

Decision No. 81744**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. 54029
 (Filed May 10, 1973)

O P I N I O N

Applicant Park Water Company, a water corporation engaged as a public utility in the supply and distribution of water in Los Angeles and San Bernardino Counties, requests authority to increase rates for metered water service to offset an asserted yearly increase of \$97,321 in the cost of water supplied to applicant by the Metropolitan Water District of Southern California (MWD) and the city of Bellflower (Bellflower) and the increase in the ground water replenishment tax levied by the Central and West Basin Water Replenishment District (CRD), all of which increases are effective July 1, 1973.

A staff report shows that as of December 31, 1972 applicant served a total of 40,630 customers in 16 service areas in Los Angeles and San Bernardino Counties. Applicant has 23 wells and 5 connections with MWD. The Baldwin Park and Chino service area usage is excluded from replenishment tax since they are outside the jurisdiction of the Central and West Basin District. Applicant's present rates for metered service became effective January 24, 1972, authorized by Decision No. 79537 dated January 4, 1972 in Application No. 52763, which granted an offset to cover increased power expenses and increased ad valorem taxes. The last general rate increase was granted by Decision No. 78770 dated June 15, 1971 in Application No. 52118 which authorized a rate of return of 8.75 percent. The rate of

return was modified in Decision No. 79537 to 8.6 percent reflecting the effect of the Montebello sale covered in Decision No. 79537 dated January 4, 1972 in Application No. 52763.

Applicant states that pursuant to resolutions passed by MWD the purchase price of MWD water to applicant will be increased \$6 per acre-foot for filtered water and \$7 per acre-foot for softened and filtered water effective July 1, 1973. The application contains a copy of a letter received by applicant from the CRD informing applicant that applicant's replenishment tax will be increased to \$11 per acre-foot starting July 1, 1973. Applicant asserts that the replenishment tax prior to July 1, 1973 was \$9 per acre-foot. Both the staff and the applicant estimate that the scheduled increase in purchased water and replenishment tax costs will result in an overall cost increase to applicant of approximately \$97,321 per year based on the test year adopted results in Commission Decision No. 79537 calculated as follows:

Summary of Increased Expenses

<u>Item</u>	<u>D.79537^{1/}</u>	<u>Increase</u>	
		<u>Unit</u>	<u>Total</u>
<u>Purchased Water</u>			
Central Basin:			
Softened (70%)	5,467 a-ft.	\$7.00	\$38,269
Filtered (30%)	2,343	6.00	14,058
	<u>7,810</u>		<u>52,327</u>
City of Bellflower	1,006	6.00	6,036
	<u>8,816</u>		<u>58,363</u>
<u>Replenishment Tax</u>			
Central and West Basin	19,479	2.00	38,958
Totals	<u>28,295</u>		<u>\$97,321</u>
Water Sold	12,325,302 ccf		

^{1/} Excluding Baldwin Park, Chino, and Montebello.

The following schedule sets forth applicant's present rates for metered water and amount of proposed increase and proposed rates:

<u>RATES</u>		<u>Present</u>	<u>Increase</u>	<u>Proposed</u>
Quantity Rates:				
First	700 cu.ft. or less	\$ 2.25	\$0.08	\$ 2.33
Next	4,300 cu.ft., per 100 cu.ft.	.241	0.007	.248
Next	95,000 cu.ft., per 100 cu.ft.	.179	0.007	.186
Over	100,000 cu.ft., per 100 cu.ft.	.150	0.007	.157
Minimum Charge:				
For	5/8 x 3/4-inch meter	\$ 2.25	\$0.08	\$ 2.33
For	3/4-inch meter	3.10	0.15	3.25
For	1-inch meter	5.15	0.20	5.35
For	1-1/2-inch meter	10.25	0.40	10.65
For	2-inch meter	15.40	0.60	16.00
For	3-inch meter	25.75	1.00	26.75
For	4-inch meter	41.25	1.65	42.90
For	6-inch meter	82.50	3.25	85.75
For	8-inch meter	144.00	5.75	149.75
For	10-inch meter	205.00	8.00	213.00

The results of operations for the test year 1971 under applicant's present rates vis-a-vis under the proposed rates reveal the following:

<u>RATE OF RETURN</u> (Dollars in Thousands)			
	Test Year 1971 Adopted by PUC (As Reconstructed in Decision 79537)	Offset Adjustments	Adjusted Test Year 1971 Adopted by PUC (As Reconstructed) in Decision 79537)
Operating Revenues	\$3,013.3	\$97.3	\$3,110.6
Operating Revenue Deductions	<u>2,412.4</u>	<u>97.3</u>	<u>2,509.7</u>
Net Operating Revenue	\$ 600.9	-	\$ 600.9
Avg. Depr. Rate Base	\$7,003.0	-	\$7,003.0
Rate of Return	8.6%	-	8.6%

The staff report concluded that the proposed rates will yield applicant additional revenue sufficient to offset the increased cost of purchased water and replenishment tax and that applicant's rate of return on its proposed rate revenues will not exceed the 8.6 percent adopted by the Commission in Decision No. 79537 which authorized applicant's last rate increase, and recommended that applicant be authorized to file the proposed rates.

Copies of the application and exhibits were served on the cities of Artesia, Baldwin Park, Bellflower, City of Commerce, Compton, Downey, Hawaiian Gardens, La Mirada, Lynwood, Montebello, Norwalk, Paramount, Pico-Rivera, Santa Fe Springs, South Gate, and Chino and the counties of Los Angeles and San Bernardino. Notice of filing the application was duly published. No objection to the granting of the application has been received.

The Commission finds that:

1. Effective July 1, 1973 applicant's purchased water costs from its supplier will increase \$6 per acre-foot for filtered water and \$7 per acre-foot for softened and filtered water and that applicant's ground water replacement taxes imposed by the replenishment district in whose area applicant's wells and service are situated will increase from \$9 to \$11 per acre-foot of ground water produced within such district.
2. Such increased costs to applicant will amount to approximately \$97,321 per year.
3. Applicant has need for additional revenues to offset the increased costs set out in Finding 2.
4. The estimate of operating revenues, expenses, and rate base set out on page 3 for the test year 1971 is reasonable.
5. The proposed rates will yield additional revenue sufficient to offset the increased cost of purchased water and replenishment tax.

6. Applicant's rate of return on its proposed rates will not exceed 8.6 percent adopted by the Commission in Decision No. 79537 in Application No. 52763.

7. The proposed increases in applicant's present rates and charges authorized by this decision are justified and are reasonable; and the present rates and charges, insofar as they differ from those prescribed by this decision, are for the future unjust and unreasonable.

8. A public hearing is not necessary.

9. The authorized increase is consistent with Rule 23.1, effective August 2, 1972, of the Commission's Rules of Procedure:

- (a) The increase is cost-justified and does not reflect future inflationary expectations;
- (b) The increase is the minimum required to assure continued, adequate, and safe service and to provide for necessary expansion to meet future requirements;
- (c) The increase will not achieve in excess of the minimum rate of return needed to attract capital at reasonable cost and not to impair the credit of applicant; and
- (d) The increase takes into account expected and obtainable productivity gains.

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 on or after the effective date of this order Park Water Company is authorized to file the revised rate schedule attached to this order as Appendix A. Such filing shall comply with General Order No. 96-A. The effective date of the revised schedule shall be five 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 is the date hereof.

Dated at San Francisco, California, this 15th
day of AUGUST, 1973.

Verdun L. Sturgeon
President
William Symons, Jr.
Charles W. Holmes

Commissioners

Commissioner William Symons, Jr., being necessarily absent, did not participate in the disposition of this proceeding.

Commissioner D. W. Holmes, being necessarily absent, did not participate in the disposition of this proceeding.

APPENDIX A
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Schedule No. 1

METERED SERVICEAPPLICABILITY

Applicable to all metered water service.

TERRITORY

Portions of Artesia, Baldwin Park, Bellflower, Commerce, Compton, Downey, Lynwood, Montebello, Norwalk, Paramount, Pico-Rivera, Santa Fe Springs, Southgate and vicinities, Los Angeles County, and the vicinity of Chino, San Bernardino County.

RATES

		Per Meter Per Month	
Quantity Rates:			
First	700 cu.ft. or less	\$ 2.33	(I)
Next	4,300 cu.ft. per 100 cu.ft.248	
Next	95,000 cu.ft. per 100 cu.ft.186	
Over	100,000 cu.ft. per 100 cu.ft.157	
Minimum Charge:			
For	5/8 x 3/4-inch meter	2.33	
For	3/4-inch meter	3.25	
For	1-inch meter	5.35	
For	1 1/2-inch meter	10.65	
For	2-inch meter	16.00	
For	3-inch meter	26.75	
For	4-inch meter	42.90	
For	6-inch meter	85.75	
For	8-inch meter	149.75	
For	10-inch meter	213.00	(I)

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

A. 54029 JR

APPENDIX A
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Schedule No. 1

METERED SERVICE
(Continued)

SPECIAL CONDITION

All billing under this schedule to customers in the City of Norwalk is subject to a surcharge of 2.04 percent.