

Imm

Decision No. 80300

ORIGINAL

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  
increases in purchased water and  
ground water extraction.

Application No. 53284  
(Filed April 21, 1972;  
Amended April 25, 1972)

O P I N I O N

By this application, Park Water Company (Company) seeks authority to increase its rates for general metered service to offset scheduled increases in purchased water costs from Central Basin Municipal Water District (CBMWD), an agency of the Metropolitan Water District of Southern California (MWD), and the City of Bellflower (Bellflower), as well as increases in ground water replenishment taxes imposed by the Central and West Basin Water Replenishment District (CSWBWRD).

Company is engaged as a public utility in the supply and distribution of water in Los Angeles and San Bernardino Counties.

General

Company's present rates became effective in Decision No. 79537, dated January 4, 1972, in Application No. 52763, which granted offset increases for increased power expense and ad valorem taxes. The last general rate increase was authorized by Decision No. 78770, dated June 15, 1971, in Application No. 52118. The offset increase and the increase authorized by Decision No. 79537 were referenced to the test year 1971. The rate of return authorized by Decision No. 79537 was 8.60 percent.

Company's Exhibit A attached to the application sets forth the calculations of the increases that result in Company's request for \$121,318 in additional revenue.

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 June 13, 1972. This report is received as Exhibit 1 in this proceeding.

Exhibit 1 contains the following:

Increase for Purchased Water and Replenishment Tax

Company's Exhibit A misstates the total acre-feet of pumped and purchased water as the amount pumped in Central and West Basins. The correct total is 28,997 acre-feet (AF), not 37,980 AF. The quantities shown for purchased water are correct. Deleting 167 AF for Montebello sale, the total costs for test-year quantities of purchased water and replenishment tax at July 1, 1972 rates are \$702,400. Decision No. 78770 (modified for Montebello sale) allowed \$596,000. The increase estimated by the staff is \$106,400 applicable to purchased water and replenishment tax increases versus \$121,318 requested by applicant. Staff considered 70 percent of water filtered and softened in Central Basin purchase, all other water filtered only.

Adjustments for Ad Valorem Tax Expenses and Power Surcharge

The previous offset granted in Decision No. 79537 was based upon a change in assessment method by the Los Angeles County Assessor and upon an increase in rates by Southern California Edison. There are recent changes since the last offset decision which are significant in both these categories and will result in changes to Company expenses.

On April 6, 1972 the Los Angeles County Assessor advised the Commission staff by letter that, for 1972 assessments (fiscal year 1972-73), the Assessor would exclude all contributions and consider advances to the extent of about 45 percent of the total value on the utility's books. Since this change has the effect of reverting to the method used by the Assessor for the year 1970 and earlier, it makes the offset rates granted in Decision No. 79537 for increased ad valorem taxes only applicable to one tax year. The ad valorem tax

allowed in offset Decision No. 79537 for the 1971 test year (adjusted for Montebello sale) was \$306,600. The ad valorem tax for the 1971 test year, adjusted, using the 1970 and 1972 Assessor's method of excluding contributions and partial advances, is \$235,800. The reduction in ad valorem tax is \$70,800.

On May 1, 1972 an annual surcharge of 0.031 cents per kilowatt-hour became effective because of increased fuel costs to Southern California Edison. This surcharge applied to 8,596,470 KWH for test year 1971 will add approximately \$2,700 to power expenses of Company.

Summary of Changed Expenses

The staff summary of the requirements for offset expenses before income taxes is as follows:

Purchased Water & Replenishment Tax	\$106,400
Reduction in ad valorem taxes	(70,800)
Increase Power Expense (surcharge)	<u>2,700</u>
Total Increase in Expenses	\$ 38,300

Federal income tax rules now allow investment tax credit. The California State Franchise Tax is increased to 7.6 percent. The staff computed the investment tax credit to be \$18,000.

Summary of Earnings

The following table shows the combined effect of the increased expenses, ad valorem tax adjustment and increased state tax and effect of investment tax credit:

SUMMARY OF EARNINGS  
1971 Estimated  
(\$ in 1000s)

	<u>Rates D-79537</u>	<u>Effect of Expense &amp; Tax</u>	<u>After</u>	<u>Increase Needed</u>	<u>A-53284</u>
Oper. Revenue	\$3,013.3		\$3,013.3	7.0	\$3,020.3
Deductions w/o Income Tax	2,143.4	38.3	2,181.7		2,181.7
Income Tax	<u>269.0</u>	<u>(36.2)</u>	<u>232.8</u>		<u>236.4</u>
Total Deduct.	2,412.4	2.1	2,414.5		2,418.1
Net Revenue	600.9		598.8		602.2
Rate Base	7,003.0		7,003.0		7,003.0
Rate of Return	8.6%		8.55%		8.6%

According to the staff, the increase in revenue to bring the rate of return up to 8.6 percent, considering all changes referred to in Exhibit 1, is \$7,000 or about 0.2 percent of revenue at present rates.

The staff, therefore, recommends that the application be denied.

Findings and Conclusion

The Commission finds that:

1. Staff's estimates, previously discussed herein, reasonably indicate the results of Company's operations for the future and are adopted.
2. Company is not in need of additional revenues.
3. A public hearing is not required.

The Commission concludes that the application should be denied.

O R D E R

IT IS HEREBY ORDERED that Application No. 53284 is denied.

Dated at San Francisco, California, this 25th  
day of JULY, 1972.

William Lyman J. President

[Signature]  
[Signature]  
Commissioners

Commissioner Vernon L. Sturgeon, being necessarily absent, did not participate in the disposition of this proceeding.

Commissioner J. P. Vukasin, Jr., being necessarily absent, did not participate in the disposition of this proceeding.