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Decision No. 92646 JAN 21 1981**ORIGINAL**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of PACIFIC GAS AND ELECTRIC)
 COMPANY for authority, among other things,)
 to increase its rates and charges for)
 water service provided by the Angels)
 Water System.)
 (Water))

Application No. 58633
 (Filed January 25, 1979)

ORDER MODIFYING DECISION NO. 92297
AND DENYING REHEARING

A petition for rehearing of Decision No. 92297 has been filed by Pacific Gas and Electric Company (PG&E). We have carefully reviewed each and every allegation in said petition and are of the opinion that good cause for granting rehearing has not been shown. However, as discussed more fully below, Decision No. 92297 should be modified so that the formulation of the "four factor" ratios, for purposes of determining the level of the administrative and general (A&G) indirect expense and common utility plant, reflects the operation and maintenance (O&M) payroll expense found reasonable by the Commission. Also, the wording of the order requiring the replacement of 2200 feet of undersized mains should be modified in order to delete an inaccurate water flow amount. Finally, in the course of modifying the decision, certain clerical-type errors also are corrected.

1) Four Factor Modifications

The re-formulation of the four factor ratios so that they reflect the \$69,400 O&M payroll expenses adopted in Decision No. 92297, besides changing A&G indirect expense and the common utility plant figure, also changes a number of other figures in the body of the decision. These latter resultants will be noted, following a setting forth of the new allocations based on the revised four factor ratios.

As Decision No. 92297 explains, in order to determine indirect A&G expenses for the Angels Water System, it is necessary to determine PG&E's General Office expense on a total company basis. Then a percentage of such expense is allocated to PG&E's water system operations, after which a percentage is allocated to the individual water systems such as Angels. The revised adopted allocations are 0.31 percent to water operations, and 6.91 percent to Angels (cf. D. 92297, Pg. 23). Using these revised percentages, the result of revised four factor calculations, the adopted figure for A&G indirect expense is \$39,300. The effect of the new allocations on the adopted utility plant figure (of which common utility plant is a component) is to change it to \$1,179,100.

In the order of their appearance in the body of the decision, the changed items and their new values (at adopted rates) are as follows: Additional Revenues, \$180,300; Uncollectibles, \$400; Total O&M Expenses, \$105,100; General Office Prorated Expense: A&G Indirect - \$39,300, Ad Valorem Taxes - \$800, Total Prorated Expense - \$44,000; Taxes Based on Income: California Corporate Franchise Tax - \$1,700, Federal Income Tax - \$2,400, Total Income Tax - \$4,100; Utility Plant, \$1,179,100; Depreciation Reserve, \$629,800; Total Weighted Average Plant, \$1,179,100; Average Depreciated Rate Base, \$533,500; Weighted Average Additions to Angels System Plant-in-Service for Test Year 1980, \$11,600; Weighted Average Plant, \$1,179,100.

2) Clerical Errors

(a) In the second paragraph on Page 25, mimeo, of D. 92297, we discuss payroll taxes. Reference is made to PG&E's payroll tax estimate which is stated to be \$6,600. Actually, PG&E's estimate was \$8,300. The adopted figure of \$6,600 represents a modification of PG&E's estimate.

(b) In the second sentence of the final paragraph on Page 29, reference is made to an "end-of-year" plant estimate. Actually the plant estimates are for "weighted average" plant.

(c) In the final order of D. 92297, we require PG&E to replace approximately 2200 feet of 4-inch water main in the vicinity of Copperopolis Road and Highway 49 with 10-inch water main. We

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stated the resulting improved water flow at various specified locations to be 900 gallons per minute. In fact, the improved water flow will be approximately 2000 gallons per minute.

3) Rate Change

Due to modifications included herein, the Quantity Rate set forth on Page 1 of Appendix A for usage over 300 cubic feet is changed, for the period "After June 1, 1982," from \$.630 per 100 cubic feet, per meter per month, to \$.652.

IT IS HEREBY ORDERED that Decision No. 92297 is modified as follows:

1. The first paragraph on Page 23, mimeo, is amended to read as follows:

(a) There is a difference between the PG&E and staff estimates of indirect A&G expenses. To determine indirect A&G expenses, it is necessary to determine the company total and allocate an appropriate amount to the water department. The amount allocated to the water department is further allocated to each of the districts. These allocations are based on the "four-factor" ratios, PG&E's allocation to the water department is 0.35 percent, of which 6.89 percent is allocated to the Angels System. The corresponding staff ratios are 0.26 percent and 7.25 percent. The Commission will adopt ratios of 0.31 percent and 6.91 percent as more reasonable.

2. The first complete sentence on Page 24 which begins: "Since the total amount of A&G expenses ...", should be deleted.

3. The second sentence of the second paragraph on Page 25 is amended to read as follows:

In the circumstances the Commission finds that the PG&E estimate of payroll taxes should be modified and adopted.

4. The second sentence of the final paragraph on Page 29 is amended to read as follows:

The estimated weighted average plant is \$1,179,100.

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5. Findings of Fact Nos. 13,17,18,22,23,24,25 and 28 are amended to read as follows:

13. The sum of \$240,000 is a reasonable estimate of the total operating revenues for the test year 1980 at authorized rates.
17. The following total O&M expenses for the test year 1980 are reasonable.

<u>Item</u>	<u>Adopted</u> (Thousands of Dollars)
<u>At Present Rates</u>	
Purchased Power	\$ 6.8
Purchased Chemicals	7.5
Town Payroll	69.4
Town Other	21.0
Uncollectibles	0.4
Total O&M Expenses	<u>105.1</u>

18. The sum of \$44,000 for general office prorated expenses for the test year 1980 is reasonable.
22. The estimate of \$4,100 for total income taxes for the test year 1980 is reasonable.
23. The sum of \$1,179,100 is reasonable for utility plant for the test year 1980.
24. The staff estimates for depreciation expense and for depreciation reserve as modified are more reasonable than those of PG&E because they are based on more reliable data. The following are reasonable for the test year 1980:

Depreciation Expense	\$20,100
Depreciation Reserve	\$629,800
25. The sum of \$533,500 is a reasonable estimate for average depreciated rate base for the test year 1980.
28. The total amount of the gross revenues authorized by this decision is \$240,000; the rate of return on rate base is 9 percent; the return on common equity is 11.49 percent.

6. Conclusions of Law Nos. 1 and 3 are amended to read as follows:

1. The following results of operations should be adopted for the test year 1980 and utilized in establishing the rates authorized herein:

<u>Item</u>	<u>Adopted</u> (Thousands of Dollars)
<u>Operating Revenues</u>	
Sales Revenue	\$240.0
Total Operating Revenues	240.0
<u>Operating Expenses</u>	
Operation & Maintenance	105.1
Administrative & General	0.1
General Office Prorated	44.0
Subtotal	<u>149.2</u>
Depreciation Expense	20.1
Taxes Other Than Income	18.6
State Corp. Franchise Tax	1.7
Federal Income Tax	2.4
Total Operating Expense	<u>192.0</u>
Net Operating Revenues	48.0
Rate Base	533.5
Rate of Return	9.0%

3. PG&E should be authorized to file for the Angels System the revised water rates set forth in Appendix A which are designed to yield \$180,300 in additional revenues based on the adopted results of operations for the test year 1980.

7. Ordering Paragraph No. 4 is amended to read as follows:
 4. Within six months after the effective date of this order PG&E shall replace approximately 2,200 feet of 4-inch water main in the vicinity of Copperopolis Road and Highway 49 with 10-inch water main to provide for a water flow of approximately 2000 gallons per minute for service connections on Esmeralda Road; Clifton Lane; Francis, Bennett, and Wilson Streets; and along Highway 49.


8. The first page of Appendix A is canceled and is replaced by the corresponding revised tariff page attached hereto.

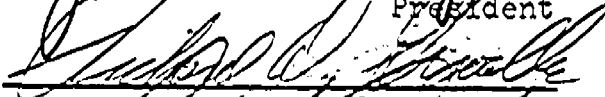
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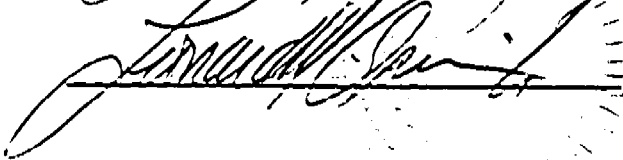
Rehearing of Decision No. 92297, as modified herein, is denied.

The effective date of this order is the date hereof.

Dated JAN 21 1981, at San Francisco, California.



President




Commissioners

