

ORIGINALDecision No. 92666 FEB 4 1981

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the matter of the application)	
of SOUTHWEST SUBURBAN WATER, a)	Application No. 59745
corporation, for an order author-)	(Filed June 17, 1980;
izing it to increase rates charged))	amended June 20, 1980)
for water service in the San Jose-)	
Whittier District.)	
)	

McCutchen, Doyle, Brown & Enersen, by
A. Crawford Greene, Attorney at Law,
 for applicant.
William J. Jennings, Attorney at Law,
 and Jay B. Johnson, for the Commission
 staff.

O P I N I O N

Applicant, Southwest Suburban Water, a California corporation, seeks authority to increase the rates charged for water service in its San Jose-Whittier District. The rate increases proposed by applicant are in steps designed to increase annual revenues in test year 1981 by \$3,531,200, or 51.0 percent, over the revenues produced by rates in effect at the time this application was filed; in test year 1982 by \$371,400, or 3.5 percent, over revenues from rates proposed for 1981; and in test year 1983 by \$908,000, or 8.4 percent, over revenues from rates proposed for 1982.

Applicant provides public utility water service to approximately 61,500 general metered customers in its two districts. The San Jose-Whittier District, to which this proceeding is addressed, includes approximately 48,800 customers in areas in or adjacent to the cities of Covina, West Covina, La Habra, La Puente,

Industry, Glendora, Santa Fe Springs, Whittier, and adjacent unincorporated areas in Los Angeles County. Its other district, the La Mirada District, includes approximately 12,700 customers in the city of La Mirada and adjacent unincorporated areas in Los Angeles and Orange Counties. Applicant produces approximately 75 percent of the San Jose-Whittier District's water requirements from 40 company-owned wells and the remainder of the supply is purchased through interconnections with water purveyors contiguous to applicant's service areas.

An informal public meeting was held on June 11, 1980, at 7:30 p.m., in the Glenn A. Wilson High School, Multi-Purpose Room, Hacienda Heights, to discuss this application. Applicant notified each customer of the meeting, which was sponsored jointly by applicant and the staff, by a postcard mailed May 31, 1980. Ten customers attended the meeting. Although water quality and rate-making procedures were the principal topics covered, the major concern expressed by the customers in attendance was the effect of the proposed rate increase on individual bills. There were no complaints about service or water quality.

After due notice, public hearing on this application was held before Administrative Law Judge Main in Los Angeles on October 27 and 28, 1980. None of applicant's customers attended the hearing. Applicant presented testimony and exhibits through two of its vice presidents and two of its managers. The staff studies were presented by a financial analyst and three utilities engineers. The matter was submitted subject to the receipt of Exhibit 15 due November 7, 1980 and concurrent briefs due November 17, 1980. The exhibit and the briefs were timely filed and the matter now stands ready for decision.

Present and Proposed Rates

In the San Jose-Whittier District general metered service is provided under district Schedule No. SJW-1. In addition, service is provided in this district under the following company-wide schedules: Schedule No. 4, Private Fire Protection Service; Schedule No. 4A, Fire Hydrant Service on Private Property; Schedule No. 9-CF, Construction and Tank Truck Service; and Schedule No. 9-CF2, Service to Tract Houses During Construction. Each of the company-wide schedules, except Schedule No. 9-CF2 which has a common rate, has separate rates for each of applicant's two districts.

Applicant proposes increasing the San Jose-Whittier District general metered service rates as well as the company-wide rates applicable to this district other than the company-wide rate under Schedule No. 9-CF2. The proposed rates reflect a spreading of increases proportionally on a revenue basis to the several schedules.

As can be seen from the following tabulation which sets forth the present and proposed rates for general metered service, (a) separate quantity rates are prescribed for the three tariff areas, each of which represents an elevation zone; (b) the life-line quantity is lowered from 500 cubic feet per month to 300 cubic feet per month; and (c) the proposed increases are confined to the service charges.

San Jose-Whittier District

General Metered Service

	Present* Rates	Per Meter Per Month Applicant Proposed Rates**		
		1981	1982	1983
Service Charges:				
For 5/8 x 3/4-inch meter	\$ 3.58	\$ 8.02	\$ 8.50	\$ 9.72
For 3/4-inch meter	4.47	10.07	10.67	12.20
For 1-inch meter	5.80	13.02	13.79	15.78
For 1-1/2-inch meter	8.23	18.48	19.49	22.39
For 2-inch meter	11.29	25.39	26.82	30.76
For 3-inch meter	20.23	45.48	48.19	55.12
For 4-inch meter	28.30	63.62	67.41	77.11
For 6-inch meter	46.77	105.08	111.33	127.44
For 8-inch meter	69.27	157.42	166.50	190.08

Quantity Rates:

For all water delivered, per 100 cu.ft.

Tariff Area No. 1

First 300 cu.ft. per mo.	\$.231	\$.231	\$.231	\$.231
Next 200 cu.ft. per mo. ....	.231	.385	.385	.385
Over 500 cu.ft. per mo. ....	.385	.385	.385	.385

Tariff Area No. 2

First 300 cu.ft. per mo. ....	.261	.261	.261	.261
Next 200 cu.ft. per mo. ....	.261	.420	.420	.420
Over 500 cu.ft. per mo. ....	.420	.420	.420	.420

Tariff Area No. 3

First 300 cu.ft. per mo. ....	.291	.291	.291	.291
Next 200 cu.ft. per mo. ....	.291	.454	.454	.454
Over 500 cu.ft. per mo. ....	.454	.454	.454	.454

*From Tariff Sheet No. 581-W, effective October 8, 1980.

**From Exhibit 2.

Need For Rate Relief

In its application applicant stated the need for rate relief was caused primarily by the following factors: increased operation and maintenance expenses not recoverable by offset procedures; continuing reduction of water consumption by existing customers; and increases in cost of money and in rate of return requirements.

Rate of Return

Early in 1980 applicant developed the water service rates proposed in this application for the years 1981, 1982, and 1983, using a sufficient return on rate base in each of those years to yield a 16.0 percent return on common equity. From applicant's viewpoint at that time, that criterion and procedure yielded the minimum rates of return necessary to enable applicant to maintain its credit standing, attract new capital at a reasonable cost, and provide a fair and reasonable return on equity. However, by the time of the hearing held in late October 1980, applicant no longer held that viewpoint. Its rate of return witness then testified that in his opinion the minimum return on common equity required to yield a sufficient rate of return on rate base is 14 percent.

The staff witness places the fair return on applicant's common equity at 13.0 percent. In addition, instead of \$2 million in common equity issues applicant had contemplated, the staff witness projected a short-term debt issue of \$1 million in 1982 and a long-term debt issue of \$2 million in 1983 (of which \$1 million would be used to retire the 1982 short-term debt).

Applicant does not take exception to the staff's substitution of debt for equity but does differ on the applicable interest rates. Applicant's witness estimated the interest rate on the 1982 short-term debt issue at 14 percent and the interest rate on the 1983 long-term debt issue at 13 percent, whereas the staff witness estimated interest rates of 12.25 percent and 11.50 percent for the \$1 million short-term debt issue for 1982 and for the \$2 million long-term debt issue for 1983, respectively. Applicant has accepted the uniform average-year capital ratios, as developed by the staff, for use in determining a fair rate of return in this proceeding.

In accordance with the foregoing, the respective rate of return recommendations of the staff and applicant stand as shown in the following tabulation:

Item	Capital	Cost Factors	Weighted Cost	
	Ratios		Staff	Applicant
Average Year 1981				
Long-term Debt	48.25%	9.87%	4.76%	4.76%
Preferred Stock	3.25	5.37	.17	.17
Common Equity	<u>48.50</u>	13.00/14.00	<u>6.31</u>	<u>6.79</u>
Total	100.00%		11.24%	11.72%
Average Year 1982				
Long-term Debt*	48.25%	9.98/10.24%	4.82%	4.94%
Preferred Stock	3.25	5.30	.17	.17
Common Equity	<u>48.50</u>	13.00/14.00	<u>6.31</u>	<u>6.79</u>
Total	100.00%		11.30%	11.90%
Average Year 1983				
Long-term Debt	48.25%	10.12/10.43%	4.88%	5.03%
Preferred Stock	3.25	5.29	.17	.17
Common Equity	<u>48.50</u>	13.00/14.00	<u>6.31</u>	<u>6.79</u>
Total	100.00%		11.36%	11.99%

*Includes short-term debt issue.

Applicant's witness and the staff witness both acknowledged the difficulty of projecting future interest costs. It was the staff's view that by the time of the new borrowings, interest rates will be lower than their late October 1980 levels. The staff witness projected a 12 percent bank prime rate in 1982, making applicant's cost of new short-term debt 12.25 percent, or $\frac{1}{4}$ percent above the prime rate to which such borrowing would probably be tied. For the new long-term debt, he projected an 11 percent interest rate in 1983 for bonds of water utilities of a quality similar to those of California Water Service. He fixed applicant's interest rate on the new long-term borrowing at 11.5 percent, or $\frac{1}{4}$ percent above the rate of 11 percent projected for the benchmark issues.

Applicant's witness also envisions a decline in interest rates. He pointed out that typically long-term debt costs to applicant are one to two percentage points more than to California Water Service and that the lowest interest rate at the time of the hearing available to California Water Service was 13 percent. Accordingly, he contended his estimate of applicant's long-term borrowing cost of 13 percent in 1983 reflects long-term rates dropping one to two percentage points. His estimate of the cost of new short-term debt at 14 percent reflects a lesser decline than forecast by the staff witness.

We agree with these witnesses that in these times future interest rates rarely can be accurately predicted. Nonetheless, a projection of future borrowing costs is essential to the rate of return determination. Because we lack a better guide, we deem it appropriate to adopt in round numbers the middle ground of the projections on interest rates by these two witnesses. For the short-term debt to be issued by applicant in 1982 and the long-term debt to be issued by applicant in 1983, the interest rates we will apply are 13 percent and 12 percent, respectively.

In reaching his recommended return on common equity of 13 percent, the staff witness, among other things, considered applicant's past earnings performance, its equity ratio, comparative earnings, and recently authorized rates of return for Class A water utilities under our jurisdiction. Other factors considered by this witness included interest coverage requirements, capital requirements, and the effects of continued inflation and increases in embedded cost of capital. In arriving at his recommendation the staff witness was guided by the traditional standards espoused in the Bluefield and Hope decisions.

In light of its conservation efforts and plans which our staff found to be commendable, its good water service, and its asserted position at the forefront of the industry in its efforts to improve the efficiency of its operations, applicant urges us to authorize rates which will give it the opportunity to earn 14 percent on common equity. At that level, the return on equity would be one percentage point above the staff recommendation which assumed a normally efficient operation.

Earlier in this discussion of the fair rate of return issue we adopted somewhat higher costs of new debt than those projected by the staff. An upward pressure is, of course, exerted on the level of fair return for common equity as the cost of new debt capital increases. Indeed, as recently as in D.91537 dated April 2, 1980 in A.58781 of California Water Service we said in that regard:

"We also believe that as the cost of long-term debt increases, some recognition of this must be made in the return allowed on common equity or the common shareholders would not be compensated for the difference in risk involved in investments by bondholders and stockholders.

"It is conceded that there is no precise mathematical relationship between return on equity and cost of debt capital. We must consider many factors in arriving at a judgment determination of a reasonable return on common equity in each situation..."

We also should observe that applicant's present rate structure is, as will be elaborated upon when the rate design issue is reached later in this decision, markedly conducive to earnings volatility. In essence, that volatility is attributable to the inverted second-tier commodity rate exceeding by about \$0.16 per Ccf (hundred cubic feet) the incremental change in volume-related expenses at current levels of usage. Yet another factor deserving consideration in arriving at a fair rate of return is the need to curtail a widening gap between the returns on equity we have recently authorized for the major energy or telephone utilities and those for the Class A water utilities.

Upon careful consideration we make the judgment that a 13.5 percent return on common equity is fair and reasonable for applicant. The adopted capital ratios, cost factors, and the resultant rates of return are tabulated below:

Item	Capital Ratios	Cost Factors	Weighted Cost
Average Year 1981			
Long-term Debt	48.25%	9.87%	4.76%
Preferred Stock	3.25	5.37	.17
Common Equity	<u>48.50</u>	13.50	<u>6.55</u>
Total	100.00%		11.48%
Average Year 1982			
Long-term Debt	48.25%	10.01%	4.83%
Preferred Stock	3.25	5.30	.17
Common Equity	<u>48.50</u>	13.50	<u>6.55</u>
Total	100.00%		11.55%
Average Year 1983			
Long-term Debt	48.25%	10.20%	4.92%
Preferred Stock	3.25	5.29	.17
Common Equity	<u>48.50</u>	13.50	<u>6.55</u>
Total	100.00%		11.64%

*Includes short-term debt issue.

Results of Operation

To evaluate the need for rate relief, witnesses for applicant and the Commission staff have analyzed and estimated for test years 1981 and 1982 applicant's operating revenues, operating expenses, and rate base. The staff's study of operating results (Exhibit 14) was based, in part, on later information than that available in early 1980 when applicant prepared its study (Exhibit 1). In Exhibit 3 applicant set forth the staff estimates and accepted them with several adjustments. In Table 1, which follows, the results for test years 1981 and 1982, as shown in Exhibit 3, and the operating results we adopt are set forth.

Table
SOUTHWEST SUBURBAN WATER / SAN JOSE-WHITTIER DISTRICT
Estimated Results of Operation
Test Year 1981
(Page 1 of 2)

Item	Present Rates ^{1/}					
	Adjustments					
	Staff Estimate	Use Per Customer	Other O&M A&G	Applicant's Revised Est.	Adopted Estimate	Authorized Rates
(Dollars in Thousands)						
Operating Revenues	\$ 7,899.6	\$(121.9)	\$	\$ 7,777.7	\$ 7,864.0	\$ 9,787.9
<u>O&M Expenses</u>						
Purchased Water	641.8	(54.0)		587.8	625.2 ^{2/}	625.2
Purchased Power	1,258.6	(27.0)		1,231.6	1,262.4 ^{2/}	1,262.4
Assessments	362.7	(2.2)		360.5	362.0	362.0
Payroll	1,184.0			1,184.0	1,184.0	1,184.0
Uncollectibles	45.2	(0.7)		44.5	45.0	56.0
Other Inter-District	940.3		71.2	1,011.5	940.3	940.3
	(296.3)			(296.3)	(296.3)	(296.3)
Total O&M	4,136.3	(83.9)	71.2	4,123.6	4,122.6	4,133.6
<u>A&G Expenses</u>						
Payroll	472.9			472.9	472.9	472.9
Employee Benefits	536.9			536.9	536.9	536.9
Insurance	236.3			236.3	236.3	236.3
Reg. Comm. Expense	6.4			6.4	6.4	6.4
Outside Services	89.0			89.0	89.0	89.0
Other	274.8		74.8	349.6	274.8	274.8
Local Franchise	118.7	(1.8)		116.9	118.1	147.0
Total A&G	1,735.0	(1.8)	74.8	1,808.0	1,734.4	1,763.3
Total O&M and A&G	5,871.3	(85.7)	146.0	5,931.6	5,857.0	5,896.9
Depreciation Expense	661.3			661.3	661.3	661.3
Taxes Other Than Income	382.9			382.9	382.9	382.9
State Tax	16.4	(3.5)	(14.0)	(1.1)	14.4	195.2
Federal Tax	(54.6)	(15.1)	(60.5)	(130.2)	(63.4)	720.1
Total Oper. Exp.	6,877.3	(104.3)	71.5	6,844.5	6,852.2	7,856.4
Net Revenue	1,022.3	(17.6)	(71.5)	933.2	1,011.8	1,931.5
Rate Base	16,824.6			16,824.6	16,824.6	16,824.6
Rate of Return	6.08%			5.55%	6.01%	11.48%

^{1/} Rates in effect as of October 10, 1980.

^{2/} Includes adjustment for mathematical error in staff estimate.

A.59745 ALJ/EA

Table
SOUTHWEST SUBURBAN WATER / SAN JOSE-WHITTIER DISTRICT

Estimated Results of Operation

Test Year 1982

(Page 2 of 2)

Item	Present Rates ^{1/}					
	Adjustments					
	Staff Estimate	Use Per Customer	Other O&M Other A&G	Applicant's Revised Est.	Adopted Estimate	Authorized Rates
(Dollars in Thousands)						
Operating Revenues	\$ 7,991.3	\$(149.2)	\$	\$ 7,842.1	\$ 7,955.2	\$10,266.2
<u>O&M Expenses</u>						
Purchased Water	583.8	(51.1)		532.7	567.1	567.1
Purchased Power	1,234.3	(32.9)		1,201.4	1,231.8	1,231.8
Assessments	383.6	(25.3)		358.3	381.6	381.6
Payroll	1,302.8			1,302.8	1,302.8	1,302.8
Uncollectibles	45.6	(0.9)		44.7	45.5	58.7
Other	959.7		152.4	1,112.1	959.7	959.7
Inter-District	(208.1)			(208.1)	(208.1)	(208.1)
Total O&M	4,301.7	(110.2)	152.4	4,343.9	4,280.4	4,293.6
<u>A&G Expenses</u>						
Payroll	520.4			520.4	520.4	520.4
Employee Benefits	600.7			600.7	600.7	600.7
Insurance	265.8			265.8	265.8	265.8
Reg. Comm. Expense	6.4			6.4	6.4	6.4
Outside Services	100.1			100.1	100.1	100.1
Other	311.9		86.0	397.9	311.9	311.9
Local Franchise	120.0	(2.3)		117.7	119.4	154.1
Total A&G	1,925.3	(2.3)	86.0	2,009.0	1,924.7	1,959.4
Total O&M and A&G	6,227.0	(112.5)	238.4	6,352.9	6,205.1	6,253.0
Depreciation Expense	683.0			683.0	683.0	683.0
Taxes Other Than Income	409.2			409.2	409.2	409.2
State Tax	(18.9)	(3.5)	(22.9)	(45.3)	(20.5)	196.7
Federal Tax	(221.7)	(15.3)	(99.2)	(336.2)	(229.1)	712.0
Total Oper. Exp.	7,078.6	(131.3)	116.3	7,063.6	7,047.7	8,253.9
Net Revenue	912.7	(17.9)	(116.3)	778.5	907.5	2,012.3
Rate Base	17,422.5			17,422.5	17,422.5	17,422.5
Rate of Return	5.24%			4.47%	5.21%	11.55%

^{1/} Rates in effect as of October 10, 1980.

The remaining differences between the estimates of applicant and the staff, after applicant's basically accepting the staff estimates, are accounted for in the adjustments shown in Table 1 for use per customer, other O&M, and other A&G. We will now address these differences for test year 1981. Our discussion applies equally to test year 1982.

Use Per Customer

Both applicant and the staff utilized the same statistical method to determine a trend line to establish the use per residential customer which would have occurred, during the years 1970 through 1979, had normal weather conditions occurred during that period. Both applicant and the staff excluded from their statistical calculations the drought years 1977 and 1978. Since the statistical analysis employed by applicant and the one employed by the staff developed essentially the same trend line, applicant accepted the staff's trend line from 1970 through 1979. Where applicant and the staff disagree is in the estimate of domestic use per customer under normal climatic conditions for the future test years 1981 and 1982. The importance of this disagreement is underlined not only by the fact that 83 percent of applicant's sales are made to the domestic class, but by the fact that those sales are made under an inverted rate structure.

In making its estimate, the staff followed Step 5 of the so-called Committee Method. This method can be found as Exhibit M, page 6-4, of Supplement to Standard Practice U-25 dated April 1, 1977 of the Commission staff. Step 5 of the Committee Method states:

"The reference run regression equation $Q = K + at + bR + cT$ is to be used to obtain the estimate of normalized consumption for the last recorded year. That value will be taken as the normalized consumption for that year plus the following two years. R + T are the 30 year billing adjusted values. As usual, monthly rainfall input is to be limited to 4 inches maximum."

Step 7 of the Committee Method provides:

"Adopt results if they appear reasonable."

The staff maintains that the results were reasonable and, therefore, adopted the normalized 1979 domestic water use per customer (excluding Murphy Ranch) of 220.8 Ccf for test years 1981 and 1982. Applicant disagrees contending extrapolation of the agreed upon best-fit equation or trend line yields more reasonable results. Applicant's corresponding estimates are 213.8 Ccf for 1981 and 210.3 Ccf for 1982. In essence, the disagreement between the staff and applicant is thus seen to stem from the question of how the best-fit equation should be used to estimate test year consumptions.

In support of its estimate the staff observed in Exhibit 14:

"2.6 The major effect of the drought is shown by the low usages during the years 1977 and 1978. For this reason staff eliminated data for the years 1977 and 1978 in its 'Modified Bean Method' study. However, staff did include 1979 data in its analysis. Examination of monthly data reveals a pattern of increasing usage per residential customer from mid-1978 through June, 1980. This indicates that long term or residual conservation has been continually diminishing. Therefore, staff's inclusion of 1979 data (which includes considerable residual conservation) may result in staff's estimate being on the low side.

"2.7 Staff's use of 1979 data in its analysis was based on the assumption that, in accordance with the 'Committee Method', the normalized 1979 usage per residential customer would be used as the test year estimates. Staff does recognize that use of trends developed in the Bean study will result in declining usages for each of the test years. However, these trends include both pre-drought and post-drought data. Staff does not believe trending this data is reasonable, since post-drought consumption contains significant residual conservation.

Also, as previously mentioned, data from mid-1978 through June, 1980 shows a trend of increasing usage per residential customer as the gradual recovery from the drought continues."

The staff witness elaborated on the above points. He testified that he did not believe an extrapolation of the downward trend from 1970 to 1979 is valid since post-drought usage contains significant residual, or long-term, conservation effects not found in the pre-drought usages. He further testified that a more significant trend is the one showing recovery from the drought, i.e., an upward trend from 1977 through June 1980. In his view the upward trend will eventually be dissipated as the result of a leveling of consumption per customer in which some residual conservation effects will continue permanently. It was his conclusion that the Committee Method was especially well suited to this outlook because it anticipates the leveling off in consumption.

Applicant, as stated earlier, disagrees insisting that the proper judgment to be rendered on the basis of existing data is that a downward trend of normalized use established during the period 1970 through 1979 will continue. In support of this proposition, applicant's witnesses pointed to: (1) the increased concentration by subdividers on building more condominiums and apartments instead of single-family residences, with the typical condominium and apartment unit using a recorded average of 156 and 155 Ccf in 1979, respectively, compared to a recorded average use per residential customer in that year of 220 Ccf; (2) a 17 percent decline in the number of individuals living in a household in the city of West Covina from 1970 to 1980, the decline being from 3.62 individuals in 1970 to 3.01 in 1980; (3) a continuing decline in the enrollment in the three public school

districts in the San Jose-Whittier area from 1970 to 1980 of 35 percent, 38 percent, and 32 percent, respectively, amounting in that period to a loss of more than 23,700 students; (4) present customer awareness of the necessity to eliminate wasteful use of resources and the fact that customers obviously found out during the drought that they could get along with much less water than they had used in prior years; (5) the fallacy of utilizing short-term experience (i.e., the increase in consumption since 1977) to estimate normalized use per customer into the future, due to the historical patterns of unexplainable, erratic variation in the short-term; and (6) calculations which indicated that, on a climatically adjusted basis, the usage for the first five months of 1980 had leveled out and was actually below the normalized trend line used as the basis of applicant's estimates for test years 1981 and 1982.

In our view the need for more post-drought consumption data is pivotal to a more reliable resolution of this issue. At this time the latest data available run through the month of September 1980.

At our direction, the Commission staff has augmented through September 30, 1980 the basic data employed to develop the 1970-1979 trend line which applicant has accepted. The result is a normalized 1980 domestic consumption of 222.8^{1/} Ccf per customer. This result differs from the 224.6^{1/} Ccf per residential customer obtained by the staff in Exhibit 14 for the normalized year 1979 by 1.8 Ccf.

^{1/} For San Jose-Whittier, including Murphy Ranch.

We are persuaded that our staff rendered a valid judgment in deciding that the Committee Method is compatible with the limited post-drought experience available. For test years 1981 and 1982 we adopt, consistent with the latest available data, the use per residential customer of 222.8¹/₁₀₀ Ccf per year. Our adopted operating revenues at present rates and adopted operating expenses for purchased water, purchased power, and assessments on production consist of the respective staff estimates adjusted downward to reflect the adopted domestic water use. In the aggregate the adopted domestic water use represents a reduction from the staff estimate of 10,934,600 Ccf to 10,845,900 Ccf for test year 1981 and a reduction from the staff estimate of 11,034,300 Ccf to 10,944,900 Ccf for test year 1982.

Other O&M/Other A&G

Based on an analysis of 1974 to 1978 recorded data the staff, as well as applicant in its original estimate, escalated the estimated 1980 other O&M expenses by 1.5 percent per year to arrive at an estimate of other O&M expenses for each of the test years. As may be seen from Table 1, other O&M expenses, comprising about 20 percent of total O&M expenses, include all O&M expenses, except purchased water, purchased power, assessments on production, payroll, and uncollectibles.

Applicant stressed that while recorded 1979 data was not available when it developed its original estimate from an analysis of 1974 to 1978 recorded data, the later data not only had become available by the time the staff made its estimate but showed a 49 percent increase over the prior year. Because a need was thus made apparent for a higher inflation factor, applicant adjusted, as shown in Table 1, the staff estimates of other O&M expenses upward by \$71,000 in test year 1981 and \$152,400 in test year 1982. This was done by increasing the 1.5 percent escalator used by the staff to 12.5 percent per year.

The Commission staff witness, however, made it clear that he had not ignored the 1979 recorded data that became available. In fact he determined that the large increase in other O&M expenses in 1979 over prior years was attributable basically to two accounts: one was the source of supply expenses account with the increase covering the costs of testing wells for trichlorethylene (TCE); the other one was maintenance of meters expense, covering extra maintenance. It was his testimony that applicant included funds for extra maintenance of meters and for testing wells for TCE in its 1980 budget which was included in the staff's estimate; that these expenses were not in the 1974 through 1978 data; and that trending 1979 in with the 1974 through 1978 data, therefore, would not be indicative of what the appropriate average increase would be. Moreover, it was his basic view that there is no indication other O&M expenses, which fluctuate widely year by year, follow any inflation rate such as the consumer price index or the producer's price index.

We do not adopt applicant's adjustment to the staff estimate of other O&M expenses.

In regard to other A&G expenses applicant's adjustment allows for unforeseen inflation. Originally, this allowance had been included in applicant's unrevised estimate (Exhibit 1) of other A&G expenses as a contingency fund to cover unforeseen items and omissions. The staff rejected the allowance. It was the staff's position that its estimates of all nonoffsettable items contain the results of the application of reasonable escalation factors based on analyses of recorded and projected wage and price information. We likewise reject the allowance, noting, in addition, applicant has failed to show whether on-balance, unforeseen items and events or, for that matter, omissions and their counterpart, inadvertent inclusions, would help or hurt its operating results.

Adopted Operating Results and
Authorized Revenue Increases

In addition to modifying the staff estimates in order to reflect a reduction in annual water use of 1.8 Ccf per residential customer in our adopted operating results, income taxes were computed, in part, by deducting from taxable income interest expense at a level consistent with the debt components used in developing the fair rate of return for applicant. The income tax computations are included in Appendix B attached to this decision.

By comparing the entries for operating revenues in Table 1 hereinabove, it can be seen that (1) the rates to be authorized for test year 1981 yield additional gross revenues of \$1,923,900 which represent a 24.46 percent increase over revenues at present rates and (2) the rates to be authorized for test year 1982 yield additional gross revenues of \$2,311,000 which represent a 29.05 percent increase over revenues at present rates. In addition, a third set of rates will be authorized to allow for attrition in

rate of return after test year 1982. This is in keeping with our intention that the districts of Class A water utilities will not file a general rate increase application more often than once in three years.

The attrition to be allowed for after 1982 has an operational component and a financial component. Its operational component is 0.80 percent as indicated by the 1981 rate of return of 6.01 percent declining to 5.21 percent for 1982 at present rates as shown in Table 1. Its financial component is the adopted estimate of financial attrition in rate of return of 0.09 percent between years 1982 and 1983 (i.e., the difference between the rates of return of 11.64 percent and 11.55 percent for years 1983 and 1982, respectively).

To offset the 0.89 percent combined financial-operational attrition rate, we will authorize a step increase for 1983 of \$324,400. Applicant will be required to file an advice letter with supporting work papers on or after November 15, 1982 to justify such an increase. Fixing rates in this way results in a better matching of the consumers' interests than setting a high initial rate which would yield the adopted rate of return for a three-year average. The required supplemental filings will permit review of achieved rates of return before the final step increase is granted.

Rate Design

Applicant and staff agree that the lifeline quantity in the general metered service rate schedule should be lowered from 500 Ccf per month to 300 Ccf per month to conform to lifeline quantities of similar water utilities. They disagree, however, on which rate components of the rate structure should be increased.

Applicant requests that the total increase authorized for general metered service be placed in the service charge. In support of this request, applicant pointed out that not only is the current commodity rate for usage in excess of lifeline consumption far in excess of the average cost of water supply, but, more importantly, the current commodity rate is about \$0.16 per Ccf in excess of the incremental change in volume-related expenses at current levels of usage and slightly in excess of the highest incremental volume-related cost change possible at current water cost levels.

Applicant argued that the significance of such excess is that presently if a customer reduces consumption by 100 cubic feet, the customer saves \$.40 while applicant's costs are reduced only \$.24, a result clearly unfair to applicant. Conversely, if the customer increases consumption by 100 cubic feet, the customer is charged an additional \$.40 while applicant's costs are increased only \$.24, a result clearly unfair to the customer. It is applicant's position that either result is obviously unreasonable and should not be made more so in this proceeding by further increasing the spread between incremental cost and the commodity rate.

The Commission staff believes that applicant's proposal to increase only the service charge is contrary to the Commission's policy of instituting use-sensitive utility rates in an effort to increase conservation of natural resources. According to staff calculations, applicant would recover 37.4 percent of metered revenue through service charges for test year 1981 at present rates and, at 1981 applicant-proposed rates, 58.6 percent of the metered revenue would come from service charges. To give some perspective to these results, the staff made the observation in its report (Exhibit 14) that "during the last year, the Commission has authorized several rate increases to other utilities wherein service charges typically generate 20% to 35% of the metered revenue."

The staff recommends that any increase in rates be spread proportionally to all classes of customers, metered and flat rate. For metered rates approximately the same percentage increase should be applied to both service charges and the quantity rates. In regard to the latter, the increase should apply to both the lifeline and nonlifeline quantities because the accumulated increase in revenues since January 1, 1976 has exceeded 25 percent.

The staff recommendations comport with established Commission policy and are adopted.

Staff Recommendations

The following staff recommendations have not been contested by applicant and are adopted:

For future general rate increase applications applicant should (a) calculate working cash allowances using a detailed lead-lag study rather than the simplified method; (b) use 13-month weighted averages (rather than simple averages) for rate base items; (c) maintain separate common plant and district plant records; and (d) allocate a portion of total common plant each year to the districts based on that year's four-factor allocation rather than allocating common plant net activity each year to the district.

Conservation

Applicant has adopted the following conservation-related corporate goals:

1. Reduce water losses to 7 percent of production by 1985 (currently about 12 percent).
2. Reduce the unit consumption of energy (electrical and natural gas) used in delivering water to 90 percent of the 1979 value by 1985.

In an effort to meet these goals, applicant has undertaken the following programs:

1. Leak detection in services - began in 1978, continuous basis.
2. Test and, if necessary, replace or repair all large meters (meters 2" or greater) - started in 1979, continuous basis.
3. Replace all small meters which are 20 years or older - started in 1980, continuing through 1985.
4. Telemeter (a) water storage levels, (b) critical system pressure points, and (c) pump automation - started in 1980, to be completed by 1985.
5. Increase pump station efficiencies - continuous program.

The detection of leaks in services and testing of large meters have already significantly reduced water losses. The district's recorded water loss percentages are:

<u>For the 12 Months Ending:</u>	<u>Percent</u>
December 31, 1978	14.70
December 31, 1979	14.25
July 31, 1980	11.8

The small meter replacement project, started in 1980, will be completed in 1985. It will replace all meters over 20 years of age. Applicant will replace 12,165 meters out of 50,073 meters in the district. Applicant has undertaken this program to further reduce water loss on the basis that older meters are less accurate (i.e., they generally register less water than is actually used by the consumer, thereby increasing water losses).

The telemetering program will greatly improve applicant's ability to (a) respond to system demands, (b) make fuller use of its most efficient pumping plants, and (c) use power during off-peak periods.

The pumping plant efficiency program consists of:

1. Replacing low-efficiency well and booster engines with overhauled or new engines of higher efficiencies.
2. Replacing pump bowls and shaft bearings to improve pump efficiencies.
3. Adjusting the turn-on sequences of well pumps after considering current and projected ground-water table levels and recalibrating existing facilities efficiencies.

Consonant with our staff's recommendation, we compliment applicant on its conservation efforts and plans.

Service

A review of the Commission's customer complaint records for 1978 and 1979 indicates that 151 informal complaints for disputed bills were filed against applicant and that all complaints were satisfactorily resolved.

A summary of applicant's investigation reports on various customer complaints for 1978 and 1979 reveals the following complaints which were all satisfactorily resolved:

	<u>1978</u>	<u>1979</u>
Leaks	366	338
High Bill	3,067	709
Low Pressure	287	201
Odor & Taste	34	27
Color	<u>45</u>	<u>51</u>
Total	3,799	1,326

Applicant experienced a higher number of high bill complaints in 1978 than in other years. A large number of these high bill complaints was the result of two meter readers not reading the meters for about four months in 1978. These men were summarily discharged upon discovery of their actions. Since their false readings were generally lower than the actual readings, the next correct reading generated a much higher bill than normal, resulting in many high bill complaints.

At the informal public meeting held on June 11, 1980 at the Glen A. Wilson High School, Hacienda Heights, mentioned at the outset of this decision, there were no complaints about service or water quality. The Commission staff considers applicant's service to be satisfactory.

Wage and Price Standards

By Resolution No. M-4704 dated January 30, 1979, the Commission ordered all utilities and regulated entities requesting general rate increases to submit an exhibit with their applications to show whether the requested increase complies with the Voluntary Wage and Price Standards issued by the Council on Wage and Price Stability. Applicant's Exhibit 8 shows that (1) wage increases granted by applicant and (2) the requested rate increases are within the established guidelines.

Findings of Fact

1. Applicant's service, conservation program, pump efficiency program, and water quality are satisfactory.

2.a. The adopted estimates, previously discussed herein, of operating revenues, operating expenses, and rate base for the test years 1981 and 1982, together with an annual fixed rate of decline in rate of return of 0.80 percent for 1983 due to operational attrition, reasonably indicate the results of applicant's future operations.

b. The compilation of adopted quantities and the adopted tax calculation are contained in Appendix B to this decision.

3. Rates of return of 11.48, 11.55, and 11.64 percent, respectively, on applicant's rate base for 1981, 1982, and 1983 are reasonable. The related return on common equity each year is 13.50 percent. This will require an increase of \$1,923,900, or 24.46 percent, in annual revenues for 1981; a further increase of \$383,300, or 3.88 percent, for 1982; and a further increase of \$324,400, or 3.16 percent, for 1983.

4. The adopted rate design is reasonable.

5. 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.

6. The further 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 12 months ended September 30, 1981 and/or September 30, 1982, exceeds the lower of (a) the rate of return found reasonable by the Commission for applicant during the corresponding period in the most recent rate decision or (b) 11.48 percent for 1981 and 11.55 percent for 1982.

Conclusions of Law

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

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

O R D E R

IT IS ORDERED that:

1. After the effective date of this order, applicant, Southwest Suburban Water, is authorized to file for its San Jose-Whittier District the revised rate schedules for 1981 shown in Appendix A attached to this order. 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 thereof.

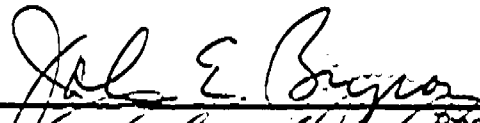
2. On or after November 15, 1981 applicant is authorized to file an advice letter, with appropriate work papers, requesting the step rate increases for 1982 shown in Appendix A attached to this order or to file a lesser increase which includes a uniform cents per hundred cubic feet of water adjustment from Appendix A in the event that the San Jose-Whittier 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) 11.48 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 schedules shall be no earlier than January 1, 1982, or thirty days after the filing of the step rates, whichever is later. The revised schedules shall apply only to service rendered on and after the effective date thereof.

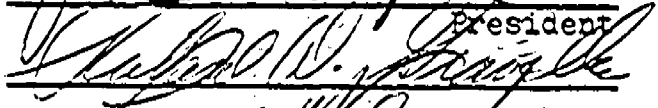
3. On or after November 15, 1982 applicant is authorized to file an advice letter, with appropriate work papers, requesting the step rate increases for 1983 shown in Appendix A attached to this order or to file a lesser increase which includes a uniform cents per hundred cubic feet of water adjustment from Appendix A in the event that the San Jose-Whittier 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, 1982, 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) 11.55 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 schedules shall be no earlier than January 1, 1983, or thirty days after the filing of the step rates, whichever is later. The revised schedules shall apply only to service rendered on and after the effective date thereof.

The effective date of this order is the date hereof.

Dated FEB 4 1981, at San Francisco, California.



President




Commissioners

APPENDIX A
Page 1 of 2

Schedule No. SJW-1
San Jose and Whittier Tariff Areas

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

Portions of Covina, West Covina, La Puente, Glendora, Whittier, and vicinity, Los Angeles and Orange Counties.

RATES

Service Charges:	<u>Per Meter Per Month</u>		
	<u>1981</u>	<u>Increase</u>	
		<u>1982</u>	<u>1983</u>
For 5/8 x 3/4-inch meter	\$ 4.60	\$.15	\$.10
For 3/4-inch meter	5.80	.20	.20
For 1-inch meter	7.40	.30	.20
For 1-1/2-inch meter	10.00	1.00	1.00
For 2-inch meter	14.00	1.00	1.00
For 3-inch meter	26.00	1.00	1.00
For 4-inch meter	37.00	1.00	1.00
For 6-inch meter	60.00	3.00	2.00
For 8-inch meter	89.00	4.00	3.00

Quantity Rates:

For all water delivered, per 100 cu.ft.

Tariff Area No. 1

First 300 cu.ft. per month	\$.280	\$.009	\$.008
Over 300 cu.ft. per month .....	.463	.017	.016

Tariff Area No. 2

First 300 cu.ft. per month .....	.315	.012	.009
Over 300 cu.ft. per month .....	.506	.019	.016

Tariff Area No. 3

First 300 cu.ft. per month .....	.351	.014	.010
Over 300 cu.ft. per month .....	.547	.020	.018

The Service Charge is applicable to all metered service. It is a readiness-to-serve charge to which is added the charge, computed at the Quantity Rates, for water used during the month.

APPENDIX A
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Schedule No. 4

PRIVATE FIRE PROTECTION SERVICE

APPLICABILITY

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

TERRITORY

All tariff areas.

RATES

	<u>Per Month</u>		
	<u>San Jose-Whittier Service Area</u>		
	<u>Increase</u>		
	<u>1981</u>	<u>1982</u>	<u>1983</u>
For each inch of diameter of service connection per month	\$ 5.05	\$.23	\$.16

Schedule No. 4A

FIRE HYDRANT SERVICE ON PRIVATE PROPERTY

APPLICABILITY

Applicable to all fire hydrant service rendered from fire hydrants connected to company-owned mains on private property.

TERRITORY

Throughout all tariff areas.

RATES

	<u>Per Month</u>		
	<u>San Jose-Whittier Service Area</u>		
	<u>Increase</u>		
	<u>1981</u>	<u>1982</u>	<u>1983</u>
Four-inch riser-type fire hydrant with single 2½-inch outlet	\$ 3.76	\$.17	\$.12
Six-inch riser-type fire hydrant with steamer head	5.28	.23	.17
Six-inch standard-type fire hydrant	7.53	.34	.24

APPENDIX B

- I - ADOPTED QUANTITIES
- II - OFFSET ITEMS
- III - CUSTOMERS AND CONSUMPTION: WITNESS DKF
- IV - RATE DESIGN DATA: WITNESS DKF
- V - ADOPTED TAX CALCULATION

APPENDIX B
Page 1 of 6

I - ADOPTED QUANTITIES

Name of Company: Southwest Suburban Water District: San Jose-Whittier
Application No.: 59745
Prepared By: D. K. Fukutome

	<u>Name</u>	<u>Initials</u>
Project Manager:	D. K. Fukutome	DKF
Witnesses:	1. J. B. Johnson	JB
	2. B. Panchadsaram	BP

Net-to-Gross: 2.0919
Federal Tax Rate: 46%
State Tax Rate: 9.6% (for both test years)
Local Franchise Tax Rate: 1.51%
Business License: -
Uncollectibles Rate: 0.572%

II - OFFSET ITEMS

<u>Purchased Power:</u> Witness DKF	<u>Test Years</u>	
	<u>1981</u>	<u>1982</u>
Electric:		
<u>Southern California Edison Company</u>		
Effective Schedule Date: 10/9/80		
ECABF: \$0.04513/kWh		
FCBAF: -0.01210/kWh		
CLMAC: .00003/kWh		
ECS: .00015/kWh		
Water Pumped (acre-feet)	14,858	14,907
kWh - Wells	7,418,577	7,316,520
Water Boosted (acre-feet)	36,490	35,714
kWh - Boosters	6,624,598	6,373,482
Total kWh	14,043,175	13,690,002
Total Cost	\$885,000	\$865,300
Cost/kWh	\$.06302	\$.06320

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	<u>Test Years</u>	
	<u>1981</u>	<u>1982</u>
Gas:		
<u>Southern California Edison Company</u>		
Effective Schedule Date: 8/1/80		
Water Pumped (acre-feet)	13,530	13,567
Therms - Wells	606,248	597,059
Water Boosted (acre-feet)	36,490	35,714
Therms - Boosters	449,940	428,558
Total Therms	1,056,188	1,025,617
Total Cost	\$377,400	\$366,500
Cost/Therm	\$.35732	\$.35735
 Purchased Water: Witness DKF		
<u>South Covina</u>		
Quantity (acre-feet)	750	750
Unit Cost (\$/acre-foot)	\$50.00	\$50.00
Total Cost	\$37,500	\$37,500
 <u>Covina - Irrigating</u>		
Quantity (acre-feet)	3,407	3,407
Unit Cost (\$/acre-foot)	\$84.70	\$84.70
Total Cost	\$288,600	\$288,600
 <u>West Covina</u>		
Quantity (acre-feet)	377	487
Unit Cost (\$/acre-foot)	\$121.00	\$121.00
Total Cost	\$45,600	\$58,900
 <u>Rowland C.W.D.</u>		
Quantity (acre-feet)	473	473
Unit Cost (\$/acre-foot)	\$116.00	\$116.00
Total Cost	\$54,900	\$54,900
 <u>Cal. Domestic</u>		
Quantity (acre-feet)	3,095	2,123
Unit Cost (\$/acre-foot)	\$33.08	\$33.08
Total Cost	\$102,400	\$70,200
Stock Assessed (shares)	1,764	1,365
Assessment (\$/share)	\$31.50	\$31.50
Total Cost	\$55,600	\$43,000
Entitlement (acre-feet)	2,526	1,968
Excess (acre-feet)	569	155
Assessment (\$/acre-foot)	\$61.20	\$61.20
Total Cost	\$34,800	\$9,500

APPENDIX B
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	Test Years	
	1981	1982
Stock Leased (shares)	389	301
Unit Cost (\$/share)	\$15.00	\$15.00
Total Cost	\$5,800	\$4,500
<u>Inter-District</u>		
Quantity (acre-feet)	-2,882	-2,024
Unit Cost (\$/acre-foot)	\$102.80	\$102.80
Total Cost	\$-296,300	\$-208,100
<u>Groundwater Assessments: Witness DKF</u>		
<u>Main San Gabriel Basin</u>		
Total Safe Yield (acre-feet)		
1980-1981	29,604.4	
1981-1982	28,346.5	
1982-1983	25,830.7	
Quantity Replaced (acre-feet)	-	390
Assessment (\$/acre-foot)	\$60.00	\$60.00
Total Cost	-	\$23,400
Long Beach Makeup (acre-feet)	27,238	26,934
Assessment (\$/acre-foot)	\$10.00	\$10.00
Total Cost	\$272,400	\$269,300
Well Production (acre-feet)	27,238	27,324
Admin. Assessment (\$/acre-foot)	\$1.10	\$1.10
Total Cost	\$30,000	\$30,100
Leased Water Rights (acre-feet)	673	673
Unit Cost (\$/acre-foot)	\$45.00	\$45.00
Total Cost	\$30,300	\$30,300
<u>Central Basin</u>		
Well Production (acre-feet)	1,150	1,150
Assessment (\$/acre-foot)	\$16.00	\$16.00
Total Cost	\$18,400	\$18,400
Leased Water Rights (acre-feet)	208	193
Unit Cost	\$52.31	\$52.31
Total Cost	\$10,900	\$10,100
<u>Payroll Taxes: Witness DKF</u>		
Expensed Payroll	\$1,656,900	\$1,823,200
Expensed Payroll Taxes	\$133,700	\$145,700

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	<u>Test Years</u>	
	<u>1981</u>	<u>1982</u>
<u>Postage: Witness DKF</u> Postage Expense	\$59,100	\$59,500
<u>Ad Valorem Taxes: Witness BP</u> Amount	\$249,200	\$263,500
Assessed Value	\$19,618,970	\$20,748,470
Tax Rate	1.27%	1.27%

III - CUSTOMERS AND CONSUMPTION: WITNESS DKF

	<u>Number of Customers</u>		<u>Total Usage (KCcf)</u>		<u>Average Usage (Ccf/Yr.)</u>	
	<u>1981</u>	<u>1982</u>	<u>1981</u>	<u>1982</u>	<u>1981</u>	<u>1982</u>
Residential	48,682	49,125	10,845.9	10,944.9	222.8	222.8
Business	564	583	1,432.2	1,480.2	2,539.4	2,538.9
Industrial	17	17	78.3	78.3	4,605.6	4,605.6
Public Authority	130	130	662.3	662.3	5,094.6	5,094.6
Other	18	18	31.6	31.6	1,755.3	1,755.3
Subtotal	49,411	49,873	13,050.3	13,197.3		
Private Fire Protection	340	359				
Public Fire Protection	-	-				
Other Flat Rate	5	5				
Subtotal	345	364				
Inter-District Transfer			1,255.4	881.7		
Water Loss			1,589.5	1,477.9		
Total	49,756	50,237	15,895.2	15,556.9		
Pumped Water			12,365.9	12,403.1		
Purchased Water			3,529.3	3,153.8		

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IV - RATE DESIGN DATA: WITNESS DKF

General Metered Service Charges (Excluding Other Metered)	1981		1982		1983
	Customers	Revenue (\$x1,000)	Customers	Revenue (\$x1,000)	Revenue (\$x1,000)
5/8 x 3/4-inch meter	7,656	\$ 422.6	7,690	\$ 438.3	\$ 447.6
3/4-inch meter	34,902	2,429.2	35,146	2,530.5	2,614.9
1-inch meter	5,635	500.3	5,797	535.7	549.6
1-1/2-inch meter	516	61.9	520	68.6	74.9
2-inch meter	460	77.3	474	85.3	91.0
3-inch meter	149	46.5	153	49.6	51.4
4-inch meter	68	30.2	68	31.0	31.8
6-inch meter	5	3.6	5	3.8	3.9
8-inch meter	2	2.1	2	2.2	2.3
Subtotal	49,393	3,573.7	49,855	3,745.0	3,867.4
General Metered Quantity Charges (Excluding Other Metered)	Usage (KCcf)		Usage (KCcf)		
Tariff Area No. 1					
0-300 cu.ft.	813.3	227.7	817.0	236.1	242.6
Over 300 cu.ft.	5,098.6	2,360.6	5,173.8	2,483.4	2,566.2
Tariff Area No. 2					
0-300 cu.ft.	893.5	281.5	902.5	295.1	303.2
Over 300 cu.ft.	6,186.1	3,130.2	6,244.8	3,278.5	3,378.4
Tariff Area No. 3					
0-300 cu.ft.	6.8	2.4	10.3	3.8	3.9
Over 300 cu.ft.	20.4	11.2	17.3	9.8	10.1
Subtotal	13,018.7	6,013.6	13,165.7	6,306.7	6,504.4
Other Revenues					
Other Metered		18.2		18.9	19.5
Private Fire Protection		111.3		122.6	126.3
Other Flat Rate		6.8		6.8	6.8
Miscellaneous		64.3		66.2	66.2
Subtotal		200.6		214.5	218.8
Total Revenue		\$9,787.9		\$10,266.2	\$10,590.6

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V - ADOPTED TAX CALCULATION
Southwest Suburban Water
San Jose-Whittier District

:Line: :No. :	Item	: Test Year 1981 :		: Test Year 1982 :	
		: CCFT :	: FIT :	: CCFT :	: FIT :
(Dollars in Thousands)					
1	Operating Revenue	\$9,787.9	\$9,787.9	\$10,266.2	\$10,266.2
<u>Expenses:</u>					
2	Operation & Maintenance	4,133.6	4,133.6	4,293.6	4,293.6
3	Administrative & General	1,763.3	1,763.3	1,959.4	1,959.4
4	Taxes Other Than Income	382.9	382.9	409.2	409.2
5	CCFT	-	195.2	-	196.7
6	Subtotal	6,279.8	6,475.0	6,662.2	6,858.9
<u>Deductions From Taxable Income:</u>					
7	Tax Depreciation	716.3	716.3	740.3	740.3
8	Dividend Exclusion	11.0	9.4	11.0	9.4
9	Interest	756.2	756.2	794.2	794.2
10	Other	(9.0)	(9.0)	9.4	9.4
11	Subtotal Deductions	1,474.5	1,472.9	1,554.9	1,553.3
12	Net Taxable Income (CCFT)	<u>2,033.6</u>		<u>2,049.1</u>	
13	CCFT @ 9.6%	195.2		196.7	
14	Net Taxable Income (FIT)		1,840.0		1,854.0
15	FIT @ 46%		846.4		852.8
16	Graduated Tax Adjustment		(13.6)		(13.6)
17	ITC		(104.8)		(119.3)
18	Deferred Tax Adjustment		(7.9)		(7.9)
19	Total FIT		720.1		712.0

(Red Figure)