

ORIGINAL

Decision No. 78106

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of )  
PALOS VERDES WATER COMPANY, a cor- )  
poration, for an order authorizing )  
it to increase rates charged for )  
water service. )

Application No. 51959  
(Filed June 11, 1970)

McCutchen, Doyle, Brown & Enersen, by A. Crawford  
Greene, Jr., Attorney at Law, for applicant.  
Ben L. "Ted" Bear, Jr., for City of Rolling Hills;  
Lewis F. Roland, for City of Rolling Hills  
Estates; Thomas H. Griffiths, for self; Wesley  
C. Waldorf, for self; protestants.  
Mayor Frederick W. Hesse, City of Rolling Hills,  
interested party.  
Chester O. Newman, for the Commission staff.

O P I N I O N

Applicant Palos Verdes Water Company seeks authority to increase rates for general metered service in the amount of \$175,200. Applicant states that the requested increase will provide sufficient gross revenues to (a) offset the increase in electric power rates, (b) offset an increase in its federal income tax liability by reason of the termination of the investment tax credit, (c) provide for an increase of \$4 per acre-foot for water purchased from the West Basin Municipal Water District, and (d) increase its rate of return to the level found reasonable by the Commission in Decision No. 76573 dated December 16, 1969 in Application No. 50886.

Public hearing was held before Examiner Gillanders in Rolling Hills on November 5, 1970 and the matter submitted. Copies of the application had been served and notice of hearing had been published and posted, in accordance with this Commission's rules of procedure.

Testimony on behalf of applicant was presented by its president and a vice president. The Commission staff presentation was made by an engineer. Testimony was presented by the Mayor of Rolling Hills, a councilman from the City of Rolling Hills Estates and by a resident of Rolling Hills.

#### Service Area

Applicant furnishes water service to approximately 17,000 residential and commercial and extraordinarily large users, and offers and provides public and private fire protection service on the Palos Verdes Peninsula in the cities of Palos Verdes Estates, Rolling Hills, Rolling Hills Estates and Lomita; and adjacent unincorporated territory in Los Angeles County.

#### Rates

Applicant's present rates were filed January 5, 1970 and have been in effect for less than one year. The proposed rate increase to produce \$175,200 of additional gross revenue is set forth in Exhibit D attached to the application. A comparison of applicant's present and proposed rates shows an average increase of 83 cents per month for customers using 2,300 cubic feet of water per month.

#### Results of Operation and Rate of Return

Applicant's witness and the Commission staff's witness have analyzed and estimated applicant's operational results. Exhibit 1 shows applicant's results of operation and Exhibit 6 shows the staff results of operation. Although applicant and staff differ in some respects, both showings produce an estimated rate of return less than the 7.25% found reasonable by Decision No. 76573.

#### Service Matters

One customer testified that at times he receives muddy water. Applicant was instructed to check out his complaint.

Representatives of the cities of Rolling Hills and Rolling Hills Estates stated that the main concern of the cities was that fire protection service furnished by applicant does not meet the standards set by Los Angeles County.

The Mayor of Rolling Hills testified that applicant was "irresponsibly slow" in carrying out ordering paragraph 2 of Decision No. 76573.<sup>1/</sup>

Applicant's president testified it was carrying out the intent of ordering paragraph 2 but that the plan contained in Exhibit 11 would not necessarily solve the problem.

The record shows that the new owners<sup>2/</sup> of applicant have been meeting and will continue to meet with the various parties involved in fire protection in an effort to arrive at a mutually agreeable solution. The record reveals further that if an agreeable solution cannot be reached, the parties are aware of what further steps can be taken in an effort to solve the problem of fire protection.

As this proceeding is an offset matter, we will not make any finding regarding fire protection. We do, however, admonish applicant that we expect our orders to be carried out without reservation. We suggest that if applicant believes that the plan outlined in Exhibit 11 will not solve the problem, that it petition for a modification of such plan.

#### Findings and Conclusion

The Commission finds that the estimates of rates of return as determined by applicant (7.10%) and by the staff (7.20%) for the

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- <sup>1/</sup> 2. Applicant shall proceed to carry out its planned water facility improvements relating to fire protection service in the City of Rolling Hills contained in Exhibit 11.
- <sup>2/</sup> California Water Service Company.

test year 1970 are not unreasonable for the purpose of prescribing rates herein; and 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.

The application, accordingly, should and will be granted to the extent provided in the ensuing order.

O R D E R

IT IS ORDERED that after the effective date of this order, applicant may file the increased rates attached to the application as Exhibit D without change. Such filing shall be made in accordance with General Order No. 96-A. The effective date of the revised schedule shall be four days after the date of filing.

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

Dated at San Francisco, California, this 22nd day of DECEMBER, 1970.

J. P. Sullivan  
Chairman

August

William Sproule

John L. Sturgeon  
Commissioners