

Decision No. 80396

**ORIGINAL**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of CALIFORNIA WATER SERVICE COMPANY, a corporation, for an order authorizing it to increase rates charged for water service in the Hermosa-Redondo district in order to offset (a) an increase in the pump tax levied by the West Basin Municipal Water District, (b) an increase in the cost of water purchased from the West Basin Municipal Water District, (c) an increase in the cost of power purchased from Southern California Edison Company and (d) an increase in ad valorem taxes.

Application No. 53331  
(Filed May 16, 1972)

O P I N I O N

By this application California Water Service Company requests a 2.8 percent increase in rates for meter rate service to offset the effects of increases in purchased water, purchased power, water replenishment charges, and ad valorem taxes. The requested increase would add about \$0.24 to the monthly bill of a typical commercial customer with a consumption of 2,000 cubic feet per month.

The requested increase is designed to offset increases since the last prior rate review of \$4.00 per acre-foot for purchased water; 0.031 cents per kilowatt-hour for purchased power; \$3.00 per acre-foot for water replenishment charges; and \$0.433 per \$100 valuation in the average tax rate for ad valorem taxes.

Applicant, a California corporation, is presently engaged in the business of the supply and distribution of water for domestic and industrial purposes in many localities in the State of California, including the Cities of Hermosa Beach and Redondo Beach, a small portion of the City of Torrance and unincorporated areas in the County of Los Angeles.

The Commission staff has reviewed information contained in Application No. 53331 as well as work papers which applicant has developed in connection therewith and has made an independent analysis. The results of the staff study are contained in a report dated June 22, 1972. The staff's report is received herein as Exhibit No. 1. The staff concludes that:

- (a) Applicant's computations for purchased water, purchased power and water replenishment charges are reasonable.
- (b) Applicant's computations for ad valorem taxes are considered excessive. The staff's estimates were based on data pertinent to the adjusted year 1971 as adopted by Decision No. 78807, dated June 22, 1971, in Application No. 52055, and indicate the ad valorem taxes will decrease by \$12,000 rather than increase by \$5,400 as shown in the application. Applicant's estimates are based on appropriate recorded balances as of January 1, 1972. Staff results are based on plant and other rate base items consistent with the test year utilized by the Commission in the last rate proceeding. Although the average tax rate has increased, the increase is more than offset by the fact that the Los Angeles County Assessor has reversed a previous decision, and has decided for the 1972-73 tax year to not assess contributions in aid of construction and a portion of advances for construction.
- (c) Applicant calculated state corporation franchise taxes at the previously effective rate of 7.0 percent rather than the current rate of 7.6 percent. The staff has utilized the current rate in its studies.
- (d) The proposed increase of 1.2 cent per hundred cubic feet in the quantity rate would result in gross revenues and resultant rate of return in excess of those previously authorized by the Commission. An increase of 1.0 cent per hundred cubic feet will return applicant to the earnings level established by Decision No. 78807.

Findings and Conclusion

The Commission finds that:

1. Applicant is in need of additional revenues, but the proposed rates set forth in the application are excessive.
2. The staff estimates, previously discussed herein, of operating revenues, operating expenses, and rate base for the test year 1971 indicate the results of applicant's operations in the near future and will produce a reasonable rate of return.
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. Pursuant to subparagraph (E)(1)(a) of rule 23.1 of the Commission's Rules of Procedure, the rate increase is exempt from the requirements of that rule because it is designed to offset expenses resulting from increases in the charges for purchased water, purchased power, water replenishment charges and in the average tax rate for ad valorem taxes.
5. A public hearing is not necessary.

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 California Water Service Company is authorized to file the revised rate schedule attached to this order as Appendix A and concurrently to cancel and withdraw presently effective Hermosa-Redondo Tariff Area Schedule No. HR-1. Such filing shall comply with General Order

No. 96-A. The effective date of the revised schedule shall be four days after the date of filing. The revised schedule shall apply only to service rendered on and after the effective date thereof.

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

Dated at San Francisco, California, this 29th day of AUGUST, 1972.

Vernon L. Sturges  
President  
William J. Lyons - Jr.  
John J. Lyons  
Edward J. Lyons  
Commissioners

APPENDIX A

Schedule No. HR-1

Hermosa-Redondo Tariff Area

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

Hermosa Beach, Redondo Beach, Torrance and vicinity, Los Angeles County.

RATES

		Per Meter Per Month
Quantity Rate:		
For all water delivered, per 100 cu.ft. ....		\$ 0.314 (I)
Service Charge:		
For 5/8 x 3/4-inch meter .....		\$ 3.00
For 3/4-inch meter .....		3.30
For 1-inch meter .....		4.50
For 1 1/2-inch meter .....		6.30
For 2-inch meter .....		8.10
For 3-inch meter .....		15.00
For 4-inch meter .....		20.40
For 6-inch meter .....		33.90
For 8-inch meter .....		50.40
For 10-inch meter .....		62.40

The Service Charge is a readiness-to-serve charge to which is to be added the monthly charge computed at the Quantity Rate.