

Decision No. 44165

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of  
 ORCHARD DALE SERVICE COMPANY  
 for Authority to Increase Rates

**ORIGINAL**

Application No. 30808

Edmund F. Barker, for applicant; Vincent and Wray  
 by Merton G. Wray, for Orchard Dale Water Company;  
T. J. Rice, for five consumers; W. S. Linthicum,  
 for Crystal Mutual Water Company; Edward M. Loftus,  
 for Sunshine Water Company.

O P I N I O N

Orchard Dale Service Company, a California corporation, by the above-entitled application filed November 25, 1949, requests authority to increase rates for water service to domestic and irrigation customers located in an unincorporated area in Los Angeles County, southeast of the City of Whittier. A copy of applicant's proposed rates is attached to the application. A public hearing on this application was held before Examiner Edwards on May 2, 1950, at Hughston Meadows Inn, three miles south of Whittier, California. At this hearing, applicant submitted evidence as to the need for the requested rate increase.

Applicant requests authority to increase the present basic domestic rate minimum and initial charge from \$1 to \$1.75 per month for 5/8-inch meter; to establish correspondingly higher amounts for larger meter sizes; to increase the quantity rates in excess of the initial charge by 1/2 cent to 3 cents per 100 cubic feet; to increase the irrigation quantity rate by 3/4 cent per miner's inch-hour; and to establish a \$6 monthly minimum charge on irrigation service. No increase in rates for fire protection service was requested by applicant.

The water supply is obtained from six wells with pumps located on the east bank of the San Gabriel River, and is transmitted through 21,000 feet of concrete pipe and conduit to a reservoir and pumping plant at the southwest corner of the company's service area. The Orchard Dale Service Company does not have complete ownership of this production and transmission system, it being a joint venture with certain associated utilities. The company has a one-sixth interest in the wells and pumps, and a one-fourth interest in the transmission line and reservoir.

In the distribution system, some of the piping is used to deliver water to both irrigation and domestic customers, while certain portions, such as the large concrete lines, are used only for supplying water at low pressure for irrigation. Other portions, such as pipes of small diameter, are used only for delivering water at higher pressures for domestic service. There are about 27,184 feet of concrete pipe lines, ranging from 6 to 12 inches in diameter, and approximately 64,000 feet of other pipe lines, varying from 1 to 20 inches in diameter, to serve the customers. As of December 31, 1949, the company was serving 401 domestic and commercial customers, 81 irrigation, and 29 other customers. The service area covers some 1,010 acres which is rapidly being subdivided and the citrus orchards converted into homesites.

The need for an increase in water rates was testified to by applicant's president, Carl J. Kriesant. The company has never paid a dividend on its stock since it was organized in 1928. The rapid growth of the domestic load has increased expenses to the point where the return is less than 3%. Applicant must soon borrow money to improve the service to domestic customers and to purchase the many new mains, services, and meters required. With such a low rate of return, applicant has not been successful in obtaining adequate capital loans. Rates are

still at a prewar level, but prices of material and labor are approximately 60% and 50% above prewar, respectively.

The effect of the proposed rates was analyzed by a Commission staff engineer, E. R. Foster. His report submitted at the hearing, admitted in evidence as Exhibit No. 1, shows that in 1949 the proposed rates would have increased the rate of return from 3.42% to 6.79%, and in 1950 from an estimated 2.37% to 5.52%. The summary of earnings, rate base, and rate of return as testified to by the staff engineer are as follows:

Item	Years 1949 Recorded and Adjusted and 1950 Estimated				
	Year 1949			1950 Estimated	
	Recorded	Adjusted	Estimated	At Present	At Proposed
	at Present	at Present	at Proposed	Present	Proposed
	Rates	Rates	Rates	Rates	Rates
	\$	\$	\$	\$	\$
Operating Revenues	23,366.98	23,387	29,639	24,600	31,463
<u>Operating Expenses</u>					
Operating & Maint.	9,846.08	9,723	9,723	10,600	10,600
General & Misc.	3,969.54	4,382	4,382	5,225	5,225
Uncollectibles	-	50	50	50	50
Taxes	2,851.98 <sup>a</sup>	1,581	3,156	1,523	3,224
Depreciation (5% S.F. Annuity)	2,903.13 <sup>b</sup>	2,903	2,903	3,331	3,331
Total Oper. Exp.	19,570.73	18,639	20,214	20,729	22,430
Net Oper. Revenue	3,816.25	4,748	9,425	3,871	9,033
Avg. Rate Base - Undepreciated	138,750 <sup>c</sup>	138,750	138,750	163,600	163,600
Rate of Return	2.75%	3.42%	6.79%	2.37%	5.52%

- a. Includes taxes on 1948 income, on a cash basis.  
 b. C.P.U.C. staff figure.  
 c. C.P.U.C. staff rate base.

The earnings data presented by the company's witness were premised upon the use of a depreciated rate base. A similar calculation by the staff engineer shows estimated 1950 return at present rates of 0.54% and at the proposed rates of 6.59%.

At the hearing, interest in the proposed rate increase was manifested by several customers, some of whom presented statements for the record. The irrigation customers oppose any increase because of

poor economic conditions in the orange business, resulting from freezing weather and inferior quality of product these past two years. Two domestic customers complained of low pressure. One of these customers would not mind paying higher rates if the pressure could be increased, but the other customer thought the company's requested rates a trifle high and suggested a \$1.50 monthly rate.

In reply to these statements, applicant's witness described several sections where the size of pipes should be increased, and pointed to the need for a storage tank at the highest elevation in the service area. Financing difficulties have delayed the company in making these needed improvements.

In analyzing the record in this proceeding and in reaching a conclusion as to rates for the future, the objections of the customers, as well as the applicant's earning position, have been given due consideration. Applicant needs increased revenues, practically to the full extent sought, if it is to improve its credit rating to a point where capital will be attracted to make the needed improvements and new extensions. Applicant's requested rates would increase the domestic rates by some 37% while increasing the irrigation rates by only some 20%. This spread of the increase does not unduly burden the irrigation customer. The largest percentage increase in the residential class, is proper in view of the increased customer costs. While the irrigation users urge that no increase at all be granted in their rates, some increase is reasonable because of the overall increase in operating costs which has taken place since the irrigation rates were originally set.

To aid in the transition from an irrigation load to a domestic load, the Commission staff engineer recommended that the two rate schedules be consolidated into one block type of rate. Additional blocks would be inserted in the rate to give the large user quantity rates at the approximate level requested for irrigation rates. He also

recommended certain increases in minimum charges. This type of schedule might raise certain irrigation customers proportionally more than other irrigation customers, so that it appears advisable to maintain the company's proposed irrigation schedule as an optional schedule. When there is an advantage to transfer to the block schedule, the shift can be made at the customer's request. If all business transfers to the block schedule, the expected revenue of \$31,350 in 1950 for a full year would be realized with the rates of return heretofore shown. To the extent that the optional rates are utilized, however, the returns would be correspondingly reduced.

O R D E R

Orchard Dale Service Company, having applied to this Commission for an order authorizing certain increases in rates and charges, a public hearing having been held, and the matter having been submitted for decision,

IT IS HEREBY FOUND AS A FACT that the increases in rates and charges authorized herein are justified; therefore,

IT IS HEREBY ORDERED as follows:

1. Applicant is authorized to file in quadruplicate with this Commission after the effective date of this order, in conformity with the Commission's General Order No. 96, the schedules of rates shown in Exhibit A attached hereto and, after not less than five (5) days' notice to the Commission and the public, to make said rates effective for service rendered on and after July 1, 1950.
2. Applicant, within forty (40) days from the effective date of this order, shall file with this Commission four sets of rules and regulations governing customer relations 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 by distinctive markings the boundary of applicant's present service area and the location thereof with reference to the immediate surrounding territory; provided, however, that such filing shall not be construed as a final or conclusive determination or establishment of the dedicated area of service or portion thereof.

- 3. Applicant, within forty (40) days after the effective date of this order, shall file four copies of a comprehensive map drawn to an indicated scale of not less than 400 feet to the inch, delineating by appropriate markings the various tracts of land and territory served and the location of various properties of applicant.
- 4. Applicant within sixty (60) days after the effective date of this order shall file plans, including cost estimates, for system improvements, including storage facilities to be installed during the succeeding twelve (12) months and shall file with this Commission a progress report on the installation of said improvements on August 1, 1950, December 31, 1950, and July 1, 1951.

The effective date of this order shall be twenty (20) days after the date hereof.

Dated at San Francisco, California, this 16th day of May, 1950.

R. E. Indurain  
Justus F. Casner  
Frank J. Lowell  
Harold P. Hicks  
James O. Trotter  
 Commissioners.

## Schedule No. 1

GENERAL METERED SERVICEAPPLICABILITY

Applicable to all water service furnished on a metered basis to domestic, commercial, and irrigation consumers.

TERRITORY

Within the utility's entire service area in the unincorporated territory known as the Orchard Dale and Luitweiler districts and lands immediately contiguous thereto in Los Angeles County, as delineated on the service area map filed herewith.

RATES

## Quantity Rates:

		Per Meter Per Month
First	800 cubic feet or less .....	\$ 1.75
Next	700 cubic feet, per 100 cubic feet ...	.15
Next	3,500 cubic feet, per 100 cubic feet ...	.10
Next	13,000 cubic feet, per 100 cubic feet ...	.075
Over	18,000 cubic feet, per 100 cubic feet ...	.055

## Minimum Charge:

For	5/8-inch meter .....	\$ 1.75
For	3/4-inch meter .....	2.50
For	1-inch meter .....	3.50
For 1	1/4-inch meter .....	4.75
For 1	1/2-inch meter .....	6.00
For	2-inch meter .....	9.00
For	3-inch meter .....	14.50
For	4-inch meter .....	22.00

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

SPECIAL CONDITIONS

1. For service through meters devoted entirely to irrigation service, the consumer will not be billed for the minimum charge in months of no usage; in months of irrigation usage, the minimum charge will be that applicable to the size of meter required for the consumer's service in each case.

2. Present irrigation consumers may elect to receive service at the Optional Irrigation Service rates set forth in Schedule No. 2.

Schedule No. 2

OPTIONAL IRRIGATION SERVICE

APPLICABILITY

Applicable to all water service furnished on a metered basis to present irrigation consumers.

TERRITORY

Within the utility's service area in the unincorporated territory known as the Orchard Dale and Luitweiler districts and lands immediately contiguous thereto, in Los Angeles County, as delineated on the service area map filed herewith, excepting those areas limited to domestic service only pursuant to the provisions of the Commission's Decision No. 35575, dated July 14, 1942, in Application No. 23936.

RATES

Quantity Rate:	<u>Per Meter</u> <u>Per Month</u>
Per miner's inch-hour, equivalent to 540 gallons or 72 cubic feet.....	\$ 0.0475
Minimum Charge:	
For any service.....	6.00

SPECIAL CONDITIONS

1. The consumer will not be billed for the minimum charge in months of no usage.
2. Present irrigation consumers may elect to receive service either under this schedule or under Schedule No. 1, General Metered Service. However, any such consumer who elects to receive service under Schedule No. 1 may not thereafter revert to service under this Schedule No. 2.
3. This optional irrigation service schedule shall remain in effect only as long as there may be existing irrigation consumers who elect to receive service thereunder. When and if there are no longer any such consumers, the schedule may be withdrawn upon written notification by the utility to the Commission.



Schedule No. 3

FIRE HYDRANT SERVICE

APPLICABILITY

Applicable to all water service rendered to fire hydrants furnished, installed, and owned by the local Fire Protection District.

TERRITORY

Within the utility's entire service area in the unincorporated territory known as the Orchard Dale and Luitweiler districts and lands immediately contiguous thereto, in Los Angeles County, as delineated on the service area map filed herewith.

RATES

Per Month

For each fire hydrant connected to the utility's  
distribution mains..... \$ 1.00

SPECIAL CONDITIONS

1. Fire hydrants will be attached to the utility's distribution mains for public fire protection only upon receipt of proper resolution passed by the local Fire Protection District. Said resolution must designate the specific location at which each is to be installed.

2. The foregoing charge for water service to fire hydrants is based on the understanding that they are to be owned by the local Fire Protection District and are to be installed, maintained, painted, inspected, and relocated at the expense of the district.