

Decision No. 80500

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of the COUNTY WATER COMPANY,
a California Corporation, for authority
to INCREASE ITS RATES FOR WATER SERVICE.

Application No. 53334

(Filed May 16, 1972)

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 \$4 per acre-foot in purchased water and \$3 per acre-foot in ground water replenishment taxes. Applicant is also requesting an increase for a proposed plan of employee benefits, estimated at \$2,855 per year in Exhibit "E". Applicant also requests, in effect, that additional revenue to increase the rate of return from 5 percent to 7.0 percent be provided.

Applicant's present tariff rates for these areas became permanently effective on April 16, 1972 by authority of Decision No. 79667, dated February 1, 1972 (Application No. 52764). Therein we granted an increase of \$7,720 and a rate of return of 7.0 percent.

An engineer from the Commission's staff made an independent study of applicant's request. The results of the engineer's study are contained in a report dated July 31, 1972. This report is received as Exhibit 1 in this proceeding. Both applicant and staff used recorded year 1971 data as the basis for a test year with resultant level of revenues and use of water and electric power. In order to evaluate whether the remainder of expenses (\$6,110) not offset in Decision No. 79667 should be included in this rate increase, the staff analysis went back prior to that decision and to year 1970 rates for water sold or purchased, leased water rights, replenishment pump tax, electric power, and ad valorem taxes.

Exhibit 1 indicates that from 1970 level to latest known level of rates the estimated increases in taxes and expenses are as follows:

Estimated Increases in Taxes and Expenses

Purchased Water	\$ 8,510
Pump Tax	2,190
Power For Pumping	2,040
Taxes, Other Than Income	1,660
Employee Benefits	<u>1,600</u>
Total	\$16,000

The following tabulation derived from Exhibit 1 shows summary of earnings under various assumptions.

Summary of Earnings
Test Year 1971

Item	Expenses and Taxes : With			
	Recorded	1970	1972-73	Added
	(a)	(b)	(c)	(d)
Operating Revenues	\$172,694	\$172,694	\$172,694	\$188,694
<u>Deductions</u>				
Purchased Water	43,252	38,260	46,770	46,770
Pump Tax	4,410	4,370	6,560	6,560
Power For Pumping	9,119	8,160	10,200	10,200
Taxes, Other Than Income	16,695	13,700	15,360	15,360
Local Franchise Tax	3,053	3,053	3,053	3,373
Depreciation	21,416	21,416	21,416	21,416
Other Expenses	62,874	62,874	64,474	64,474
Income Taxes	1,556	2,766	200	2,676
Total Deductions	162,375	154,599	168,033	170,829
Net Operating Revenues	10,319	18,095	4,661	17,865
Rate Base	397,200	404,100	404,100	404,100
Rate of Return	2.60%	4.48%	1.15%	4.42%

The figures in column (a) are recorded results for year 1971. For column (b) the staff reduced the cost of purchased water, pump tax and power to 1970 level of charges and included taxes other than income as computed in the staff report prepared for Application No. 51752. For column (c) the staff adjusted these expenses to 1972-1973 levels on a full-year basis and included a net increase of \$1,600 in employee benefits. Column (d) is the result of adding \$16,000 to operating revenues to offset the additional expenses and taxes.

Applicant does not state the total dollars of relief requested. Applicant's proposed rates in Exhibit "F" would yield \$9,600 increase over 1971 revenue at present rates. But the staff indicates that applicant needs additional revenue of \$8,280 per year based, on year 1971 level, inasmuch as rates to produce additional revenue of \$7,720 were already granted by Decision No. 79667. We will accept the staff estimate that \$8,280 is the additional revenue needed because it is substantiated item by item and a 7 percent rate of return will not be exceeded.

An employees' medical and life insurance plan, dropped by applicant in 1969, is a proper and necessary expense for operating this water utility. Since the insurance has not been underwritten, we will require that applicant submit proof of underwriting within ninety days after the effective date of this order.

The applicant's proposed rate would charge \$3 for the first 600 cubic feet or less per month in all three tariff areas. This would be an increase in the Bellflower tariff area of \$0.60 in the monthly minimum charge for a 5/8 x 3/4-inch meter and none for the other two tariff areas. Minimum charges for larger meters in the three tariff areas would be either increased, decreased or left unchanged. Quantity rates would go up except in the Bellflower tariff area where they would remain unchanged.

The staff agrees to the minimum charge of \$3 in all the tariff areas for 5/8 x 3/4-inch meters, but objects to the unequal increases and reductions for minimum charges in the other meter sizes as unreasonable. The staff designed rate spread will equalize some rates, will simplify billing and will combine County and Suburban tariff areas. It will also provide additional revenue of \$8,280 to which applicant is entitled. We will accept the rates designed by the staff because the increase is distributed equitably and the rates generate the necessary revenue requirement.

Findings

The Commission finds that:

1. Applicant is in need of additional revenues, and the proposed rates set forth in Exhibit 1 are reasonable.
2. Staff estimates previously discussed herein reasonably indicate the results of applicant'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.
5. 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.
6. Pursuant to Subparagraph (A) of Rule 23.1 of the Commission's Rules of Procedure the rate increases are exempt from the requirements of that Rule because applicant qualifies for the small business exemption set forth in Title 6, Economic Stabilization Act, Section 101.51, Subpart E.

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:

1. After the effective date of this order, County 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 Schedules Nos. BW-1, CW-1, and SU-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.

2. Within ninety days after the effective date of this order, applicant shall file with the Commission a document stating what type of hospital and life insurance it acquired and what premiums are payable not later than thirty days after signing a contract with an insurer. In case applicant does not submit the document within ninety days after the effective date of this order, applicant shall reduce bills for service rendered thereafter by 0.85 percent.

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

Dated at San Francisco, California, this 19th
day of SEPTEMBER, 1972.

Vernon L. Stinson
President
William J. Moran
William J. Moran
William J. Moran
William J. Moran
Commissioners

Commissioner Thomas Moran, being necessarily absent, did not participate in the disposition of this proceeding.

APPENDIX A
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Schedule No. BW-1
Bellflower Tariff Area
METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

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

RATES

Quantity Rates:

	Per Meter Per Month	
First 600 cu.ft. or less	\$ 3.00	(I)
Next 1,900 cu.ft., per 100 cu.ft.	0.31	
Next 5,000 cu.ft., per 100 cu.ft.	0.28	(I)
Over 7,500 cu.ft., per 100 cu.ft.	0.19	(I)

Minimum Charge:

For 5/8 x 3/4-inch meter	\$ 3.00	(I)
For 3/4-inch meter	4.00	
For 1-inch meter	6.25	
For 1 1/2-inch meter	11.35	
For 2-inch meter	17.00	
For 3-inch meter	29.00	
For 4-inch meter	46.00	
For 6-inch meter	90.00	(I)

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

APPENDIX A
Page 2 of 2Schedule No. CS-1
County-Suburban Tariff Area
METERED SERVICE(T)
(T)APPLICABILITY

Applicable to all metered water service.

TERRITORYPortions of Artesia, Cerritos and Norwalk, and vicinity,
Los Angeles County.(T)
(T)RATES

Quantity Rates:

	Per Meter Per Month	
First 600 cu.ft. or less	\$ 3.00	
Next 1,900 cu.ft., per 100 cu.ft.	0.40	(I)
Next 5,000 cu.ft., per 100 cu.ft.	0.30	
Over 7,500 cu.ft., per 100 cu.ft.	0.24	(I)

Minimum Charge:

For 5/8 x 3/4-inch meter	\$ 3.00	
For 3/4-inch meter	4.50	(C)
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	
For 4-inch meter	50.00	(C)
For 6-inch meter	90.00	

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