

ORIGINALDecision No. 65220

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the matter of the Application)
of CONSERVATIVE WATER COMPANY)
for authority to increase rates)
charged by it for water service.)

Application No. 44953

(Filed November 16, 1962)

O P I N I O N

By this application, Conservative Water Company seeks authority to increase rates by about 6.4% for metered water service rendered to approximately 8,600 customers in portions of the Cities of Los Angeles, Lynwood, and South Gate and adjacent unincorporated areas in Los Angeles County.

Applicant's present rates were established basically by Decision No. 60520, dated August 2, 1960, in Application No. 41814, and subsequently by Decision No. 62248, dated July 11, 1961, in Application No. 43460, wherein an offset increase of about \$10,700 was granted because of an increase in the assessment levied by the Central and West Basin Water Replenishment District from \$3.13 to \$5.75 per acre-foot of water pumped.

A consulting engineer for applicant prepared a results of operation report for the year 1962 recorded and estimated and for the year 1963 estimated. Said report is hereby received as Exhibit 1 in this proceeding. The staff also prepared a memorandum report of its investigation of applicant's operations, including financial analyses and results of operation estimates for the year 1963 and this report, which is intended to supplement the detailed staff report entered in the 1960 rate proceeding, is hereby received as Exhibit 2.

The principal changes which have affected applicant's

operations since 1960 have been further increases in assessments levied by the Central and West Basin Water Replenishment District, to \$6.63 per acre-foot, increases in the purchase price of Colorado River Water obtained from the Central Basin Municipal Water District, increases in ad valorem taxes, and since October 1, 1962, the curtailment of ground water pumping operations and increased deliveries of imported Colorado River water pursuant to the Interim Agreement authorized by the Commission in Decision No. 64308, dated September 25, 1962, in Application No. 44616, relating to restrictions on pumping within the Central Basin by certain public utility water companies, including Conservative Water Company.

A comparison of the staff's and applicant's estimated operating results for 1963, at present and proposed rates, is summarized below:

Item	Present Rates		Proposed Rates	
	Applicant	Staff	Applicant	Staff
	Exh 1	Exh 2	Exh 1	Exh 2
Operating Revenues	\$339,381	\$338,230	\$360,621	\$359,130
Operating Expenses:				
Oper. & Maint. Expenses	243,408	242,100	243,600	242,100
Depreciation Expense	28,552	29,900	28,552	29,900
Taxes	36,492	35,290	47,216	45,590
Total Expenses	\$308,452	\$307,290	\$319,368	\$317,590
Net Revenues	\$ 30,929	\$ 30,940	\$ 41,313	\$ 41,540
Average Depreciated Rate Base	818,010	890,700	818,010	890,700
Rate of Return	3.78%	3.5%	5.05%	4.7%

The estimates of the staff and the company are in substantial agreement, except for rate base. This is due primarily to the fact that the staff figures reflect the inclusion of \$100,000 in utility plant for a new major 12-inch main necessary to provide increased deliveries of Colorado River water to be installed in 1963

and which was not considered in applicant's showing. Also, the staff's computation of taxes based on income reflects an estimate of investment tax credit, based on the Internal Revenue Act of 1962, which applicant's estimates do not consider. We adopt the staff's estimates as reasonable for the purposes of this proceeding and we will authorize the increases in rates as requested by applicant. It will be noted that on either the staff's or the company's basis, the estimated rate of return for the year 1963 will be substantially below the 7.0% rate of return found to be just and reasonable for applicant in the 1960 rate proceeding.

A comparison of present and authorized rates shows that for consumption of less than 400 cubic feet per month, there will be no increase. Bills for average residential consumption of 1,500 cubic feet per month will be increased by 18 cents per month from \$3.05 at present rates to \$3.23 at authorized rates.

It is of record in this and prior proceedings before the Commission that pursuant to authority contained in a Commission letter of May 31, 1951, applicant restated its plant accounts to conform to the appraisal made as of December 31, 1947 by a consulting engineer, with the exception that applicant has failed to comply with one of the specific exceptions in said letter which directed that land accounts should not be restated to reflect market prices but should be reduced by \$41,980.96 so as to reflect the original balances. The order herein will require applicant to comply with the previous directive which is for accounting purposes only.

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

We have considered the application and we find, in the circumstances, that a public hearing is not required.

O R D E R

IT IS ORDERED that:

1. Conservative Water Company is authorized to file with this Commission, after the effective date of this order and in conformity with General Order No. 96-A, the schedule of rates attached to this order as Appendix A and, upon not less than five days' notice to the Commission and to the public, to make such rates effective for service rendered on and after May 11, 1963.

2. Within sixty days after the effective date of this order, applicant shall file with the Commission four copies of a comprehensive map drawn to an indicated scale of not more than 400 feet to the inch, delineating by appropriate markings the various tracts of land and territory served; the principal water production, storage and distribution facilities; and the location of the various water system properties of applicant.

3. Applicant shall comply with the directive of the Commission contained in its letter of May 31, 1951, by reducing land accounts by \$41,980.96 with surplus being correspondingly reduced, and within sixty days after the effective date of this order shall submit to the Commission, for approval, the accounting entries by which these adjustments shall be made.

4. Should applicant desire further adjustments to land accounts for costs not now recorded, proposed entries for such

further adjustments, together with full support for such costs shall be submitted to the Commission for review and approval.

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

Dated at San Francisco, California, this 16th day of APRIL, 1963.

George H. Grover

President

City & District

Robert W. Long

Frederick B. Holdhoff

Dellman W. Bennett
Commissioners

APPENDIX A

Schedule No. 1

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

Portions of Los Angeles, Lynwood, South Gate and vicinity, Los Angeles County. (T)
(T)

RATES

Quantity Rates:		<u>Per Meter</u>	
		<u>Per Month</u>	
First	400 cu.ft. or less	\$ 1.25	(I)
Next	2,600 cu.ft., per 100 cu.ft.18	(I)
Next	7,000 cu.ft., per 100 cu.ft.16	
Next	40,000 cu.ft., per 100 cu.ft.14	
Next	150,000 cu.ft., per 100 cu.ft.12	(I)
Next	800,000 cu.ft., per 100 cu.ft.10	
Over	1,000,000 cu.ft., per 100 cu.ft.08	

Minimum Charge:

For	5/8 x 3/4-inch meter	\$ 1.25
For	3/4-inch meter	2.00
For	1-inch meter	3.00
For	1 1/2-inch meter	4.00
For	2-inch meter	6.00
For	3-inch meter	11.00
For	4-inch meter	17.00
For	6-inch meter	25.00
For	8-inch meter	39.00

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