

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY & COMPLIANCE DIVISION
Water Utilities Branch

RESOLUTION NO. W-3954 **
November 21, 1995

R E S O L U T I O N

(RES. W-3954), EAST PASADENA WATER COMPANY (EPAS).
ORDER AUTHORIZING A GENERAL RATE INCREASE PRODUCING
ADDITIONAL ANNUAL REVENUE OF \$121,800 (12.4%) IN
1995, AND \$63,400 (5.77%) IN 1996.

BY DRAFT ADVICE LETTER ACCEPTED ON JANUARY 12, 1995.

SUMMARY

This resolution grants an increase in gross annual revenue of \$121,800 or 12.4% for test year 1995, and \$63,400 for 1996. The increase will provide a 11.00% rate of return on rate base in test year 1995.

BACKGROUND

EPAS 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 \$200,327 or 21% in 1995. EPAS's request shows 1995 gross revenues of \$948,111 at present rates, increasing to \$1,148,438 at proposed rates to produce a rate of return on rate base of 10.55%. EPAS presently serves 2,725 metered rate and 21 fire protection service customers in the vicinity of Pasadena, in Los Angeles County.

The present rates became effective on August 1, 1995, pursuant to Commission Resolution F-637, which authorized a \$199,183, or 8.3%, annual revenue decrease (Advice Letter 49) due to the reduction from 8.8% to 8.1% of the interest in the Safe Drinking Water Bond Act Loan.

DISCUSSION

The Branch made an independent analysis of EPAS's summary of earnings. Appendix A shows EPAS's and the Branch's summary of earnings at present, requested and adopted rates for test year 1995 and 1996. Appendix A also shows differences in operating revenues, operating expenses, and rate base.

EPAS was informed of the Branch's differing views of revenues, expenses, and rate base and has stated that it accepts the Branch's estimates.

EPAS' draft advice letter requested rates which it estimated would produce a rate of return on rate base of 10.55%. The summary of earnings in Appendix A shows a rate of return of 11.00% at the Branch's recommended rates.

EPAS's customers are currently served under a metered rate schedule (Schedule No. 1, General Metered Service). The Branch's proposed metered rate design conforms with current rate design policy for Class B water companies, as stated in Decision 85-05-064, which calls for the recovery of up to 50% of fixed costs through the service charge and a single block quantity rate. Branch guidelines also call for no customer to receive more than twice the system average rate increase.

The Branch found items in EPAS's tariffs that are either missing or obsolete, and should be brought up to date. They are the Service Area Map; Rules 10, 14, 20, and 21.

At the Branch's recommended rates shown in Appendix B, the bill for a typical residential customer, using 23.6 Ccf per month, would increase from \$24.84 to \$27.59 or 11.1%. The adopted quantities and tax calculations are shown in Appendix C to this resolution.

NOTICE AND PROTESTS

A notice of the proposed rate increase was mailed to each customer on March 15, 1995. Five letters were received from customers in protest to this proposed rate increase. Most of the letters expressed concern that the proposed 21% rate increase was too high. The Commission's Consumer Affairs Branch (CAB) has received 8 complaints regarding EPAS over the past three years. Three of these concerned service, one for high bill, and three for tariff rule compliance. Branch also reviewed EPAS's complaint records for 1994. Branch's review found that EPAS renders good service and is quick to respond to complaints.

According to DHS, EPAS water quality is in compliance with all applicable potable water requirements.

A public meeting was held on April 25, 1995, at the Pasadena Royale Hotel within EPAS's service area. The meeting was attended by two people. Their questions and comments concerned financial operations of the company and objections to the size of the proposed rate increase.

EPAS, filed on September 29, 1995, an application (A95-09-068), to borrow \$300,000 from its parent company, California-Michigan Land and Water Company, for construction projects.

FINDINGS AND CONCLUSIONS

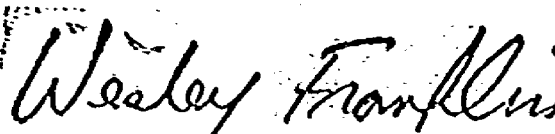
1. The Branch's recommended summary of earnings (Appendix A) is reasonable and should be adopted.
2. The rates recommended by the Branch (Appendix B) are reasonable and should be adopted.
3. The quantities (Appendix C) used to develop the Branch's recommendations are reasonable and should be adopted.
4. EPAS's tariffs have missing items and outdated sheets. They are the service area map; Rules 10, 14, 20, and 21. EPAS should correct these tariff sheets.

5. The rate increase authorized herein is justified, and the resulting rates are just and reasonable.

IT IS ORDERED that:

1. Authority is granted under Public Utilities Code Section 454 for the East Pasadena Water Company to file an advice letter incorporating the summary of earnings and revised rate schedules attached to this resolution as Appendix A and B, respectively, and concurrently cancel its presently effective rate Schedules Nos. 1 and 4. This filing shall also contain updated tariff items including: Service Area Map, Rules 10, 14, 20, and 21. The filing shall comply with General Order No. 96-A. The effective dates of the revised schedules and the cancellation of the current schedules shall be five days after the date of filing.
2. On or after December 15, 1995, applicant is authorized to file an advice letter, requesting the rate increase for 1996 authorized by the Commission as shown on Appendix B, pages 3 and 4. This filing should comply with General Order 96-A. The effective date of the revised tariff schedule shall be no earlier than January 1, 1996. The revised schedule shall apply to service rendered on and after its effective date.
3. This resolution is effective today.

I certify that this resolution was adopted by Public Utilities Commission at its regular meeting on November 21, 1995. The following Commissioners approved it:



WESLEY M. FRANKLIN
Executive Director

DANIEL W. FESSLER
President
P. GREGORY CONLON
JESSIE J. KNIGHT, Jr.
HENRY M. DUQUE
JOSIAH L. NEPPER
Commissioners

APPENDIX A
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East Pasadena Water Company

SUMMARY OF EARNINGS
Test Year 1995

	Utility Estimated		Branch Estimated		Adopted Rates
	Present Rates	Requested Rates	Present Rates	Requested Rates	
Revenue					
Resid & Comm.	939,203	1,137,659	969,028	1,168,199	1,089,000
Fire Protection Service	8,908	10,779	8,908	9,897	9,900
Total Revenue	948,111	1,148,438	977,936	1,178,096	1,098,900
Expenses					
Purchased Water	728	728	728	728	728
Purchased Power	186,662	186,662	188,023	188,023	188,023
Pump Tax	25,941	25,941	25,681	25,681	25,681
Employee Labor	159,645	159,645	148,900	148,900	148,900
Material	33,650	33,650	32,370	32,370	32,370
Contract Work	33,688	33,688	22,240	22,240	22,240
Transportation	32,514	32,514	32,520	32,520	32,520
Other Plant Maint.	11,000	11,000	16,450	16,450	16,450
Office Salaries	37,063	37,063	36,910	36,910	36,910
Management Salaries	88,417	88,417	58,250	58,250	58,250
Pension & Benefits	60,036	60,036	60,040	60,040	60,040
Office Services	38,184	38,184	35,180	35,180	35,180
Office Supplies	12,360	12,360	13,070	13,070	13,070
Professional Services	25,780	25,780	30,920	30,920	30,920
Insurance	82,533	82,533	78,730	78,730	78,730
Regulatory Expense	11,500	11,500	6,500	6,500	6,500
General Expenses	17,850	17,850	10,940	10,940	10,940
Uncollectible	2,278	2,646	4,154	5,005	4,668
subtotal	859,829	860,197	801,606	802,457	802,120
Expenses Capitalized	-13,000	-13,000	-13,000	-13,000	-13,000
Total Operating Expenses	846,829	847,197	788,606	789,457	789,120
Payroll Taxes	22,932	22,932	19,790	19,790	19,790
Ad Valorem Taxes	25,307	25,307	25,307	25,307	25,307
Business License	1,345	1,345	1,345	1,345	1,345
Depreciation	63,554	63,554	65,496	65,496	65,496
Income Taxes: State	800	16,834	3,627	21,856	17,740
Federal	-24,451	47,280	-2,956	66,496	50,725
total tax	-23,651	64,114	671	88,383	68,465
Total Expenses	936,316	1,024,449	901,215	989,777	969,523
NET REVENUE	11,795	123,989	76,721	188,319	129,377
RATE BASE					
Average Plant	2,667,044	2,667,044	2,731,800	2,731,800	2,731,800
Construction Work in Prog.	91,425	91,425	0	0	0
Avg. Depr. Reserve	-993,481	-993,481	-990,900	-990,900	-990,900
Net Plant	1,764,988	1,764,988	1,740,900	1,740,900	1,740,900
Working Cash	70,452	70,452	70,452	70,452	70,452
Material & Supplies	0	0	0	0	0
Advances for Construction	-8,950	-8,950	-8,950	-8,950	-8,950
Contribution in Aid	-311,394	-311,394	-311,394	-311,394	-311,394
Unamort. Invm. Tax Credit	-128,332	-128,332	-128,332	-128,332	-128,332
Deferred Income Taxes	-186,972	-186,972	-186,972	-186,972	-186,972
AVERAGE RATE BASE	1,199,792	1,199,792	1,175,704	1,175,704	1,175,704
Rate of Return	0.98	10.33	6.53	16.02	11.00

APPENDIX A
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East Pasadena Water Company

SUMMARY OF EARNINGS
Test Year 1996

	Utility Estimated		Branch Estimated		Adopted Rates
	Present Rates	Requested Rates	Present Rates	Requested Rates	
Revenue					
Resid & Comm.	941,568	1,181,496	972,009	1,218,551	1,152,000
Fire Prot.	8,908	10,779	8,908	10,294	10,300
Total Revenue	950,476	1,192,275	980,917	1,228,845	1,162,300
Expenses					
Purchased Water	728	728	728	728	728
Purchased Power	187,238	187,238	188,709	188,709	188,709
Pump Tax	38,522	38,522	15,895	15,895	15,895
Employee Labor	164,434	164,434	153,370	153,370	153,370
Material	34,660	34,660	32,990	32,990	32,990
Contract Work	34,699	34,699	22,910	22,910	22,910
Transportation	33,038	33,038	33,040	33,040	33,040
Other Plant Maint.	11,330	11,330	16,760	16,760	16,760
Office Salaries	38,175	38,175	38,020	38,020	38,020
Management Salaries	91,070	91,070	60,000	60,000	60,000
Pension & Benefits	61,837	61,837	61,180	61,180	61,180
Office Services	39,330	39,330	35,850	35,850	35,850
Office Supplies	12,731	12,731	13,320	13,320	13,320
Professional Services	26,553	26,553	31,850	31,850	31,850
Insurance	85,009	85,009	80,230	80,230	80,230
Regulatory Expense	10,000	10,000	6,500	6,500	6,500
General Expenses	18,386	18,386	11,150	11,150	11,150
Uncollectible	2,278	2,747	4,167	5,220	4,937
subtotal	890,018	890,487	806,669	807,722	807,439
Expenses Capitalized	-13,000	-13,000	-13,000	-13,000	-13,000
Total Operating Expenses	877,018	877,487	793,669	794,722	794,439
Payroll Taxes	22,932	22,932	20,350	20,350	20,350
Ad Valorem Taxes	25,307	25,307	25,307	25,307	25,307
Business License	1,345	1,345	1,345	1,345	1,345
Depreciation	74,010	74,010	74,010	74,010	74,010
Income Taxes: State	800	15,248	3,627	26,586	20,424
Federal	-47,238	41,246	-2,956	84,371	60,932
total tax	-46,438	56,494	671	110,958	81,356
Total Expenses	954,174	1,057,575	915,352	1,026,692	996,808
NET REVENUE	-3,698	134,700	65,565	202,153	165,492
RATE BASE					
Average Plant	3,016,000	3,016,000	3,129,700	3,129,700	3,129,700
Construction Work in Prog.	0	0	0	0	0
Avg. Depr. Reserve	-1,066,700	-1,066,700	-1,061,500	-1,061,500	-1,061,500
Net Plant	1,949,300	1,949,300	2,068,200	2,068,200	2,068,200
Working Cash	70,452	70,452	70,452	70,452	70,452
Material & Supplies	0	0	0	0	0
Advances for Construction	-8,675	-8,675	-8,675	-8,675	-8,675
Contribution In Aid	-303,084	-303,084	-303,084	-303,084	-303,084
Unamort. Invm. Tax Credit	-124,652	-124,652	-124,652	-124,652	-124,652
Deferred Income Taxes	-197,698	-197,698	-197,698	-197,698	-197,698
AVERAGE RATE BASE	1,385,643	1,385,643	1,504,543	1,504,543	1,504,543
Rate of Return	-0.27	9.72	4.36	13.44	11.00

(END OF APPENDIX A)

EAST PASADENA WATER COMPANY

Schedule No. 1

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

The territory within and adjacent to the cities of Arcadia and Temple City and adjacent to the cities of Pasadena and San Gabriel, Los Angeles County, and as described on the service area map.

RATES

Quantity Rate:

All water, per 100 cubic feet..... \$0.854 (1)

Service Charge:

Per Meter Per Month

	Service Charge	SDWBA Surcharge (1)
For 5/8 x 3/4-inch meter.....	\$6.70 (1)	\$0.27
For 3/4-inch meter.....	10.10	0.41
For 1-inch meter.....	16.80	0.68
For 1-1/2-inch meter.....	34.00	1.35
For 2-inch meter.....	54.00	2.16
For 3-inch meter.....	101.00	4.05
For 4-inch meter.....	168.00 (1)	6.75

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

SPECIAL CONDITIONS

1. This surcharge is in addition to the regular monthly metered water bill. The total monthly surcharge must be identified on each bill. This surcharge is specifically for the repayment of the California Safe Drinking Water Bond Act loan as authorized by Decision 83-12-066.
2. As authorized by the California Public Utilities Commission, all bills are subject to a one (1) time surcharge of \$1.85. This charge offsets the Department of Health Services fee as billed to East Pasadena Water Company for fiscal year July 1, 1993 to June 30, 1994. (N)
3. All bills are subject to the reimbursement fee set forth in Schedule No. UF.

EAST PASADENA WATER COMPANY

Schedule No. 4

PRIVATE FIRE PROTECTION SERVICE

APPLICABILITY

Applicable to all privately owned fire protection systems.

TERRITORY

Within the entire service area located within and adjacent to the cities of Arcadia and Temple City; also adjacent to the cities of Pasadena and San Marino, Los Angeles County, and as described on the service area map.

RATES

Per Meter Per Month
Charge

For each inch of diameter of fire sprinkler service connection.....	\$7.50 (1)
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SURCHARGE

Per Meter Per Month
Surcharge (1)

For 2-inch meter.....	\$4.05
For 4-inch meter.....	6.75
For 6-inch meter.....	13.50
For 8-inch meter.....	21.60

PRIVATE FIRE PROTECTION SERVICE SURCHARGE (1)

Note: This surcharge is in addition to the regular monthly water bill. The total monthly surcharge must be identified on each bill. This surcharge is specifically for the repayment of the California Safe Drinking Water Bond Act loan as authorized by Decision 83-12-066.

EAST PASADENA WATER COMPANY

Schedule No. 1

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

The territory within and adjacent to the cities of Arcadia and Temple City and adjacent to the cities of Pasadena and San Gabriel, Los Angeles County, and as described on the service area map.

RATES

Quantity Rate:

All water, per 100 cubic feet..... \$0.931 (1)

Service Charge:

	Per Meter Per Month	
	Service Charge	SDWBA Surcharge
For 5/8 x 3/4-inch meter.....	\$7.10 (1)	\$0.27
For 3/4-inch meter.....	10.70	0.41
For 1-inch meter.....	17.80	0.68
For 1-1/2-inch meter.....	36.00	1.35
For 2-inch meter.....	57.00	2.16
For 3-inch meter.....	107.00	4.05
For 4-inch meter.....	178.00 (1)	6.75

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

SPECIAL CONDITIONS

1. This surcharge is in addition to the regular monthly metered water bill. The total monthly surcharge must be identified on each bill. This surcharge is specifically for the repayment of the California Safe Drinking Water Bond Act loan as authorized by Decision 83-12-066.
2. As authorized by the California Public Utilities Commission, all bills are subject to a one (1) time surcharge of \$1.85. This charge offsets the Department of Health Services fee as billed to East Pasadena Water Company for fiscal year July 1, 1993 to June 30, 1994. (N)
3. All bills are subject to the reimbursement fee set forth in Schedule No. UF.

APPENDIX B
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EAST PASADENA WATER COMPANY

Schedule No. 4

PRIVATE FIRE PROTECTION SERVICE

APPLICABILITY

Applicable to all privately owned fire protection systems.

TERRITORY

Within the entire service area located within and adjacent to the cities of Arcadia and Temple City; also adjacent to the cities of Pasadena and San Marino, Los Angeles County, and as described on the service area map.

RATES

	Per Meter Per Month Charge
For each inch of diameter of fire sprinkler service connection	\$7.80 (1)

SURCHARGE

	Per Meter Per Month Surcharge (1)
For 2-inch meter	\$4.05
For 4-inch meter	6.75
For 6-inch meter	13.50
For 8-inch meter	21.60

PRIVATE FIRE PROTECTION SERVICE SURCHARGE (1)

Note: This surcharge is in addition to the regular monthly water bill. The total monthly surcharge must be identified on each bill. This surcharge is specifically for the repayment of the California Safe Drinking Water Bond Act loan as authorized by Decision 83-12-066.

(END OF APPENDIX B)

APPENDIX C

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ADOPTED QUANTITIES

	1995	1996
OFFSET ITEMS		
1. Purchased Power:		
Total Production - Ccf	839814	842879.5
Acre Feet	1927.948	1934.985
So. Cal. Edison 1/1/95		
Ccf/Kwh (Production)	0.46831	0.46831
KWh	1793286	1799832
\$/KWh	0.104848	0.104848
Purchased Power Cost	\$188,023	\$188,709
2. Pumping Assessment:		
Est. Water Sales: CCF	777079.9	779916.4
Unacc. for water %	7.47%	7.47%
Total Water Requirements: CCF	839814	842879.5
Acre Feet	1927.948	1934.985
Purchased Water	Acre Feet 1.25	1.25
Pumped (Raymond Basin)	Acre Feet 515	515
Pumped (Main San Gabriel)	Acre Feet 1411.698	1418.735
Safe Yield	Acre Feet 220000	205000
EPWC. %	0.71227%	0.71227%
EPWC Pumping Right	Acre Feet 1566.994	1460.154
Within Rights	1411.698	1418.735
In Excess of Right	0.00	0.00
Admin. Assessment		
Cost per AF of production	\$8.50	\$8.50
Total Units estimated to be pumped, AF	1411.698	1418.735
Ad. Assessm. cost	\$11,999	\$12,059
Make-Up Assessment		
Cost per AF of production	0.5	0.5
Total Units estimated to be pumped, AF	1411.698	1418.735
Make-Up Assessment cost	705.8488	709.3675
In-Lieu Assessment		
Cost per AF of production	0.65	0.65
Total Units estimated to be pumped, AF	1411.698	1418.735
In-Lieu Assessment Cost	917.6035	922.1778
Excess Production Assessment		
Cost per AF of production	242.45	242.45
Total Units estimated to be pumped, AF	0	0
Cost to Pump from Raymond Basin		
Cost per AF of production	4.28	4.28
Total Units estimated to be pumped, AF	515	515
Raymond Basin cost	2204.2	2204.2
Main San Gab. Basin: Capital Assessm.	9853.84	0
Total Pumping Assessment Cost	\$25,681	\$15,895

APPENDIX C
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Adopted Income Tax Calculations

	1995	1996
Revenue		
Resid. & Comm.	1,089,000	1,152,000
Fire Protection	9,900	10,300
Total Revenue	1,098,900	1,162,300
Expenses		
Oper. Expenses	784,452	789,502
Payroll Taxes	19,790	20,350
Ad. Val. Taxes	25,307	25,307
Uncollectible	4,668	4,937
Local Franchise Tax	0	0
Business Lic.	1,345	1,345
subtotal	835,562	841,441
Interest	7,089	27,239
total Deduction	842,651	868,680
State Tax Depreciation	65,496	74,010
net taxable income	190,753	219,610
State Tax	17,740	20,424
Federal Tax Depreciation	65,496	74,010
State Fran. tax	17,740	20,424
net Fed. taxable income	173,013	199,186
Fed. Tax @ 15%	7,500	7,500
next 25,000, 25%	6,250	6,250
next 25,000, 34%	8,500	8,500
next 235,000, 39%	28,475	38,682
total Federal tax	50,725	60,932
Investment Tax Credit	0	0
Total Fed. Tax	50,725	60,932
State Franch. Tax Rate	0.093	
Uncollected rate	0.0042	

EAST PASADENA WATER COMPANY

Comparison of typical bills for residential metered customers of various usage level and average level at present and authorized rates for the year 1995.

General Metered Service
(5/8 x 3/4-inch meters)

Monthly Usage, CF	At Present Rates	At Authorized Rates	Percent Increase
500	\$9.75	\$11.12	14.05 %
1000	13.80	15.54	12.61
2000	21.90	24.38	11.32
2360 (Avg)	24.84	27.59	11.07
3000	30.00	33.22	10.73
5000	46.20	50.90	10.17
10000	86.70	95.10	9.69

(END OF APPENDIX C)