

ORIGINALDecision No. 41607

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
 CALIFORNIA WATER & TELEPHONE COMPANY
 to increase rates for water service
 in its Sweetwater District.

Application No. 29094

Bacigalupi, Elkus and Salinger, by Claude M. Rosenberg and De Witt A. Higgs for Applicant; Stephen B. Robinson and Louis H. Burke by Stephen B. Robinson for Cities of Chula Vista and National City; Albert C. Boyer, City Attorney, for City of Chula Vista; Merideth L. Campbell, City Attorney, for City of National City; Duane J. Carnes, Assistant District Attorney, for County of San Diego; A. L. Lynds, for City of Chula Vista on the San Diego County Water Authority; Fred Stafford, for Chula Vista Vegetable Exchange; George M. Kimball and S. C. Matthews, in propria persona.

INTERIM OPINION

California Water & Telephone Company, a corporation, engaged in the public utility business of selling and distributing water for domestic, industrial and irrigation purposes in three sections of the state and also rendering telephone and telegraph service in nine other portions of the state, asks the Commission for authority to increase the rates charged for water service furnished in its Sweetwater District, San Diego County, which includes the cities of Chula Vista and National City and the adjoining unincorporated territory.

Applicant alleges that the rates at present in effect do not yeild a reasonable return on the fair value of its property, owing to the increased costs of labor and materials required in rendering service; that Applicant proposes to enter into a three-year agreement with the Cities of Chula Vista and National City as members of the San Diego County Water Authority, to distribute the water to which the cities are entitled from the Colorado River, and pay the cities \$13 per acre foot for all water purchased from this source and a standby

charge of 11% of the gross revenues derived from the sale of water in the Sweetwater District. It is further alleged that Applicant's net income will be substantially reduced by the expenditures provided in the proposed contract; that the requested rates will produce an annual increased revenue of \$95,000 over the revenues derived from the present rates for water sales during the year of 1946, but the resulting net revenue will provide less than a reasonable return on the fair value of Applicant's property in its Sweetwater District.

A public hearing in this proceeding was held in National City before Examiner Wehe.

Water for this system is obtained by diversion from the Sweetwater River and by pumping from wells in Sweetwater Valley. The stream flow is augmented by storage in two reservoirs on the river. The lower one is known as Sweetwater Reservoir and is located approximately four miles up the river from the cities of Chula Vista and National City. It has a capacity of 29,000 acre feet. The upper, or Loveland Reservoir, is located 20 miles up stream from the lower one and has a capacity of 25,700 acre feet. At present this water is conveyed through the river channel to Sweetwater Reservoir. As of December 31, 1947 there were 8,996 services connected to the distribution and transmission system. These services consisted of 8,031 domestic and commercial, 561 irrigation, 58 industrial, and 346 municipal. All water delivered by the company is through pipe lines and all services are metered.

The rates at present in effect for all domestic, commercial, industrial and irrigation metered service provide for a monthly minimum charge of \$1.40 for a 5/8 x 3/4-inch meter, and an allowance of 500 cubic feet of water. The rate for water used in excess of the minimum allowance is reduced through two blocks to six cents per 100 cubic feet for all use over 2,000 cubic feet.

The proposed rates provide for a separate and higher schedule for industrial service than for domestic, commercial, and irrigation metered service. Although both schedules have a \$1.50 monthly minimum with an allowance of 500 cubic feet of water, the proposed industrial charges are reduced through two blocks to 15 cents per 100 cubic feet for all use over 2,000 cubic feet. The proposed domestic, commercial, and irrigation charges are carried through three blocks to seven cents per 100 cubic feet for use in excess of 10,000 cubic feet of water.

Owing to the unprecedented growth of portions of San Diego County during and following the war period and the shortage of rainfall in the territory during the last two seasons, it became apparent to city and county authorities that local sources would not meet the continued increasing demand for water and that outside sources would be required to provide additional supply. This condition resulted in the formation of the San Diego County Water Authority for the purpose of completing the aqueduct started by the United States Navy from Metropolitan Water District's transmission line at San Jacinto to the City of San Diego's San Vicente Reservoir.

The Cities of Chula Vista and National City are members of the Authority. This organization in turn is a member of the Metropolitan Water District, which obtains water from the Colorado River. This water is transported through an aqueduct 71 miles in length, having a capacity of 100 cubic feet per second, which was recently constructed by the Authority. The water for the Sweetwater section will be conveyed from the aqueduct at this latter reservoir to the company's Sweetwater Reservoir, by a 16½-mile branch pipe line having a capacity of 17½ cubic second feet. This branch line was expected to be completed and in operation by April 21, 1948.

The two cities do not have a distribution system to distribute the water to which they are entitled and have therefore entered into a three-year agreement with the company to furnish this service. The agreement provides that the company will pay the cities \$12 an acre foot for the water delivered by the Authority through the branch line and an additional charge of \$1 per acre foot as an override, resulting in a total charge of \$13 per acre foot for water purchased from the Authority.

The cities, as members of the Authority, must also pay their proportion of the annual fixed charges which are based on the assessed valuation of the real property within the boundaries of the cities. In order to reduce the tax burden, the agreement provides for the company paying the cities 11% of the gross revenues realized from the sale of all water to its customers. This payment becomes effective when water is delivered into the company's Sweetwater Reservoir. A vice president of applicant estimated that, if the Colorado River water had been delivered during the entire year of 1948, and the proposed rates had been effective during that period, the payment to the cities would have totaled approximately \$70,000, and if the rate becomes effective May 1, the 1948 payment would approximate \$47,000 for the year.

The company witness also testified that the total annual water demand of the system was 11,000 acre feet; that the net safe yield of the Sweetwater River, and Sweetwater Reservoir, was 9,000 acre feet, and that approximately 1,000 acre feet was produced annually by pumping from a well field located along the river between Sweetwater Reservoir and the Pacific Ocean. The excessive draft has reduced storage in Sweetwater Reservoir to approximately 2,100 acre feet of which possibly 1,500 acre feet may be available for delivery to the customers. No water can be expected from Loveland Reservoir, owing to a porous river channel and the distance between the two

reservoirs. Under the circumstances it was estimated that the company will be compelled to purchase approximately 8,500 acre feet of water during 1948 to meet the demands of its customers. Owing to the Authority's branch line not being completed, it was necessary to transport the water purchased from this source since the latter part of December through the facilities of the City of San Diego Water Department, which charged \$13.50 per acre foot for this service. The company further estimated that the cost of the water to be purchased during 1948, at various rates, is as follows:

370 A.F. per Mo. for 3½ Mos.	=	1,294 A.F. @ \$25.50	=	\$33,022
793 A.F. per Mo. for ½ Mo.	=	396 A.F. @ 12.00	=	4,752
851 A.F. per Mo. for 8 Mo.	=	6,808 A.F. @ 13.00	=	88,504
Subtotal		8,498		126,278

Less temporary reduction of \$4 per A.F. for three-month period by the Authority				<u>4,156</u>
Total		8,498		122,122

It was further testified that considering the net safe yield of the Sweetwater and the company's reservoirs, the average quantity that would be purchased annually would be approximately 3,000 acre feet, and that for the years of heavy rainfall there would be sufficient water stored in the reservoirs to meet the customers' demands without purchasing any water from the Authority.

Applicant presented figures showing the results of operation of the system for the years 1946, 1947 and estimated for 1948 (a) under the present rates in effect, and estimated for 1948 (b) under the proposed rates. The tabulation follows:

CALIFORNIA WATER & TELEPHONE COMPANY
SAN DIEGO BAY DIVISION
SWEETWATER DISTRICT
Results of Operation Actual
Years 1946 and 1947, Estimated Year 1948.

<u>Items</u>	<u>1946</u>	<u>1947</u>	<u>1948(a)</u>	<u>1948(b)</u>
Total Operating Revenues	\$ 485,132.68	\$ 542,705.22	\$552,440	\$ 653,700
Total Operating Expense	259,963.59	279,690.82	286,100	363,000
Net Income Before Depreciation	225,169.09	263,014.40	266,300	290,700
5% Sinking Fund Depreciation	20,700.00	22,500.00	22,800	22,800
Net Operating Income	204,469.09	240,514.40	243,500	267,900
Rate Base Total	6,005,000.00	6,195,000.00	6,220,000	6,225,000
% Return	3.40%	3.88%	3.91%	4.30%

(a) Under present rates

(b) Under proposed rates

The increase in operating revenue under the proposed rates amounts to \$101,300. The corresponding operating expenses for 1948(b) include the sum of \$70,000 to cover the standby charge, predicated upon 11% of the gross revenue from water sales. Such expenses, however, do not contain any allowance for the purchase of water which was estimated as \$122,122 for 1948 and under normal water year conditions as \$39,000 a year. If the larger amount be included in expenses, net operating income, after tax adjustments, would become \$163,285 for 1948 or a return of 2.6% according to the company's witness. If the normal year water expense allowance of \$39,000 be provided, then such rate of return, on the company's capital base, would be slightly less than 4%.

It was testified by Applicant that the fixed capital that is a part of the rate base was taken from the company's books and was predicated on a 1921 appraisal to which net additions and betterments have been added. The 1948 additions represent one-half of the

estimated or budgeted net additions to capital for that year. In using these fixed capital and rate base figures in this decision, it should not be construed that any finding is made as to their reasonableness.

While no protest was made to the establishment of the proposed rate, a request was made in behalf of the vegetable growers that the increase be a temporary and not a permanent one, on the grounds that vegetable prices are subject to such violent fluctuations in prices that the proposed rate might result in higher costs of water than the grower could pay. The contention was made that the company's profits were largely produced from domestic service and that the agricultural land was gradually being subdivided for home building purposes which continued to increase the company's revenues, and therefore the rate to the grower should be maintained at the lower levels to meet the price changes.

No other evidence was presented. The record showed that the Commission's staff has not completed its study of the company's operations and the effect of the proposed rate and was unable to present its report. However, it is apparent that the company is in need of urgent relief in order to meet the payments for water purchased. Under the circumstances, the proposed rate will be established in the following Order as an interim rate, with the understanding that the proceeding will be held open until the Commission's staff has completed its study. If it appears that the study warrants the Commission's further review of this matter, or if the other parties upon study of the report request, then the matter will be set down for further hearing for the purpose of additional taking of evidence before fixing permanent rates. However, if it develops that the interim rates are not unreasonable, and the interested parties have no further evidence to offer or objections, the Commission may issue an ex parte order, disposing of the matter.

INTERIM ORDER

Application as entitled above having been filed with the Public Utilities Commission of the State of California, a public hearing having been held thereon, the matter having been taken under submission on an interim basis, and it appearing from the showing made in the record so far in this proceeding, and the Commission finding that the increased rates requested are justified and should be authorized,

IT IS HEREBY ORDERED that within thirty (30) days from the date of this Order, California Water & Telephone Company, is authorized to file in quadruplicate, in conformity with this Commission's General Order No. 96, the following schedule of rates to be charged for all water service taken on meter readings on and after June 1, 1948, within the Sweetwater District. The presently effective rates which will be superseded by the aforesaid rates on June 1, 1948, shall be cancelled.

Schedule No. 1

DOMESTIC, COMMERCIAL AND IRRIGATION METERED SERVICE

APPLICABILITY

Applicable to all domestic, commercial and irrigation metered water service.

TERRITORY

Within the incorporated limits of the cities of Chula Vista, National City and unincorporated area of San Diego County as delineated on the map included in the tariff schedules as Map No. 1.

RATES

Quantity Charge:	Per Meter Per Month
First 1,000 cubic feet, per 100 cu.ft.	\$0.30
Next 1,000 cubic feet, per 100 cu.ft.	.20
Next 8,000 cubic feet, per 100 cu.ft.	.15
Over 10,000 cubic feet, per 100 cu.ft.	.07

RATES (Continued)

Minimum Charges:

For 5/8 inch meter	\$1.50
For 3/4 inch meter	1.80
For 1 inch meter	2.40
For 1 1/2 inch meter	3.80
For 2 inch meter	5.00
For 3 inch meter	8.75
For 4 inch meter	15.50
For 6 inch meter	27.50
For 8 inch meter	34.50
For 10 inch meter	45.00
For 12 inch meter	62.50

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

Schedule No. 2

INDUSTRIAL METTERED SERVICE

APPLICABILITY

Applicable to all industrial service.

TERRITORY

Within the incorporated limits of the cities of Chula Vista, National City and unincorporated area of San Diego County as delineated on the map included in the tariff schedules as Map No.1.

RATES

Quantity Charge:	<u>Per Meter</u> <u>Per Month</u>
First 1,000 cubic feet, per 100 cu. ft.	\$0.30
Next 1,000 cubic feet, per 100 cu. ft.	0.20
Over 2,000 cubic feet, per 100 cu. ft.	0.15

Minimum Charges:

For 5/8 inch meter	1.50
For 3/4 inch meter	1.80
For 1 inch meter	2.40
For 1 1/2 inch meter	3.80
For 2 inch meter	5.00
For 3 inch meter	8.75
For 4 inch meter	15.50
For 6 inch meter	27.50
For 8 inch meter	34.50
For 10 inch meter	45.00
For 12 inch meter	62.50

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

Schedule No. 3

GOVERNMENTAL SERVICE & MUNICIPAL

APPLICABILITY

Applicable to the cities of Chula Vista and National City, County of San Diego and the Federal Government. (FHA)

TERRITORY

Within the incorporated limits of the cities of Chula Vista, National City and unincorporated area of San Diego County as delineated on the map included in the tariff schedules as Map No.1.

RATES

Quantity Charge:

All use, per 100 cubic feet	\$0.15
Fire Hydrants:	
Each, per month	3.00
Sprinkling Hydrants:	
Each, per month	2.00

IT IS FURTHER ORDERED that Application No. 29094 is continued to permit the holding of such further hearings and receipt of such additional evidence as may be deemed appropriate before final determination of said application is made.

This Order shall become effective twenty (20) days after the date hereof.

Dated at San Francisco California, this 18th day of May, 1948.

R. Z. [Signature]
Justice F. [Signature]
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 Commissioners.