

ORIGINAL

Decision No. 39440

BEFORE THE RAILROAD COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
SAN GABRIEL VALLEY WATER COMPANY
for authority to adjust rates and
operating districts.

Application No. 27135

Paul Overton, for Applicant.
Thomas R. W. Hughes, in propria persona.
Gertrude Clemmer, for East Montebello Improvement Assoc.
Mary Schwartz, Laura Danner, John H. Martin,
Mrs. William J. Oosting, Mrs. Earl M. Dobbs,
Mrs. George B. Sege, T. A. Kandelin and
E. A. Tranquada, Consumers.

HULS, COMMISSIONER:

O P I N I O N

San Gabriel Valley Water Company, a corporation, is engaged in the sale and distribution of water for domestic purposes in two areas in Los Angeles County known as the El Monte District and the Whittier District. The Commission in this proceeding is asked for authority to transfer to the Whittier District that portion of its El Monte District system served by Plant No. 8, together with two newly-acquired water systems known as the Gillelen System and the Lopez System. Request is made further for authority to charge the rates effective in the Whittier District throughout the area served by Plant No. 8 and also the Gillelen and Lopez System territories.

The company alleges that the operating conditions of Plant No. 8 and of the Gillelen and Lopez Systems are similar to those obtaining in the Whittier District and all are located in the same general territory. The company therefore desires to consolidate the entire group into one single operating unit under uniform rates.

A public hearing was held in this proceeding in Los Angeles.

Plant No. 8 serves 135 consumers and, while not connected physically therewith, is now operated under the El Monte District. The water delivered from this plant is now charged under the El Monte District rate schedule. The water supply for the El Monte District is obtained from wells and the water table is maintained at a high level because of the restriction in the Rio Hondo and San Gabriel River channels at the Whittier Narrows, varying from artesian flow to a depth of 15 or 20 feet below ground surface. Plant No. 8 is located below the Narrows and has a much lower water table requiring 50 to 60-foot lifts, similar to the pumping conditions in the Whittier District.

The rates at present in effect in the El Monte District provide for a minimum monthly flat rate charge of \$1.50 for a residence and a lot having an area of one-half acre or less, and a meter minimum monthly charge of \$1.00 with an allowance of 1,000 cubic feet of water. Excess use is reduced through two blocks to 5¢ per 100 cubic feet for quantities over 2,000 cubic feet.

The Whittier District serves 785 consumers, 290 services being metered and the balance charged at flat rates. The flat rate in this district is \$2.00 per month for a residence and a lot of one-half acre or less. The meter rates provide for a monthly minimum charge of \$1.25 for the first 800 cubic feet, excess use is reduced through three blocks to 7¢ per 100 cubic feet for quantities over 3,000 cubic feet.

The Commission in its Decision No. 38209, dated September 12, 1945, authorized the water company to purchase the Lopez System serving a Mexican Colony comprising some 77 consumers and now paying a flat rate of \$1.25 per month. This system is located near the Whittier District wells and will be connected to this source of supply for more efficient operation beside a vast improvement in the quality of water.

The Gillelen System is located between the towns of Montebello and Pico and was acquired by the water company through authority of this Commission in its

Decision No. 38279, dated October 9, 1945. This system serves 475 consumers, all under a flat rate of \$1.50 per month except 43 metered water users charged a minimum monthly rate of \$1.00 for the first 1,000 cubic feet of water. Excess use is reduced through two blocks to 10¢ per 100 cubic feet for quantities over 2,000 cubic feet.

Originally the Gillelen System obtained its water supply from a well located within its service area, however, the entire underground waters throughout this and adjacent territory became contaminated with a phenol industrial waste which, although not actually harmful for human consumption, rendered the water unfit for drinking and household purposes. Applicant thereupon installed 6,000 feet of 8-inch main connecting this system to Plant No. 8 at a cost in excess of \$10,000. This connection provided a good quality of water at 50 pounds pressure per square inch throughout the Gillelen System which heretofore had suffered from an average working pressure of but 19 pounds. This new water also cleared the Gillelen distribution system of an algae growth caused by the former water supply.

Mr. Robert H. Nicholson, president of the water company, testified that the operations of Plant No. 8 conformed to the Whittier District but were far out of line when compared with the El Monte District. He presented a table showing the relation in per cent of power cost to revenue of the three systems for the period 1940 to 1945, inclusive, which follows:

OPERATION RATIO - POWER COST TO REVENUE

Year	Plant No. 8		El Monte District	Whittier District
	Annual	Summer Maximum	Annual	Annual
1940	21.2%	41.1%	7.5%	23.5%*
1941	19.8	41.9	5.1	6.1
1942	21.2	40.9	6.3	4.9
1943	24.3	50.6	7.0	5.9
1944	21.1	38.7	6.6	6.3
1945	24.2	46.0	6.6	7.4

(*) - Year of acquisition of property and certain improvements not yet effective.

Mr. Nicholson also presented a statement showing the results of operating the proposed combined Whittier District for the six-month period ending April 30, 1946, under the rates at present in effect and under the requested rates. Mr. V. R. Muth, one of the Commission's engineers, submitted a report covering an investigation of the four water systems involved herein, their operating records, and the results of operation for the year ending December 31, 1945, under rates now effective and under the Whittier District measured rates. A summary of these two reports is as follows:

Item	Nicholson		Muth	
	Present Rates	Whittier Dist. Rates	Present Rates	Whittier Dist. Rates
Rate Base	\$149,552	\$149,552	—	—
Fixed Capital			\$138,476	\$138,476
Operating Revenue	14,058	16,879	31,516	30,421
Operating Expenses	<u>10,058</u>	<u>10,058</u>	<u>24,309</u>	<u>24,309</u>
Net Revenue	\$ 4,000	\$ 6,821	\$ 7,207	\$ 6,112
Annual Return	2.7%	4.6%	5.2%	4.41%

The record shows that Mr. Nicholson included in his rate base an allowance of \$4,000 for working cash and \$4,000 for materials and supplies. Mr. Muth had made no allowance for these items but admitted that materials and supplies were proper items to be included in determining rate base capital and that working cash should be included in capital to the extent that measured rates were effective.

Mr. Nicholson stated that it would probably be necessary to meter all the services in the entire Whittier System at some future date when the demand exceeded the production of water, but, at present, water production was sufficient for all requirements. He estimated it would take from three to five years to meter the systems completely which would not be done unless careless and wasteful use of water made it necessary. The witness stated that the premises served by Plant No. 8

vary from one-half acre to acre lots, that the soil in the territory is sandy, requiring large quantities of water, but that customers take a deep pride in their premises and beautify them with lawns, gardens and shrubs. The company desires to retain the flat rate charges as long as they are economically feasible, however, it is noted that the requested measured rates are lower than the meter rates of all other utilities in that territory, either privately or publicly-owned.

The customers of Plant No. 8 objected to meters. They testified that they had purchased their properties in that district because of low water rates, had developed and maintained their homes at the present high standard because of the availability of an adequate quantity of cheap water, and unanimously requested the continuation of the flat rate service, even at the increased charge proposed by the water company.

Mrs. Gertrude Clemmer, testifying for the East Montebello Improvement Association, representing the customers of the Gillelen System, stated that the original tract consisted of approximately 500 lots, the residential lots averaging 40 x 106 feet and the business lots averaging 29 x 106 feet. She felt that an increase in rates was not justified for the Gillelen System as the customers' premises had an area of approximately 4,400 square feet as compared to the one-half acre lots served by Plant No. 8. Other customers protested against the use of meters on certain premises while adjoining neighbors received flat rate service. The record indicates that the meter installations had been made prior to the acquisition of the system by the present company. Mr. Nicholson stated that all metered premises would be inspected and if any unfair discrimination was found, the meter would be removed and the flat rates made effective.

No one appeared from the Lopez System to protest either the consolidation of the property with the Whittier System or the establishment of the Whittier District rates.

The evidence shows that serving the Gillelen System through Plant No. 8 has resulted in improved service, providing more dependable water of better quality at increased and satisfactory pressures. The record is clear that the operating conditions of Plant No. 8 and the Whittier District are substantially similar. However, the customers of the Gillelen System have some cause for protesting the increase in rates on the ground that their area is now subdivided into comparatively small lots while the area in Plant No. 8 at present consists largely of one-half acre lots.

The establishment of the Whittier District rate on the Gillelen and Lopez Systems would result in the customers residing on small lots contributing an unfair proportion of the revenue derived from the sale of water and thereby they would aid in paying the cost of service to the larger holdings. Under the circumstances, the authority to make the Whittier District flat rates effective on the Plant No. 8 System will be granted but on the Gillelen and Lopez Systems this authority will be denied. The monthly flat rate of \$1.50 for a 3/4-inch service connection, presently in effect on the Gillelen System, will be re-established and also will be made effective on the Lopez System. Since the operating conditions justify a uniform measured rate throughout the District, the Whittier District meter rates will be made effective on Plant No. 8, Lopez and Gillelen Systems.

The evidence covering the results of operation of the Whittier District, either at the present revised flat rates or measured rates, indicates that no unfair or excessive returns will result and that the rates established herein are just and reasonable for the service rendered. The consolidation of the various systems involved herein into one operating unit will result in continued better service to all concerned throughout the entire area under more efficient operating costs which, in the long run, will provide a cheaper water cost to the consumers. This consolidation is inevitable with the rapid development of the area. It is clear, therefore, that it is in the public interest that the request of the applicant herein, except as modified above, be granted.

The following form of Order is suggested:

ORDER

San Gabriel Valley Water Company, a corporation, having filed application as entitled above, a public hearing having been held thereon, the matter having been submitted and the Commission being now fully advised in the premises,

IT IS HEREBY ORDERED that San Gabriel Valley Water Company, a corporation, be and it is hereby authorized to consolidate and combine for general operation with its Whittier District the above mentioned water properties and/or systems, namely: Plant No. 8, Gillelen System and Lopez System, and thereafter said company shall make uniform throughout the enlarged Whittier District the meter rates now charged in said district to be effective for all measured water service rendered on and after the first day of October, 1946.

IT IS HEREBY ORDERED AS FOLLOWS:

1. That San Gabriel Valley Water Company, a corporation, be and it is hereby directed to file in quadruplicate, within thirty (30) days from the date of this Order, in conformity with the Commission's General Order No. 96, the following schedule of rates to be charged for all water service rendered to its consumers in its entire Whittier District, which schedule of rates is hereby found to be just and reasonable for the service to be rendered.

Schedule No. 1

GENERAL METERED SERVICE

Applicability:

Applicable to all metered water service rendered for domestic, commercial, industrial and other purposes.

Territory:

Within the unincorporated territory adjacent and southwesterly of the City of Whittier, known as the Whittier System, Plant No. 8, and the Gillelen and Lopez Systems, all in Los Angeles County, all known as the company's Whittier District.

Schedule No. 1 - Continued

GENERAL METERED SERVICE

Rates:

Per Meter
Per Month

Monthly Quantity Charges:

First	800 cubic feet or less	\$1.25
Next	1,200 cubic feet, per 100 cubic feet11
Next	1,000 cubic feet, per 100 cubic feet09
Over	3,000 cubic feet, per 100 cubic feet07

Monthly Minimum Charge:

For	5/8 x 3/4-inch meter	\$1.25
For	3/4-inch meter	1.75
For	1-inch meter	2.50
For	1 1/2-inch meter	4.50
For	2-inch meter	6.00
For	3-inch meter	12.00
For	4-inch meter	20.00

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

Schedule No. 2

FLAT RATES

(Whittier and Plant No. 8 Systems Only)

Applicability:

Applicable to all water service rendered on a flat rate basis. .

Territory:

Within the unincorporated territory adjacent and southwesterly of the City of Whittier, known as Whittier System, and Plant No. 8 System, all in Los Angeles County, being a portion of the company's Whittier District. .

Rates:

For each residence including one lot of one-half acre or less, per service connection	\$2.00
For each additional one-quarter acre or less75
For each additional residence on a lot	1.00

Schedule No. 3

FLAT RATES

(Gillelen and Lopez Systems Only)

Applicability:

Applicable to all water service rendered on a flat rate basis.

Territory:

In Tract 9095 - M-155; Tract 10056 - H-183; Tract 8128 - M-101; all near Pico and known as the Gillelen System, and the Lopez System, near Whittier, all in Los Angeles County, being a portion of the company's Whittier District.

Rates:

Per Month

For 3/4-inch service connection	\$1.50
For stock yards and dairies, for each head of stock25

Schedule No. 4

CONSTRUCTION & FIRE HYDRANT FLAT RATES

Applicability:

Applicable to all water service rendered on a flat rate basis for construction work and fire hydrants.

Territory:

Within the unincorporated territory adjacent and southwesterly of the City of Whittier, known as the Whittier System, Plant No. 8, and the Gillelen and Lopez Systems, all in Los Angeles County, all known as the company's Whittier District.

Rates:

Construction Work:

For street paving, curb and sidewalk construction, where service is temporary during period of construction:

Street Paving:

For street paving 5 inches thick, per 100 square feet	\$0.19
For street paving 6 inches thick, per 100 square feet22

Curb Construction:

For street curb, per 100 lineal feet30
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Sidewalk Construction:

Per 100 square feet of sidewalk15
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Schedule No. 4 - Continued

CONSTRUCTION & FIRE HYDRANT FLAT RATES

Rates - Continued:

Construction Work - Continued:

Trench Settling:

For each lineal foot of section of trench 2 feet x 4 feet . . . \$0.01

Street and Roadway Construction:

For sprinkling sub-grade in application of oil or any form of patented oil paving or surfacing, or for rolling and/or settling sub-grade, per 3,000 square feet of roadway 1.60

Fire Hydrants:

For each fire hydrant connected to a 4-inch main or larger . . . 1.50

For each fire hydrant connected to a main of less than 4 inches 1.00

2. That San Gabriel Valley Water Company be and it is hereby authorized to make effective throughout the enlarged Whittier District the rules and regulations presently on file for said district.
3. That San Gabriel Valley Water Company, within sixty (60) days after the effective date of this Order, shall file four copies of a suitable map or sketch of the enlarged Whittier District, drawn to an indicated scale of about 8½ x 11 inches in size, indicating thereon the certificated areas of service of the Whittier, Plant No. 8, Cillelen and Lopez Systems operated in said District, and the location thereof with reference to the surrounding territory. Such filing shall not be construed as a determination or establishment, in whole or in part, of the dedicated area of service.
4. That San Gabriel Valley Water Company, within sixty (60) days after the effective date of this Order, shall file four copies of a comprehensive map or sketch, drawn to an indicated scale of not less than 600 feet to the inch, delineating correctly thereon, by appropriate markings, the various certificated areas served by the Whittier District. Such map should be reasonably accurate, show the source and date thereof, and include sufficient data to determine clearly and definitely the location and extent of the various properties comprising the Whittier District. Such filing shall not be construed as a determination or establishment, in whole or in part, of the dedicated area of service.

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

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.

Dated at San Francisco, California, this 24th day of September, 1946.

Harold P. Hull
Justice F. Coe
Justice Powell
A. J. [unclear]
Commissioners.