

Decision No. 81289

**ORIGINAL**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the application)  
of the PEERLESS WATER CO. for }  
authority to INCREASE ITS RATES }  
FOR WATER SERVICE. }

Application No. 53422  
(Filed June 23, 1972)

O P I N I O N

Peerless Water Company (Peerless) is seeking authority to increase its general service metered water rates<sup>1/</sup> \$10,094 annually to offset increased water replenishment, insurance, payroll, and postage expenses.

Peerless owns and operates a water system serving approximately 1,980 customers in portions of the cities of Bellflower, Lakewood, and Paramount, in Los Angeles County. It obtains its water supply either by purchase or by pumping from the Central and West Basin Water Replenishment District. It has two general service rate schedules which provide for general metered service and one schedule for public fire hydrant service on file with this Commission.

Increased Water Replenishment Assessment Costs

The Central and West Basin Water Replenishment District has increased the water replenishment assessment on water pumped from \$6.00 per acre-foot to \$9.00 per acre-foot effective July 1, 1972. Peerless alleges that this increase in water replenishment assessment costs will increase its costs \$2,670 annually. The derivation of this amount is set forth in Exhibit D attached to the application.

<sup>1/</sup> No increase is proposed for its public fire hydrant service schedule.

Increased Insurance Expenses

Peerless believes that comprehensive liability and automobile insurance costs have increased \$1,610 over the costs considered in Decision No. 78462 dated March 23, 1971 as detailed in Exhibit E attached to the application. In addition applicant alleges that it was able to attract qualified personnel on the condition that it offered a group medical/hospital insurance plan. The cost of this plan is \$1,051 annually, as detailed in Exhibit G attached to the application and was not included as an expense in Decision No. 78462.

Increased Payroll Expense

Peerless alleges that the 1972 estimated payroll expense, as detailed in Exhibit F attached to its application is \$44,222.05, an increase of \$4,537.05 over the \$39,685 allowed as payroll expense in Decision No. 78462.

Increased Postage Expense

Applicant alleges that it has incurred an increased expense for postage in the amount of \$226 annually, as detailed in Exhibit H attached to the application, over the amount allowed in Decision No. 78462.

Rate of Return

Peerless alleges that should the Commission grant an increase to offset the above increases in expenses, totaling \$10,094 annually, its rate of return will not exceed the last authorized rate of return of 7.5 percent granted in Decision No. 78462 dated March 23, 1971 in Application No. 52112. The basis for this allegation is set forth in Exhibit I attached to the application and reflects the effect of a decrease of \$10,094 in net revenues on the rate of return authorized by Decision No. 78462 adopted revenues, expenses, and rate base for an estimated test year 1970 modified for the \$3,384 offset increase granted by Decision No. 79408 effective November 23, 1971 and the \$10,094 increased annual costs previously discussed. The Commission staff prepared a report, dated

January 19, 1973, setting forth the results of its investigation and analysis of the application. This report, herein received as Exhibit 1, includes estimated results of operation for a test year 1972 as well as recorded data for the calendar years 1970 and 1971, and the fiscal year ended June 30, 1972. The following tabulation compares applicant's and staff's estimates:

Summary of Earnings

Year 1972 Estimated

Item	Proposed Rates	
	Applicant	Staff
Operating Revenues	\$154,577	\$157,700
<u>Deductions</u>		
Operating Expenses	95,522	91,170
Depreciation Expenses	16,200	16,200
Taxes Other Than Income	16,464	14,600
Income Taxes	5,000	7,700
Total Revenue Deductions	\$133,186	\$129,670
Net Operating Revenue	\$21,391	\$28,030
Average Depreciated Rate Base	\$308,148	\$312,900
Rate of Return	6.94%	8.96%

The staff estimate reflects a larger number of customers based on 1972 recorded data and the addition of a city park using 21 acre-feet a year.

The lower staff estimate of operating expenses consists primarily of \$870 less pumping expense due to allocation of portions of transportation expense and sick leave and vacation to plant accounts; \$2,380 less for administrative and general expenses due to deletion for rate-making purposes of membership dues in Chamber of Commerce and Rotary Club, elimination of one employee from the medical/health insurance program, and a reduction in automotive clearing account allocation; and the capitalization of \$1,000 of expense not capitalized by Peerless.

The staff's estimate of ad valorem taxes is \$1,464 less than Peerless' reflecting the actual assessed tax for the second half of the year 1972.

The staff rate base reflects 1972 estimated amounts rather than the rate base adopted in Decision No. 78462 for the test year 1970.

Based on the staff's estimates, an increase of \$5,526 instead of the requested \$10,094 will maintain the 7.5 percent rate of return authorized by Decision No. 78462.

#### Rates

Peerless requests a uniform increase to be applied to minimum charge for all metered rates. The staff states in Exhibit 1 "The expenses requiring an increase in customers' metered rates are of such a general nature that any increase should be applied to both meter minimum charges and quantity charges." The staff's recommendation appears reasonable and will be adopted.

Copies of the application were served and publication was made as required by this Commission. Applicant requests ex parte treatment. There were no protests to granting the application.

#### Findings

1. Applicant has experienced increased water replenishment, insurance, and payroll expense not heretofore included in expenses allowed for rate-making purposes.

2. The staff's estimates of revenue, expenses, and rate base for the test year 1972 set forth in Exhibit 1 are reasonable.

3. The increase authorized herein will offset the increase in these expenses to the extent necessary to restore the 7.5 percent rate of return authorized by Decision No. 78462 dated March 23, 1971.

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. Rule 23.1 of the Commission's Rules of Procedure does not apply to the rate increase authorized herein because Peerless qualifies for the small business exemption set forth in Title 6 Economic Stabilization Section 130.40, Subpart E.

A public hearing is not necessary.

The Commission therefore 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, Peerless Water Company is authorized to file the revised rate schedules attached to this order as Appendix A, and concurrently to cancel and withdraw presently effective schedules for the general metered services. 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.

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

Dated at San Francisco, California, this 17<sup>th</sup> day of APRIL, 1973.

Vernon L. Steyer  
President  
William J. Lyons, Jr.

[Signature]  
[Signature]  
Commissioners

Commissioner J. P. Vukasin, Jr., being necessarily absent, did not participate  
-5- in the disposition of this proceeding.

APPENDIX A  
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## Schedule No. B-1

Bellflower Tariff AreaMETERED SERVICEAPPLICABILITY

Applicable to all metered water service.

TERRITORY

Within portions of the City of Bellflower, and vicinity, Los Angeles County.

RATES

## Quantity Rates:

			Per Meter Per Month	
First	500	cu. ft. or less .....	\$ 2.85	(I)
Next	2,500	cu. ft., per 100 cu. ft. ...	.31	(I)
Next	7,000	cu. ft., per 100 cu. ft. ...	.24	
Over	10,000	cu. ft., per 100 cu. ft. ...	.16	

## Minimum Charge:

For	5/8 X 3/4-inch meter .....	\$ 2.85	(I)
For	3/4-inch meter .....	3.60	
For	1-inch meter .....	5.40	
For	1 1/2-inch meter .....	7.80	
For	2-inch meter .....	12.60	
For	2 1/2-inch meter .....	18.40	
For	3-inch meter .....	24.65	
For	4-inch meter .....	43.55	(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  
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## Schedule No. LP-1

Lakewood-Paramount Tariff AreaMETERED SERVICEAPPLICABILITY

Applicable to all metered water service.

TERRITORY

Within portions of the Cities of Lakewood and Paramount, and vicinity, Los Angeles County.

RATES

## Quantity Rates:

			Per Meter Per Month	
First	500	cu. ft., or less .....	\$ 2.79	(I)
Next	2,500	cu. ft., per 100 cu. ft. ....	.31	(I)
Next	7,000	cu. ft., per 100 cu. ft. ....	.24	
Over	10,000	cu. ft., per 100 cu. ft. ....	.16	

## Minimum Charge:

For	5/8 X 3/4-inch meter .....	\$ 2.79	(I)
For	3/4-inch meter .....	3.54	
For	1-inch meter .....	5.34	
For	1 1/2-inch meter .....	7.74	
For	2-inch meter .....	12.54	
For	2 1/2-inch meter .....	18.34	
For	3-inch meter .....	24.60	
For	4-inch meter .....	43.50	(I)

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