

Decision No. 40672

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

ORIGINAL

In the Matter of the Application of DOMINGUEZ WATER CORPORATION, a Corporation, for an Order authorizing it to increase its rates.

Application No. 27880

J. P. Bradley, for Dominguez Water Corporation.
G. F. Purvine, for himself and other consumers.

O P I N I O N

Dominguez Water Corporation is a public utility engaged in the business of furnishing and distributing water for domestic, commercial, industrial, irrigation and municipal purposes to an area of about 26 square miles, lying north of Wilmington and extending from the Los Angeles River to the eastern boundary of the city of Redondo Beach, in Los Angeles County.

The Company alleges that, due to increased labor and material costs, the rates now in effect have resulted in actual losses in operation in many years and inadequate earnings in other years. The Company further alleges that, since the end of hostilities, changes in service conditions have resulted in loss of revenue and increased expenses to the extent that current operations show further serious loss. The Commission is requested to authorize the Company to increase its rates for water service in conformity with the proposed schedule set forth in the application.

A public hearing in this proceeding was held before Examiner Stava in Los Angeles.

At the hearing the Company asked to amend the application to make the proposed schedule of rates suggestive only, and not a request for its establishment as set forth in the application.

This utility obtains its supply of water from 13 wells, all equipped with deep-well pumps driven by electric motors. Twelve of these wells are located in

what is known as the Dominguez Gap which is recognized to be a well field capable of producing large quantities of water of a good quality. All wells except No. 12A deliver their output into the settling basin and treatment reservoir located at the main pumping plant. Water produced from Well No. 12A, located near the eastern city limits of Redondo Beach, is automatically treated before being pumped into the distribution system. Therefore, all water for irrigation and industrial uses is fully treated and delivered under the same pressure as for domestic and fire protection purposes.

A major change in the utility's plant since 1939 has been the conversion from steam power to gas engine-driven generators and electric motors. Four heavy duty gas engine generator units produce all the power for the well pumps located near the station, the main booster pumps, and auxiliary equipment, and for lighting and other purposes in the office, buildings, and dwellings on the utility's property but not extending to the facilities at the storage reservoirs or secondary booster plants. All pumping units have been converted to electric motor drive. From the collecting basin at the main plant, water is pumped through 33-inch and 20-inch transmission mains to the 14,000,000-gallon storage Reservoir No. 1 and the 7,000,000-gallon storage Reservoir No. 2, respectively. Booster plants at Reservoir No. 1 and at Well No. 12A elevate water into a standpipe of 120,000-gallon capacity located about midway between them, in the western end of the service area. As of December 31, 1946, the transmission and distribution system comprised 421,797 feet of pipe lines, most of which is riveted steel and redwood pipe.

During the war years, the system was extended to serve some new petroleum and synthetic rubber industries and also several housing projects and subdivisions, which work is still proceeding. All service is metered and as of December 31, 1946, there were 2,559 domestic consumers, 478 irrigation, 126 industrial, and 69 miscellaneous, or a total of 3,232 consumers. The corporation owns no fire hydrants but charges the fire protection district for service to about 51 hydrants connected to its mains.

The rates at present in effect were established by the Commission in its Decision No. 32739, issued January 16, 1940. The domestic, commercial and industrial rates provide for a monthly minimum charge of \$1.00 for a 3/4-inch meter, or smaller, and an allowance of 600 cubic feet of water. For excess use the rate is reduced through seven blocks to \$0.041 per 100 cubic feet for quantities over 4,000,000 cubic feet. Irrigation service is supplied at the same minimums as domestic and industrial service, but at a quantity charge of \$0.04 per 100 cubic feet.

The suggested rate schedule provides for uniform charges for all classes of service. It includes a minimum charge of \$1.00 for a 5/8 x 3/4-inch meter and an allowance of 500 cubic feet of water. For excess use the rate is reduced through five blocks to 5 cents per 100 cubic feet.

The evidence shows that the industrial service furnished consists of water deliveries to oil refining and synthetic rubber plants. While some of these plants have independent sources of well supply, this water is not of a very good quality, and water supplied by applicant is used for steam generation. The record also shows that approximately 2,000 acres of land are irrigated from this system. The crops grown consist of flowers and green vegetables, such as lettuce, cabbage and celery. Approximately 80% of the irrigated lands consist of truck gardens and the balance of flowers, largely asters which are shipped to all parts of the world.

The following table shows the total water sales and the changes in the character of use of water delivered by Applicant's water system during the past ten years and as estimated for the years 1946 and 1947:

TABLE 1

SALES OF WATER, IN THOUSAND CUBIC FEET - RECORDED AND ESTIMATED

Year	Domestic and Commercial	Industrial	Irrigation	Municipal	Total
1937	9,929	158,544	132,929	-	301,404
1938	11,344	130,485	144,396	-	286,226
1939	12,632	57,822	166,436	-	236,892
1940	12,836	47,918	166,250	763	227,769
1941	13,064	49,389	138,496	1,108	202,059
1942	18,690	82,000	117,725	838	219,253
1943	24,680	169,723	142,253	527	337,185
1944	31,678	263,885	115,801	182	411,547
1945	41,208	216,009	136,200	587	394,005
1946	47,593	117,765	145,932	1,014	312,306
1946*	50,000	112,500	174,600	900	338,000
1947#	52,000	120,700	147,400	1,000	321,100

(*) - Estimated by Edw. R. Bowen and the basis for Applicant's suggested rate schedule.

(#) - Estimated by E. R. Foster, Engineer on the Commission's staff.

The following table shows the results of operation of the Company for the period 1939 to 1946, inclusive. The amounts for net fixed capital represent the total capital in service, less consumers' advances for construction and donations in aid of construction, as shown in the Company's annual reports filed with the Commission. Depreciation was computed by the 5% sinking fund method.

TABLE 2

SUMMARY OF OPERATING REVENUES AND EXPENSES
NET FIXED CAPITAL AND EARNINGS ON CAPITAL

Year	Operating Revenues	Operating Expenses Less Depreciation	Depreciation: 5 Per Cent Sinking Fund Method	Operating Expenses	Net Operating Revenue	Net Fixed Capital	Earnings on Net Fixed Capital
1939	\$106,452	\$115,665	\$23,000*	\$138,665	\$(32,213)	\$1,146,615	Loss
1940	111,538	112,827	23,000*	135,827	(24,289)	1,246,492	Loss
1941	114,416	101,207	23,500*	124,707	(10,291)	1,228,557	Loss
1942	131,936	108,525	23,600*	132,125	(189)	1,181,406	Loss
1943	190,048	151,023	23,700*	174,723	15,325	1,206,580	1.27%
1944	227,545	167,572	23,800*	191,372	36,173	1,284,765	2.82
1945	228,844	176,012	23,925*	199,937	28,907	1,321,946	2.19
1946	202,534	188,100	24,463#	212,563	(10,029)	1,319,883	Loss

(Red Figures)

(*) - Estimated by Edw. R. Bowen

(#) - Estimated by E. Ronald Foster.

Reports covering the fixed capital, operating revenues and operating expenses for the seven-year period, 1939 to 1946, inclusive, and estimated for 1947, were presented by Edward R. Bowen, a consulting engineer for the Company, John F. Donovan, one of the Commission's accountants, and E. Ronald Foster, one of the Commission's engineers. The fixed capital in all three reports was based on the appraisal of the Company's property amounting to \$1,130,051, as set forth in the Commission's Decision No. 32739, issued May 31, 1939. Net additions and betterments, expenditures for construction work in progress, together with re-allocation of donations in aid of construction, resulted in rate base structures of \$1,375,169, estimated by the Company's engineer, and \$1,327,000, by the engineer for the Commission.

A summary of the results of operation as shown by these two witnesses for the year 1946, and as estimated for 1947, at the present rates in effect and the suggested rates, is set out as follows:

	Bowen		Foster			
	Normal		1946		1947	
Year at	Under	Under	Under	Under	Under	Under
Suggested Rates	Present	Suggested	Present	Suggested	Present	Suggested
Fixed Capital (Average Rate Base)	\$1,375,169	\$1,327,000	\$1,327,000	\$1,383,000	\$1,383,000	\$1,383,000
Operating Revenue	343,300	202,534	316,221	212,819	327,558	327,558
Operating Expense	260,065*	205,822*	243,387*	209,729*	250,067*	250,067*
Net Operating Revenue	83,235	(3,288)	72,834	3,090	77,491	77,491
Rate of Return	6.05%	-	5.49%	0.22%	5.60%	5.60%

(Red Figures)

(*) - Depreciation allowance computed by 5% sinking fund method.

In general the figures presented by the three witnesses were in substantial agreement after the various adjustments were made.

The present report and testimony supplemental thereto show that the Company should make further adjustments in its records to record properly the additions and retirements of plant and to correct its recorded investment in plant and equipment. The Company raised no objections to any of the proposed adjustments and signified its intention to make the same. It has, as recommended by Mr. Donovan, transferred all of its detailed accounting records from its Los Angeles Office to its plant where they will be under supervision of its plant office manager. It is believed that this transfer of records will result in the avoidance of errors mentioned in his testimony.

In connection with the cost of water, Mr. Bowen testified that based on 1945 operations, the average cost of producing and distributing water for industrial purposes was 5.64 cents per 100 cubic feet, and for irrigation use the average cost was 5.86 cents. Owing to the number of rate blocks in the proposed schedule he stated that the suggested rate of 5 cents per 100 cubic feet in the last block would not result in selling water below cost of production. However, he stated that the present straight irrigation rate of 4 cents per 100 cubic feet was substantially below the cost of production and should be increased.

Upon the basis of the figures presented above, it is apparent that the Applicant is entitled to some relief from the inadequate return obtainable under present rates. Applicant submitted a schedule of rates which would result in increases from 20% to 32.5% in the monthly charges for domestic and industrial consumers. Unfortunately this rate structure is so designed as to result in increases ranging from 15% to 304% for agricultural users. Under the present irrigation schedule, agricultural water users have been enjoying a very favorable rate now actually below the cost of production. In order to eliminate past preferential charges and place all irrigation water users on a uniform schedule, a rate of 7 cents per 100 cubic feet will be established for this class of service.

During the war period, this water works actually delivered quantities of water in excess of the deliveries now estimated for 1947. The evidence shows that this system at any time required can deliver more water with the installation of the necessary pumping and power-generating equipment. This system experienced considerable expansion as the direct result of industrial demand during the war period. Present conditions appear favorable for continued demand in this area. The schedule of rates established in the following order should be fair and reasonable and should actual experience thereunder prove otherwise, the matter of rate yield may again be submitted to this Commission.

No protest was made at the hearing by either irrigationists or industrialists. Two domestic water users entered a general protest against any increase in rates, although one protestant admitted that the Company should not be required to operate at a loss.

The order herein will authorize new structures designed to yield increased revenues. The actual performance of the new rates is difficult to predict; however, based on the water use data for 1946 and 1947 the annual revenues will be increased approximately \$35,000. After due allowance for resulting increased franchise and income taxes, the Company should realize a return slightly less than 5% on the re-adjusted rate base.

The present rules and regulations of this utility are now obsolete and will not fairly and without discrimination cover the conditions which will exist under the single and uniform rate schedule. These present rules contain provisions no longer considered proper practice by this Commission and which are unfair and unjust to existing and potential new consumers or applicants for service, and, in certain instances they place an unfair burden on the utility. In view of these circumstances Applicant will be required to file a revised set of rules and regulations for the consideration of this Commission.

ORDER

Application as amended and as entitled above having been filed with the Public Utilities Commission of the State of California for authority to increase rates for water service, a public hearing having been held thereon, the matter having been duly submitted, and the Commission now being fully advised in the premises,

IT IS HEREBY FOUND AS A FACT that the present rates of Dominguez Water Corporation, a corporation, 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 to be charged by said corporation for water service rendered to its consumers, and basing its Order upon the foregoing finding of fact and upon the further statements of fact contained in the Opinion which precedes this Order,

IT IS HEREBY ORDERED that Dominguez Water Corporation, a corporation, be and it is hereby authorized and directed to file in quadruplicate with the Public Utilities Commission of the State of California, within thirty (30) days from the date of this Order, in conformity with the Commission's General Order No. 96, the following schedules of rates to be charged for all water service rendered to its consumers in its service area, said rates to become effective for all billings made on and after the first day of September, 1947:

Schedule No. 1

GENERAL METERED SERVICE

Applicability:

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

Territory:

Within the entire territory served by Dominguez Water Corporation, comprising about 26 square miles, lying northerly of Wilmington and extending from the Los Angeles River to the eastern boundary of the City of Redondo Beach, all in Los Angeles County.

Rates:

Per Meter
Per Month

Domestic, Commercial and Industrial Service:

Quantity Rates:

First	500 cubic feet or less	\$1.00
Next	2,000 cubic feet, per 100 cubic feet17
Next	17,500 cubic feet, per 100 cubic feet13
Next	80,000 cubic feet, per 100 cubic feet10
Next	1,900,000 cubic feet, per 100 cubic feet07
Over	2,000,000 cubic feet, per 100 cubic feet06

Minimum Charge:

For 3/4-inch meter, or smaller	\$1.00
For 1-inch meter	2.50
For 1 1/2-inch meter	5.00
For 2-inch meter	7.50
For 3-inch meter	10.00
For 4-inch meter	15.00
For 6-inch meter	25.00
For 8-inch meter	50.00
For 10-inch meter	75.00
For 12-inch meter	100.00

Irrigation Service:

All meters	\$1.00
----------------------	--------

Quantity Rates:

Per 100 cubic feet	\$0.07
------------------------------	--------

The minimum charges will entitle the consumer to the quantity of water which that minimum charge will purchase at the quantity rates.

The size of the meter for irrigation service shall not be greater than that reasonably necessary to furnish service to the area to be irrigated.

Schedule No. 2

FIRE HYDRANT SERVICE

Applicability:

Applicable to all fire hydrant service.

Territory:

Within the entire territory served by Dominguez Water Corporation, comprising about 26 square miles lying northerly of Wilmington and extending from the Los Angeles River to the eastern boundary of the city of Redondo Beach, all in Los Angeles County.

Rates:

Per Hydrant
Per Month

For hydrants installed on a main of four inches inside diameter or less	\$1.50
For hydrants installed on a main of more than four inches inside diameter	2.00

IT IS HEREBY FURTHER ORDERED as follows:

1. That Dominguez Water Corporation, a corporation, within sixty (60) days from the date of this Order, shall submit to this Commission for its approval four sets of rules and regulations governing relations with its consumers, each set of which shall contain a suitable map or sketch, drawn to an indicated scale upon a sheet 8½ x 11 inches in size, delineating thereupon in distinctive markings the boundaries of its present service area and the location thereof with reference to the immediate surrounding territory; provided, however, that such map or sketch shall not thereby be considered by this Commission or any other public body as a final or conclusive determination or establishment of the dedicated area of service or any portion thereof.
2. That Dominguez Water Corporation, a corporation, within sixty (60) days from the date of this Order, shall file with this Commission four copies of a comprehensive map, drawn to an indicated scale of not less than 600 feet to the inch, upon which shall be delineated by appropriate markings the territory presently to be served. This map should be reasonably accurate, show the source and date thereof, and include sufficient data to determine clearly and definitely the location of the property comprising the entire utility area of service; provided, however, that such map shall not thereby be considered by this Commission or any other public body as a final or conclusive determination or establishment of the dedicated area of service or any portion thereof.

IT IS HEREBY FURTHER ORDERED that 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 26th day of August, 1947.

Harold P. Kula
Justice F. Calver
Chas. K. Kull
R. T. Dunning
Harold P. Kula
 Commissioners.