

ORIGINALDecision No. 79537

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
Park Water Company for authority to
increase rates charged for water
service to offset increase in elec-
tric power costs.

Application No. 52763
(Filed July 20, 1971;
Amended August 10, 1971)

O P I N I O N

By this application, Park Water Company (Company) requests authority to increase water service rates to offset an increase of \$132,900 of anticipated ad valorem taxes and \$18,220 of increased costs of purchased power, resulting in a total requested increase of \$151,120.

Company serves approximately 42,000 metered customers in 17 service areas in Los Angeles and San Bernardino Counties. It has 83 wells and 5 connections to the Metropolitan Water District.

Company's present rates became effective July 10, 1971 by authority of Decision No. 78770, dated June 15, 1971 (Application No. 52118). In that proceeding, which was a general rate increase, a rate of return of 8.75 percent was authorized.

Company's proposed \$151,120 increase would add \$0.10 to the minimum charge for a 5/8 x 3/4-inch meter, with no increase in the minimum for larger sizes, and increase the charges per 100 cubic feet in the usage blocks above the minimum charge, as follows:

	<u>Present</u>	<u>Increase</u>	<u>Proposed</u>
Next 4300 cu. ft. per 100 cu. ft.	\$0.230	\$.020	\$0.25
Next 95,000 cu. ft. per 100 cu. ft.	0.165	.015	0.18
Over 100,000 cu. ft. per 100 cu. ft.	0.140	.010	0.15

An engineer from the Commission's staff conducted an independent study of Company's request. The results of the engineer's study are contained in a report dated December 6, 1971. This report is received as Exhibit 1 in this proceeding.

Exhibit 1 shows the following:

Montebello Sale

In Application No. 52803, filed August 10, 1971, Company seeks permission to sell a portion of its system to the City of Montebello. While this application will be separately considered by the Commission, the effect of the loss of revenue and utility plant, plus reduction in taxes and other expenses was not considered by Company in the requested offset for increased expenses of property taxes and power. Based on data provided by Company and figures determined by the staff, the sale of a portion of the system will reduce Company's rate of return by .15 percent. Applicant does not seek offset for this loss, neither is it proper, as it will be compensated for by the City of Montebello in the sale price. However, the staff believes that offset requested should not include taxes or power costs which might not be paid by company on sold properties, and hence, excluded appropriate amounts from reconstructed summary of earnings, per Decision No. 78770, shown on page 4 of Exhibit 1.

Increase in Tax Assessment of Operational Plant

The Los Angeles County Assessor notified Company that its operational plant assessment has been revised for the 1971-72 tax year to include all of contributions in aid of construction (Acct. 265) and advances for construction (Acct. 241). Previously, contributions were not assessed, and only 45.406 percent (effective assessment ratio) of advances were assessed for ad valorem taxing purposes.

The staff used 1971-72 tax rates applied to 1970-71 assessments by code areas to obtain new composite tax rate of \$12.8127 per \$100 which was then applied to the assessed value adjusted for Montebello Sale and Company's error in failing to deduct licensed motor vehicles and Chino depreciation in its report to the assessor. To get an increase in ad valorem taxes over and above those allowed in the last decision, the staff deducted estimated Montebello Sale and San Bernardino portions from the staff recommended figure of \$213,300 for ad valorem in its Results of Operation Report (A-52118).

Company, using the composite 1970-71 rate of \$12.238, determined an increase of 1971-72 ad valorem tax at prior rates over 1970-71 tax, which was lower than amount used for rates set by the Decision No. 78770. Company's increase is \$132,900 vs. \$99,400, estimated by the staff.

Chino System ad valorem tax collected by San Bernardino County will amount to about \$1,300 in 1971-72. Any increase will be nominal as there was no change in method of evaluation and any increase was neglected both by Company and the staff in their computations of ad valorem increase.

Increase in Pumping Power Cost

By Decision No. 78802, date June 15, 1971, Southern California Edison Company was granted a rate increase, which became effective July 15, 1971. Applying the new power rates to the 1971 power computation adopted in Company's last rate proceeding (Decision No. 78770) resulted in an additional \$18,200 required for the estimated power cost. Correction of power expense increase due to "Montebello Sale" is negligible. Company's figure of \$18,220 is accepted after verification and rounding.

Summary of Earnings

The tabulation below is a comparison of (a) reconstructed summary of earnings adopted in Decision No. 78770, (b) the effect of Montebello Sale, (c) the effect of increased Los Angeles ad valorem tax of \$99,400 estimated by the staff and extra power costs of \$18,200 total to \$117,600. Net to gross multiplier of 2.077 was used to determine net revenue changes.

SUMMARY OF EARNINGS
 1971 Estimated
 Rates Authorized in D-78770
 (\$ in 1000s)

	Total Company	Montebello Effect	Sale After	Increases Effect	Taxes & Power After
Oper. Revenue	\$2968.7	\$(73.0)	\$2895.7	\$	\$2895.7
Deductions w/o income tax	2070.1	(44.3)	2025.8	117.6	2143.4
Income tax	283.1		268.2		207.2
Total Deduct.	2353.2		2294.0		2350.6
Net Revenue	615.5	(13.8)	601.7	(56.6)	545.1
Avg. Depr. Rate Base	7,034.5		7,003.0		7,003.0
Rate of Return	8.75. %		8.6 %		7.8%
<u>Rate Spread</u>					

To bring up the earnings of applicant to 8.6 percent after Montebello Sale additional revenue of \$117,600 is required, or 4.06 percent. This amount is spread over a number of customers reduced by Montebello Sale. The staff designed rates will increase 5/8 x 3/4-inch meters by \$0.05, and will also increase monthly charges for larger meters the increments being in proportion to generally accepted factors used to determine relative minimum charges for various sizes of meters, so that customers with large meters and low usage will also carry some part of the offset increase. Staff recommended rates do not exceed the level of rates requested by Company in Application No. 52118, originally. The increase per 100 cubic feet for quantity rates is recommended as follows:

	<u>Flock</u>	<u>Present</u>	<u>Proposed</u>
			<u>Company</u> <u>Staff</u>
Next 4300 cu. ft.		\$0.23	\$0.25 \$0.241
Next 95,000 cu. ft.		0.165	0.18 0.179
Over 100,000 cu. ft.		0.140	0.15 0.150

Findings and Conclusion

The Commission finds that:

1. Company is in need of additional revenues, but proposed rates set forth in the application are excessive.
2. The staff estimates, previously discussed herein, of operating expense and rate base for the test year 1971 reasonably indicate the results of Company's operations for the future and are adopted.
3. The increases in rates and charges authorized herein are justified; the rates and charges authorized herein are reasonable; and the present rates and charges, insofar as they differ from those prescribed herein, are for the future unjust and unreasonable.
4. A public hearing is not required.

The rates authorized herein are needed by applicant to offset increased costs of operation and to keep applicant's earnings within the zone of reasonableness. Such action is consistent with the purposes of the Federal Government's economic stabilization program as it will not result in undue inflationary pressure.

The Commission concludes that the application should be granted to the extent set forth in the order which follows.

O R D E R

IT IS ORDERED that after the effective date of this order, Park Water Company is authorized to file the revised rate schedules attached to this order as Appendix A, and concurrently to withdraw and cancel presently effective Schedule No. 1. Such filing shall comply with General Order No. 96-A. The effective date of the revised

schedules shall be four days after the date of filing. The revised schedules shall apply only to service rendered on and after the effective date thereof.

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

Dated at San Francisco California, this 12th day of JANUARY, 1972.

[Signature]
Chairman
[Signature]
[Signature]
[Signature]
Commissioners

Schedule No. 1

METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

Portions of Artesia, Baldwin Park, Bellflower, Commerce, Compton, Downey, Lynwood, Montebello, Norwalk, Paramount, Pico Rivera, Santa Fe Springs, South Gate and vicinities, Los Angeles County, and the vicinity of Chino, San Bernardino County.

RATES

Quantity Rates:	<u>Per Meter</u>	
	<u>Per Month</u>	
First 700 cu. ft. or less	\$2.25	(I)
Next 4,300 cu. ft., per 100 cu. ft.241	
Next 95,000 cu. ft., per 100 cu. ft.179	
Over 100,000 cu. ft., per 100 cu. ft.150	(I)

Minimum Charge:

For 5/8 x 3/4-inch meter.	2.25	(I)
For 3/4-inch meter.	3.10	
For 1-inch meter.	5.15	
For 1 1/2-inch meter.	10.25	
For 2-inch meter.	15.40	
For 3-inch meter.	25.75	
For 4-inch meter.	41.25	
For 6-inch meter.	82.50	
For 8-inch meter.	144.00	
For 10-inch meter.	205.00	(I)

(continued)

Schedule No. 1

METERED SERVICE

RATES - Contd.

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

SPECIAL CONDITION

All billing under this schedule to customers in the City of Norwalk is subject to a surcharge of 2.54%.