

Decision No. 18975.

ORIGINAL

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA.

In the matter of the application of
SOUTHERN CALIFORNIA UTILITIES INC.
for authority to increase water rates.

Application No. 13305.

Paul Overton, for Southern California Utilities,
Inc.

C. A. Johnson, for Florence Chamber of Commerce,
Protestant.

M. Paschall, for Compton Avenue Improvement Associa-
tion, Protestant.

Mrs. Bettie Mahood, for Fruitland District of Hunt-
ington Park, Protestant.

LOUTHER, COMMISSIONER:

OPINION ON REHEARING

Southern California Utilities Inc., applicant in the above entitled proceeding, filed a petition for rehearing on the matters involved in the opinion and order issued in this Commission's Decision No. 18399, dated May 25, 1927. Applicant alleges in effect that the rates established are unjust, unreasonable and confiscatory; that the evidence in the record does not support the findings made therein, that the sum of \$678,254. is a fair and proper rate base or that the sum of \$67,000. is an adequate and proper allowance for the operating and maintenance expense for the immediate future, or that the rate established herein is substantially the rate requested by applicant. The Commission is asked to grant a rehearing and, upon such rehearing, to modify its said decision.

A rehearing was granted by the Commission in its order

issued July 21, 1927 and a public hearing in this matter was held at Los Angeles, after due notice thereof had been given so that all interested parties might be present and be heard.

At the hearing, applicant asked permission to amend its application for rehearing to the extent of accepting the findings of the Commission in said Decision No. 18399 as to rate base amounting to \$678,254., the maintenance and operating expense of \$67,000., and the depreciation annuity which was fixed at \$14,308., and requested the Commission to establish a rate which will yield a return of eight per cent upon the above rate base over and above the said items of expense including depreciation. A further request was made that the so-called multiple-minimum charge be eliminated and, hereafter, one monthly minimum charge be made for each meter connection, regardless of the number of users on a single lot who obtain water through that meter.

According to the claims of applicant, the rates, established in the Commission's order in its Decision No. 18399 applied to the water use for 1926, would produce approximately \$120,000. and that the fire hydrant rental and other municipal use would produce an additional \$2,646.23, resulting in a total estimated revenue of \$122,646. for the year 1926. Applicant further contended that an annual gross revenue of \$135,568. would be required to produce a net return of eight per cent upon the rate base established, which net return applicant claimed it was entitled to.

Testimony introduced by applicant indicated that certain difficulties which had heretofore arisen between the utility and the City of Vernon had been satisfactorily adjusted and that there now appeared to be no immediate danger of applicant losing any more of its industrial consumers to the municipality's water system. Applicant further stated that it was satisfied that the City of

Vernon would not enter into any competition with the utility for the domestic business for some time to come.

A report was submitted by F. H. Van Hoesen, one of the Commission's hydraulic engineers setting forth that the application of the rates established by the Commission to the 1926 water use would produce an estimated revenue of \$125,678. from which should be deducted approximately \$3,000. for business lost to the City of Vernon during the latter part of 1926. This report further shows that 67.3 per cent of the consumer months for 1926 would have received no increase from the new schedule of rates.

Considering the additional evidence presented in this proceeding, it is clear that the rate schedule established in Decision No. 18399 will not produce revenue sufficient to yield applicant the return upon its property devoted to public use that it is entitled to under existing conditions, and that the schedule of rates heretofore established in this proceeding should be modified.

In its former decision, the Commission did not eliminate the so-called multiple minimum charge, which provides for the payment of a monthly minimum charge by each user where water is furnished to more than one consumer through one service. However, due to the dissatisfaction expressed by consumers over this practice and in view of the testimony of the Commission's engineer relative to the manifold disadvantages of this type of rate structure, it appears advisable at this time to eliminate the multiple minimum charges. As pointed out in the former decision, this action will result in a substantial loss of revenue to the utility which will of necessity have to be compensated for in the revised schedule of rates. The rates set out in the following order are designed to produce sufficient revenue to permit the elimination of the so-

called multiple minimum charge and to provide a reasonable return on the capital invested in property devoted to the public use.

The following form of order is recommended:

O R D E R

Southern California Utilities Inc., having made application as entitled above, a public hearing having been held thereon, and the Commission being now fully informed in the matter,

IT IS HEREBY FOUND AS A FACT that the rates heretofore established in this proceeding for Southern California Utilities Inc. by the Railroad Commission in its Decision No. 18399, dated May 25, 1927, for water delivered to consumers in and in the vicinity of Vernon and Goodyear Park, Los Angeles County, are unjust and unreasonable in so far as they differ from the rates herein established and that the rates herein established are just and reasonable rates for such service.

Basing its order upon the foregoing finding of fact and upon the statements of fact contained in the preceding opinion,

IT IS HEREBY ORDERED that Southern California Utilities Inc. be and it is hereby directed to file with this Commission within thirty (30) days of the date of this order the following schedule of rates to be charged for all water service rendered on and after the first day of October, 1927:

MINIMUM MONTHLY CHARGES

5/8"x3/4" meter	\$ 1.25
3/4" "	1.50
1" "	2.00
1-1/2" "	2.50
2" "	3.50
3" "	5.00
4" "	10.00
6" "	25.00

Each of the foregoing "Minimum Monthly Charges" will entitle the consumers to the quantity of water which that monthly minimum charge will purchase at the following quantity rates:

MONTHLY QUANTITY RATES

0 to 800 cubic feet per 100 cubic feet	\$.1562
Next 1,200 " " " " " "15
Next 8,000 " " " " " "13
Over 10,000 " " " " " "11

FLAT RATES

- (1) For cement walk for each 100 square feet \$.20
- (2) For cement curbs for each 100 linear feet40
- (3) For all other purposes - per barrel of cement used .10
- (4) For grading, macadam or other natural surface street work per 1,000 square feet50
- (5) For water settling pipe trenches, less than 2 feet in width and 4 feet in depth per lineal foot trench02

For wider and deeper trenches, a proportional charge shall be made.

- (6) Fire Hydrants - each month 1.00

IT IS HEREBY FURTHER ORDERED that Southern California Utilities Inc. be and it is hereby directed to discontinue on and after the effective date of the schedule of rates established herein, the collection of more than a single minimum monthly charge for each metered service connection.

The foregoing opinion and order are hereby approved and ordered filed as the Opinion and Order of the Railroad Commission of the State of California.

For all other purposes the effective date of this order shall be twenty (20) days from and after the date hereof.

Dated at San Francisco, California, this 28th day of October, 1927.

C. Seaver

Thos. S. Lott

M. J. Lott

 Commissioners.