

ORIGINALDecision No. 48936

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)	
PEERLESS LAND AND WATER COMPANY, INC.,)	
for an Order Authorizing a change of	)	Application No. 34115
Water Rates and Tariff Schedule.	)	(Amended)

W. L. Arnold, for applicant.
Reginald H. Knaggs, for the Commission staff.

O P I N I O N

Peerless Land and Water Company, Inc., by the above-entitled application filed February 18, 1953, as amended April 27, 1953, seeks authority to increase rates for water service in unincorporated territory near Bellflower, Los Angeles County.

A public hearing in this matter was held before Examiner Stewart C. Warner on July 22, 1953, in Los Angeles. There were no protests to the granting of the application except that a group of consumers urged the Commission by letter to require applicant to furnish better water pressure if the increase in rates were granted.

General Information

As of December 31, 1952, applicant was furnishing water service to 502 consumers, of which only three were metered, the balance being served at flat rates. The service area comprises approximately 220 acres including Tracts Nos. 12206, 12587, 12736 and 12932, Los Angeles County. The service area is divided into two approximately equal sections designated as areas "S", the southerly section, and "N", the northerly section, as shown on the map in Exhibit No. 2, a Commission staff engineering report filed

at the hearing. Areas "S" and "N" are about 2 miles apart and are located about 1 mile north of Bellflower. The water systems in such areas are not interconnected. The number of consumers is about equally divided between the two areas.

Present and Proposed Rates:

Applicant's present flat rates are compared with those proposed in this application in the following tabulation:

<u>Classification</u>	<u>Per Month</u>	
	<u>Present Rates</u>	<u>Proposed Rates</u>
For service from 3/4-inch connection:		
Each lot with single family residence	\$ 1.50	\$2.00
Each additional house on one lot	1.00	1.25
School house	10.00	Deleted
For stock, per head	.25	"
For fire hydrant, owned by county	1.50	"
For cement sidewalks, per 100 sq.ft.	.20	"
For cement curbs, per 100 lineal ft.	.40	"
For cement gutters, per 100 lineal ft.	.40	"
For street grading and oiling, per 100 sq.ft.	.06	"
For puddling or settling ditch, per 100 cu.ft. measured as one half of the volume of excavation	.25	"
For street grading and paving with macadam or asphalt without concrete base, per 100 sq. ft.	.06	"
For concrete street paving, or concrete base for any variety of paving, per 100 sq.ft., including grading	.40	"
For each single business establishment	-	2.00

The following tabulation compares applicant's present general metered service rates with its proposed rates for general metered service:

		<u>Per Meter Per Month</u>	
		<u>Present Rates</u>	<u>Proposed Rates</u>
Monthly Minimum Charges:			
For 5/8-inch meter	.....	\$1.25	\$1.75
For 3/4-inch meter	.....	1.75	2.50
For 1-inch meter	.....	2.50	3.50
For 1 1/2-inch meter	.....	3.50	5.00
For 2-inch meter	.....	6.50	8.00

Monthly Quantity Rates:

First	500 cu.ft. or less	.....	\$1.25	\$1.75
Next	1,000 cu.ft., per 100 cu.ft.		.20	.25
Next	3,500 cu.ft., per 100 cu.ft.		.15	.20
Next	5,000 cu.ft., per 100 cu.ft.		.12	.15
Over	10,000 cu.ft., per 100 cu.ft.		.10	.12

Earnings

Exhibit No. 1 is a report submitted by applicant's accounting witness. The following tabulation summarizes and compares the earnings information in Exhibits Nos. 1 and 2:

Item	Year 1952		Year 1953 Estimated			
	Recorded	Adjusted	Present Rates		Proposed Rates	
	Per Company		Per Co.	Per PUC	Per Co.	Per PUC
	Exhibit No. 1	Exh.No.1	Exh.No.2	Exh.No.1	Exh.No.2	Exh.No.2
Operating Rev.	\$9,209	\$9,157	\$ 9,255	\$ 9,145	\$12,313	\$12,208
Operating Exp.	8,731	8,971	11,893	12,183	12,019	12,183
Net Revenue	478	186	(2,638)	(3,038)	294	25
Rate Base						
(Depreciated)			13,131	11,302	13,131	11,302
Rate of Return			-	-	2.24%	.22%

(Red Figure)

Applicant's accounting witness testified that it had been necessary to adjust certain of applicant's recorded operating expenses for the year 1952. Principal adjustments were made among the various operating expenses, themselves. Other adjustments were made between capital accounts and expense accounts. The 1953 estimates reflect such adjustments.

Analysis of the summary of earnings tabulation indicates that the largest single item of increased operating expenses is wages. Other increases in operating expenses are found in the prorated cost of the expense of the hearing in connection with this application and a recomputation of depreciation expense.

The staff engineer testified that he had recomputed depreciation expense according to the remaining life basis and he recommended a composite rate of 4.92 per cent as developed in his computations. He further recommended that a comprehensive review of applicant's depreciation practices be made within the next three years.

Service Conditions

Applicant's witness admitted that there were certain serious deficiencies in service due to the age and condition of distribution pipelines and due to applicant's past financial inability to effect necessary replacements of such pipelines. Included in applicant's estimated rate base for the year 1953 are estimated net additions to fixed capital amounting to \$6,271. These additions would provide for the replacement of 2,100 feet of 4-inch distribution main on Hayter Street. Other fixed capital net additions are programmed for 1954 and 1955. Such additions would be for 6-inch distribution pipeline installations as shown in Exhibit No. 1. They would total \$15,214. Applicant anticipates that such installations would materially improve service conditions.

The record shows that minimum operating pressures could be improved throughout the two operating areas by increasing the minimum operating pressures of gauges installed on pressure tanks at well sites. The staff engineer recommended that this be done, and the order which follows will so provide.

Conclusions

It is evident that applicant is in need of financial relief. The recorded and adjusted earnings for the year 1952 indicate that applicant's margin of operations was extremely low. Based on the year 1953 estimated, both applicant's and staff engineer's testimony shows that the proposed rates will yield considerably less than a full return on invested capital. Applicant will be required, and plans, to effect numerous replacements of its distribution pipelines during the next three years.

The order which follows will provide that applicant be authorized to file its proposed flat and metered service rates, which we hereby find to be just and reasonable.

O R D E R

The above-entitled application, as amended, having been filed, a public hearing having been held, the matter having been submitted, and the Commission being fully advised in the premises,

IT IS HEREBY FOUND AS A FACT that the increases in rates and charges authorized herein are justified and that present rates in so far as they differ from those herein prescribed are unjust and unreasonable; therefore,

IT IS HEREBY ORDERED as follows:

- 1.(a) That applicant be, and it is, authorized to file in quadruplicate with this Commission after the effective date of this order in conformity with the Commission's General Order No. 96, the schedules of rates shown in Exhibit A attached hereto, and on not less than five days' notice to the Commission and the public to make such rates effective for service rendered on and after September 1, 1953.
- (b) That within thirty days after the effective date of this order applicant shall file with this Commission four sets of rules and regulations governing customer relations, together with four copies of a tariff service area map acceptable to the Commission.

- (c) That applicant shall file with this Commission, within forty days after the effective date of this order, four copies of a comprehensive map, drawn to an indicated scale not smaller than 200 feet to the inch, delineating by appropriate markings the various tracts of land and territory served and the location of the various properties of applicant.
2. That applicant shall increase the minimum operating pressures at its pressure tanks sufficiently to supply water at working pressures of not less than 25 pounds per square inch at all consumer service connections to its mains.
3. That applicant shall base future accruals to the reserve for depreciation upon a spreading of the original cost of the plant, less estimated net salvage and depreciation reserve, over the estimated remaining life of the property; further, applicant shall review such accruals when major changes in plant composition occur and for each plant account at intervals of not more than three years. Results of these reviews shall be submitted to this Commission.

The effective date of this order shall be twenty days after the date hereof.

Dated at Los Angeles, California, this 10th day of August, 1953.

R. T. Dickinson
Justin F. Casner
Harold P. Kula
Kenneth Potter
John E. Mitchell

Commissioners

CERTIFIED AS A TRUE COPY

Secretary,
 Public Utilities Commission
 of the State of California.

EXHIBIT A
Page 1 of 2

Schedule No. 1

FLAT RATE SERVICE

APPLICABILITY

Applicable to all service rendered on a flat rate basis.

TERRITORY

Throughout the authorized service area including Tracts Nos. 12206, 12582, 12736 and 12932, in unincorporated territory about 1 mile north of Bellflower, Los Angeles County.

RATES

	For Each 3/4-inch Service Connection For Month
For each residence, including lot	\$2.00
For each additional residence on the same lot	1.25
For each single business establishment	2.00

SPECIAL CONDITION

Meters may be installed at option of utility or customer for the above classifications in which event service thereafter will be rendered only on the basis of Schedule No. 2, General Metered Service.

EXHIBIT A
Page 2 of 2

Schedule No. 2

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

Throughout the authorized service area including Tracts Nos. 12206, 12582, 12736 and 12932, in unincorporated territory about 1 mile north of Bellflower, Los Angeles County.

RATES

Per Meter
Per Month

Quantity Rates:

First	500 cu.ft. or less	\$1.75
Next	1,000 cu.ft., per 100 cu.ft.	.25
Next	3,500 cu.ft., per 100 cu.ft.	.20
Next	5,000 cu.ft., per 100 cu.ft.	.15
Over	10,000 cu.ft., per 100 cu.ft.	.12

Minimum Charge:

For 5/8-inch meter	\$1.75
For 3/4-inch meter	2.50
For 1-inch meter	3.50
For 1 1/2-inch meter	5.00
For 2-inch meter	8.00

The Minimum Charge will entitle the consumer to the quantity of water which that monthly minimum charge will purchase at the Quantity Rates.