

Decision No. 80544

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application
of CALIFORNIA-AMERICAN WATER COMPANY, }
a corporation, for authority to }
increase its rates and charges for }
water service in the Baldwin Hills }
District of its San Gabriel Valley }
Division in Los Angeles County. }

Application No. 52948
(Filed October 27, 1971)

Bacigalupi, Elkus, Salinger & Rosenberg, by
Claude N. Rosenberg, Attorney at Law, for
California-American Water Company, applicant.
Elinore C. Morgan, Attorney at Law, for the
Commission staff.

O P I N I O N

After due notice, public hearing in this matter was held before Examiner Coffey at Inglewood on August 10, 1972. The matter was submitted at the completion of the hearing on August 10, 1972.

California-American Water Company (CAWC), a wholly owned subsidiary of the American Waterworks Company, Inc. (AWWC) of Wilmington, Delaware, is a California corporation operating public utility water systems in portions of the Counties of Los Angeles, San Diego, Ventura and Monterey.

Applicant's Baldwin Hills District provides public utility water service to consumers in an area of approximately 2,000 acres located in the rolling hills southwest of the "Crenshaw District" shopping and business center in the southwestern area of Los Angeles County. With the exception of a small portion located in the City of Inglewood, all of the area served by said District is unincorporated.

After considering the restrictions of the Price Commission under economic controls and Decision No. 78923, dated July 13, 1971, and Decision No. 80164, dated June 13, 1972, both of which found a

7.8 percent rate of return to be reasonable, applicant stipulated for the purpose of this proceeding only that it accepts the staff recommendation for a 7.8 percent rate of return and is not requesting an allowance for attrition of the rate of return.

After reviewing the staff report on the Results of Operation in the Baldwin Hills District, Exhibit No. 4, applicant adopted and accepted without controversy said report since the difference between the staff on matters of revenues, expenses and rate base are relatively trivial and are due primarily to more current recorded data being available to the staff.

Rates

The following tabulation compares applicant's present and proposed rates for general metered water service.

Quantity Rates:	Per Meter Per Month	
	Present Rates	Proposed Rates
First 500 cu. ft. or less	\$ 2.10	\$ 2.80
Next 1,500 cu. ft., per 100 cu. ft.....	.34	.45
Next 3,000 cu. ft., per 100 cu. ft.....	.26	.35
Over 5,000 cu. ft. per 100 cu. ft.....	.22	.31
Minimum Charge:		
For 5/8x3/4-inch meter.....	\$ 2.10	\$ 2.80
For 3/4-inch meter.....	3.10	4.60
For 1-inch meter.....	5.35	7.25
For 1-1/2-inch meter.....	10.25	13.00
For 2-inch meter.....	15.00	19.00
For 3-inch meter.....	30.00	32.00
For 4-inch meter.....	50.00	50.00
For 6-inch meter.....	90.00	90.00
For 8-inch meter.....	140.00	140.00
For 10-inch meter.....	200.00	210.00

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

Applicant is not requesting increased rates for private or public fire protection.

Results of Operation

The following tabulation compares the estimated summary of earning for the test year 1972, under present and proposed rates, prepared by applicant and by the staff with the summary of operation adopted for the purpose of this proceeding.

Item	Applicant		Staff		Adopted
	Present	Proposed	Present	Proposed	
	Rates	Rates	Rates	Rates	

(Dollars in Thousands)

<u>Estimated Year 1972</u>					
Operating Revenues	\$ 611.5	\$ 815.1	\$ 603.2	\$ 804.6	\$ 716.0
<u>Operating Expenses</u>					
Oper. & Maint. Exp.	322.7	323.3	336.5	336.9	336.7
Admin. & Gen. Exp.	82.4	83.1	77.4	78.1	77.8
Depreciation Exp.	61.0	61.0	53.3	53.3	53.3
Taxes - Except Income	61.7	61.7	60.3	60.3	60.3
Income Taxes	.2	104.6	(13.0)	91.1	45.3
Total Expenses	528.0	633.7	514.5	619.7	573.4
Net Operating Revenues	83.5	181.4	88.7	184.9	142.6
Average Rate Base	1,836.4	1,836.4	1,827.9	1,827.9	1,827.9
Rate of Return	4.55%	9.88%	4.85%	10.12%	7.80%

Public Presentation

Six customers complained of poor quality water, low pressure or protested the increased rates. One customer requested special consideration for retired senior citizens and another customer offered such consideration. Applicant has been directed to investigate all service problems and report thereon to the Commission.

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 adopted estimates, previously discussed herein, of operating revenues, operating expenses, and rate base for the test year 1972, reasonably indicate the results of applicant's operations in the near future.

3. A rate of return of 7.8 percent on the adopted rate base for the year 1972 is reasonable. It is estimated that such rate of return will provide a return on common equity of approximately 16.32 percent if it is assumed the consolidated capital structure of the AWWC is applied to the Baldwin Hills District.

4. 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.

5. In compliance with Rule 23.1 of this Commission's Rules of Practice and Procedure promulgated pursuant to the Economic Stabilization Act of 1970:

- a. The rate increase is cost-justified.
- b. The rate increase does not reflect future inflationary expectations.
- c. The rate increase is the minimum required to assure continued, adequate, and safe service.
- d. The rate increase does not reflect labor costs in excess of those allowed by Price Commission policies.
- e. The rate increase takes into account expected and obtainable productivity gains including gains to be realized from the revised rate structure.
- f. The rate increase will achieve the minimum rate of return needed to attract capital at reasonable costs and not impair the credit of applicant.
- g. The procedures of the Commission provided for reasonable opportunity for participation by all interested persons or their representatives.

O R D E R

IT IS ORDERED that after the effective date of this order California-American Water Company is authorized to file the revised rate schedule attached to this order as Appendix A, to withdraw and cancel Schedule No. BH-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 twenty days after the date hereof.

Dated at San Francisco, California, this 26th
day of SEPTEMBER, 1972.

Vernon L. Steigman
President
William J. ...
J. P. ...
...
...
Commissioners

APPENDIX A

Schedule No. BH-1

GENERAL METERED SERVICEAPPLICABILITY

Applicable to all metered water service.

TERRITORY

Baldwin Hills, Windsor Hills, View Park, Ladera Heights, and vicinity, Los Angeles County.

RATES

Quantity Rates:		Per Meter Per Month
First 500 cu. ft. or less		\$ 2.50 (I)
Next 1,500 cu. ft., per 100 cu. ft.41
Next 3,000 cu. ft., per 100 cu. ft.30
Over 5,000 cu. ft. per 100 cu. ft.26
Minimum Charge:		
For 5/8x3/4-inch meter		\$ 2.50
For 3/4-inch meter		3.70
For 1-inch meter		6.40
For 1-1/2-inch meter		12.25
For 2-inch meter		18.00
For 3-inch meter		32.00
For 4-inch meter		50.00
For 6-inch meter		90.00
For 8-inch meter		140.00
For 10-inch meter		210.00 (I)

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