

ORIGINAL

Decision No. 45578

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
 CALIFORNIA WATER SERVICE COMPANY,)
 a corporation,)
 for an order authorizing it to)
 increase rates charged for water)
 service in the East Los Angeles)
 (Belvedere) area.)

Application No. 31428
 (As Amended)

McCutchen, Thomas, Matthew, Griffiths & Greene,
by Robert M. Brown, for applicant; Mrs. Julia L.
Pedraza, Mrs. Della E. Harman, Claud Hollick,
Louis R. Corson, K. M. Agajanian, interested
 parties.

O P I N I O N

California Water Service Company in this proceeding requests authority to increase rates for water service in its East Los Angeles District. The application was filed on May 24, 1950, and an amendment to the application revising the proposed schedules of rates and charges was filed on February 14, 1951. Hearings were held in Los Angeles on March 7 and 8, 1951, before Examiner O'Brien. The matter was taken under submission at the conclusion of the hearings.

The East Los Angeles District adjoins the City of Los Angeles to the west, the City of Monterey Park to the north, the Los Angeles River to the south, and extends into a portion of the City of Montebello to the east. The district comprises an area of about 14½ square miles, most of which is unincorporated and which contains a population of approximately 90,000 people.

Applicant acquired the East Los Angeles properties in 1928 from Belvedere Water Corporation which had consolidated the Eastmont Water Company in 1927 with the former Belvedere and Janss Investment Company properties acquired some years earlier.

At the end of 1950 applicant served 24,700 consumers, 96% of whom were commercial and domestic accounts. Water is obtained from 39 wells in the area, ranging from 220 to 937 feet in depth. In 1950, 4.2 billion gallons of water were produced. Elevation of the service area ranges from 150 to 630 feet above sea level and requires subdivision of the distribution system into 11 pressure zones. Storage capacity is about 8 million gallons in two concrete reservoirs, three elevated steel tanks, three standpipes, and a number of surface and pressure tanks. Eleven automatically controlled booster pump stations supply water to the several pressure zones. The transmission and distribution system consists of approximately 250 miles of main ranging in size from 2-inch to 20-inch. With the exception of fire protection, all services are metered.

Applicant asserts that the need for increased rates arises primarily from the tremendous increase in labor rates and material prices in recent years. It cites as examples the 1941 installed cost of 8-inch cast iron and steel mains per foot increased 98% and 137%, respectively, by 1950; in 1941, \$25.30 covered the cost of installation of an average 3/4-inch meter domestic service whereas in 1950 a similar installation cost \$56.20. The costs of more complicated installations, such as a well and pumping station, show similar increases in that a station which was installed in 1950 costing \$25,672 was similar to a 1942 installation costing \$14,020. Elevated steel storage tanks show similar increases in that a tank which prewar could be installed for \$9,766, cost \$21,356 to duplicate in 1950. The over-all effect of these increases in prices, according to applicant's evidence, is that its cost of doing business has approximately doubled since 1941.

Applicant in this service area is confronted with a number of physical operating handicaps, including a wide range in

the pumping lifts, limited potential well locations because of hydrogen sulphide, iron, and manganese impurities, and an abnormal amount of sand production. The evidence indicates that this heavy amount of sand is probably associated with the earthquake disturbances which are experienced in the area and necessitates additional investment in sand traps to remove the offending foreign matter.

Both applicant and the Commission's staff made analyses of the results of operations of the East Los Angeles District and estimated the level of earnings from both present and proposed rates based upon the average levels of revenues and expenses for 1950 and 1951. The following table summarizes a portion of those estimates and indicates that the staff's studies lead to substantially the same conclusion as does applicant's evidence.

Item	1950 Recorded		1950 Adjusted Present Rates		1951 Estimated Proposed Rates	
	Company	CPUC Staff	Company	CPUC Staff	Company	CPUC Staff
Operating Revenues	\$789,858	\$ 778,477	\$ 747,872	\$1,074,656	\$1,023,279	
Operating Expenses						
Operation & Maint.	436,460	444,578	440,288	469,960	460,623	
Taxes	133,501	139,401	124,081	277,565	251,670	
Depreciation (5% S.F.)	36,108	36,108	37,686	36,700	41,928	
Total Oper. Exp.	606,069	620,087	602,055	784,225	754,221	
Net Revenue	183,789	158,390	145,817	290,431	269,058	
Rate Base, Avg. Undepreciated	4,518,000*	4,550,000	4,518,000	4,910,000	4,906,000	
Rate of Return	4.07%	3.5%	3.23%	5.9%	5.48%	

* C.P.U.C. staff rate base.

The table shows that applicant, under present rates in 1950, even with the higher sales attributable to deficient rainfall, was able to produce a return of only about 4%. Under average rainfall conditions and the level of expenses which had been imposed by the end of 1950, the earning position would have been reduced to about 3.25%.

Applicant proposes to increase its rates to produce an increase in gross annual revenues of about \$265,000, or 33%. About half of the increase would be absorbed by tax increases, principally federal income tax, leaving the remaining half to be retained by applicant in order to bring its net return up to a proper level.

For the majority of consumers, those served from what was the Belvedere system, the proposed rates produce maximum percentage increases on small use consumers. According to the record, the present rates in the Belvedere system were established in 1920 except for an increase to large consumers authorized in 1926.

Prior to 1923, Eastmont consumers received free service after which meter and flat rate schedules were established. An increase in flat rates was authorized in 1925.

Applicant devised its proposed rate schedule after a study of the allocated cost of service. That study indicated that revenues from present rates for a basic 5/8-inch service were \$2.30 per month, or 40% below the average cost to serve such basic customer. The total average cost to serve of \$3.23 per month reflects a customer cost of \$1.56, a demand cost of \$1.32, and a supply cost of 35 cents.

The applicant proposes to establish a single schedule of meter rates for the entire district and eliminate the separate rate treatment heretofore applicable to the Eastmont area, and to eliminate the rate prescribed in 1930 for wholesale service through a single meter to the Maravilla Tract. It also proposes to withdraw the present charge for multiple services and to withdraw a number of obsolete rates not presently applicable to any service.

A comparison of the present basic metered service rates with the proposed rates follows:

Metered Service

<u>Quantity Rates</u>	<u>Per Meter Per Month</u>		
	<u>Present</u>	<u>Proposed</u>	<u>District</u>
	<u>Belvedere</u>	<u>Eastmont</u>	
First 500 cu. ft., or less	\$ 1.00	\$1.00	\$1.40
Next 500 cu. ft., per 100 cu.ft.	.15	.15	.18
Next 2,000 cu. ft., per 100 cu.ft.	.12	.12	.18
Next 2,000 cu. ft., per 100 cu.ft.	.12	.12	.15
Over 5,000 cu. ft., per 100 cu.ft.	.12	.06	.15

Minimum Charge

For 5/8-inch meter	1.00	1.00	1.40
For 3/4-inch meter	1.00	1.00	1.90
For 1-inch meter	1.25	1.25	2.90
For 1 1/2-inch meter	1.75	1.75	5.40
For 2-inch meter	2.25	2.25	8.00
For 3-inch meter	12.00		15.50
For 4-inch meter	18.00		24.50
For 6-inch meter	35.00		45.00
For 8-inch meter	50.00		70.00
For 10-inch meter			100.00

Upon a full review of the record, the Commission concludes that the earning level and return on the investment which the proposed rates are estimated to produce^{1/}are not unreasonable to applicant's consumers and are necessary to provide applicant with some improvement in its system financial position.

A number of customers expressed dissatisfaction with the proposed rate increase. While agreeing that applicant was entitled to a reasonable return on its investment to render service, they voiced a belief that the major portion of the effect of increased costs was attributable to the expansion into new service areas and that such increased costs should not be assessable against the customers in the older portions of the district for which the cost of plant facilities was very much lower.

^{1/} As indicated in a preceding tabulation, the company estimated that the proposed rates would produce a return of 5.9% while the Commission's staff concluded they would produce a return of about 5.5% on an undepreciated rate base.

In certain utilities the Commission has accepted the practice of establishing differentiations between rate zones designed to reflect differentials in the cost to serve. Such service differentiations have been established even in fully integrated and interconnected operating areas, and zone boundaries have been established on characteristic natural geographical subdivisions. In California Water Service Company, for example, different levels of rates are prescribed in the different operating districts, but separate zones have not been established in any single district.

In the East Los Angeles District at this time there is no apparent geographical basis upon which rate zoning could be established. The Commission recognizes that the increasing cost of plant to serve an average customer will inevitably reflect an increasing annual cost to serve such customer. On the other hand, system operating costs involved in serving all customers reflect the same inflationary pressures, and those costs have been advancing in unison with the costs of plant construction. In addition, the cost of money has shown a substantial and steady decline as the counterpart of the inflationary process. The annual cost associated with the cost of money, therefore, for the older plant is at a lower level today than at the date of installation of the older items of plant. New customers added to plant installed at earlier dates contribute to increased density and reduced unit operating costs, which economies react to the benefit of the older customers as well as the new. In view of the difficulties of making any rational separation of customers on the basis of geographical locations, it does not appear at this time that a practical differentiation in rates could be established which might reflect the differentials in

cost associated with the wide disparity between plant costs today and those of the prewar period. The Commission therefore believes that the public interest will be best served by prescribing a uniform, district-wide schedule of rates applicable in California Water Service Company's East Los Angeles District.

Applicant made an oral request that it be authorized to prorate the billings rendered during the first billing period after the effective date of the new rates upon the basis of the average daily consumption established by the first meter reading subsequent to that effective date, in order to avoid the necessity of reading the meters on the effective date. This procedure appears reasonable and may be followed by the company.

O R D E R

California Water Service Company, having applied to this Commission for an order authorizing certain increases in rates and charges in its East Los Angeles District, 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, applicable to its entire East Los Angeles District 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 May 12, 1951; and to concurrently cancel existing rate schedules superseded by the schedules hereinabove authorized.
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, applicable to its entire East Los Angeles District, each set of which shall contain a suitable

EXHIBIT A
Page 1 of 4

Schedule No. 1

GENERAL METERED SERVICEAPPLICABILITY

Applicable to all water service furnished on a metered basis.

TERRITORY

In the entire area served by the company in its East Los Angeles District in Los Angeles County.

RATES

Quantity Rates:	Per Meter Per Month
First 500 cubic feet, or less.....	\$ 1.40
Next 2,500 cubic feet, per 100 cubic feet.....	.18
Over 3,000 cubic feet, per 100 cubic feet.....	.15

Minimum Charge:

For 5/8-inch meter.....	\$ 1.40
For 3/4-inch meter.....	1.90
For 1-inch meter.....	2.90
For 1 1/2-inch meter.....	5.40
For 2-inch meter.....	8.00
For 3-inch meter.....	15.50
For 4-inch meter.....	24.50
For 6-inch meter.....	45.00
For 8-inch meter.....	70.00
For 10-inch meter.....	100.00

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

EXHIBIT A
Page 2 of 4

Schedule No. 2

SERVICE FOR CONSTRUCTION PURPOSESAPPLICABILITY

Applicable to the service of all water used for construction purposes which cannot be measured through meters.

TERRITORY

In the entire area served by the company in its East Los Angeles District in Los Angeles County.

RATES

Cement walks.....	\$0.26	per 100 square feet.
Cement curbs.....	0.52	per 100 lineal feet.
Flooding sewers or pipe lines to four feet in depth where dirt is used to refill.....	1.95	per 100 lineal feet.
For every additional four feet, or fraction thereof, of depth where dirt is used to refill.....	1.95	per 100 lineal feet.
Street concreting or gutters.....	0.52	per 100 square feet.
Street grading, oiling and asphalt paving.....	0.069	per 100 square feet.

Schedule No. 3

FIRE HYDRANT SERVICE

APPLICABILITY

Applicable to all water service rendered to fire hydrants of county fire districts or other political subdivisions of the state.

TERRITORY

In the entire area served by the company in its East Los Angeles District in Los Angeles County.

RATES

Per Month

For each public fire hydrant..... \$1.50

SPECIAL CONDITIONS

The above monthly rate includes use of water for fire fighting and for no other purpose whatsoever. For water delivered through fire hydrants for any other purpose, charges are to be made at the General Metered Service rates.

EXHIBIT A
Page 4 of 4

Schedule No. 4

PRIVATE FIRE EXTINGUISHING SERVICE

APPLICABILITY

Applicable to all water service rendered for private fire extinguishing service.

TERRITORY

In the entire area served by the company in its East Los Angeles District in Los Angeles County.

RATES

	<u>Per Month</u>
For each 1-inch or 2-inch connection.....	\$ 1.00
For each 3-inch connection.....	1.50
For each 4-inch connection.....	2.00
For each 6-inch connection.....	5.00
For each 8-inch connection.....	10.00
For each 10-inch connection.....	15.00
For each 12-inch connection.....	20.00

SPECIAL CONDITIONS

The above rates are applicable only to private fire extinguishing service to which no connections for other than fire protection purposes are allowed, and, which are regularly inspected by the underwriters having jurisdiction, are installed according to specifications of the company, and are maintained to the satisfaction of said company. The company may install the standard detector type meter approved by the Board of Underwriters for protection against theft, leakage or waste of water.

If a distribution main of adequate size to serve a private fire extinguishing system in addition to all other normal service does not exist in the street or alley adjacent to the premises to be served, then a service main from the nearest existing main of adequate capacity shall be installed at the cost of the applicant.

For water delivered, based on monthly meter readings, "General Use" charges shall apply.

map or sketch drawn to an indicated scale upon a sheet 8 1/2 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 marking the various tracts of land and territory served and the location of various properties of applicant.

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

Dated at San Francisco, California, this 17th day of April, 1951.

A. J. [Signature]
Justus J. Gallivan
Harold A. Hill
Francis P. Pottier
Peter E. Mitchell
Commissioners.