

## PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Copy for:

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to Executive Director

RESOLUTION NO. W-3313

EVALUATION & COMPLIANCE DIVISION  
BRANCH/SECTION: Water Utilities  
DATE: May 7, 1986

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Director  
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Accounting Officer

R E S O L U T I O N

SEARLES DOMESTIC WATER COMPANY (SDWC). ORDER  
AUTHORIZING A GENERAL RATE INCREASE PRODUCING  
\$62,205 OR 30.5% IN 1986 AND FURTHER STEP  
RATE INCREASE OF \$83,125 OR 30.8% IN 1987.

SDWC, by draft advice letter furnished to the Water Utilities Branch (Branch) on September 18, 1985, requested authority under Section VI of General Order 96-A and Section 454 of the Public Utilities Code to increase rates for water service by \$62,206 or 30.5% in 1986, and \$83,131 or 30.8% in 1987. SDWC estimates that the requested rate increases would produce a net loss for the test year 1986 and a 5.08% rate of return for test year 1987. SDWC, a wholly-owned subsidiary of Kerr-McGee Corporation, currently serves about 1,320 metered customers in the unincorporated communities and territory along the westerly shore of Searles Lake known as Trona, Pioneer Point, Borosolvay and South Trona in San Bernardino County.

The present rates for general metered service have been in effect since September 1, 1979, pursuant to Resolution W-2553, which authorized a general rate increase. The present rates for public school metered service have been in effect since June 10, 1982, pursuant to Resolution W-2983.

The Branch made an independent analysis of SDWC's summaries of earnings. Appendices A1 and A2 show the Branch's and SDWC's summaries of earnings at present, requested and adopted rates for the test years 1986 and 1987. The differences between SDWC's and the Branch's summaries of earnings are in operating expenses and rate base.

The differences in the estimates of operating expenses are in total payroll (employee labor, office salaries, and management salary), employee pensions, depreciation, and other taxes.

The Branch's estimates of total payroll for test years 1986 and 1987 are lower than SDWC's. To arrive at its 1986 estimate of \$109,540, SDWC escalated recorded 1984 payroll by 9.5% for 1985 and 13.0% for 1986. SDWC did not request an increase in payroll for 1987. Therefore, its 1987 level of payroll is equal to the 1986 level. Based on a review of similar water utilities, the

Branch believes that SDWC's recorded 1984 payroll is high, and for ratemaking adjusted it downward. To arrive at its 1986 estimate of \$95,360, the Branch escalated its adjusted 1984 base payroll by 3.4% for 1985 and 3.3% for 1986. Because SDWC did not ask for an increase in payroll for 1987, the Branch's 1987 estimate equals its 1986 estimate. The labor escalation factors used by the Branch were found reasonable by the Research Branch of the Evaluation and Compliance Division and in the Branch's view are more reflective of the current inflation trends. SDWC had no workpapers supporting its escalation factors, which the Branch believes are excessive.

The differences in SDWC's and the Branch's estimates of employee pensions are due to differences in the estimates of total payroll.

The Branch's estimates of other taxes are higher than SDWC's because the latest social security tax increases have been included.

The differences in the estimates of depreciation result from differences in plant estimates as described below in the discussion on plant.

The differences in the estimates of rate base are due to differences in the estimates of plant, depreciation reserve and working cash.

The Branch's estimate of plant is \$1,542,890 versus SDWC's estimate of \$1,354,400. The difference is because the Branch had access to later recorded data which included the total cost of the now completed Argus Project. This project consisted of the replacement of 22,000 feet of mains (water pipes) at a cost of \$321,610. According to the California Department of Health Services (DHS), the Argus Project was necessary to protect against contamination that could occur from leaking mains located near private septic facilities through a process known as back siphonage (reverse pressure condition resulting in contaminants being sucked into the mains). The Argus Project was processed in accordance with the Commission's Service Improvement Policy for water utilities. This policy requires a utility to inform its customers and hold a public meeting to discuss major service improvement projects, like the Argus Project, and their rate increase implications. Under the policy, if the customer consensus is a desire to retain lower quality (but not unsafe) service, they may do so. The consensus was to go forward on the Argus Project at a public meeting in Trona on March 12, 1984.

The Branch's estimates of depreciation reserve are higher than SDWC's. This is due to Branch's higher estimates for plant explained above.

The differences in working cash estimates are due to differences in the estimates of total operating expenses.

The summaries of earnings submitted with SDWC's rate increase request show a net loss on rate base in 1986 and a 5.08% rate of return on rate base in 1987. The Branch's recommended summaries of earnings show a net loss in 1986 and a return on rate base of 4.71% in 1987. This rate of return, although lower than that submitted by SDWC, results in SDWC being granted the total revenue requested.

SDWC was informed about the Branch's differing views of operating expenses, rate base, and rate of return and has stated that it accepts the Branch's estimates.

A field investigation of SDWC's system was made on November 24, 1985 by two members of the Branch. Visible portions of the water system were inspected, pressures were checked, company employees interviewed, and methods of operation reviewed. The Branch concludes that service is adequate and in conformance with the Commission's General Order 103, Rules Governing Water Services. According to DHS, water quality meets standards. There are no outstanding Commission orders requiring system improvements.

A notice of the proposed increase was mailed to each customer on December 2, 1985. A total of three letters and a petition containing approximately 250 signatures were received. The customers protested the size of the rate increase and requested a public meeting.

The Branch held a public meeting in Trona on the evening of January 29, 1986. About 40 customers were in attendance. For the purpose of answering questions, representatives of the Branch, DHS and SDWC were present. Most of the discussion concerned the magnitude of the rate increase. Many of the customers stated that they were on fixed income. Also there was considerable concern about SDWC's recently increased purchased water costs.

The need for the rate increase was reviewed by SDWC and the representative of the Branch explained the Commission's role. With respect to the concern about purchased water, it was explained that water for the system is transmitted from the City of Ridgecrest which is over 25 miles away. The transmission facilities (mains, pumps, etc.) are owned and operated by SDWC's owner (Kerr-McGee Corporation), who charges SDWC a fee based on its pumping costs and other expenses necessary to maintain the transmission facilities. The fee has not been changed since the 1940's. Kerr-McGee Corporation now believes that the fee should be \$139 per acre-foot and is asking this amount to be adopted. The Branch finds this fee reasonable especially when compared to the \$226 per acre-foot charged by the Metropolitan Water District, one of the major purveyors of water in Southern California.

The Branch has drafted a letter of reply to all customers who have written to the Commission about this rate increase. It explains the Commission's action and will be mailed after this resolution is signed. The draft letter is attached as Appendix E.

The present residential metered rates consist of a service charge with five inverted rate blocks. SDWC requires this type of a rate structure because of the extreme need for conservation in this unique desert area which is over 25 miles from the sources of supply. The Branch recommends that the existing rate structure be retained. A comparison of present and Branch recommended rates for metered service for test years 1986 and 1987 along with a monthly bill comparison of a 5/8 x 3/4-inch metered customers at various usage levels is shown in Appendix C. For the typical residential customer this will mean an increase in the 1986 monthly bill from \$10.34 to \$13.45 and in the 1987 monthly bill from \$13.45 to \$17.49.

The total increase for public school metered rates over the test years 1986 and 1987 is 110%. This compares to 69% for the residential metered rates over the same period. The reason for this is to more fairly distribute costs to all customers. Historically, the public school rates have been very low in relation to costs and subsidized by the residential rates. Because the

residential customers have expressed dissatisfaction with this situation to SDWC in the past, the utility originally proposed to make one set of metered rates for all customers. However, this would have resulted in a rate increase of about 370% for the schools over the two test years, and in the Branch's view this was not reasonable when compared to the overall system increase of 71% over this period. The Branch suggested, and SDWC agreed, that to reach the goal of rate parity without rate shock to the schools, would require phasing in over the next several rate cases.

The Branch recommends that the Commission authorize a two-step increase of \$62,205 or 30.5% in 1986 and \$83,125 or 30.8% in 1987. At the rates contained in Appendix B, these increases would increase the estimated annual revenues from \$203,735 at present rates to 265,940 in 1986 and to \$352,890 in 1987. These increases provide a net loss on rate base in 1986 and 4.71% rate of return on rate base in 1987.

The Commission's opinion, after investigation by the Branch is that:

- a. The Branch's recommended summary of earnings (Appendices A1 and A2) are reasonable and should be adopted.
- b. The rates recommended by the Branch for the 1986 and 1987 test years (attached as Appendix B) are reasonable and should be authorized.
- c. The quantities (attached as Appendix D) used to develop the Branch's recommendation are reasonable and should be adopted.

THE COMMISSION FINDS that the increased rates hereby authorized are justified and that the present rates are, for the future, unjust and unreasonable.

IT IS RESOLVED that:

1. Authority is granted under Public Utilities Code Section 454 for Searles Domestic Water Company to file an advice letter incorporating the summary of earnings and revised rate schedules attached to this resolution as Appendices A1, A2, and B, respectively, and concurrently to cancel the presently effective rate schedules. Such filing shall comply with General Order 96-A.
2. The effective date of the revised rate schedules shall be the date of filing.
3. The resolution is effective today.

I certify that this resolution was adopted by the Public Utilities Commission at its regular meeting on May 7, 1986. The following Commissioners approved it:

DONALD VIAL  
President  
VICTOR CALVO  
PRISCILLA C. GREW  
FREDERICK R. DUDA  
STANLEY W. HULETT  
Commissioners

*Howard A. Savas*  
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Acting Executive Director

APPENDIX A1

SEARLES DOMESTIC WATER COMPANY

SUMMARY OF EARNINGS  
(Estimated Year 1986)

| Item                      | : Utility Estimated : |                | : Branch Estimated : |                  | : Adopted :    |
|---------------------------|-----------------------|----------------|----------------------|------------------|----------------|
|                           | : Present :           | : Requested :  | : Present :          | : Requested :    |                |
|                           | : Rates :             | : Rates :      | : Rates :            | : Rates :        |                |
| <u>Operating Revenue</u>  |                       |                |                      |                  |                |
| Metered Service*          | \$194,871             | \$253,100      | \$194,870            | \$253,100        | \$253,100      |
| School District*          | 8,716                 | 12,650         | 8,720                | 12,650           | 12,650         |
| Other Revenue*            | 144                   | 187            | 145                  | 190              | 190            |
|                           | <u>203,731</u>        | <u>265,937</u> | <u>203,735</u>       | <u>265,940</u>   | <u>265,940</u> |
| <u>Operating Expenses</u> |                       |                |                      |                  |                |
| Purchased Water*          | 59,712                | 59,712         | 59,710               | 59,710           | 59,710         |
| Employee Labor            | 53,180                | 53,180         | 52,980               | 52,980           | 52,980         |
| Materials*                | 15,048                | 15,048         | 15,050               | 15,050           | 15,050         |
| Office Salaries           | 26,580                | 26,580         | 19,070               | 19,070           | 19,070         |
| Management Salary         | 29,780                | 29,780         | 23,310               | 23,310           | 23,310         |
| Office Expense            | 6,880                 | 6,880          | 6,880                | 6,880            | 6,880          |
| Acct., Legal & Reg.       | 4,550                 | 4,550          | 4,550                | 4,550            | 4,550          |
| General Expense*          | 3,454                 | 3,454          | 3,450                | 3,450            | 3,450          |
| Vehicle Expense           | 6,720                 | 6,720          | 6,720                | 6,720            | 6,720          |
| Office Rental             | 2,520                 | 2,520          | 2,520                | 2,520            | 2,520          |
| Employee Pensions         | 14,030                | 14,030         | 12,210               | 12,210           | 12,210         |
| Total Expenses            | <u>222,454</u>        | <u>222,454</u> | <u>206,450</u>       | <u>206,450</u>   | <u>206,450</u> |
| Depreciation              | 36,520                | 36,520         | 41,230               | 41,230           | 41,230         |
| Property Taxes            | 11,320                | 11,320         | 11,320               | 11,320           | 11,320         |
| Other Taxes               | 9,390                 | 9,390          | 9,580                | 9,580            | 9,580          |
| Income Taxes              | 200                   | 200            | 200                  | 200              | 200            |
| Total Deductions          | <u>279,884</u>        | <u>279,884</u> | <u>268,780</u>       | <u>\$268,780</u> | <u>268,780</u> |
| Net Revenue               | (\$76,153)            | (\$13,947)     | (\$65,045)           | (\$2,840)        | (\$2,840)      |
| <u>Aver. Rate Base</u>    |                       |                |                      |                  |                |
| Average Plant             | 1,354,400             | 1,354,400      | 1,542,890            | 1,542,890        | 1,542,890      |
| Depr. Reserve             | 269,577               | 269,577        | 270,670              | 270,670          | 270,670        |
| Net Plant                 | 1,084,823             | 1,084,823      | 1,272,220            | 1,272,220        | 1,272,220      |
| Less: Advances            | 61,067                | 61,067         | 61,070               | 61,070           | 61,070         |
| Contributions             | 17,348                | 17,348         | 17,350               | 17,350           | 17,350         |
| Plus: Working Cash        | 32,240                | 32,240         | 29,430               | 29,430           | 30,480         |
| Nat'l's. & Suppls.        | 6,600                 | 6,600          | 6,600                | 6,600            | 6,600          |
| Rate Base                 | 1,045,248             | 1,045,248      | 1,229,830            | 1,229,830        | 1,230,880      |
| Rate of Return            | Loss                  | Loss           | Loss                 | Loss             | Loss           |

\* Difference at present and/or requested rates is due to rounding.

APPENDIX A2

SEARLES DOMESTIC WATER COMPANY

SUMMARY OF EARNINGS  
(Estimated Year 1987)

| Item                      | : Utility Estimated : |                | : Branch Estimated : |                  | : Adopted :    |
|---------------------------|-----------------------|----------------|----------------------|------------------|----------------|
|                           | : Present :           | : Requested :  | : Present :          | : Requested :    |                |
|                           | : Rates :             | : Rates :      | : Rates :            | : Rates :        |                |
| <u>Operating Revenue</u>  |                       |                |                      |                  |                |
| Metered Service*          | \$256,925             | \$334,300      | \$256,925            | \$334,300        | \$334,300      |
| School District*          | 12,650                | 18,350         | 12,650               | 18,350           | 18,350         |
| Other Revenue*            | 187                   | 243            | 190                  | 240              | 240            |
|                           | <u>269,762</u>        | <u>352,893</u> | <u>269,765</u>       | <u>352,890</u>   | <u>352,890</u> |
| <u>Operating Expenses</u> |                       |                |                      |                  |                |
| Purchased Water*          | 60,565                | 60,565         | 60,570               | 60,570           | 60,570         |
| Employee Labor            | 53,180                | 53,180         | 52,980               | 52,980           | 52,980         |
| Materials*                | 15,048                | 15,048         | 15,050               | 15,050           | 15,050         |
| Office Salaries           | 26,580                | 26,580         | 19,070               | 19,070           | 19,070         |
| Management Salary         | 29,780                | 29,780         | 23,310               | 23,310           | 23,310         |
| Office Expense            | 6,880                 | 6,880          | 6,880                | 6,880            | 6,880          |
| Acct., Legal & Reg.       | 4,550                 | 4,550          | 4,550                | 4,550            | 4,550          |
| General Expense*          | 4,118                 | 4,118          | 4,120                | 4,120            | 4,120          |
| Vehicle Expense           | 6,720                 | 6,720          | 6,720                | 6,720            | 6,720          |
| Office Rental             | 2,520                 | 2,520          | 2,520                | 2,520            | 2,520          |
| Employee Pensions         | 14,030                | 14,030         | 12,210               | 12,210           | 12,210         |
| Total Expenses            | <u>223,971</u>        | <u>223,971</u> | <u>207,980</u>       | <u>207,980</u>   | <u>207,980</u> |
| Depreciation              | 36,600                | 36,600         | 45,940               | 45,940           | 45,940         |
| Property Taxes            | 11,550                | 11,550         | 11,550               | 11,550           | 11,550         |
| Other Taxes               | 10,110                | 10,110         | 10,180               | 10,180           | 10,180         |
| Income Taxes              | 200                   | 19,200         | 200                  | 21,610           | 21,610         |
| Total Deductions          | <u>282,431</u>        | <u>301,431</u> | <u>275,850</u>       | <u>\$297,260</u> | <u>297,260</u> |
| Net Revenue               | (\$12,669)            | \$51,462       | (\$ 6,085)           | \$55,630         | \$55,630       |
| <u>Aver. Rate Base</u>    |                       |                |                      |                  |                |
| Average Plant             | 1,357,494             | 1,357,494      | 1,545,890            | 1,545,890        | 1,545,890      |
| Depr. Reserve             | 306,616               | 306,616        | 324,150              | 324,150          | 324,150        |
| Net Plant                 | 1,050,878             | 1,050,878      | 1,221,740            | 1,221,740        | 1,221,740      |
| Less: Advances            | 59,907                | 59,907         | 59,910               | 59,910           | 59,910         |
| Contributions             | 16,869                | 16,869         | 16,870               | 16,870           | 16,870         |
| Plus: Working Cash        | 32,240                | 32,240         | 29,620               | 29,620           | 29,620         |
| Mat'ls. & Suppls.         | 6,600                 | 6,600          | 6,600                | 6,600            | 6,600          |
| Rate Base                 | 1,012,942             | 1,012,942      | 1,181,180            | 1,181,180        | 1,181,180      |
| Rate of Return            | Loss                  | 5.08%          | Loss                 | 4.71%            | 4.71%          |

\* Difference at present and/or requested rates is due to rounding.

APPENDIX B  
(Page 1)

Schedule No. 1

GENERAL METERED SERVICE

APPLICABILITY

Applicable to metered water service for domestic household purposes for commercial or retail establishments and small industrial enterprises.

TERRITORY

Within Argus, Trona, Pioneer Point (Point of oaks), Borosolvay and South Trona, unincorporated communities and territory along the westerly shore of Searles Lake, San Bernardino County.

RATES

| <u>Service Charge</u>                | <u>Per Meter Per Month</u> |     |                      |     |
|--------------------------------------|----------------------------|-----|----------------------|-----|
|                                      |                            |     | <u>Effective*</u>    |     |
|                                      |                            |     | <u>March 1, 1967</u> |     |
| For 5/8 x 3/4-inch meter .....       | \$ 4.65                    | (I) | \$ 6.05              | (I) |
| For 3/4-inch meter .....             | 5.15                       |     | 6.70                 |     |
| For 1-inch meter .....               | 6.30                       |     | 8.20                 |     |
| For 1-1/2-inch meter .....           | 10.30                      |     | 13.40                |     |
| For 2-inch meter .....               | 11.90                      |     | 15.50                |     |
| For 3-inch meter .....               | 16.70                      |     | 21.70                |     |
| For 4-inch meter .....               | 31.80                      | (I) | 41.35                | (I) |
| <br><u>Quantity Rates</u>            |                            |     |                      |     |
| First 200 cu.ft., per 100 cu.ft. ..  | \$ 0.55                    | (I) | \$ 0.72              | (I) |
| Next 600 cu.ft., per 100 cu.ft. ..   | 0.85                       |     | 1.10                 |     |
| Next 800 cu.ft., per 100 cu.ft. ..   | 1.30                       |     | 1.70                 |     |
| Next 2,400 cu.ft., per 100 cu.ft. .. | 1.88                       |     | 2.45                 |     |
| Over 4,000 cu.ft., per 100 cu.ft. .. | 2.55                       | (I) | 3.30                 | (I) |

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

SPECIAL CONDITIONS

1. A separate meter and service connection is required for each single family residence, each commercial or retail establishment, or each industrial enterprise regardless of the customer's single ownership or control of the premises served or to be served. The quantity registered by each meter will be charged separately.

2. The utility reserves the right to limit the quantity of water delivered to any resident, or any commercial or industrial enterprise, to 8,000 cubic feet per month.

\* A 30.8% step increase designed to increase the rate of return from a loss to 4.71%, the authorized return.

APPENDIX B  
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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

Within Argus, Trona, Pioneer Point (Point of ocks), Borosolvay and South Trona, unincorporated communities and territory along the westerly shore of Searles Lake, San Bernardino County.

RATES

|   | <u>Per Meter Per Month</u> |             |
|---|----------------------------|-------------|
|   | <u>Effective*</u>          |             |
|   | <u>March 1, 1987</u>       |             |
| For each inch of diameter of service connection ..... | \$ 2.60 (I)                | \$ 3.40 (I) |

SPECIAL CONDITIONS

1. Service hereunder is for private fire protection systems to which no connections for other than fire protection purposes are allowed. The fire protection service connection shall be installed by the utility, according to specifications of the San Bernardino County Fire Department and the cost paid by the applicant. Such payment shall not be subject to refund. The utility may install a meter or the standard detector type meter approved by the Board of Fire Underwriters for protection against theft, leakage or waste of water. The cost of these facilities will be paid by the applicant and not subject to refund.
2. The minimum diameter for fire protection service shall be four inches, and the maximum diameter shall be not more than the diameter of the main to which the service is connected.
3. The utility will supply only such water at such pressure as may be available from time to time as a result of its normal operation of the system.
4. If a distribution main of adequate size to serve a private fire protection system in addition to all other normal service does not exist in the street or alley adjacent to the premises to be served, then a service main from the nearest existing main of adequate capacity shall be installed by the utility and the cost paid by the applicant. Such payment shall not be subject to refund.

\* A 30.8% step increase designed to increase rate of return from a loss to 4.71%, the authorized return.



APPENDIX B  
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Schedule No. 7M

PUBLIC SCHOOL METERED SERVICE

APPLICABILITY

Applicable to metered water service furnished to and within the buildings and grounds of public schools.

TERRITORY

Within Argus, Trona, Pioneer Point (Point of ocks), Borosolvay and South Trona, unincorporated communities and territory along the westerly shore of Searles Lake, San Bernardino County.

RATES

| <u>Service Charge</u>          | <u>Per Meter Per Month</u>                |     |         |     |
|--------------------------------|---|-----|---------|-----|
|                                | <u>Effective*</u><br><u>March 1, 1987</u> |     |         |     |
| For 5/8 x 3/4-inch meter ..... | \$ 5.20                                   | (I) | \$ 7.55 | (I) |
| For 3/4-inch meter .....       | 5.75                                      |     | 8.35    |     |
| For 1-inch meter .....         | 7.80                                      |     | 11.30   |     |
| For 1-1/2-inch meter .....     | 11.30                                     |     | 16.40   |     |
| For 2-inch meter .....         | 13.90                                     |     | 20.20   |     |
| For 3-inch meter .....         | 26.10                                     |     | 37.85   |     |
| For 4-inch meter .....         | 35.50                                     | (I) | 51.50   | (I) |

Quantity Rates

|                                       |         |     |         |     |
|---------------------------------------|---------|-----|---------|-----|
| First 5,000 cu.ft., per 100 cu.ft. .. | \$ 0.70 | (I) | \$ 1.02 | (I) |
| Next 45,000 cu.ft., per 100 cu.ft. .. | 1.05    |     | 1.52    |     |
| Over 50,000 cu.ft., per 100 cu.ft. .. | 1.62    | (I) | 2.35    | (I) |

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

SPECIAL CONDITIONS

1. Water service under this schedule will be furnished only for use in school buildings and on school ground.
2. The utility reserves the right to limit the quantity of water delivered to the Trona Schools to 100,000 cubic feet per meter per month.

\* A 30.8% step increase designed to increase the rate of return from a loss to 4.71%, the authorized return.

(END OF APPENDIX B)

APPENDIX C  
(Page 1)

COMPARISON OF RATES

A comparison of present and Branch's recommended rates for metered service is shown below:

GENERAL METERED SERVICE

| Service Charge:                       | Per Meter Per Month |                        |         |
|---------------------------------------|---------------------|------------------------|---------|
|                                       | Present Rates       | Recommended Rates 1986 | 1987    |
| For 5/8 x 3/4-inch meter .....        | \$ 3.60             | \$ 4.65                | \$ 6.05 |
| For 3/4-inch meter .....              | 3.96                | 5.15                   | 6.70    |
| For 1-inch meter .....                | 4.83                | 6.30                   | 8.20    |
| For 1-1/2-inch meter .....            | 7.92                | 10.30                  | 13.40   |
| For 2-inch meter .....                | 9.15                | 11.90                  | 15.50   |
| For 3-inch meter .....                | 12.86               | 16.70                  | 21.70   |
| For 4-inch meter .....                | 24.48               | 31.80                  | 41.35   |
| Quantity Rates:                       |                     |                        |         |
| First 200 cu.ft., per 100 cu.ft. ...  | 0.42                | 0.55                   | 0.72    |
| Next 600 cu.ft., per 100 cu.ft. ...   | 0.65                | 0.85                   | 1.10    |
| Next 800 cu.ft., per 100 cu.ft. ...   | 1.00                | 1.30                   | 1.70    |
| Next 2,400 cu.ft., per 100 cu.ft. ... | 1.45                | 1.88                   | 2.45    |
| Over 4,000 cu.ft., per 100 cu.ft. ... | 1.97                | 2.55                   | 3.30    |
| Uniform Percent Increase              |                     | 30.00%                 | 30.00%  |

PUBLIC SCHOOL METERED SERVICE

| Service Charge:                       | Present Rates | Recommended Rates 1986 | 1987    |
|---------------------------------------|---------------|------------------------|---------|
| For 5/8 x 3/4-inch meter .....        | \$ 3.60       | \$ 5.20                | \$ 7.55 |
| For 3/4-inch meter .....              | 3.96          | 5.75                   | 8.35    |
| For 1-inch meter .....                | 5.40          | 7.80                   | 11.30   |
| For 1-1/2-inch meter .....            | 7.80          | 11.30                  | 16.40   |
| For 2-inch meter .....                | 9.60          | 13.90                  | 20.20   |
| For 3-inch meter .....                | 18.00         | 26.10                  | 37.85   |
| For 4-inch meter .....                | 24.48         | 35.50                  | 51.50   |
| Quantity Rates:                       |               |                        |         |
| First 5,000 cu.ft., per 100 cu.ft. .. | 0.48          | 0.70                   | 1.02    |
| Next 45,000 cu.ft., per 100 cu.ft. .. | 0.72          | 1.05                   | 1.51    |
| Over 50,000 cu.ft., per 100 cu.ft. .. | 1.12          | 1.62                   | 2.35    |
| Uniform Percent Increase              |               | 45.00%                 | 45.00%  |

PRIVATE FIRE PROTECTION SERVICE

|   |      |        |        |
|---|------|--------|--------|
| For each inch of diameter of service connection ..... | 2.00 | 2.60   | 3.40   |
| Uniform Percent Increase                              |      | 30.00% | 30.00% |

APPENDIX C  
(Page 2)

A comparison of monthly residential customer bills at present with recommended rates for a 5/8 x 3/4-inch meter is shown below:

1986 Metered Service Bill Comparison

| <u>Usage<br/>100 cu.ft.</u> | <u>Present<br/>Bills</u> | <u>Recommended<br/>Bills</u> | <u>Amount<br/>Increase</u> | <u>Percent<br/>Increase</u> |
|-----------------------------|--------------------------|------------------------------|----------------------------|-----------------------------|
| 0                           | \$ 3.60                  | \$ 4.65                      | \$ 1.05                    | 29.2                        |
| 3                           | 5.09                     | 6.60                         | 1.51                       | 29.7                        |
| 5                           | 6.39                     | 8.30                         | 1.91                       | 29.9                        |
| 10 (avg.)                   | 10.34                    | 13.45                        | 3.11                       | 30.1                        |
| 20                          | 22.14                    | 28.77                        | 6.63                       | 29.9                        |
| 30                          | 36.64                    | 47.57                        | 10.93                      | 29.8                        |
| 40                          | 51.14                    | 66.37                        | 15.23                      | 29.8                        |
| 50                          | 70.84                    | 91.87                        | 21.03                      | 29.7                        |
| 100                         | 169.34                   | 219.37                       | 50.03                      | 29.5                        |

1987 Metered Service Bill Comparison

| <u>Usage<br/>100 cu.ft.</u> | <u>Present<br/>Bills</u> | <u>Recommended<br/>Bills</u> | <u>Amount<br/>Increase</u> | <u>Percent<br/>Increase</u> |
|-----------------------------|--------------------------|------------------------------|----------------------------|-----------------------------|
| 0                           | \$ 4.65                  | \$ 6.05                      | \$ 1.40                    | 30.1                        |
| 3                           | 6.60                     | 8.59                         | 1.99                       | 30.1                        |
| 5                           | 8.30                     | 10.79                        | 2.49                       | 30.0                        |
| 10 (avg.)                   | 13.45                    | 17.49                        | 4.04                       | 30.0                        |
| 20                          | 28.77                    | 37.49                        | 8.72                       | 30.3                        |
| 30                          | 47.57                    | 61.99                        | 14.42                      | 30.3                        |
| 40                          | 66.37                    | 86.49                        | 20.12                      | 30.3                        |
| 50                          | 91.87                    | 119.49                       | 27.62                      | 30.1                        |
| 100                         | 219.37                   | 284.49                       | 65.12                      | 29.7                        |

(END OF APPENDIX C)

APPENDIX D  
Page 1

ADOPTED QUANTITIES

Name of Company: Searles Domestic Water Company

|                                   | <u>Test Years</u> |                        |
|-----------------------------------|-------------------|------------------------|
|                                   | <u>1986</u>       | <u>1987</u>            |
| Net-to-Gross Multiplier:          | 1.014             | 1.603                  |
| Federal Tax Rates:                | 0.00%             | 30.0%                  |
| State Tax Rate:                   | 0.00%             | 9.6%                   |
| Local Franchise Tax Rate:         | .676%             | .676%                  |
| Business License:                 | 0.00%             | 0.0%                   |
| Uncollectible Rates:              | .74%              | .74%                   |
| <br>                              |                   |                        |
| <u>Offset Items</u>               | <u>Amount</u>     |                        |
| 1. Purchased Power:               | None              | None                   |
| 2. Purchased Water:               |                   |                        |
| Total Cost                        | \$ 59,710         | \$ 60,570 <sup>a</sup> |
| Amount Purchased - Ccf            | 186,600           | 170,340                |
| Effective Date                    | 1/1/86            | 1/1/86                 |
| \$/Ccf                            | .32               | .32                    |
| 3. Pump Tax-Replenishment Tax:    | None              | None                   |
| 4. Payroll and Employee Benefits: |                   |                        |
| Employee Labor                    | \$52,980          | \$52,980               |
| Office Salaries                   | 19,070            | 19,070                 |
| Management Salaries               | 23,310            | 23,310                 |
| Total                             | <u>\$95,360</u>   | <u>\$95,360</u>        |
| 5. Taxes Other Than Income:       |                   |                        |
| Ad Valorem Taxes                  | \$11,320          | \$11,550               |
| Payroll Taxes                     | 7,780             | 7,780                  |
| Franchise Tax                     | 1,800             | 2,400                  |

<sup>a</sup> Purchase water from Kerr-McGee Corporation see resolution for discussion.

APPENDIX D  
(Page 2)

ADOPTED QUANTITIES

| <u>Service Connections</u> | <u>ADOPTED SERVICES BY METER SERVICES</u> |              |
|----------------------------|---|--------------|
|                            | <u>(Residential Service)</u>              |              |
| 1. Meter Size              | <u>1986</u>                               | <u>1987</u>  |
| 5/8 x 3/4" .....           | 1,301                                     | 1,321        |
| 3/4" .....                 | 0   | 0            |
| 1" .....                   | 0   | 0            |
| 1-1/2" .....               | 8   | 8            |
| 2" .....                   | 8   | 8            |
| 3" .....                   | 0   | 0            |
| 4" .....                   | 0   | 0            |
| Total                      | <u>1,317</u>                              | <u>1,337</u> |

| <u>Service Connections</u> | <u>ADOPTED SERVICES BY METER SERVICES</u> |             |
|----------------------------|---|-------------|
|                            | <u>(School District)</u>                  |             |
| 1. Meter Size              | <u>1986</u>                               | <u>1987</u> |
| 5/8 x 3/4" .....           | 0   | 0           |
| 3/4" .....                 | 0   | 0           |
| 1" .....                   | 0   | 0           |
| 1-1/2" .....               | 2   | 2           |
| 2" .....                   | 1   | 1           |
| 3" .....                   | 0   | 0           |
| 4" .....                   | 0   | 0           |
| Total                      | <u>3</u>                                  | <u>3</u>    |

2. Metered Water Sales Used to Design Rates:

|         | <u>Range - Ccf</u><br><u>(Residential)</u> | <u>Usage - Ccf</u> |              |
|---------|--|--------------------|--------------|
|         |  | <u>1986</u>        | <u>1987</u>  |
| Block 1 | 0-2  | 28,122             | 28,549       |
| Block 2 | 2-8  | 62,894             | 63,849       |
| Block 3 | 8-16                                       | 37,446             | 38,015       |
| Block 4 | 16-40                                      | 21,882             | 22,215       |
| Block 5 | 40+  | <u>7,697</u>       | <u>7,813</u> |
| Total   |  | 158,041            | 160,441      |

| <u>(School District)</u> |        |              |              |
|--------------------------|--------|--------------|--------------|
|                          |        |              |              |
| Block 1                  | 0-50   | 1,512        | 1,512        |
| Block 2                  | 50-500 | 4,268        | 4,268        |
| Block 3                  | 500+   | <u>4,120</u> | <u>4,120</u> |
| Total                    |        | 9,900        | 9,900        |

APPENDIX D  
(Page 3)

ADOPTED TAX CALCULATIONS

| Line<br>No. | Item                     | 1986          |            | 1987          |            |
|-------------|--------------------------|---------------|------------|---------------|------------|
|             |                          | Adopted Rates |            | Adopted Rates |            |
|             |                          | <u>CCFT</u>   | <u>FIT</u> | <u>CCFT</u>   | <u>FIT</u> |
| 1.          | Operating Revenues       | \$265,940     | \$265,940  | \$352,890     | \$352,890  |
| 2.          | O&M Expenses             | 206,450       | 206,450    | 207,980       | 207,980    |
| 3.          | Taxes Other Than Income  | 20,900        | 20,900     | 21,730        | 21,730     |
| 4.          | Tax Depreciation         | 41,230        | 41,230     | 45,940        | 45,940     |
| 5.          | Interest                 | -             | -          | -             | -          |
| 6.          | State Income Tax         | -             | -          | -             | 7,415      |
| 7.          | Sub-total Deduction      | 268,580       | 268,580    | 275,650       | 283,065    |
| 8.          | State Tax. Revenue       | (2,640)       | -          | 77,240        | -          |
| 9.          | State Income Tax @ 9.60% | -             | -          | 7,415         | -          |
| 10.         | Federal Tax. Revenue     | -             | (2,640)    | -             | 69,825     |
| 11.         | Federal Income Tax       | -             | -          | -             | 14,195     |
| 12.         | Surtax Exemption         | -             | -          | -             | -          |
| 13.         | Total Income Taxes       | -             | -          | -             | 21,610     |

(END OF APPENDIX D)

APPENDIX E

TO ALL PARTIES WHO HAVE WRITTEN TO THE COMMISSION REGARDING THE REQUEST FOR A 69.0% RATE INCREASE BY SEARLES DOMESTIC WATER COMPANY

Dear Customer:

Searles Domestic Water Company has requested to increase your rates for water service by 30.53% in 1986, by an additional 30.82% in 1987. The Commission, after considering all factor presented, has authorized the utility's requested increases for both 1986 and 1987. For a typical residential customer this will mean an increase in the 1986 monthly bill from \$10.34 to \$13.45 or \$3.11 and the 1987 monthly bill from \$13.45 to \$17.49.

The Commission is aware that the increase granted is large, however, this utility has gone over seven years without any rate increase in residential rates and is currently losing money. Even with the increase the utility will make no profit in 1986 and only a poor profit in 1987. In establishing rates, the Commission's role is twofold. The rates to the ratepayer must be kept as low as possible and, at the same time, rates must be set so as to cover operating expenses and provide a fair return on the utility's investment in its water system. You may be sure that the utility's request was thoroughly reviewed and evaluated by the Commission staff before this change in rates was granted.

Four letters were received by the Commission protesting the proposed increase in rates. One of the letters was also accompanied by a petition requesting a public meeting which was held in Trona on January 20, 1986. The Commission wishes to thank those of you who wrote and expressed your concern. If you have further questions about this increase, please call Robert R. Bennett at (213) 620-4656.

Very truly yours,

WESLEY FRANKLIN, Chief  
Water Utilities Branch