

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

COMMISSION ADVISORY & COMPLIANCE DIVISION
Water Utilities BranchRESOLUTION NO. W-3599
August 7, 1991R E S O L U T I O N

(RESOLUTION W-3599) PEERLESS WATER SERVICE (PWC).
ORDER AUTHORIZING A GENERAL RATE INCREASE PRODUCING
ADDITIONAL ANNUAL REVENUE OF \$113,817 or 23.2%.

SUMMARY

This Resolution grants an increase in gross annual revenue of \$113,817 or 23.2% for test year 1991. This increase will provide an 11.00% rate of return on rate base in test year 1991.

BACKGROUND

PWC, by draft advice letter accepted by the Water Utilities Branch (Branch) on December 5, 1990 requests authority under Section VI of General Order (G.O.) 96-A and Section 454 of the Public Utilities Code to increase rates for water service by \$121,460 or 25.3% in 1991. PWC's request shows 1991 gross revenue of \$479,809 at present rates increasing to \$601,269 at proposed rates to produce a rate of return on rate base of 11.80%. PWC presently serves approximately 2,006 metered customers in the Cities of Bellflower, Lakewood, and Paramount in Los Angeles County.

The present rates became effective on December 19, 1990 pursuant to Resolution W-3536 dated December 19, 1990, which authorized an offset increase producing \$13,661 or 2.88% additional annual revenue. The last general rate increase was granted by Resolution W-3363 which found a rate of return of 10.5% reasonable for test year 1987.

DISCUSSION

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 for test year 1991. Appendix A also shows differences in revenues, expenses, and rate base.

PWC was informed of the Branch's differing views of revenues, expenses and rate base, and has stated that it accepts the Branch's estimates.

Branch's estimates on volume related expenses are higher than PWC's. The Branch used the currently effective rates for electric energy, and ground-water replenishment.

PWC presently charges different metered rates in Bellflower, Lakewood and Paramount. The differences are due to differences levels of city franchise taxes. These differences are no longer significant; therefore, the Branch has proposed a single general metered-rate schedule for customers in all areas.

To promote water conservation, PWC has distributed literature and makes available low-flow shower heads and water conservation kits to customers. PWC also has held two public meetings to inform the customers of its plans for mandatory water conservation and rationing.

At the Branch's recommended rates shown in Appendix B, the bill for a general metered-service customer using 1,500 cubic feet of water per month would increase from \$19.21 to \$23.50.

NOTICE AND PROTESTS

A notice of the proposed rate increase was mailed to all customers on April 20, 1991. No letters protesting the increase were received from the customers. The Commission's Consumer Affairs Branch has received nine informal complaints involving PWC in the last two years. All of the complaints have been resolved satisfactorily. A public meeting was held on May 14, 1991, in the City of Bellflower to explain PWC's proposed rate increase. One customer attended the meeting. She did not oppose the rate increase, but sought information about her water bill.

FINDINGS AND CONCLUSIONS

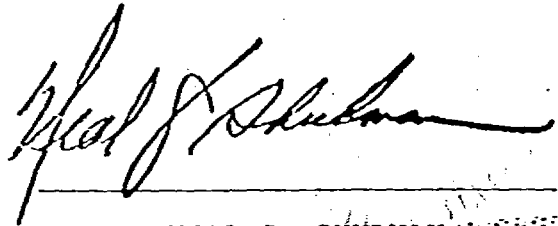
1. The Branch's recommended summary of earnings (Appendix A) is reasonable and should be adopted.
2. The rates recommended by the Branch (Appendix B) are reasonable and should be adopted.
3. The quantities (Appendix D) used to develop the Branch's recommendations are reasonable and should be adopted.
4. PWC should be authorized to file an advice letter to recover the cost of purchased water.
5. The rate increase authorized herein is justified and the resulting rates are just and reasonable.

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 respectively, and concurrently to cancel its presently effective rate Schedules No. B-1, LP-1, and GA-1. The effective date of the revised schedules shall be five (5) days after the date of filing.

2. This resolution is effective today.

I certify that this resolution was adopted by the Public Utilities Commission at its regular meeting on August 7, 1991. The following Commissioners approved it:



NEAL J. SHULMAN
Executive Director

PATRICIA M. ECKERT
President
G. MITCHELL WILK
JOHN B. OHANIAN
NORMAN D. SHUMWAY
Commissioners

Commissioner Daniel Wm. Fessler, being necessarily absent, did not participate.

APPENDIX A

PEERLESS WATER COMPANY

SUMMARY OF EARNINGS
Test Year 1991

Item	: Utility Estimated :		: Branch Estimated :		: Adopted :
	: Present :	: Requested :	: Present :	: Requested :	
	: Rates :	: Rates :	: Rates :	: Rates :	
<u>Operating Revenue</u>					
Metered	\$448,277	\$569,687	\$464,346	\$585,164	\$578,163
Other Water Sales	30,182	30,182	25,212	25,212	25,212
Misc. Service	1,400	1,400	1,400	1,400	1,400
Total Revenue	479,809	601,269	490,958	611,776	604,775
<u>Operating Expenses</u>					
Purchased Water	39,390	39,390	39,390	39,390	39,390
Purchased Power	34,161	34,161	43,770	43,770	43,770
Other Vol. Rel. Exp.	47,042	47,042	84,970	84,970	84,970
Employee Labor	100,110	100,110	90,860	90,860	90,860
Materials	24,818	24,818	17,330	17,330	17,330
Contract Work	20,750	20,750	13,730	13,730	13,730
Transportation Exp.	23,100	23,100	19,450	19,450	19,450
Other Plant Maint.	10,000	10,000	4,510	4,510	4,510
Office Salaries	45,635	45,635	43,740	43,740	43,740
Management Salaries	61,982	61,982	61,740	61,740	61,740
Employee Benefits	20,280	20,280	19,930	19,930	19,930
Uncollectibles	1,000	1,000	1,000	1,000	1,000
Off. Serv. & Rentals	7,500	7,500	7,500	7,500	7,500
Off. Supplies & Exp.	13,500	13,500	13,500	13,500	13,500
Professional Serv.	5,000	5,000	5,000	5,000	5,000
Insurance	34,821	34,821	34,821	34,821	34,821
General Expenses	10,000	10,000	8,690	8,690	8,690
Expenses Cap.	(500)	(500)	(500)	(500)	(500)
Total Expenses	498,589	498,589	509,431	509,431	509,431
Depreciation Exp.	23,660	23,660	23,593	23,593	23,593
Ad Valorem Tax	2,800	2,800	2,800	2,800	2,800
Payroll Tax	15,704	15,704	15,430	15,430	15,430
Franchise Tax	1,332	1,332	1,332	1,332	1,332
Income Taxes	800	10,982	800	13,926	11,954
Total Deductions	542,885	553,067	553,386	566,512	564,540
Net Revenue	(63,076)	48,202	(62,428)	45,264	40,235
<u>Rate Base</u>					
Average Plant	775,971	775,971	780,340	780,340	780,340
Avg. Accum. Deprec.	469,924	469,924	471,230	471,230	471,230
Net Plant	306,047	306,047	309,110	309,110	309,110
Less: Advances	0	0	0	0	0
Contributions	13,396	13,396	12,960	12,960	12,960
Plus: Working Cash	113,098	113,098	66,840	66,840	66,840
Mat'l & Suppl.	2,780	2,780	2,780	2,780	2,780
Rate Base	408,500	408,500	365,770	365,770	365,770
Rate of Return	(Loss)	11.80%	(Loss)	12.37%	11.00%

APPENDIX B
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PEERLESS WATER COMPANY

Schedule No. 1 (T)

GENERAL METERED SERVICE (T)

APPLICABILITY

Applicable to all metered service.

TERRITORY

Within the Cities of Bellflower, Lakewood, and Paramount,
Los Angeles County. (C)

RATES

<u>Quantity Rates</u>	<u>Per Meter Per Month</u>	
All Water, per 100 cu.ft.	\$ 1.15	(I)
<u>Service Charge</u>		
For 5/8 x 3/4-inch meter.	\$ 6.25	(I)
For 3/4-inch meter.	9.40	
For 1-inch meter.	15.60	
For 1-1/2-inch meter.	31.25	
For 2-inch meter.	50.00	
For 3-inch meter.	93.75	
For 4-inch meter.	156.25	(I)

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

SPECIAL CONDITIONS

1. The established billing cycle is every two months.
2. All bills are subject to reimbursement fee set forth on Schedule No. UP.

APPENDIX B
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PEERLESS WATER COMPANY

Schedule No. GA-1

Government Agency Tariff Schedule

METERED SERVICE

APPLICABILITY

Applicable to all metered service furnished to Governmental Agencies.

TERRITORY

Within the Cities of Bellflower, Lakewood, and Paramount, (C)
Los Angeles County.

RATES

<u>Quantity Rates</u>	<u>Per Meter Per Month</u>	
All Water, per 100 cu.ft.	\$ 0.51	(I)
<u>Service Charge</u>		
For 5/8 x 3/4-inch meter.	\$ 2.55	(I)
For 3/4-inch meter.	3.80	
For 1-inch meter.	6.35	
For 1-1/2-inch meter.	12.75	
For 2-inch meter.	20.40	
For 2-1/2-inch meter.	31.85	
For 3-inch meter.	38.25	
For 4-inch meter.	63.75	

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

SPECIAL CONDITIONS

1. The established billing cycle is every two months.
2. An agency installing its own meters and facilities on a fire hydrant for a temporary use shall be exempt from the Service Charge.
3. All bills are subject to reimbursement fee set forth on Schedule No. UF.

(END OF APPENDIX B)

APPENDIX C
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PEERLESS WATER COMPANY

COMPARISON OF RATES

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

METERED SERVICE

		Per Meter Per Month	
Present:	Recommended:	Amount:	Increase:
Rates	Rates	Amount	Percent

Bellflower:

Quantity Rates

All Water, per 100 cu.ft. . . .	\$ 0.994	\$ 1.15	\$ 0.156	15.7
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Service Charge:

For 5/8 x 3/4-inch meter . . .	4.35	6.25	1.90	43.7
For 3/4-inch meter . . .	4.80	9.40	4.60	95.8
For 1-inch meter . . .	6.45	15.60	9.15	141.9
For 1-1/2-inch meter . . .	8.60	31.25	22.65	263.4
For 2-inch meter . . .	11.50	50.00	38.50	334.8
For 3-inch meter . . .	21.75	93.75	72.00	331.0
For 4-inch meter . . .	29.75	156.25	126.50	425.2

Lakewood-Paramount:

Quantity Rates

All Water, per 100 cu.ft. . . .	\$ 0.994	\$ 1.15	\$ 0.156	15.7
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Service Charge:

For 5/8 x 3/4-inch meter . . .	4.30	6.25	1.95	45.3
For 3/4-inch meter . . .	4.75	9.40	4.65	97.9
For 1-inch meter . . .	6.40	15.60	9.20	143.8
For 1-1/2-inch meter . . .	8.55	31.25	22.70	265.5
For 2-inch meter . . .	11.45	50.00	38.55	336.7
For 3-inch meter . . .	21.70	93.75	72.05	332.0
For 4-inch meter . . .	29.70	156.25	126.55	426.1

APPENDIX C
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PEERLESS WATER COMPANY

COMPARISON OF RATES
(Continued)

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

Usage 100 cu. ft.	Present Bills	Recommended Bills	Amount Increase	Percent Increase
<u>Bellflower:</u>				
0	\$ 4.35	\$ 6.25	\$ 1.90	43.7
3	7.33	9.70	2.37	32.3
5	9.32	12.00	2.68	28.8
10	14.29	17.75	3.46	24.2
Avg. Res. > 15	19.26	23.50	4.24	22.0
20	24.23	29.25	5.02	20.7
30	34.17	40.75	6.58	19.3
50	54.05	63.75	9.70	17.9
<u>Lakewood-Paramount:</u>				
0	\$ 4.30	\$ 6.25	\$ 1.95	45.3
3	7.28	9.70	2.42	33.2
5	9.27	12.00	2.73	29.4
10	14.24	17.75	3.51	24.6
Avg. Res. > 15	19.21	23.50	4.29	22.3
20	24.18	29.25	5.07	21.0
30	34.12	40.75	6.63	19.4
50	54.00	63.75	9.75	18.1

(END OF APPENDIX C)

APPENDIX D
Page 1

PEERLESS WATER COMPANY

ADOPTED QUANTITIES
Test Year 1991

Federal Income Tax Rate: 15.0%
California Income Tax Rate: 9.3%

Expenses:

1. Purchased Power:
Southern California Edison Company

Rate Schedule	PA-1	
Effective Date	1/20/91	
Energy Charge:		
kWh used	408,947	
Rate, per kWh	\$0.09180	
Amount		\$37,459
Customer Charge:		
No. of meters	13	
Rate, per meter per month	\$11.40	
Amount		1,778
Service Charge:		
No. of Horsepower	322.5	
Rate, per Horsepower per month	1.15	
Amount		<u>4,451</u>
Total purchased Power Cost		\$43,770

2. Purchased Water:

City of Bellflower:		
From MWD, acre feet	150	
Effective Date	7/1/90	
Rate, cost per acre foot	\$ 262	
Amount		\$39,300
Park Water Company: standby charge		<u>90</u>
Total Purchased Water Cost		\$39,390

3. Ground Water Replenishment Charge, in
Other Volume Related Expenses:

Department of Water Resources:		
Annual fee	\$ 680	
Effective Date	7/1/91	
Acre feet, pumped	775.9	
Rate, per acre foot	100	
Amount	\$77,590	
Total		\$78,270

APPENDIX D
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PEERLESS WATER COMPANY

ADOPTED QUANTITIES
TEST YEAR 1991

(Continued)

4. Payroll, Payroll Taxes & Employee Benefits:

Payroll:	
Employee Labor	\$ 90,860
Office Salaries	43,740
Management Salaries	61,740
Total Payroll	196,340
Payroll Taxes	15,430
Employee Benefits	19,930
Total	\$231,700

5. Insurance Expense \$ 34,821

6. Ad Valorem Taxes:

Composite Tax Rate	1.017590%	
Assessed Value	\$258,540	
Total		\$ 2,800

7. Water Testing Expenses, in Contract Work \$ 8,490

8. Franchise Tax \$ 1,332

9. Service Connections

Meter Size	No. of Connections
<u>General Metered Service:</u>	
5/8 x 3/4-inch meter	1,922
3/4-inch meter	57
1-inch meter	8
1-1/2-inch meter	4
2-inch meter	13
3-inch meter	1
4-inch meter	0
Subtotal	2,005

Government Agency:

3-inch meter 1

Total Metered Service Connections 2,006

10. Metered Water Sales Used to Design Rates:

General Metered Service	357,091
Government Agency	5,900
Total Water Sales	362,991 Ccf

APPENDIX D

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PEERLESS WATER COMPANY

ADOPTED INCOME TAX CALCULATIONS

Test Year 1991.

: Line :		: State :	: Federal :
: No. :	Item	: Tax :	: Tax :
1.	Operating Revenue	\$604,775	\$604,775
2.	Expenses	509,431	509,431
3.	Taxes Other than Income	19,562	19,562
4.	Depreciation	23,593	23,593
5.	Interest	0	0
6.	Taxable Income for State Tax	52,189	
7.	State Tax @ 9.3% (\$800 min.)	4,854	
8.	Taxable Income for Federal Tax		47,335
9.	Federal Tax @ 15% of 1st \$50,000		7,100
10.	Total Income Taxes	\$11,954	

(END OF APPENDIX D)