

Decision 93672

NOV 3 1981

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application  
of Temescal Water Company, a )  
public utility corporation, for )  
authority to increase its rates )  
for general metered services. )  
(PU Code § 454) )

Application 60219  
(Filed January 26, 1981)

Roy M. Mann, Attorney at Law, for Temescal  
Water Company, applicant.  
Jasjit S. Sekhon, for the Commission staff.

INTERIM OPINION

Temescal Water Company (applicant) provides three types of water service. In 1980 it had 36 commercial, 16 industrial, 162 irrigation, and one resale customer for a total of 215 metered connections. The staff estimated that in 1981 there would be 187 commercial, 16 industrial, 168 irrigation, and no resale customers, for a total of 371. The 1982 estimate is 380 commercial, 16 industrial, and 168 irrigation customers, totaling 564 metered services. Commercial customers are increasing due to numerous mobile home developments and an increase in the sale of conventional home sites.

For test years 1981 and 1982, applicant is proposing an increase of \$11,440 (or 42.3%) and \$21,200 (or 48.8%) for commercial; \$28,430 (or 38.5%) and \$33,870 (or 45.8%) for industrial; and \$303,000 (or 38.8%) and \$354,580 (or 45.7%) for irrigation customers, respectively. A uniform increase is proposed by the Hydraulic Branch staff for all customers with the exception of fire hydrant service. Public and private fire hydrant revenue totals \$800 and \$1,050 for test years 1981 and 1982. In accordance with Public Utilities (PU) Code § 2713, applicant has a written agreement with the Lee Lake Water District, the fire protection agency, for public fire hydrant service. These revenues are projected from the present tariff schedules since there has been no request to increase these rates.

Present rates for all three types of service have been in effect since August 1, 1979 when rates were raised by Commission order to offset an increase in purchased water and power and payroll. Applicant has proposed step rate increases for each rate schedule except public fire hydrant service for the test year 1982.

In conformance with the Water Regulatory Lag Plan a notice advising of the pending request to file for a rate increase was mailed to all customers on March 10, 1981. A hearing was held on June 1, 1981 in Los Angeles, before Administrative Law Judge Edward G. Fraser.

Evidence was presented by applicant and the Commission staff. One of applicant's customers stated briefly that dirty water has clogged irrigation filters in the past, but everything has been clean since May 1981.

A public meeting was held on March 31, 1981 at the office of applicant. The staff had a representative there with officers of applicant. There was a complaint about dirty irrigation water which applicant knew about and agreed to correct. There was no serious opposition to the proposed rate increase and no letters of complaint have been received.

Applicant presented proof that a Notice of Hearing was mailed to all customers on April 14, 1981 and that a further Notice of Hearing was published on May 11, 1981, in "The Daily Independent", a Corona newspaper, along with a complete list of present and proposed rates for 1981 and 1982.

Staff and applicant had different estimates of administrative and general expenses, operating revenues, and income taxes. These differences were resolved during the hearing and both parties adopted the same estimates.

Rate Base

The staff and applicant agreed that reasonable estimates of average depreciated rate base for test years 1981 and 1982 were \$2,089,000 and \$2,095,500, respectively. Accordingly, we will adopt these estimates.

Summary of Earnings

The following table illustrates the earnings expected at the proposed rates for test years 1981 and 1982:

## TEMESCAL WATER COMPANY

Adopted Summary of Earnings for Estimated 1981 and 1982

	<u>Year 1981 Estimated</u>	<u>Year 1982 Estimated</u>
	(Dollars in Thousands)	
Operating Revenues	\$1,284.8 <sup>1/</sup>	\$1,343.7 <sup>1/</sup>
<u>Deductions</u>		
Operating Expenses	586.0	608.5
A & G Expenses	200.3	225.6
Depreciation & Amortization <sup>2/</sup>	52.8	57.2
Taxes Other than Income	58.8	64.5
Income Tax - State	37.1	37.2
Federal	<u>140.9</u>	<u>141.1</u>
Total Deductions	1,075.9	1,134.1
Net Income	208.9	209.6
Average Rate Base	2,089.0	2,095.5
Rate of Return	10.00%	10.00%

<sup>1/</sup> Includes 50% of the balancing accounts surplus of \$40,563.

<sup>2/</sup> Includes \$1,000 per year amortization for Goetz Road overcrossing authorized by Decision (D.) 81425 in Application (A.) 53529.

The staff and applicant agree that the table represents reasonable estimates of revenues and expenses for 1981 and 1982 and we accordingly adopt them.

Service

Field investigations of applicant's service area were made in February, March, and April 1981. Customers were interviewed, facilities inspected, and water pressure noted. Service was found to be satisfactory and water pressure within the limits prescribed by General Order 103.

Conservation

Applicant is primarily a supplier of water for agriculture. Ninety-nine percent of the water sold over the last five recorded years was for irrigation and industrial purposes and was agricultural water. It is projected that this will drop to 98% in 1982. In addition, all the water is sold under measured tariff schedules. Twenty percent of applicant's irrigation customers use a drip system. This process could cut consumption in half if adopted by all customers. It is not recommended that applicant promote the use of drip irrigation, since the costs and benefits of such an effort were not explored on the record. However, the issue of promotion of drip irrigation should be addressed by applicant in its next general rate application.

Applicant has complied with emergency interim D.86959 by advising its customers that water conservation kits are available without cost. In 1980 there were 36 domestic services.

Applicant has a minimum charge rate in effect which guarantees a customer up to 1,400 cu-ft. of water a month for the basic charge. The proposed rates will include a monthly service charge for use of the water and meter, plus an additional sum based on the quantity of water consumed during each billing period. The service charge with a supplemental payment based on water used is in accord with current water conservation practice.

Rate of Return

The proposed rates have been designed to recover the revenue requirements of the company for test years 1981 and 1982. The parties estimate that the return on rate base for the test years will be 10%, which they both agree is reasonable. The return requested is higher than the return sought in the 1975 rate increase application (6.79%) and the rate of return granted by D.86690 which was between 6.79% and 7.69%.

Present Rates

The rate schedules now in effect are:

Schedule No. 1

MEASURED DOMESTIC SERVICE

RATES

Per Meter  
Per Month

Quantity Rate:

First 1,400 cu.ft. or less .....	\$ 3.50
Over 1,400 cu.ft., per 100 cu.ft. ....	0.30

Minimum Charge:

For 5/8-inch meter .....	3.50
For 3/4-inch meter .....	5.25
For 1-inch meter .....	9.00
For 1-1/2-inch meter .....	18.00
For 2-inch meter .....	28.00
For 3-inch meter .....	50.00
For 4-inch meter .....	70.00
For 6-inch meter .....	160.00

The Minimum Charge will entitle the customer to the quantity of water each month which that Minimum Charge will purchase at the Quantity Rate.

Schedule No. 3-M

MEASURED IRRIGATION SERVICE

<u>RATES</u>	<u>Per Miner's Inch Day</u>
For irrigation water delivered to the Lower Area in Corona and vicinity .....	\$ 2.57
For irrigation water delivered to the Upper Area in Temescal Canyon and vicinity .....	2.77

Schedule No. T-4M

MEASURED INDUSTRIAL SERVICE

<u>RATES</u>	<u>Per Meter Per Month</u>
Quantity Rate:	
For each 100 cu.ft. ....	\$ 0.17
Minimum Charge:	
For 1-inch meter .....	10.00
For 2-inch meter .....	40.00
For 4-inch meter .....	160.00

The Minimum Charge will entitle the customer to the quantity of water each month which that Minimum Charge will purchase at the Quantity Rate.

Schedule No. 5

PUBLIC FIRE HYDRANT SERVICE

<u>RATE</u>	<u>Per Month</u>
For each hydrant .....	\$3.50

Schedule No. AA-6XA

MEASURED EMERGENCY SERVICE

RATE

Per Meter  
Per Month

Quantity Rate:

For each 100 cu.ft. .... \$0.17

Proposed Rates

The adopted rates should increase applicant's gross revenue \$293,400 or 30.2% in 1981, and \$39,000 or 3.0% in 1982, with a return on equity of 10.75%. It is estimated that the average customer will pay approximately 33.2% more for water service.

A lifeline allowance of 300 cu.ft. per month has been adopted. The required lifeline differential has been achieved in previous rate increases authorized by D.86690 dated November 30, 1976 in A.56180 and Resolution W-2551 dated July 31, 1979. Therefore, the rate increase to be authorized should be applied to both lifeline usage and other usage except for fire hydrant service.

Resolution W-2551 ordered applicant to establish balancing accounts for purchased power and purchased water. Applicant's controller testified that as of April 30, 1981 there was a surplus of \$40,563 in the balancing accounts. These overcollections will be amortized over a two-year period. The rates provided in Appendixes A and B are designed to produce the adopted revenues less 50% of the surplus in the balancing accounts.

Findings of Fact

1. Applicant operates a public utility water system in the vicinity of Corona, California, which served 36 commercial, 16 industrial, and 162 irrigation customers during December 1980.

2. Applicant's basic rates were last set by D.86690 dated November 30, 1976 in A.56180. An offset increase was authorized on July 31, 1979.

3. Applicant is in need of additional revenues to ensure its financial stability.

4. Applicant's request for a 10% rate of return is reasonable, along with the proposed step rates for the test year 1982. The rate increase will provide a 10.75% return on equity.

5. The authorized increase in rates should provide a \$293,400 or 30.2% increase for the test year 1981 and a step increase of \$39,000 or 3.0% for test year 1982.

6. The metered rate for domestic service should be converted to a service charge with a 300 cu.ft. lifeline block and an inverted rate in the last block.

7. Applicant's service is adequate and its present and proposed plans for water conservation activity are in accord with Commission regulations and directives.

8. The increases in rates and charges authorized by this decision are justified and are just and reasonable.

9. The balancing accounts established by Resolution W-2551 and PU Code § 792.5 have a surplus (overcollection) of \$40,563.

#### Conclusions of Law

1. Applicant should have a service charge and quantity rates designed to replace its minimum charge rate design. The adopted rates are just and reasonable.

2. Since there is a demonstrated immediate need for this rate relief, the following order should be effective the date of signature.

INTERIM ORDER

IT IS ORDERED that:

1. Temescal Water Company may file the revised rate schedules in Appendix A attached to this order in compliance with General Order 96-A after the effective date of this order. The revised schedules shall apply only to service rendered on and after their effective date, which shall be 5 days after filing.

2. On or after December 1, 1981, applicant is authorized to file an advice letter, with appropriate work papers, requesting the step rate increases for 1982 as provided by Appendix B. Such filing shall comply with General Order 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 30 days after the filing of the step rates, whichever is later. The revised schedules shall apply only to service rendered on and after their effective date.

3. This is an interim order pending further review of the Tax Act of 1981 and its effect on revenue requirement.

This order is effective today.

Dated NOV 3 1981, at San Francisco, California.

JOHN E. BRYSON  
President  
RICHARD D. GRAVELLE  
LEONARD M. GRIMES, JR.  
VICTOR CALVO  
PRISCILLA C. CREW  
Commissioners

*I certify that this decision was approved by the above Commissioners today.*  
*John E. Bryson*

Test Year 1981

Schedule No. 1

MEASURED DOMESTIC SERVICE

APPLICABILITY

Applicable to all domestic water service furnished in the "Glen Ivy Area".

TERRITORY

The "Glen Ivy Area" is defined as portions of Section 34, Township 4 South, Range 6 West and portions of Sections 1, 2, 3, 10, 11, and 12, Township 5 South, Range 6 West, SBM, Riverside County, as delineated on the Company's filed Service Area Map.

RATES

	<u>Per Meter</u>	
	<u>Per Month</u>	
<b>Quantity Rates:</b>		
First 300 cu.ft., per 100 cu.ft. ....	\$ .300	(C)
Over 300 cu.ft., per 100 cu.ft. ....	.432	(I)
 <b>Service Charge:</b>		
For 5/8 x 3/4-inch meter .....	3.50	(C)
For 3/4-inch meter .....	4.00	
For 1-inch meter .....	5.00	
For 1 1/2-inch meter .....	7.00	
For 2-inch meter .....	10.00	
For 3-inch meter .....	18.00	
For 4-inch meter .....	24.00	
For 6-inch meter .....	40.00	
For 8-inch meter .....	60.00	(C)

The Service Charge is a readiness-to-serve charge which is applicable to all general metered service and to which is to be added the monthly charge computed at the Quantity Rates. (C)

Test Year 1981

Schedule No. 3M

MEASURED IRRIGATION SERVICE

APPLICABILITY

Applicable to all measured irrigation service.

TERRITORY

Corona, Temescal Canyon and vicinity, Riverside County.

RATES

	<u>Per Miner's Inch Day</u>	
For irrigation water delivered to the Lower Area in Corona and vicinity.....	\$3.50	(I)
For irrigation water delivered to the Upper Area in Temescal Canyon and vicinity .....	3.67	(I)

SPECIAL CONDITIONS

1. Application for service: Written application for service under the above schedule shall be made on forms provided by the company. Applicants for service shall indicate the number of acres to be irrigated and shall notify the company of changes in irrigated acreage as they occur.

2. Service pressures: Water shall be delivered at pressures available.

3. Water potability: The water supplied under this schedule is untreated water from open ditches, canals, conduits, and flumes. The company does not represent or guarantee that any of the water delivered is potable or of a quality suitable for human consumption. Any customer who uses the water or makes it available or offers it to others for human consumption shall take all necessary precautions to make the water potable and shall assume all risks and liabilities in connection with it.

4. Delivery will be made at a constant rate of flow in integers of 24 hours and changes will require 48 hours' advance notice.

5. A miner's inch day is defined as the volume resulting from a continuous flow of 1/50th of a cubic foot of water per second over a 24-hour period.

APPENDIX A

Test Year 1981

Schedule No. T-4M

MEASURED INDUSTRIAL SERVICE

APPLICABILITY

Applicable to all nonpotable industrial service.

TERRITORY

The territory served by company's No. 5 line in Temescal Canyon, Riverside County, southerly of the north line of Sections 27 and 28 T4S R6W SBBM.

RATES

Quantity Rate:	Per Meter Per Month	
For each 100 cu.ft. ....	\$ .209	(I)
 Service Charge:		
For 5/8 x 3/4-inch meter .....	5.30	(N)
For 3/4-inch meter .....	6.00	(N)
For 1-inch meter .....	8.00	(C)
For 1 1/2-inch meter .....	10.00	(N)
For 2-inch meter .....	14.00	(C)
For 3-inch meter .....	27.00	(N)
For 4-inch meter .....	36.00	(C)
For 6-inch meter .....	60.00	(N)
For 8-inch meter .....	90.00	
For 10-inch meter .....	110.00	
For 12-inch meter .....	133.00	
For 14-inch meter .....	160.00	(N)

The Service Charge is a readiness-to-serve charge which is applicable to all measured industrial service and to which is to be added the monthly charge computed at the Quantity Rate. (C)

SPECIAL CONDITIONS

1. Water shall be delivered at available pressures.
2. The water supplied under this schedule is untreated water from open ditches, canals, conduits, and flumes. The company does not represent or guarantee that any of the water delivered is potable or of a quality suitable for human consumption. Any customer who uses the water or makes it available or offers it to others for human consumption shall take all necessary precautions to make the water potable and shall assume all risks and liabilities in connection with it.
3. Delivery will be made at a constant rate of flow in integers of 24 hours and changes require 48 hours' advance notice.

## APPENDIX B

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Test Year 1982

Schedule No. 1

MEASURED DOMESTIC SERVICEAPPLICABILITY

Applicable to all domestic water service furnished in the "Glen Ivy Area".

TERRITORY

The "Glen Ivy Area" is defined as portions of Section 34, Township 4 South, Range 6 West and portions of Sections 1, 2, 3, 10, 11 and 12, Township 5 South, Range 6 West, SBM, Riverside County, as delineated on the Company's filed Service Area Map.

RATES

	Per Meter Per Month	
Quantity Rates:		
First 300 cu.ft., per 100 cu.ft. ....	\$ .300	
Over 300 cu.ft., per 100 cu.ft. ....	.437	(I)
Service Charge:		
For 5/8 x 3/4-inch meter .....	3.50	
For 3/4-inch meter .....	4.00	
For 1-inch meter .....	5.00	
For 1½-inch meter .....	7.00	
For 2-inch meter .....	10.00	
For 3-inch meter .....	18.00	
For 4-inch meter .....	24.00	
For 6-inch meter .....	40.00	
For 8-inch meter .....	60.00	

The Service Charge is a readiness-to-serve charge which is applicable to all general metered service and to which is to be added the monthly charge computed at the Quantity Rates.

Test Year 1982

Schedule No. 3M

MEASURED IRRIGATION SERVICEAPPLICABILITY

Applicable to all measured irrigation service.

TERRITORY

Corona, Temescal Canyon and vicinity, Riverside County.

RATES

	<u>Per Miner's Inch Day</u>	
For irrigation water delivered to the Lower Area in Corona and vicinity .....	\$3.61	(I)
For irrigation water delivered to the Upper Area in Temescal Canyon and vicinity.....	3.79	(I)

SPECIAL CONDITIONS

1. Application for service: Written application for service under the above schedules shall be made on forms provided by the company. Applicants for service shall indicate the number of acres to be irrigated and shall notify the company of changes in irrigated acreage as they occur.
2. Service pressures: Water shall be delivered at pressures available.
3. Water potability: The water supplied under this schedule is untreated water from open ditches, canals, conduits, and flumes. The company does not represent or guarantee that any of the water delivered is potable or of a quality suitable for human consumption. Any customer who uses the water or makes it available or offers it to others for human consumption shall take all necessary precautions to make the water potable and shall assume all risks and liabilities in connection with it.
4. Delivery will be made at a constant rate of flow in integers of 24 hours and changes will require 48 hours' advance notice.
5. A miner's inch day is defined as the volume resulting from a continuous flow of 1/50th of a cubic foot of water per second over a 24-hour period.

## APPENDIX B

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Test Year 1982

Schedule No. T-4M

MEASURED INDUSTRIAL SERVICEAPPLICABILITY

Applicable to all nonpotable industrial service.

TERRITORY

The territory served by company's No. 5 line in Temescal Canyon, Riverside County, southerly of the north line of Sections 27 and 28 T4S R6W SBBM.

RATES

Quantity Rate:	Per Meter Per Month	
For each 100 cu.ft. ....	\$ .216	(I)
Service Charge:		
For 5/8 x 3/4-inch meter .....	5.30	
For 3/4-inch meter .....	6.00	
For 1-inch meter .....	8.00	
For 1 1/2-inch meter .....	10.00	
For 2-inch meter .....	14.00	
For 3-inch meter .....	27.00	
For 4-inch meter .....	36.00	
For 6-inch meter .....	60.00	
For 8-inch meter .....	90.00	
For 10-inch meter .....	110.00	
For 12-inch meter .....	133.00	
For 14-inch meter .....	160.00	

The Service Charge is a readiness-to-serve charge which is applicable to all measured industrial service and to which is to be added the monthly charge computed at the Quantity Rate.

SPECIAL CONDITIONS

1. Water shall be delivered at available pressures.
2. The water supplied under this schedule is untreated water from open ditches, canals, conduits, and flumes. The company does not represent or guarantee that any of the water delivered is potable or of a quality suitable for human consumption. Any customer who uses the water or makes it available or offers it to others for human consumption shall take all necessary precautions to make the water potable and shall assume all risks and liabilities in connection with it.
3. Delivery will be made at a constant rate of flow in integers of 24 hours and changes require 48 hours' advance notice.

(END OF APPENDIX B)