

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

EVALUATION & COMPLIANCE DIVISION  
Water Utilities Branch

RESOLUTION NO. W-3363  
DATE: May 29, 1987

R E S O L U T I O N

(Res. W-3363), PEERLESS WATER COMPANY (PWC). ORDER  
AUTHORIZING A GENERAL RATE INCREASE PRODUCING \$55,790  
OR 13.3% ADDITIONAL GROSS ANNUAL REVENUE.

PWC, by draft advice letter accepted by the Water Utilities Branch (Branch) on December 29, 1986, requested authority under Section VI of General Order 96-A and Section 454 of the Public Utilities Code to increase rates for water service by \$100,874 or 25.3%. PWC estimates that 1987 gross revenues of \$399,773 at present rates would increase to \$500,647 at proposed rates and would produce a rate of return of 10.4% on rate base. PWC serves about 1,995 metered customers in the cities of Bellflower, Lakewood and Paramount, Los Angeles County.

The present rates have been in effect since December 17, 1986 pursuant to Resolution No. W-3345 which authorized an offset increase for purchased power, purchased water, and groundwater charges and to amortize an undercollection in the balancing account. The last general rate increase was granted by Resolution No. W-3197 dated August 1, 1984.

The Branch made an independent analysis of PWC's summary of earnings. Appendix A shows PWC's and the Branch's estimated summary of earnings at present, requested and adopted rates.

User fees which PWC had erroneously included in revenues and expenses have been removed to place PWC's and the Branch's estimates on a comparable basis. Appendix A shows differences in revenues, expenses and rate base.

The difference in operating revenues is mainly due to the difference in estimates of water usage. PWC estimated 1987 test year metered water sales as 171.6 Ccf (one hundred cubic feet) per customer per year by manually plotting recorded consumption against temperature and rainfall data. The Branch estimated 181.5 Ccf per customer per year using the computer climate program and the standard Committee Method described in the supplement to Commission Standard Practice U-25. The Branch notes that its figure falls very near the average and the median usages for the last ten years while PWC's is much lower than the recorded usages for seven of the last ten years.

The difference in metered water sales is greater at present rates than at proposed rates because PWC used tariff rates effective prior to the December 17, 1986 offset increase while the Branch used the latest rates.

The Branch's estimate of other water sales (surplus water) is lower than PWC's because the Branch's higher estimate of metered water sales leaves less surplus

water to be sold, thus offsetting in part the revenue differences caused by the difference in metered water sales.

The differences in estimates of operating expenses are in purchased power, groundwater replenishment charges, other volume related expenses, employee labor, contract work, transportation expense, other plant maintenance, employee benefits, insurance, capitalized expenses, ad valorem tax, payroll tax, other state and local tax, and income taxes. All of the Branch's adjustments for inflation use labor and non-labor escalation factors recommended by the Advisory, Evaluation and Research Branch of the Evaluation and Compliance Division (ECD).

The Branch estimated purchased power expense at \$36,500 compared to P&C's \$34,628. The difference is due to the Branch's higher estimate of water usage per customer described previously, offset somewhat by the Branch's use of later Southern California Edison power rates which are lower than those in effect when P&C made its estimate.

The Branch estimated \$57,650 for groundwater replenishment charges compared to P&C's \$53,611, the difference again stemming from the Branch's higher estimate of water usage per customer. The Branch estimated a higher volume of well water production to meet the higher demand, and agreed with P&C on the charge per acre foot of water produced.

P&C estimated other volume related expenses at \$4,200 while the Branch estimated \$2,300. Other volume related expenses consist of Department of Water Resources (DWR) fees, and chemicals used to treat water. DWR charges P&C a flat administrative fee of \$374 per year for services provided in connection with P&C's groundwater production; the Branch used that amount. The recorded expenses for 1983 and 1984 included penalties for late payment, and those higher recorded amounts were considered in arriving at P&C's \$700 estimate. The Branch derived its estimated chemical expense of \$1,925 by determining the recorded cost of chemicals per acre foot of pumped water, escalating it to 1987 by using the non-labor escalation factor, and applying it to the Branch's estimated water production. P&C estimated chemical expense of \$3,400 for 1986 and escalated it to 1987. The Branch's estimate is much closer to the final 1986 recorded chemical expense of \$1,840.

P&C estimated employee labor expense of \$68,980 by increasing the field crew from two full time employees and one part time employee to three full time field employees. The Branch estimated \$59,160 by increasing the recorded 1986 payroll by the labor escalation factor for 1987. About ten years ago P&C reduced the work force when inflation and conservation eroded its rate of return. P&C's service territory is almost completely developed; it has had a total growth of only about 1% during the last 25 years. The Branch believes that P&C has not shown that an increase in work force is justified.

P&C estimated contract work by rounding the recorded 1985 expense to \$3,800 for test year 1987. The Branch applied the 1987 labor escalation factor to the 1986 recorded expense to get \$3,120 for test year 1987. 1985 was the highest recorded expense in the last three years and P&C did not have the 1986 recorded figure at the time it made its estimates.

P&C estimated transportation expense of \$16,500 by applying an inflation factor to the recorded 1985 transportation expense, while the Branch constructed its

\$14,850 transportation expense from components of maintenance and fuel. The Branch's maintenance component was derived as the average of the recorded 1984 through 1986 costs escalated to 1987. The Branch's fuel component is the 1986 recorded figure increased to recognize that one vehicle was out of service for several months in 1986, and escalated to recognize the latest fuel costs. The Branch's estimates use later recorded data and more accurately reflect fuel price changes.

PWC estimated other plant maintenance of \$7,800 by applying an inflation factor to the recorded 1985 expense. The Branch found \$3,540 recorded in this account in 1985 that should have been recorded to other accounts, and PWC concurred. After adjusting these amounts to their proper accounts, the figure for other plant maintenance in 1985 was \$4,055. The Branch based its \$4,430 estimate on the recorded 1986 expense escalated to 1987.

PWC estimated employee benefits (medical insurance) of \$25,750 by projecting 1986 costs and escalating to 1987. The Branch began with the recorded 1986 costs and escalated to arrive at its \$23,080 figure for 1987. The 1986 recorded figures were not available to PWC when it prepared its estimate.

PWC estimated insurance expense by projecting 1986 premiums to \$27,589 and rounding to \$30,000 for test year 1987. To derive its \$26,670 estimate the Branch used the same premiums for PWC's current policies which expire October 1, 1987 but adjusted for one vehicle which is not used for utility business.

PWC capitalized \$4,060 in expenses with \$27,071 in plant additions in 1985, and likewise estimated \$4,000 as its expenses capitalized in 1987 despite its much lower estimate of \$10,000 in 1987 plant additions. Expenses capitalized for 1984 and 1985 were about 15% of plant additions so the Branch used 15% of its 1987 additions estimate to arrive at an expenses capitalized figure of \$1,100.

PWC estimated ad valorem taxes of \$2,900 by rounding up the 1985 property tax of \$2,887. The Branch estimated \$3,620 for ad valorem taxes by applying the actual composite tax rate for 1987 to the assessed value plus an amount for plant additions. Recorded 1986 ad valorem taxes were \$3,310. The recorded 1986 figures were not available to PWC when it prepared its estimate.

Payroll taxes estimated by the Branch are lower than PWC's because of the Branch's lower payroll estimate.

The Branch estimated other state and local taxes as \$5,360. PWC estimated other state and local taxes of \$4,986 as the sum of \$1,332 for the City of Bellflower franchise fee and \$3,654 for the Los Angeles County health license fee. The Los Angeles County health license fee increased much more from 1985 to 1986 than PWC anticipated, so the Branch's estimate reflects the actual 1986 increase and escalation to 1987.

The differences in income tax estimates are due primarily to differences in taxable income resulting from differing estimates of revenues, expenses and rate base.

The Branch and PWC have relatively small differences in plant in service and depreciation reserve that offset one another to result in virtually identical depreciated net plant figures. The major difference in rate base is due to the difference in working cash allowance estimates.

The difference in working cash is due to differences in expense estimates and an arithmetic error in P&C's calculations. Both the Branch and P&C used the simplified basis set forth in the Commission's Standard Practice U-16, but P&C erred by adding one month's purchased power and purchased water instead of subtracting as called for in U-16. Purchased power and purchased water expenses are subtracted when calculating working cash to reflect the fact that they are paid in arrears.

P&C estimated its requested rates would produce a rate of return of 10.40% on rate base. The Branch used 10.50%, the midpoint of the 10.25% to 10.75% standard rate of return range for 100% equity companies currently recommended by the Accounting and Financial Branch of ECD.

P&C was informed of the Branch's differing view of revenues, expenses and rate base and has stated that it accepts the Branch's estimates.

A notice of the proposed rate increase was mailed to all customers on January 22 and 23, 1987. Five letters were received in response to the notice, one of which contained 92 signatures. The letters mainly complained about water quality, pressure and the magnitude of the increase.

The Branch investigation of the water quality and pressure complaints revealed that all of the complainants were served by the same source of supply in the Bellflower area. In order to meet all primary health standards for water quality, P&C must maintain minimum levels of chlorine and phosphates at the source of supply. According to sanitary engineers in the State Department of Health Services (DHS) who are familiar with P&C's water quality, the water in this area meets all primary water quality standards but contains high concentrations of iron and manganese. The residual of the chemicals in the water, when in contact with the rust in old steel house lines overnight, can cause discoloration of the water. This problem might be alleviated by allowing the water to run for a while in the morning before using it. The only other alternative is to replace old house lines. According to P&C, those customers who have replaced their lines are satisfied with increased pressure and better water quality.

On February 17, 1987 the Branch mailed a letter containing this explanation to each customer who complained about water quality and pressure. The Branch has prepared a second letter explaining the Commission's actions to customers who protested the magnitude of the proposed increase. This letter is included as Appendix E and will be mailed when the Commission acts on P&C's request.

A field investigation of P&C's system was made on January 12 and March 3, 1987. Visible portions of the water system were inspected, pressures measured, customers and company employees interviewed, and methods of operations checked. The investigation indicated that P&C's system is in compliance with the requirements of the Commission's General Order 103, Rules Governing Water Service, and that service in general is satisfactory. There are no outstanding Commission orders requiring system improvements.

P&C has an ample water supply and an ongoing program of notifying customers if there is an obvious waste of water coming from their property. It also makes available water conservation kits to customers on request, and is participating in a program administered by the Central and West Basin Water Replenishment District and the Metropolitan Water District to conserve groundwater.

By Decision 86-05-064 the Commission adopted a new policy calling for water companies to recover up to 50% of their fixed costs through service charges, phasing out lifeline rates, and allowing the reduction of multiple commodity blocks to a single block. The decision also called for no customer's total water bill to be increased substantially more than the total system increase.

Current rates consist of a service charge which recovers 27.8% of fixed costs, a 300 cubic foot per month lifeline block, and an inverted tail block. The Branch's recommended rates eliminate the lifeline block, raise service charges as much as possible without imposing an increase of substantially more than the system increase at any usage level, and result in service charges which recover 31.8% of fixed costs. Appendix C shows a comparison of monthly rates and customer bills at present and the Branch's recommended rates.

The Branch recommends that PWC be authorized to increase its rates by \$55,790 or 13.3% which would increase gross annual revenues from \$420,970 at present rates to \$476,760 at the recommended rates contained in Appendix B. This increase provides a rate of return on rate base of 10.50% for test year 1987. The existing balancing account surcharge of \$0.021 per Ccf should remain in effect.

#### FINDINGS

1. The Branch's recommended summary of earnings (Appendix A) is reasonable and should be adopted.
2. The quantities (Appendix D) used to develop the Branch's recommendations are reasonable and should be adopted.
3. The increased rates hereby authorized are justified and the present rates are, for the future, unjust and unreasonable.

#### IT IS ORDERED that:

1. Authority is granted under Public Utilities Code Section 454 for Peerless Water Company to file an advice letter incorporating the summary of earnings and revised rate schedules attached to this resolution as Appendices A and B, and concurrently to cancel the presently effective rate schedules. Such filing shall comply with General Order 96-A.
2. The effective date of the revised rate schedules shall be the date of filing.
3. This resolution is effective today.

I certify that this resolution was adopted by the Public Utilities Commission at its regular meeting on May 29, 1987. The following Commissioners approved it:

STANLEY W. HULETT  
President  
DONALD VIAL  
FREDERICK R. DUDA  
G. MITCHELL WILK  
JOHN B. CHANTAN  
Commissioners



VICTOR R. WEISSNER  
Executive Director

APPENDIX A

PEERLESS WATER COMPANY  
SUMMARY OF EARNINGS  
(Estimated Year 1987)

Item	: Utility Estimated :		: Branch Estimated :		: Adopted :
	: Present :	: Requested :	: Present :	: Requested :	
	: Rates :	: Rates :	: Rates :	: Rates :	
<u>Operating Revenue</u>					
Metered	\$369,422	\$468,805	\$401,850	\$487,930	\$457,640
Other Water Sales	24,310	24,310	18,620	18,620	18,620
Misc. Service	500	500	500	500	500
Total	<u>394,232</u>	<u>493,615</u>	<u>420,970</u>	<u>507,050</u>	<u>476,760</u>
<u>Operating Expenses</u>					
Purchased Water	39,185	39,185	39,185	39,185	39,185
Purchased Power	34,628	34,628	36,500	36,500	36,500
Groundwater Replen.	53,611	53,611	57,650	57,650	57,650
Other Vol. Rel. Exp.	4,200	4,200	2,300	2,300	2,300
Employee Labor	68,980	68,980	59,160	59,160	59,160
Materials	7,500	7,500	7,500	7,500	7,500
Contract Work	3,800	3,800	3,120	3,120	3,120
Transportation Exp.	16,500	16,500	14,850	14,850	14,850
Other Plant Maint.	7,800	7,800	4,430	4,430	4,430
Office Salaries	35,480	35,480	35,480	35,480	35,480
Management Salaries	52,500	52,500	52,500	52,500	52,500
Employee Benefits	25,750	25,750	23,080	23,080	23,080
Uncollectibles	600	600	600	600	600
Insurance	30,000	30,000	26,670	26,670	26,670
Other A&G Exp.	30,800	30,800	30,800	30,800	30,800
Exp. Capitalized	(4,000)	(4,000)	(1,100)	(1,100)	(1,100)
Total Expenses	<u>407,334</u>	<u>407,334</u>	<u>392,725</u>	<u>392,725</u>	<u>392,725</u>
Depreciation Exp.	20,519	20,519	20,519	20,519	20,519
Ad Valorem Tax	2,900	2,900	3,620	3,620	3,620
Payroll Tax	11,584	11,584	10,820	10,820	10,820
Other State & Local Tax	4,986	4,986	5,360	5,360	5,360
Income Tax	200	7,511	200	15,664	7,126
Total Deductions	<u>447,523</u>	<u>454,834</u>	<u>433,244</u>	<u>448,708</u>	<u>440,170</u>
Net Revenue	(53,291)	38,781	(12,274)	58,342	36,590
<u>Rate Base</u>					
Average Plant	703,299	703,299	700,030	700,030	700,030
Average Depr. Res.	413,993	413,993	410,720	410,720	410,720
Net Plant	289,306	289,306	289,310	289,310	289,310
Less: Advances	-	-	-	-	-
Contributions	16,646	16,646	16,570	16,570	16,570
Plus: Working Cash	97,480	97,480	72,950	72,950	72,950
Mat'l & Suppl.	2,780	2,780	2,780	2,780	2,780
Rate Base	372,920	372,920	348,470	348,470	348,470
Rate of Return	Loss	10.40%	Loss	16.74%	10.50%

APPENDIX B  
Page 1

Schedule No. B-1

Bellflower Tariff Schedule

METERED SERVICE

APPLICABILITY

Applicable to all metered service.

TERRITORY

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

RATES

<u>Quantity Rates</u>	<u>Per Meter Per Month</u>	(T)
All Water, per 100 cu.ft. ....	\$ 0.986	(I) (C) (D)

Service Charge

For 5/8 x 3/4-inch meter .....	\$ 4.35	(I)
For 3/4-inch meter .....	4.80	
For 1-inch meter .....	6.45	
For 1-1/2-inch meter .....	8.60	
For 2-inch meter .....	11.50	
For 3-inch meter .....	21.75	
For 4-inch meter .....	29.75	(I)

The Service Charge is a readiness-to-serve charge which is (L)  
applicable to all metered service and to which is to be added |  
the monthly charge computed at the Quantity Rates. (L)

NOTE: Quantity Rates include \$0.021 per 100 cu.ft. surcharge for (L)  
amortization of undercollection of balancing account, including |  
purchased power, purchased water, and ad valorem tax. (L)

APPENDIX B  
Page 2

Schedule No. LP-1

Lakewood-Paramount Tariff Schedule

METERED SERVICE

APPLICABILITY

Applicable to all metered service.

TERRITORY

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

RATES

<u>Quantity Rates</u>	<u>Per Meter Per Month</u>	(T)
All Water, per 100 cu.ft. ....	\$ 0.986	(I) (C) (D)

Service Charge

For 5/8 x 3/4-inch meter .....	\$ 4.30	(I)
For 3/4-inch meter .....	4.75	
For 1-inch meter .....	6.40	
For 1-1/2-inch meter .....	8.55	
For 2-inch meter .....	11.45	
For 3-inch meter .....	21.70	
For 4-inch meter .....	29.70	(I)

The Service Charge is a readiness-to-serve charge which is (L)  
applicable to all metered service and to which is to be added |  
the monthly charge computed at the Quantity Rates. (L)

NOTE: Quantity Rates include \$0.021 per 100 cu.ft. surcharge for (L)  
amortization of undercollection of balancing account, including |  
purchased power, purchased water, and ad valorem tax. (L)



APPENDIX B  
Page 3

Schedule No. GA-1

Government Agency Tariff Schedule

METERED SERVICE

APPLICABILITY

Applicable to all metered service furnished to Governmental Agencies.

TERRITORY

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

RATES

<u>Quantity Rates</u>	<u>Per Meter Per Month</u>	<u>(T)</u>
All Water, per 100 cu.ft. ....	\$ 0.441	(D) (I) (C)
 <u>Service Charge</u>		
For 5/8 x 3/4-inch meter .....	\$ 2.55	(I)
For 3/4-inch meter .....	2.80	
For 1-inch meter .....	3.80	
For 1-1/2-inch meter .....	5.10	
For 2-inch meter .....	6.85	
For 2-1/2-inch meter .....	10.20	
For 3-inch meter .....	12.70	
For 4-inch meter .....	17.30	(I)

The Service Charge is a readiness-to-serve charge which is (L)  
applicable to all metered service and to which is to be added |  
the monthly charge computed at the Quantity Rates. (L)

SPECIAL CONDITION

An agency installing its own meter and facilities on a fire hydrant for a temporary use shall be exempt from the Service Charge.

NOTE: Quantity Rates include \$0.021 per 100 cu.ft. surcharge for amortization of undercollection of balancing account, including purchased power, purchased water, and ad valorem tax.

APPENDIX C

Page 1

COMPARISON OF RATES

A comparison of present and Branch's recommended rates for metered service is shown below:

METERED SERVICE

	<u>Per Meter Per Month</u>		<u>Percent Increase</u>
	<u>Present Rates</u>	<u>Recommended Rates</u>	
<u>Bellflower:</u>			
<u>Quantity Rates: [1]</u>			
First 300 cu.ft., per 100 cu.ft. ..	\$ 0.644	-	
Over 300 cu.ft., per 100 cu.ft. ..	0.899	-	
All water, per 100 cu.ft. ....	-	\$ 0.965	
<u>Service Charge:</u>			
For 5/8 x 3/4-inch meter .....	3.80	4.35	14.5
For 3/4-inch meter .....	4.20	4.80	14.3
For 1-inch meter .....	5.65	6.45	14.2
For 1-1/2-inch meter .....	7.55	8.60	13.9
For 2-inch meter .....	10.05	11.50	14.4
For 3-inch meter .....	19.00	21.75	14.5
For 4-inch meter .....	26.00	29.75	14.4
<u>Lakewood-Paramount:</u>			
<u>Quantity Rates: [1]</u>			
First 300 cu.ft., per 100 cu.ft. ..	\$ 0.644	-	
Over 300 cu.ft., per 100 cu.ft. ..	0.899	-	
All water, per 100 cu.ft. ....	-	\$ 0.965	
<u>Service Charge:</u>			
For 5/8 x 3/4-inch meter .....	3.75	4.30	14.7
For 3/4-inch meter .....	4.15	4.75	14.5
For 1-inch meter .....	5.60	6.40	14.3
For 1-1/2-inch meter .....	7.50	8.55	14.0
For 2-inch meter .....	10.00	11.45	14.5
For 3-inch meter .....	19.00	21.70	14.2
For 4-inch meter .....	26.00	29.70	14.2
<u>Government Agency:</u>			
<u>Quantity Rates: [1]</u>			
First 10,000 cu.ft. per 100 cu.ft. ..	\$ 0.414	-	
Over 10,000 cu.ft. per 100 cu.ft. ..	0.364	-	
All water, per 100 cu.ft. ....	-	\$ 0.420	
<u>Service Charge:</u>			
For 5/8 x 3/4-inch meter .....	2.25	2.55	13.3
For 3/4-inch meter .....	2.50	2.80	12.0
For 1-inch meter .....	3.35	3.80	13.4
For 1-1/2-inch meter .....	4.50	5.10	13.3
For 2-inch meter .....	6.05	6.85	13.2
For 2-1/2-inch meter .....	9.00	10.20	13.3
For 3-inch meter .....	11.25	12.70	12.9
For 4-inch meter .....	15.30	17.30	13.1

[1] Monthly Quantity Rates do not include \$0.021 per 100 cu.ft. surcharge for amortization of undercollection in balancing account.

## APPENDIX C

Page 2

A monthly bill comparison for a 5/8 x 3/4-inch meter is shown below:

<u>Usage</u> <u>100 cu.ft.</u>	<u>Present</u> <u>Bills</u>	<u>Recommended</u> <u>Bills</u>	<u>Amount</u> <u>Increase</u>	<u>Percent</u> <u>Increase</u>
<u>Bellflower:</u>				
0	\$ 3.80	\$ 4.35	\$ .55	14.5
3	5.73	7.25	1.52	26.5
5	7.53	9.18	1.65	21.9
10	12.03	14.00	1.97	16.4
15 (Avg.)	16.52	18.83	2.31	14.0
20	21.02	23.65	2.63	12.5
30	30.01	33.30	3.29	11.0
40	39.00	42.95	3.95	10.1
60	56.98	62.25	5.27	9.2
80	74.96	81.55	6.59	8.8
100	92.94	100.85	7.91	8.5

Lakewood-Paramount:

0	\$ 3.75	\$ 4.30	\$ 0.55	14.7
3	5.68	7.20	1.52	26.8
5	7.48	9.13	1.65	22.1
10	11.98	13.95	1.97	16.4
15 (Avg.)	16.47	18.78	2.31	14.0
20	20.97	23.60	2.63	12.5
30	29.96	33.25	3.29	11.0
40	38.95	42.90	3.95	10.1
60	56.93	62.20	5.27	9.3
80	74.91	81.50	6.59	8.8
100	92.89	100.80	7.91	8.5

## APPENDIX D

Page 1

ADOPTED QUANTITIES  
(1987 Test Year)

Name of Company: Peerless Water Company

Net-to-Gross Multiplier:	1.34902
Federal Tax Rates:	18.0%
State Tax Rate:	9.6%
Business License:	\$1,332
Uncollectible Rate	-

Expenses

1. Purchased Power:	
So. Cal. Edison Energy Cost	\$32,670
Service Charge	\$3,830
kWh used	408,550
Eff. Sch. Date	1/1/87
Rate Schedule	PA-1
\$/kWh used	\$0.07996
2. Purchased Water:	
Surface Water (MWD)	150 acre feet
Eff. Sch. Date	7/1/86
Cost per acre - foot	\$254.30
Cost of MWD Surface Water	38,145
Park Wtr. Co. - Standby Chrg.	200
City of Downey - Standby Chrg.	840
Total	\$39,185
3. Ground Water Replenishment Tax	\$57,650
4. Payroll, Payroll Taxes & Employee Benefits:	
Payroll	
Employee Payroll	\$59,160
Office Salaries	\$35,480
Management Salaries	\$52,500
Total Payroll	\$147,140
Payroll Taxes	\$10,820
Employee Benefits	\$23,080
5. Ad Valorem Taxes:	\$3,620
Tax Rate	1.052237%
Assessed Value	\$344,030
6. Other State and Local Taxes:	
Los Angeles County Health License	\$4,028
City of Bellflower Franch. Fee	\$1,332
Total	\$5,360

APPENDIX D

Page 2

ADOPTED QUANTITIES  
(1987 Test Year)

Service Connections

1. Meter Size No. of Connections

<u>Bellflower:</u>	
5/8 x 3/4" .....	1,724
3/4" .....	46
1" .....	5
1-1/2" .....	3
2" .....	10
3" .....	1
4" .....	0
Total	1,789

<u>Lakewood-Paramount:</u>	
5/8 x 3/4" .....	195
3/4" .....	4
1" .....	3
1-1/2" .....	1
2" .....	2
3" .....	0
4" .....	0
Total	205

<u>Government Agency:</u>	
5/8 x 3/4" .....	0
3/4" .....	0
1" .....	0
1-1/2" .....	0
2" .....	0
3" .....	1
4" .....	0
Total	1

2. Metered Water Sales Used to Design Rates:

Bellflower	324,704 Ccf
Lakewood-Paramount	37,208
Government Agency	5,420
Total Water Sales	367,332 Ccf

APPENDIX D  
Page 3

ADOPTED TAX CALCULATIONS

Line No.	Item	1987 Adopted Rates	
		<u>OCFT</u>	<u>FIT</u>
1.	Operating Revenues	\$476,760	\$476,760
2.	Operating Expenses	392,725	392,725
3.	Taxes Other Than Income	19,800	19,800
4.	Interest Expense	12,500	12,500
5.	Tax Depreciation	23,065	20,519
6.	State Income Tax	-	2,752
7.	Sub-total Deduction	448,090	448,296
8.	State Taxable Income	28,670	-
9.	State Income Tax	2,752	-
10.	Federal Taxable Income	-	28,464
11.	Federal Income Tax	-	4,374
12.	Total Income Tax	-	7,126

APPENDIX E

TO ALL PARTIES WHO HAVE WRITTEN THE COMMISSION REGARDING THE REQUEST FOR A RATE INCREASE BY PEERLESS WATER COMPANY

Dear Customer:

This refers further to our letter of February 17, 1987 concerning Peerless Water Company's request for authority to increase your rates for water service by 25.2%. The Commission, after considering all factors presented, has authorized the utility a 13.3% increase. For a customer using the system average of 1,500 cubic feet of water each month, this will mean an increase in the monthly bill from \$16.52 to \$18.83 for customers in the Bellflower area and from \$16.47 to \$18.78 for customers in the Lakewood-Paramount area.

In establishing rates, the Commission's role is twofold. Rates must be kept as low as possible and, at the same time, rates must be set so as to cover operating expenses and provide a fair return on the utility's investment in its water system. You may be assured that the utility's request was thoroughly reviewed and evaluated by the Commission staff before this change in rates was granted.

We appreciate your concern in responding to the company's notice. If you have any further questions about this increase, please contact Albert Arellano at (213) 620-2608 in our Los Angeles office.

Very truly yours,

WESLEY FRANKLIN, Chief  
Water Utilities Branch