

ORIGINAL

Decision No. 79667

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the matter of County Water Company, ) Application No. 52764  
Inc., for authority to INCREASE RATES ) (Filed July 21, 1971;  
FOR WATER SERVICE. ) Amended September 21, 1971)

O P I N I O N

Applicant provides metered and flat rate water service to about 2,400 customers in three separate areas in the cities of Bellflower (Bellflower Tariff Area), Norwalk and Artesia (County Tariff Area), and Cerritos and Artesia (Suburban Tariff Area), Los Angeles County. Applicant requests ex parte authority to increase water service rates to offset increases of \$16,799, which include increases for taxes, purchased water, electric power, and other items more fully set forth below.

Applicant's present tariff rates have been in effect in the County and Suburban areas since October 24, 1967, and in the Bellflower area since December 24, 1963. In 1970 applicant filed Application No. 51752 seeking a general rate increase. A staff investigation in that application indicated that applicant was earning a rate of return of 7.8 percent based on the test year 1970. Upon that showing the application was dismissed on request of applicant.

In this proceeding applicant has accepted as reasonable for test year 1971 the estimates made in the Commission staff's report in Application No. 51752. The Commission staff has updated that report for this proceeding to reflect increases in taxes and expenses. This updated report is received as Exhibit No. 1. The staff has also prepared a study based upon a 7 percent rate of return which will cause an increase of \$7,720 in revenues.

The estimated increases in taxes and expenses are as follows:

Estimated Increases in Taxes and Expenses

Item	Applicant	Staff
1971-72 Ad Valorem Tax	\$15,055 <sup>1</sup>	\$14,650 <sup>2</sup>
Ad Valorem Tax to Establish "1966 rates"	9,519	-
Ad Valorem Tax Used by Staff in A. 51752	-	11,080
Increase in Ad Valorem Tax	5,536	3,570
Increases in:		
Health Department License	491	-
Cost of Money	1,262	-
Electric Power	1,087	1,560
Pumped and Purchased Water	8,423	8,700
Total Increases	\$16,799	\$13,830

- 1 Worked back from application figure.
- 2 Recorded taxes billed, adjusted for plant not used or useful.

The difference in ad valorem taxes is reflected in staff adjustments for plant not used or useful, and staff use of recorded taxes. The health department license fee was already included in the 1970 results of operation study. The increase in cost of money is reflected by the increase in rate of return. The staff increase in electric power is greater than applicant's because the staff used the actual increases recently granted to the Southern California Edison Company rather than the estimates used by applicant. The staff's estimate for pumped and purchased water is greater than applicant's because the staff used more current information.

The following tabulation is a comparison of the staff's and applicant's summary of earnings. The figures in column (a) were developed by the staff in Application No. 51752. For column (b) the additional ad valorem taxes, health license, power costs, purchased water, and leased water rights costs have been added. Column (c) is the staff results of operation at a 7 percent rate of return. Column (d) is the result of using applicant's estimated additional revenues and expenses added to column (a) figures.

Summary of Earnings

Item	Year 1970 Base		Year 1971 Estimated	
	Staff <sup>1</sup>		Proposed Rates	
	Staff <sup>1</sup>	Offset <sup>2</sup>	Staff	Company
	(a)	(b)	(c)	(d)
Operating Revenues	\$170,020	\$170,020	\$177,740	\$186,290
<u>Deductions</u>				
Operating Expenses	96,030	106,290	106,290	105,540
Depreciation	16,900	16,900	16,900	16,900
Taxes Other Than				
Income	13,700	17,270	17,270	19,250
Franchise Taxes	3,370	3,370	3,550	3,680
Income Taxes	10,340	5,150	7,350	10,810
Total Deductions	140,340	148,980	151,360	156,180
Net Operating Revenues	29,680	21,040	26,380	30,110
Rate Base	378,800	378,800	378,800	378,800
Rate of Return	7.8%	5.6%	7.0%	7.9%

1 Results developed in Application No. 51752.

2 Offset expenses added to column (a).

The increase in rates reflected by the summary of earnings should be spread equitably to the three tariff areas. The staff has designed rates which will increase 5/8 x 3/4-inch meter rates and block rates by amounts which are less than those requested by the utility. In all tariff areas minimum rates for meters larger than 5/8 x 3/4-inch have been redesigned from the company's proposal in line with generally accepted factors used to determine such minimum charges. In the Suburban Tariff Area only a relatively lesser increase will be authorized because of substandard mains.

Service

In 1967, Mr. John Erickson, president of applicant, personally acquired the noncontiguous unincorporated Maple Street Mutual Water Company with approximately 45 customers and the contiguous incorporated mutual Reeves Tract Water Company with approximately 47 customers. Both systems have been interconnected with applicant's Bellflower system. All the Reeves Tract and about one-half of the Maple Street Mutual services have been metered and are being billed by applicant at its Bellflower rates. The unmetered Maple Street Mutual services are being billed a \$3 per month flat rate for which applicant has no tariff filed with the Commission. The latter services are being metered as quickly as applicant can finance the conversions. These two systems are operated by applicant although formal Commission authorization to do so has not been obtained. Applicant's corporation was restricted from extending its service area by Decision No. 53568 dated August 7, 1956, in Application No. 37768 and again by Decision No. 60754 dated September 13, 1960, in Case No. 6412 and Applications Nos. 41635 and 42107. Since those decisions became effective applicant has

extended service without authorization to a grade school contiguous to the Suburban system, to six noncontiguous customers in the vicinity of Arkansas Street and Alburtis Avenue in the County system, to the customers of Reeves Tract and Maple Street Mutual Water Companies and to a dairy contiguous to the County system.

By Ordering Paragraph 9 of Decision No. 60754, applicant was directed to meter the service to Artesia Door Company. As of December 1, 1971, this service has not been metered and the customer is being billed at the residential flat rate of \$3.50 per month plus \$8 for fire protection service; however, the property is now offered for lease and the customer continues the connection only for fire protection.

By Ordering Paragraph 4 of Decision No. 69072 dated May 18, 1965, in Case No. 8068, applicant was directed to submit a program and schedule for replacing the substandard mains in the Suburban system. Phases 1 and 2 of that program were completed, but no further action has been taken toward completing Phases 3 through 7, nor has a time schedule for its completion been submitted as required.

Similarly, by Ordering Paragraph 6 of Decision No. 71264 dated September 13, 1966, in Application No. 47886, applicant was ordered to submit an improvement program and timetable for its Bellflower system. Phase 1 of the program, completed in 1970, was originally scheduled for completion in 1967. The main was put into operation in 1971. Only partial action had been taken on the remaining Phases 2 through 6. Applicant was also directed to obtain a recording pressure gauge and institute a program of regular pressure surveys as required in General Order No. 103, paragraph II.3.b. and c. Applicant obtained a recording pressure gauge but has made only three pressure recordings since 1967.

In order to correct the service deficiencies set forth above, the effective date of authorization to file increased rates will be conditioned upon applicant's complying with the following conditions:

1. Applicant, or its president, Mr. John Erickson, shall file an application requesting authorization for either applicant or Mr. Erickson to operate the Maple Street Mutual Water Company and the Reeves Tract Water Company as public utilities;
2. Applicant shall file an application to extend service to those water users it is now serving without authorization;
3. Applicant shall meter the service, other than the fire protection, to Artesia Door Company;
4. Applicant shall submit a time schedule for Phases 3 through 7 in its program for replacing substandard mains in the Suburban system;
5. Applicant shall submit a time schedule for completing its improvement program on its Bellflower system;
6. Applicant shall institute a program of regular pressure surveys as required by General Order No. 103, paragraph II.3.b. and c.

The Commission finds that the estimates of operating revenues, expenses, and rate base as submitted by the staff, and computed on a 7 percent rate of return, reasonably represent the results of applicant's operations for the test year 1971. The Commission finds that applicant is in need of rate relief and that the increase in rates and charges authorized herein are justifiable, that the rates and charges authorized herein are reasonable, and that the present rates and charges, insofar as they differ from those prescribed herein, are for the future unjust and unreasonable. The Commission further finds that under existing federal guidelines the increases in rates herein authorized are consistent with the

Federal Government's economic stabilization program. The Commission certifies that:

1. Average price per customer increases from \$5.88 to \$6.15 per month, an increase of 4.6 percent;
2. The annual increase is \$7,720;
3. Profit as a percentage of sale increases from 12.4 percent to 14.8 percent;
4. Rate of return increases from 5.6 percent to 7 percent; and
5. The aforesaid increases do not reflect future inflationary expectations.

A public hearing is not necessary.

O R D E R

IT IS ORDERED that:

1. Applicant shall:
  - a. File an application for authority to operate the Maple Street Mutual Water Company and the Reeves Tract Water Company as public utilities.
  - b. File an application to extend service to those water users it is now serving without authorization.
  - c. Meter the service, other than the fire protection, to Artesia Door Company.
  - d. Submit a time schedule for Phases 3 through 7 in its program for replacing substandard mains in its Suburban system.
  - e. Submit a time schedule for completing its improvement program on its Bellflower system.
  - f. Institute a program of regular pressure surveys as required by General Order No. 103, paragraph II.3.b. and c.

2. Applicant is authorized to file the rates set forth in Appendix A not less than five days after receipt of written notification from the Secretary of the Commission stating that applicant has met the requirements of Ordering Paragraph 1. Said rates shall be effective five days after the date of filing. Such filing shall comply with General Order No. 96-A.

The effective date of this order is the date hereof.

Dated at San Francisco, California,  
this 15<sup>th</sup> day of FEBRUARY, 1972.

[Signature]  
Chairman

[Signature]

[Signature]  
Commissioners

*I obtain.*  
[Signature]  
Commissioner



APPENDIX A  
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Schedule No. BW-1

Bellflower Tariff Area (T)

METERED SERVICE (T)

APPLICABILITY

Applicable to all metered water service.

TERRITORY

A portion of the incorporated City of Bellflower, Los Angeles County.

RATES

Per Meter  
Per Month

Quantity Rates:

First 600 cu.ft. or less .....	\$ 2.40	(I)
Next 1,900 cu.ft., per 100 cu.ft. ....	0.31	!
Next 5,000 cu.ft., per 100 cu.ft. ....	0.26	!
Over 7,500 cu.ft., per 100 cu.ft. ....	0.16	(I)

Minimum Charge:

For 5/8 x 3/4-inch meter .....	\$ 2.40	(I)
For 3/4-inch meter .....	3.50	!
For 1-inch meter .....	5.60	!
For 1 1/2-inch meter .....	11.00	!
For 2-inch meter .....	16.00	(I)
For 3-inch meter .....	28.00	(N)
For 4-inch meter .....	40.00	!
For 6-inch meter .....	75.00	(N)

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

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Schedule No. CW-1

County Tariff Area

METERED SERVICE

(T)

APPLICABILITY

Applicable to all metered water service.

TERRITORY

The areas lying within Norwalk and Artesia, and vicinity, Los Angeles County.

RATES

Per Meter  
Per Month

## Quantity Rates:

First 600 cu.ft. or less .....	\$ 3.00	(I)
Next 1,900 cu.ft., per 100 cu.ft. ....	0.39	!
Next 5,000 cu.ft., per 100 cu.ft. ....	0.28	!
Over 7,500 cu.ft., per 100 cu.ft. ....	0.22	(I)

## Minimum Charge:

For 5/8 x 3/4-inch meter .....	\$ 3.00	(I)
For 3/4-inch meter .....	4.50	(I)
For 1-inch meter .....	7.00	
For 1 1/2-inch meter .....	13.00	
For 2-inch meter .....	19.00	
For 3-inch meter .....	32.00	(R)
For 4-inch meter .....	50.00	!
For 6-inch meter .....	90.00	(R)

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

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Schedule No. SU-1

Suburban Tariff Area

METERED SERVICE

(T)

APPLICABILITY

Applicable to all metered water service.

TERRITORY

The area generally south and east of Norwalk Boulevard and South Street or Orangethorpe Boulevard within Corritos and Artesia, and vicinity, Los Angeles County.

(T)

(T)

RATES

Per Meter  
Per Month

Quantity Rates:

First	600 cu.ft. or less	.....	\$ 3.00	(I)
Next	1,900 cu.ft., per 100 cu.ft.	.....	0.34	!
Next	5,000 cu.ft., per 100 cu.ft.	.....	0.28	(T)
Over	7,500 cu.ft., per 100 cu.ft.	.....	0.22	

Minimum Charge:

For	5/8 x 3/4-inch meter	.....	\$ 3.00	!
For	3/4-inch meter	.....	4.25	!
For	1-inch meter	.....	6.50	(I)
For	1 1/2-inch meter	.....	12.00	
For	2-inch meter	.....	17.00	
For	3-inch meter	.....	30.00	(R)
For	4-inch meter	.....	48.00	!
For	6-inch meter	.....	90.00	(R)

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