate appendix.

SOUTHERN CALIFORNIA WATER COMPANY
Pomona Valley District

Schedule No. PVH-3M

MEASURED IRRIGATION SERVICE

APPLICABILITY

Applicable to all measured irrigation service.

TERRITORY

In the vicinity of the City of Claremont, in Los Angeles County, bounded on the east by the County line, on the south by Bluefield Drive and its easterly extension, on the west by Bonnie Brae Avenue and its northerly extension, and on the north by the westerly extension of 21st Street.

RATES

	<u>Per Meter Per Month</u>		
	<u>Effective</u>		
	<u>1981</u>	<u>1982^a</u>	
Quantity Rates:			
For all water delivered, per miner's inch hours	\$0.2131	\$0.2239	(I) ✓
Turn-on Charge:			
For each turn-on	1.50	1.50	

SPECIAL CONDITIONS

1. The miner's inch is defined as a rate of flow equal to one-fiftieth of a cubic foot per second. One miner's inch hour equals 72 cubic feet of water.

2. Consumption shall be computed for billing in units of hundred cubic feet, and each unit shall be billed at a rate of \$0.296/Ccf for 1981 and \$0.311/Ccf for 1982, for all water delivered.

(I) ✓
(I) ✓

3. Service shall be rendered according to a schedule of delivery to be set up annually by the utility.

4. The utility does not represent or guarantee that any water delivered hereunder is potable or of a quality suitable for human consumption. Any customer who uses said water or makes it available to others for human consumption shall take all necessary precautions to make the same potable and shall assume all risks and liabilities in connection therewith.

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SOUTHERN CALIFORNIA WATER COMPANY
Pomona Valley District

Schedule No. PVH-3M

MEASURED IRRIGATION SERVICE

(Continued)

SPECIAL CONDITIONS (Continued)

5. The utility does not guarantee a continuous and uninterrupted supply under this schedule and reserves the right to temporarily suspend the delivery of water when it is necessary to take the whole or part of the systems out of the service for the purpose of cleaning, maintaining and repairing or other essential improvements thereon; or for domestic purposes.
6. Water deliveries to customers will be made and measured at the utility's conduits, or as near thereto as practicable.
7. This service is limited to existing irrigation customers of record who irrigate all or a reasonable part of their acreage each and every year.
8. The utility is not required to provide service under this schedule for the watering of lawns, golf courses, parks, memorial parks or cemeteries.

a/ The differential between 1981 and 1982 rates may be modified based upon the summary of earnings data supplied in the advice letter filing authorized in Ordering Paragraph 2 of this decision. This differential shall be added to the rates then in effect, which would include offset rate changes not reflected in this rate appendix.

APPENDIX A
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SOUTHERN CALIFORNIA WATER COMPANY
Pomona Valley District

Schedule No. PV-5

PUBLIC FIRE HYDRANT SERVICE

APPLICABILITY

Applicable to all fire hydrant service furnished to municipalities, organized fire districts and other political subdivisions of the State.

TERRITORY

Within the established Pomona Valley District.

RATES

Per Hydrant
Per Month

For each hydrant \$2.00

SPECIAL CONDITIONS

1. Water delivered for purposes other than fire protection shall be charged for at the quantity rates in the appropriate metered service schedule.
2. Reference is made to the Uniform Fire Hydrant Service Agreement, with the County of Los Angeles for terms of the relocation of hydrants.
3. Hydrants shall be connected to the utility's system upon the receipt of written request from a public authority. The written request shall designate the specific location of each hydrant and, where appropriate, ownership, type and size.
4. The utility undertakes to supply only such water at such pressure as may be available at any time through the normal operation of its system.

APPENDIX B
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Table I

ADOPTED QUANTITIES

Name of Company: Southern California Water Company District: Pomona Valley

Application No.: 59594

Net to gross multiplier	2.0638
Federal Income Tax Rate	46%
State Corp. Franchise Tax Rate	9.6%
Local Franchise Tax Rate	0.44%
Uncollectibles	0.3025%

1. Purchased Power

	Quantity	Energy/Ccf	Total Energy
Well Water (electric pumped)	2,470,606 Ccf	3.7 kWh/Ccf	9,141,242 kWh
Boosted Water (elec. pumped)	4,997,600 Ccf	0.183 kWh/Ccf	914,561 kWh
Well water (gas pumped)	196,113 Ccf	0.2769 Therms/Ccf	54,303 Therms

Electric Cost

Unit energy charge at SCE July 1, 1980 rates 30.06070/kWh

Total energy charge	\$ 610,400
Total demand charge	<u>29,700</u>
Total electric power cost	640,100

SoCal Edison rates in effect on July 1, 1980

ECAC	\$ 0.0496/kWh
Fuel Coll. Bal.	-0.00121/kWh
State Energy Surch.	-0.00015/kWh
Cons. Load Mgt.	0.0000/kWh

Gas Cost

SoCal Gas rates at April 1, 1980	
Variable Cost	\$0.30097/Therm
Total Variable Cost	\$ 16,400
Service Charge	<u>300</u>
	\$ 16,700

Total power cost (electric and gas) = \$640,100 + \$16,700 = \$656,800

2. Purchased Water

July 1, 1980 rates

Source	Quantity	Unit Cost	Total Cost
College Well	466,787 Ccf	\$ 0.0417/Ccf	\$ 19,500
PM 4 Conn. (PVMWD)	2,725 AF	179/AF	487,800
PM 17 Conn. (PVMWD)	1,554.37 AF	91/AF	<u>141,400</u>
			\$648,700

3. Pump Tax - Replenishment tax - None

4. Expensed payroll

O & M	\$210,900
A & G	12,600
	<u>\$223,500</u>

Payroll Taxes \$ 17,100

5. Employee Benefits

Pension & Benefit \$29,100

6. Ad Valorem Taxes \$ 58,400

Assessed Value	1980-81	\$1,023,700
	1981-82	1,149,000

Composite tax rate 5.37%

Assessments are
made by State
Board of Equalization

APPENDIX B
Page 3 of 3Table II
ADOPTED QUANTITIES

Name of Company: Southern California Water Company

District: Pomona Valley

Metered Water Sales Used to Design Rates

	<u>Range - Ccf</u>	<u>Usage - Ccf</u> <u>1981</u>
Block 1	0-3	377,780
Block 2	> 3	<u>3,832,800</u>
Total Usage		4,210,580

Metered Customers

	<u>No.</u> <u>1981</u>	<u>Usage - Ccf</u> <u>1981</u>	<u>Avg. Usage - Ccf/Yr.</u> <u>1981</u>
Commercial	8,886	3,700,130	416.4
Industrial	5	36,500	7,300.0
Public Authority	181	473,948	2,618.5
Irrigation	23	142,071	6,177.0
Other	<u>3</u>	<u>145,200</u>	<u>48,400.0</u>
Subtotal	9,098	4,497,849	
Private Fire Protection	59		
Public Fire Protection	<u>0</u>		
Subtotal	59		
Total	9,157	4,497,849	
Water Loss at 10.0%		<u>499,761</u>	
Total Water Produced		4,997,610	

APPENDIX C

Table I

ADOPTED TAX CALCULATION

Line No.	Item	Test Year 1981	
		CCFT	FIT
(Dollars in Thousands)			
1	Operating Revenue	\$ 2,308.1	\$ 2,308.1
EXPENSES:			
2	Operation and Maintenance	1,415.2	1,415.2
3	Administrative & General	96.4	96.4
4	General Office	72.8	72.8
5	Taxes Other	76.8	76.8
6	CCFT	----	26.8
7	Subtotal	1,661.2	1,688.0
Deductions from Taxable Income:			
8	Tax Depreciation	208.4	229.8
9	Preferred Stock Div. Credit	----	0.6
10	Interest	159.8	159.8
11	Subtotal Deductions	368.2	390.2
12	Net Taxable Income (CCFT)	278.7	
13	CCFT @ 9.6%	26.8	
14	Net Taxable Income (FIT)		229.9
15	FIT @ 46%		105.8
16	Less Grad. Tax Aj.		1.1
17	IIC		52.7
18	Net FIT		52.0