

ORIGINAL

92708 FEB 18 1981

Decision No. \_\_\_\_\_

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the matter of the application )  
of DOMINGUEZ WATER CORPORATION, )  
a California corporation, for )  
authorization to increase its )  
rates for water service. )

Application No. 59867  
(Filed August 8, 1980)

Raymond L. Curran, Attorney at Law,  
for applicant.  
William C. Bricca, Attorney at Law,  
and Thomas T. Hamamoto, for the  
Commission staff.

O P I N I O N

Applicant, Dominguez Water Corporation, seeks authority to increase its rates for water service. The rate increases proposed by applicant are in steps designed to increase annual revenues in test year 1981 by \$383,000, or 5.74 percent, over the revenues produced by rates in effect at the time this application was filed; in test year 1982 by \$333,000, or 4.72 percent, over revenues from rates proposed for 1981; and in test year 1983 by \$317,000, or 4.20 percent, over revenues from rates proposed for 1982.

Applicant provides public utility water service to approximately 28,500 general metered customers in parts of Long Beach, Los Angeles, Carson, Compton, Torrance, and to unincorporated areas in Los Angeles County. Included are 15 major industrial customers which in 1979 accounted for 27 percent of applicant's total deliveries. Over the past 10 years approximately 60 percent of the water supplied by applicant to its customers has been Metropolitan Water District water purchased from the West Basin Municipal Water District and 40 percent groundwater from applicant's wells.

An informal public meeting, jointly sponsored by applicant and the staff, was held in the evening on October 2, 1980 in the Carson City Hall to discuss this application. Each customer was notified of the meeting by bill insert. Four customers attended the meeting.

After due notice, public hearing on this application was held before Administrative Law Judge Main in Los Angeles on December 11, 1980. None of applicant's customers attended the hearing. Applicant presented testimony and exhibits through its president, its vice president of operations and director of conservation, and its vice president of finance. The staff studies were presented by a project manager, a financial analyst, and three utilities engineers. The matter was submitted on January 6, 1981 upon receipt of late-filed Exhibits 18 and 19.

Present and Proposed Rates

Applicant provides water service under the following schedules:

- Schedule No. 1 - General Metered Service
- Schedule No. 3M - Metered Irrigation Service
- Schedule No. 4 - Private Fire Protection Service
- Schedule No. 9CF - Construction Flat Rate Service

Applicant proposes to increase its rates for general metered service and irrigation service, with the same increases being proposed for the comparable service charges on each of these schedules. The proposed increase in quantity rates on each of the two schedules is also virtually the same.

A tabular comparison of present, proposed, and adopted rates for general metered service is included in Appendix B to this decision.

Need For Rate Relief

In its application applicant indicated the need for rate relief was caused by continuing increases in operating expenses and by increases in cost of money and in rate of return requirements.

Rate of Return

Applicant accepted the staff rate of return recommendation, which is as follows:

Component	Capitalization: Ratios	Cost	Weighted: Cost
Average Year 1981			
Long-term Debt	52.00%	9.03%	4.70%
Preferred Stock	5.00	5.00	.25
Common Equity	<u>43.00</u>	13.50	<u>5.81</u>
Total	100.00%		10.76%
Average Year 1982			
Long-term Debt*	52.00%	9.47%	4.92%
Preferred Stock	5.00	5.00	.25
Common Equity	<u>43.00</u>	13.50	<u>5.81</u>
Total	100.00%		10.98%
Average Year 1983			
Long-term Debt*	52.00%	9.55%	4.97%
Preferred Stock	5.00	5.00	.25
Common Equity	<u>43.00</u>	13.50	<u>5.81</u>
Total	100.00%		11.03%

\*Includes short-term debt.

Nevertheless, applicant is concerned that the rate of return recommendations made by the staff fall short, especially in the present financial environment, of making water utilities under the Commission's jurisdiction competitive with alternative investments.<sup>1/</sup>

<sup>1/</sup> Applicant's request for rate relief, as set forth in the application, was structured to yield a return on common equity of 15.50 percent.

In this vein applicant suggests the Commission pay particular heed in its future deliberations on fair rate of return for water utilities for the following reasons:

- (1) Water utilities cannot raise equity capital at reasonable rates because the book value of their common shares substantially exceeds the market value.
- (2) The evaluation of the stock of utilities by the securities markets depends on interest rates at any time.
- (3) Presently, the ratio of earnings per share to market price for a cross-section of representative water utilities ranges from 14.8 to 22.0 percent, depending on the earnings history of the company and its dividend.
- (4) Alternative investments: minimum risk 30-month savings certificates yielding 12 percent; treasury bonds of varying maturities yielding between 13.5 percent and 18 percent.
- (5) Dilution of equity holder's interest not only adversely affects the stockholder but the rate-payer as well, assuming investor expectations of earnings do not decrease.

We find it reasonable in this proceeding to depart from the staff's rate of return recommendation, and to authorize a return on common equity higher than that recommended by the staff. This is done in recognition of a need to improve the relative ability of water utilities to attract financing on reasonable terms and a need to curtail the widening gap in returns on common equity between energy and telephone utilities and the water utilities. We found similar needs in our recent decision on Southwest Suburban Water (D.92666 dated February 4, 1981 in A.59745).

Those needs still exist. After careful consideration we have made the judgment that the fair return on common equity for applicant is 14 percent. We accept the staff estimates of capital ratios and cost factors for debt and preferred stock. Accordingly, the adopted rates of return for the test years become:

Component	Capitalization: Ratios	Cost	Weighted: Cost
Average Year 1981			
Long-term Debt	52.00%	9.03%	4.70%
Preferred Stock	5.00	5.00	.25
Common Equity	<u>43.00</u>	14.00	<u>6.02</u>
Total	100.00%		10.97%
Average Year 1982			
Long-term Debt*	52.00%	9.47%	4.92%
Preferred Stock	5.00	5.00	.25
Common Equity	<u>43.00</u>	14.00	<u>6.02</u>
Total	100.00%		11.19%
Average Year 1983			
Long-term Debt*	52.00%	9.55%	4.97%
Preferred Stock	5.00	5.00	.25
Common Equity	<u>43.00</u>	14.00	<u>6.02</u>
Total	100.00%		11.24%

\*Includes short-term debt.

Advice Letter No. 107

We take official notice of Advice Letter No. 107, filed January 20, 1981, by which applicant requests authority under General Order No. 96-A to increase water rates to offset an additional \$49,400 of annual electrical energy, as the result of a rate change, effective January 1, 1981, by Southern California Edison Company. The Revenue Requirements Division staff has reviewed the work papers submitted with the advice letter and finds applicant's request to offset the additional purchased power costs

on a dollar-for-dollar basis to be reasonable. The adopted results of operations reflect this increase in cost. In the design of rates this cost increase will be applied only to the quantity charges.

Results of Operations

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 report of operating results (Exhibit 12) was based, in part, on later information than that available in spring 1980 when applicant prepared its report (Exhibit 1). In their respective reports operating revenues and offsettable expenses (i.e., purchased water, purchased power, replenishment taxes, and similar items) were cast at rates in effect as of January 1, 1980. In Exhibit 19 applicant and the staff recast their respective estimates of operating results to reflect rates in effect as of December 1, 1980. In addition to the updating of revenue and expense levels, applicant's estimates were further adjusted in that exhibit to show the results of its acceptance of the staff estimates of operating revenues, most operating expenses, and most elements of rate base. In Table 1, which follows, the results for test years 1981 and 1982, as shown in Exhibit 19, and the operating results we adopt, including the purchased power cost increase specified in Advice Letter No. 107, are set forth.

Table 1

DOMINGUEZ WATER CORPORATION  
Estimated Results of Operations  
 Test Year 1981  
 (Page 1 of 2)

Item	Present Rates				
	Applicant's Staff Estimate	Revised Estimate	Difference (3)=(2)-(1)	Advice Letter No. 107	Adopted Estimates (5)
	(1)	(2)	(3)	(4)	(5)
	(Dollars in Thousands)				
Operating Revenues*	\$ 7,248.9	\$ 7,248.9	\$	\$	\$ 7,254.2
<u>O&amp;M Expenses</u>					
Purchased Water	2,267.1	2,267.1			2,267.1
Purchased Power	613.5	613.5		49.4	662.9
Replenishment Tax	238.4	238.4			238.4
Purchased Chemicals	79.5	87.5	8.0		83.5
Payroll	459.8	459.8			459.8
Other	350.6	350.6			350.6
Total O&M	4,008.9	4,016.9	8.0		4,062.3
<u>A&amp;G Expenses</u>					
Payroll	336.1	336.1			336.1
Emp. Pensions & Benefits	207.3	213.0	5.7		207.3
Outside Services	35.0	50.0	15.0		45.0
Other	231.3	238.5	7.2		238.5
Adm. Exp. Transferred	(32.0)	(32.0)			(32.0)
Total A&G	777.7	805.6	27.9		794.9
Allocation to Subsidiaries	(40.5)	(40.5)			(40.5)
Depreciation Expense	559.5	559.5			559.5
Taxes Other Than Income	227.5	227.5			227.5
Total Oper. Exp. Excl. Income Taxes	5,533.1	5,569.0			5,603.7
State Income Tax (CCFT)	103.9	104.9			102.1
Federal Income Tax	284.0	291.6			275.9
Total Operating Expenses	5,921.0	5,965.5			5,981.7
Net Revenue	1,327.9	1,283.4			1,272.5
Rate Base	12,578.7	12,701.7	123.0		12,701.7
Rate of Return	10.56%	10.10%			10.02%
<u>Authorized Rates</u>					
Operating Revenues					7,503.1
Operating Expenses:					
Oper. Exp. Excl. Income Taxes					5,604.9
Income Taxes					504.8
Total Operating Exp.					6,109.7
Net Operating Revenues					1,393.4
Rate Base					12,701.7
Rate of Return					10.97%

\*Column (5) includes \$5,300 of public fire hydrant revenue (Advice Letter No. 106 filed October 31, 1980) inadvertently omitted from Exhibit 19.  
 (Red Figure)

Table 1

DOMINGUEZ WATER CORPORATION  
Estimated Results of Operations  
 Test Year 1982  
 (Page 2 of 2)

Item	Present Rates				
	Staff Estimate (1)	Applicant's Revised Estimate (2)	Difference (3)=(2)-(1)	Advice Letter (4)	Adopted Estimate (5)
(Dollars in Thousands)					
Operating Revenues*	\$ 7,264.4	\$ 7,264.4	\$	\$	\$ 7,269.7
<u>O&amp;M Expenses</u>					
Purchased Water	2,254.9	2,254.9			2,254.9
Purchased Power	613.5	613.5		49.4	662.9
Replenishment Tax	238.4	238.4			238.4
Purchased Chemicals	79.5	96.2	16.7		87.6
Payroll	503.5	503.5			503.5
Other	372.2	383.6	11.4		375.1
Total O&M	4,062.0	4,090.1	28.1		4,122.4
<u>A&amp;G Expenses</u>					
Payroll	368.1	368.1	11.2		368.1
Emp. Pensions & Benefits	216.8	228.0			216.8
Outside Services	40.0	55.0	15.0		50.0
Other	250.9	258.9	8.0		258.9
Adm. Exp. Transferred	(34.0)	(34.0)			(34.0)
Total A&G	841.8	876.0	34.2		859.8
Allocation to Subsidiaries	(44.3)	(44.3)			(44.3)
Depreciation Expense	600.0	600.0			600.0
Taxes Other Than Income	242.9	242.9			242.9
Total Oper. Exp. Excl. Income Taxes	5,702.4	5,764.7			5,780.8
State Income Tax (CCFT)	84.7	83.0			82.0
Federal Income Tax	189.5	185.2			177.2
Total Operating Expenses	5,976.6	6,032.9			6,040.0
Net Revenue	1,287.8	1,231.5			1,229.7
Rate Base	13,033.4	13,156.4			13,156.4
Rate of Return	9.88%	9.36%			9.35%
<u>Authorized Rates</u>					
Operating Revenues					7,768.9
Operating Expenses:					
Oper. Exp. Excl. Income Taxes					5,783.2
Income Taxes					513.5
Total Operating Exp.					6,296.7
Net Operating Revenues					1,472.2
Rate Base					13,156.4
Rate of Return					11.19%

\*Column (5) includes \$5,300 of public fire hydrant revenue (Advice Letter No. 106 filed October 31, 1980) inadvertently omitted from Exhibit 19.

(Red Figure)



In Table 1 the differences remaining between the estimates of applicant and the staff, after applicant's accepting most of the staff's estimates, are in purchased chemicals, employee pensions and benefits, outside services, other A&G expenses (miscellaneous accounts), and rate base (advances for construction) for test year 1981. In addition to the foregoing items, the differences for test year 1982 extend to other O&M expenses (road repairs, meter repairs, and postage). We will now address these differences.

#### A. O&M Expenses

##### Purchased Chemicals

Applicant estimated the chemical costs for 1980 at \$80,000 and escalated that amount by 10 percent per year for the years 1981 and 1982. The staff estimate of \$79,500 for each of the years 1981 and 1982 is based on average chemical consumption and October 1980 chemical prices.

Late-filed Exhibit 17 supports applicant's contention that the price of the chemicals it uses has undergone increases since 1977. The pattern of those increases supports an annual escalation factor of at least 5 percent as a reasonable and indicated increment applicable to the staff estimates. Accordingly, our adopted chemical costs are \$83,500 for 1981 and \$87,600 for 1982.

##### Road Repairs

This expense is subject to wide fluctuations from year to year. The staff used an average of the last three recorded years (1977-1979) and an escalation factor of 10 percent per year to develop its estimate of \$31,900 for test year 1982. Applicant contends that its estimate of \$36,000 would be more representative of the level of construction in that test year. It failed, however, to back up the contention with pertinent specifics. The staff's methodology, by recognizing both the variability in road repair work and an inflation

factor, appears to provide a reasonable approach to estimating this expense. The staff estimate is included in our adopted operating results for test year 1982.

Meter Repairs

The staff adopted applicant's estimate for 1981 but not for 1982. The staff rejected a 10 percent inflation factor which applicant applied to the 1981 expense level of \$43,600.

Fundamentally, meter repair expense depends on the number and types of meters tested per year, not on the upward press of inflation. Because applicant did not carry its burden of proof on the number of meters to be tested, we deem it prudent to adopt the staff estimate of \$43,600 for 1982.

Postage

For 1982 applicant's revised estimate of postage is \$41,000 which exceeds the staff estimate by \$2,900. The staff based its estimate, in pertinent part, on 30 percent of the bills applicant renders to customers becoming delinquent in contrast to a 30 percent plus 10 percent basis (i.e., the initial delinquency rate is about 30 percent but 10 days after the initial delinquency billing 10 percent of the bills remain delinquent and generate a second delinquency billing) used by applicant. The record is silent as to the staff's reason for disallowing the postage required for the second delinquency billing. It is also silent, however, as to why applicant did not challenge the staff estimate for test year 1981 which was similarly formulated.

The practice of sending out second delinquency billings appears to fill a need. We adopt applicant's estimate of postage expense for test year 1982.

B. A&G Expenses

Employee Pensions and Benefits

Applicant's estimates are \$213,000 for 1981 and \$228,000 for 1982, which exceed the staff estimates by \$5,700 and \$11,200 for 1981 and 1982, respectively. Applicant, by a linear regression analysis of the total expense by years, developed a best-fit trend line, presumably spanning five years through 1979. The staff estimates were developed by determining (a) the cost per employee in 1979, (b) the average increase per year per employee from 1977 to 1979 for use as an escalation factor, (c) the number of employees in the test year, and (d) an adjustment for additional benefits after 1979.

From the limited information in the record, we are inclined to ascribe the higher cost estimates derived from the linear regression analysis to the recorded costs in years prior to 1977 tilting up the trend line. Applicant has failed, however, to show that permitting the earlier years to have influence to this extent is reasonable. We adopt the staff estimates.

Outside Services

The staff accepted applicant's original estimates of \$35,000 for 1981 and \$40,000 for 1982. In early November 1980 applicant, according to Exhibits 15 and 16, found that its estimates for outside services were \$15,000 to \$20,000 too low per year and so informed the staff.

Applicant revised its estimates to \$50,000 for 1981 and \$55,000 for 1982. In 1979 outside services comprising audit, legal, and other amounted to \$52,081. Through October 1980 applicant had incurred \$35,100 in audit fees. Legal fees are not billed until December of each year.

For our adopted operating results we have increased applicant's original estimates, by \$10,000 each, to \$45,000 for 1981 and \$50,000 for 1982.

Miscellaneous A&G Accounts

Applicant made accounting changes of a subaccount classification nature for items in miscellaneous A&G accounts and in the materials and supplies account. The changes were made, according to applicant, to accomplish better reporting and control. The staff witness was not aware of these changes upon making his estimates. Applicant's estimate of \$30,700 for 1981 and \$33,800 for 1982 are adopted.

C. Rate Base

Rate Base

Applicant and the staff jointly determined, as set forth in late-filed Exhibit 18, that rate base should be increased by \$123,000 in each test year because of a reduction in advances for construction in that amount.

D. Income Taxes

In addition to the above-addressed remaining differing estimates of applicant and the staff, it should be pointed out that income taxes were computed, in part, by deducting the debt components used in developing the adopted fair rate of return for applicant. The income tax computations are included in Appendix B attached to this decision.

Authorized Revenue Increases

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 \$248,900 which represent a 3.43 percent increase over revenues at present rates and (2) the rates to be authorized for test year 1982 yield additional gross revenues of \$499,200 which represent a 6.87 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 0.67 percent as indicated by the 1981 rate of return of 10.02 percent declining to 9.35 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 between years 1982 and 1983 of 0.05 percent (i.e., the difference between the rates of return of 11.24 percent and 11.19 percent for years 1983 and 1982, respectively.)

To offset the 0.72 percent combined financial-operational attrition rate, we may authorize a step increase for 1983 of up to \$195,000. 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 proposes to retain the existing three-block quantity rate structure for general metered service. The blocks are: first 300 cubic feet; next 499,700 cubic feet; and over 500,000 cubic feet.

In concurring with this proposed retention, the staff commented:

"For residential customers with 5/8 x 3/4-inch meters, the rate blocks proposed by the utility are consistent with the model two-block structure because usage in the second quantity block is well beyond the range of the meter capacity.

"Staff recognizes that the utility has approximately 15 major industrial customers which accounted for 27 percent of all water consumption in 1979.

"With respect to the lifeline principle established by the Commission concerning rates for water utilities, the compounded-sequential effects of the percentage increases in total revenue to date exceeds 25 percent over that which existed on January 1, 1976."

In addition, the staff made the following recommendations:

"The percentage increases in the additional revenue required should be applied equally to service charge and commodity charge components.

"A one-time increase in rates for the Construction flat Rate Service (Schedule No. 9CF) should be made by the percentage increase authorized - the average amount for the 3-year cycle.

"Service charge rates in Schedule No. 3M [Metered Irrigation Service] should be equivalent to that determined in Schedule No. 1 and the commodity charge increased by the percentage increase authorized."

Applicant did not take exception to these staff recommendations. The recommendations, which appear to be consistent with our present policy in designing water rates, will be followed in developing the adopted rates.

Conservation and Pump Efficiencies

Applicant has conducted a continuing conservation campaign since 1973. The conservation efforts made over the years appear, from Exhibit 9, to have met with some success. In that exhibit a graphical comparison of water sales, temperatures, and rainfall indicates that residential customers have been reducing their usage since 1970.

A summary of continuing conservation activities was presented in the testimony of applicant's vice president of operations who also serves as director of conservation.

Applicant is participating in a current project which will make available refinery waste water for use in an oil well water flood program. This project would normally use about 600 gallons per minute of potable water from applicant's distribution system in Torrance. Applicant's involvement in the project is expected to conserve this quantity of potable water, by wheeling over a pipeline to be built a like quantity of nonpotable water suitable for a water flood program for a period of approximately 30 years. Over that period this project should conserve about 32,000 acre-feet of potable water.

Based on the 1979 pump efficiency rating data, the staff has determined that the weighted efficiency of applicant's pumps should be rated as "good", being 65.1 percent for wells and 66.6 percent for wells and boosters combined. Only one well pump was rated in the low-efficiency category. That was the pump at Well No. 31, and applicant had planned to have it worked on and upgraded in the latter part of 1980.

Service

A review of the Commission's customer complaint records for 1978 and 1979 indicates that 27 informal complaints were filed against applicant and that all of the complaints were satisfactorily resolved.

Tabulated below from applicant's records are customer complaints for 1979 and 1980. Applicant's investigative reports reveal the complaints were all satisfactorily resolved:

	<u>1979</u>	<u>1980 (Jan.-Aug.)</u>
Color	30	15
Taste and Odor	99	90
Pressure	106	41
Meter Leak	325	247
Service Leak	113	78
Main Leak	92	63
Pvt. Plumbing	314	209
High Bill	991	742
Other	<u>447</u>	<u>324</u>
Total	2,517	1,809

In October 1980 the staff inspected applicant's service area. The staff considers applicant's service to be satisfactory.

Findings of Fact

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

2. 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 0.67 percent for 1983 due to operational attrition, reasonably indicate the results of applicant's future operations.

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



4. Rates of return of 10.97, 11.19, and 11.24 percent, respectively, on applicant's rate base for 1981, 1982, and 1983 are reasonable. The related return on common equity each year is 14.00 percent. This will require an increase of \$248,900, or 3.43 percent, in annual revenues for 1981; a further increase of \$249,800, or 3.32 percent, for 1982; and a further increase of \$195,000, or 2.51 percent, for 1983.

5. The adopted rate design is reasonable.

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

7. The 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) 10.97 percent for 1981 and 11.19 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 of signature.

O R D E R

IT IS ORDERED that:

1. After the effective date of this order, applicant, Dominguez Water Corporation, is authorized to file 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.

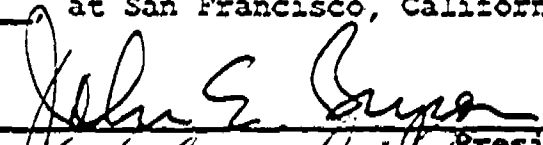

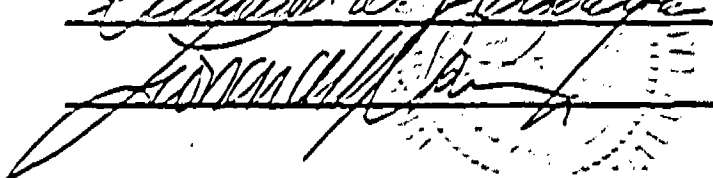
2. On or after November 15, 1981 applicant is authorized to file an advice letter, with appropriate work papers, requesting the step rate increases for 1982 shown in Appendix A attached to this order or to file a lesser increase which includes a uniform cents per hundred cubic feet of water adjustment from Appendix A in the event that the 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) 10.97 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 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) 11.19 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 18 1981 at San Francisco, California.

  
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President  
  
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\_\_\_\_\_  
Commissioners

APPENDIX A  
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Dominguez Water Corporation

SCHEDULE NO. 1

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service excepting metered irrigation service.

TERRITORY

Portions of Carson, Los Angeles, Long Beach, Torrance, and vicinity, Los Angeles County.

RATES

<u>Service Charge:</u>	<u>Per Meter</u> <u>Per Month</u>	
For 5/8 x 3/4-inch meter .....	\$ 2.30	(I)
For 3/4-inch meter .....	3.50	
For 1-inch meter .....	5.90	
For 1 1/2-inch meter .....	11.50	
For 2-inch meter .....	19.00	
For 3-inch meter .....	38.00	
For 4-inch meter .....	49.00	
For 6-inch meter .....	82.00	
For 8-inch meter .....	120.00	
For 10-inch meter .....	151.00	
For 12-inch meter .....	232.00	
For 18-inch meter .....	348.00	(I)

Quantity Rate:

First 300 cu.ft., per 100 cu.ft. ....	0.348	(I)
Next 499,700 cu.ft., per 100 cu.ft. ....	0.465	(I)
Over 500,000 cu.ft., per 100 cu.ft. ....	0.355	(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.

APPENDIX A  
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Dominguez Water Corporation

SCHEDULE NO. 3M

METERED IRRIGATION SERVICE

APPLICABILITY

Applicable to all metered irrigation service.

TERRITORY

Portions of Carson, Los Angeles, Long Beach, Torrance and vicinity,  
Los Angeles County.

RATES

<u>Service Charge:</u>		<u>Per Meter</u>		
		<u>Per Month</u>		
For	1-inch meter .....	\$ 5.90	(I)	
For	1½-inch meter .....	11.50		
For	2-inch meter .....	19.00		
For	3-inch meter .....	38.00		
For	4-inch meter .....	49.00		
For	6-inch meter .....	82.00		
For	8-inch meter .....	120.00		
For	10-inch meter .....	151.00		
For	12-inch meter .....	232.00		
For	18-inch meter .....	348.00		(I)

Quantity Rate:

Per 100 cu.ft. ....	0.358	(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.

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Dominguez Water Corporation

SCHEDULE NO. 9CF

CONSTRUCTION FLAT RATE SERVICE

APPLICABILITY

Applicable to unmetered service for construction purposes.

TERRITORY

Approximately 35 square miles located south of the City of Los Angeles, north of the community of Wilmington, east of the City of Redondo Beach, and west of the Los Angeles River, all in the County of Los Angeles. Included are portions of the Cities of Torrance, Los Angeles, and Long Beach.

RATES

For compaction of earth or fill, per cubic yard of fill ....	\$ 0.03	
For compaction of earth in backfilling trenches per cubic yard of backfill .....	0.05	
For construction purposes in tracts exclusive of fill compaction, and applicable only to tracts where the developer undertakes the construction of all or a substantial portion of the houses in the tract, per gross acre of development .....	42.00	(1)

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Dominguez Water Corporation  
AUTHORIZED INCREASE IN RATES  
TO SCHEDULE NO. 1

Each of the following increases in rates may be put into effect on the indicated date by filing a rate schedule which adds the appropriate increase to the rates in effect on that date.

	<u>Rates to be Effective</u>	
	<u>1-1-82</u>	<u>1-1-83</u>
<u>Service Charge:</u>		
For 5/8 x 3/4-inch meter .....	\$ 0.10	\$ 0.05
For 3/4-inch meter .....	0.10	0.10
For 1-inch meter .....	0.20	0.20
For 1 1/2-inch meter .....	0.40	0.30
For 2-inch meter .....	1.00	1.00
For 3-inch meter .....	1.00	1.00
For 4-inch meter .....	2.00	1.00
For 6-inch meter .....	3.00	2.00
For 8-inch meter .....	4.00	3.00
For 10-inch meter .....	5.00	4.00
For 12-inch meter .....	8.00	6.00
For 18-inch meter .....	12.00	11.00
<u>Quantity Rate:</u>		
First 300 cu.ft., per 100 cu.ft. ....	0.011	0.009
Next 499,700 cu.ft., per 100 cu.ft. ....	0.016	0.012
Over 500,000 cu.ft., per 100 cu.ft. ....	0.013	0.011

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Dominguez Water Corporation  
AUTHORIZED INCREASE IN RATES  
TO SCHEDULE NO. 3M

Each of the following increases in rates may be put into effect on the indicated date by filing a rate schedule which adds the appropriate increase to the rates in effect on that date.

	<u>Rates to be Effective</u>	
	<u>1-1-62</u>	<u>1-1-83</u>
<u>Service Charge:</u>		
For 1-inch meter .....	\$ 0.20	\$ 0.20
For 1½-inch meter .....	0.40	0.30
For 2-inch meter .....	1.00	1.00
For 3-inch meter .....	1.00	1.00
For 4-inch meter .....	2.00	1.00
For 6-inch meter .....	3.00	2.00
For 8-inch meter .....	4.00	3.00
For 10-inch meter .....	5.00	4.00
For 12-inch meter .....	8.00	6.00
For 18-inch meter .....	12.00	11.00
<u>Quantity Rate:</u>		
Per 100 cu.ft. ....	0.012	0.010



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## Dominguez Water Corporation

COMPARISON OF MONTHLY RATESGENERAL METERED SERVICE - SCHEDULE NO. 1

Item	:Current: Proposed Rates :			: Adopted Rates :			
	: Rates*: 1981 : 1982 : 1983 :			: 1981 : 1982 : 1983 :			
<u>Service Charge</u>							
For 5/8 x 3/4-inch meter	\$ 2.20	\$ 2.35	\$ 2.50	\$ 2.70	\$ 2.30	\$ 2.40	\$ 2.45
For 3/4-inch meter	3.30	3.60	3.90	4.20	3.50	3.60	3.70
For 1-inch meter	5.60	6.00	6.50	7.00	5.90	6.10	6.30
For 1-1/2-inch meter	11.00	11.90	13.00	14.00	11.50	11.90	12.20
For 2-inch meter	18.00	19.40	21.00	22.70	19.00	20.90	21.00
For 3-inch meter	36.00	38.90	42.00	45.40	38.00	39.00	40.00
For 4-inch meter	47.00	50.80	55.00	59.40	49.00	51.00	52.00
For 6-inch meter	78.00	84.20	91.00	98.30	82.00	85.00	87.00
For 8-inch meter	115.00	124.20	134.00	144.70	120.00	124.00	127.00
For 10-inch meter	144.00	155.50	168.00	181.50	151.00	156.00	160.00
For 12-inch meter	222.00	239.80	259.00	280.00	232.00	240.00	246.00
For 18-inch meter	333.00	360.00	389.00	420.00	348.00	360.00	370.00
<u>Quantity Rate</u>							
First 300 cu.ft., per 100 cu.ft.	0.331	0.354	0.373	0.387	0.348	0.359	0.368
Next 499,700 cu.ft., per 100 cu.ft.	0.441	0.439	0.456	0.471	0.465	0.481	0.493
Over 500,000 cu.ft., per 100 cu.ft.	0.337	0.337	0.354	0.368	0.355	0.368	0.379

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

\* Current rates were effective July 2, 1980 by Resolution No. W-2666 in Advice Letter No. 103.

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## Dominguez Water Corporation

COMPARISON OF MONTHLY RATESMETERED IRRIGATION SERVICE - SCHEDULE NO. 3M

Item	:Current: Proposed Rates :			Adopted Rates :			
	:Rates* :	1981 :	1982 :	1983 :	1981 :	1982 :	1983 :
<u>Service Charge</u>							
For 1-inch meter	\$ 5.60	\$ 6.00	\$ 6.50	\$ 7.00	\$ 5.90	\$ 6.10	\$ 6.30
For 1-1/2-inch meter	11.00	11.90	13.00	14.00	11.50	11.90	12.20
For 2-inch meter	18.00	19.40	21.00	22.70	19.00	20.00	21.00
For 3-inch meter	36.00	38.90	42.00	45.40	38.00	39.00	40.00
For 4-inch meter	47.00	50.80	55.00	59.40	49.00	51.00	52.00
For 6-inch meter	78.00	84.20	91.00	98.30	82.00	85.00	87.00
For 8-inch meter	115.00	124.20	134.00	144.70	120.00	124.00	127.00
For 10-inch meter	144.00	155.50	168.00	181.50	151.00	156.00	160.00
For 12-inch meter	222.00	239.80	259.00	280.00	232.00	240.00	246.00
For 18-inch meter	333.00	360.00	389.00	420.00	348.00	360.00	370.00
<u>Quantity Rate</u>							
Per 100 cu.ft.	0.342	0.343	0.361	0.376	0.358	0.370	0.380

The service charge applies to all metered service connections, to it is added the charge for water used during the month at quantity rates.

\* Current rates were effective July 2, 1980 by Resolution No. W-2666 in Advice Letter No. 103.

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Dominguez Water Corporation

METERED WATER SALES USED TO DESIGN RATES

ADOPTED QUANTITIES

<u>Meter Size</u>	<u>Metered Service</u>	
	<u>1981</u>	<u>1982</u>
5/8 x 3/4 .....	25,906	25,987
3/4 .....	--	--
1 .....	993	1,008
1 1/2 .....	521	535
2 .....	1,087	1,104
3 .....	162	164
4 .....	59	61
6 .....	23	24
8 .....	20	20
10 .....	17	17
12 .....	2	2
18 .....	--	--
<b>Total</b>	<b>28,790<sup>1/</sup></b>	<b>28,922<sup>1/</sup></b>

<u>Quantity Blocks (CCF)</u>	<u>Consumption</u>	
	<u>1981 (KCCF)</u>	<u>1982 (KCCF)</u>
0-3 .....	996.2	994.6
3-5,000 .....	8,873.2	8,858.7
Over 5,000 .....	3,623.9	3,618.0
<b>Subtotal</b>	<b>13,493.3</b>	<b>13,471.3</b>

<b>Metered Irrigation:</b>		
Per CCF .....	249.9	225.4
<b>Total</b>	<b>13,743.2</b>	<b>13,696.7</b>

<sup>1/</sup> Includes irrigation meters

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## Dominguez Water Corporation

ADOPTED QUANTITIES

Net-to-Gross 2.0585  
 Federal Tax Rate 46%  
 State Tax Rate 9.6% (for both test years)  
 Uncollectibles Rate 0.49%

<u>Offset Items</u>	<u>Test Years</u>	
	<u>1981</u>	<u>1982</u>
1. Purchased Power:		
Total Production Ccf	6,490,400 Ccf	6,490,400 Ccf
Acre-feet	14,900 A.F.	14,900 A.F.
Electric:		
<u>Southern California Edison Company</u>		
Total Cost \$	613,500	613,500
kWh	10,598,400	10,598,400
Eff. Sch. Date	12/2/80	12/2/80
\$/kWh Used	.05789	.05789
	\$/kWh	
In effect on	12/2/80	
Basic Rate (composite)	.01355	
ECAC	.04513	
Fuel Bal. Act.	-.00121	
CAC	.00003	
CLMAC	.00023	
State Energy Tax	.00016	

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## Dominguez Water Corporation

ADOPTED QUANTITIES

## 2. Purchased Water:

<u>West Basin MWD</u>	<u>Test Years</u>	
	<u>1981</u>	<u>1982</u>
Total purchased water	8,595,500 Ccf	8,544,500 Ccf
Acre-feet	19,733 A-F.	19,615 A-F.
Date rate eff.	7/1/80	7/1/80
\$/A.F. used	115.60	115.60
Purch. Water cost	\$ 2,281,100	\$ 2,267,500
Irrig. credit	\$ -14,000	\$ -12,600
Total Cost	\$ 2,267,100	\$ 2,254,900

## 3. Pump Tax - Replenishment Tax:

<u>C &amp; WB WRD</u>	<u>Test Years</u>	
	<u>1981</u>	<u>1982</u>
Total Production	14,900.0 A.F.	14,900.0 A.F.
Entitlement	14,900.0 A.F.	14,900.0 A.F.
Replenishment Tax Rate	\$ 16.00/A.F.	\$ 16.00/A.F.
Total Assessment	\$ 238,400	\$ 238,400

## 4. Expense Payroll:

Operation & Maintenance	4,062,300	4,122,400
Administrative & General	794,900	859,800
Total	\$ 4,857,200	\$ 4,982,200
Expensed Payroll Taxes	\$ 59,000	\$ 65,100

## 5. Employee Benefits:

Pensions & Benefits	\$ 207,300	\$ 216,800
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## 6. Ad Valorem Taxes

	<u>Test Years</u>		
	<u>1981</u>	<u>1982</u>	
Ad Valorem Taxes	\$ 168,300	\$ 177,600	
	<u>1980-81</u>	<u>1981-82</u>	<u>1982-83</u>
Tax Rate	1.25%	1.275%	1.30%
Market Value	\$ 13,145,700	\$ 13,512,700	\$ 14,068,600

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ADOPTED TAX CALCULATION  
Dominguez Water Corporation

	Test Year 1981		Test Year 1982	
	CCFT	FIT	CCFT	FIT
(Dollars in Thousands)				
Operating Revenue	\$7,503.1	\$7,503.1	\$7,768.9	\$7,768.9
<u>Expenses</u>				
Operation & Maintenance	4,063.5	4,063.5	4,124.8	4,124.8
Administrative & General	754.4	754.4	815.5	815.5
Taxes Other Than Income	227.5	227.5	242.9	242.9
CCFT	<u>0</u>	<u>125.8</u>	<u>0</u>	<u>129.6</u>
Subtotal	5,045.4	5,171.2	5,183.2	5,312.8
<u>Deductions from Taxable Income</u>				
Tax Depreciation	569.5	639.5	610.0	685.0
Interest Expense	<u>577.3</u>	<u>577.3</u>	<u>625.5</u>	<u>625.5</u>
Subtotal Deduction	1,146.8	1,216.8	1,235.5	1,310.5
Net Taxable Income (CCFT)	1,310.9		1,350.2	
CCFT @ 9.6%	125.8		129.6	
Net Taxable Income (FIT)		1,115.1		1,145.6
FIT @ 46%		513.0		527.0
Graduated Tax Adjustment		-18.1		-18.1
ITC		-115.9		-125.0
Total FIT		379.0		383.9