

Decision No. 46377

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

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

) Application No. 32447

Bacigalupi, Elkus & Sakinger, by Claude M. Rosenberg and DeWitt A. Higgs, attorneys, for applicant; J. J. Deuel, for California Farm Bureau Federation, interested party; Albert C. Boyer, City Attorney, City of Chula Vista, protestant; Edwin M. Campbell, City Attorney, City of National City, protestant; S. W. Shepard, for Rohr Aircraft Corporation, protestant; Martin Barrow, LeRoy Seckler, and Paul M. Sapp, for United States Public Housing Administration, protestant; Paul D. Engstrand, Jr., attorney for South Bay Irrigation District, protestant; James Don Keller, District Attorney, for County of San Diego and Board of Supervisors, interested parties; and Charles W. Mors, for the Commission staff.

O P I N I O N

California Water & Telephone Company is a public utility engaged in the business of rendering water and telephone service in a number of communities in California. In this application it asks the Commission for authority to increase its rates for water service in its Sweetwater District in San Diego County. It seeks an additional annual revenue of \$200,000. The application alleges that the present rates do not produce sufficient revenue to meet increased operating costs. The drought condition in San Diego County, which has depleted the local sources of water supply, makes it necessary for the company to purchase substantial quantities of Colorado River water to meet the requirements of its consumers.

Public hearings in this matter were held before Examiner O'Brien in San Diego, on August 29 and 30, 1951.

Normally the company's principal source of water for this system is the impounded runoff of Sweetwater River. The water is stored in two reservoirs having a combined capacity of 53,000 acre feet. Applicant also has a supplemental supply from wells located in the Sweetwater River Valley and a well located near National City. Sweetwater Reservoir is located about 4 miles east of the Cities of Chula Vista and National City and has a capacity of 27,700 acre feet, while Loveland Reservoir is located 16 miles farther east, upstream on the river, and has a capacity of 25,400 acre feet. Owing to the protracted drought condition that has existed since 1941, the water in storage as of July 1, 1951, totalled 4,886 acre feet in Sweetwater Reservoir and approximately 1,000 acre feet in Loveland Reservoir. The supply in the former reservoir is largely Colorado River water. That water was obtained from the Cities of Chula Vista and National City, as members of the San Diego County Water Authority. The cities are entitled to a portion of the deliveries of Colorado River water through the San Diego Aqueduct.

The contract between the company and the cities, dated February 24, 1948, provides for the payment by the company of the following charges for the purchase and delivery of the Colorado River water:

1. A standby charge equivalent to 11% of the gross revenue received by the company for water sales in the Sweetwater District.
2. A charge equal to that to be paid by the two cities to the San Diego County Water Authority for water delivered.
3. A surcharge by the two cities of one dollar per acre-foot of water delivered to the company.

Water from the Colorado River was first delivered to the company on December 24, 1947, through the facilities of the City of San Diego. On April 16, 1948, Colorado River water was delivered directly to the company's Sweetwater Reservoir through a pipe line owned by the San Diego Water Authority.

Applicant's retail water rates presently in effect were established by this Commission in its Decision No. 43721, issued January 17, 1950. A comparison of the rates at present in effect with other rates proposed by applicant is shown as follows:

	<u>Present</u>	<u>Proposed</u>
<u>Monthly Quantity Charges: Commercial & Industrial</u>		
First 500 cu. ft., or less	\$2.00	\$2.40
Next 1,500 cu. ft., per 100 cu. ft. ....	.30	.38
Next 28,000 cu. ft., per 100 cu. ft. ....	.20	.25
Over 30,000 cu. ft., per 100 cu. ft. ....	.18	.22
<u>Monthly Quantity Charges: Irrigation</u>		
First 500 cu. ft., or less	\$2.00	\$2.40
Next 1,500 cu. ft., per 100 cu. ft. ....	.30	.38
Next 8,000 cu. ft., per 100 cu. ft. ....	.15	.18
Over 10,000 cu. ft., per 100 cu. ft. ....	.09	.10
<u>Monthly Quantity Charges: Governmental Service & Municipal</u>		
First 30,000 cu. ft., per 100 cu. ft.	\$0.20	\$0.25
Over 30,000 cu. ft., per 100 cu. ft. ....	.18	.22½
Fire hydrants, each per month	\$3.00	\$3.75
Sprinkling hydrants, each per month...	2.00	2.50

The minimum charges for 5/8 x 3/4-inch meter are requested to be increased from \$2.00 to \$2.40 per month. The minimum monthly charges for the larger sized meters are also increased as set out in the application.

The record shows that the present rates are based on the assumption that the company would purchase an average of 3,000 acre feet of Colorado River water per year. This average was determined from the net safe yield of the Sweetwater River, supplemented with water produced from wells, and the average volume of requirements indicated by sales. Owing to the continuation of the drought.

condition resulting in practically no runoff from the Sweetwater River, the company has been compelled to acquire Colorado River water for almost all of the deliveries to its consumers. The increased operating cost brought about by the necessity for buying such large quantities of water is applicant's asserted reason for asking for a rate increase. The following table shows the quantity of water purchased, the quantity charge, and the standby charge including the surcharge paid to the cities for the years 1949 and 1950 as recorded, and as estimated reflecting applicant's estimated revenues at present and proposed rates for the year 1951:

Item	1949 Recorded	1950 Recorded	1951 Estimated	
			Present Rates	Proposed Rates
Quantity purchased, A. F.	9,214.8	11,544.4	11,820	11,820
Quantity charge	\$111,346	\$ 137,271	\$ 153,700	\$ 153,700
Standby charge	<u>71,831</u>	<u>91,616</u>	<u>97,500</u>	<u>119,000</u>
Total charges	183,177	228,887	251,200	272,700

The results of operation of the system were submitted by applicant and by the Commission staff for the years 1949 and 1950

as recorded, and estimated for the year 1951 at present and proposed rates. These data are summarized in the following table:

Item	1949 Recorded	1950 Recorded	1951 Estimated**			
			Present Rates		Proposed Rates	
	Applicant	Comm. Staff	Applicant	Comm. Staff	Applicant	Comm. Staff
Operating Revenues	\$ 666,069	\$ 850,978	\$ 902,200	\$ 902,210	\$1,101,100	\$1,101,360
<u>Operating Expenses</u>						
Other than taxes & depr.	351,868*	409,763*	468,200	460,700	489,700	482,200
Taxes	102,904*	160,548*	168,560	171,768	255,719	259,030
Depreciation (5% S.F.)	23,107	24,928	32,265	28,448	32,265	28,448
Total Expenses	477,879	595,239	669,025	660,916	777,684	769,678
Net Revenue	188,190	255,739	233,175	241,294	323,416	331,682
Rate Base	6,203,000	6,366,900	6,833,000	6,789,800	6,833,000	6,789,800
<u>Rate of Return</u>						
At 47% Fed. Inc. Tax,	3.03%	4.02%	3.41%	3.55%	4.73%	4.89%
At 50% Fed. Inc. Tax					4.61%	

Notes: * Expenses incurred in connection with proceedings before the Commission were adjusted by the Commission staff to an average year basis, with offsetting adjustment of federal income taxes.

Ø Recorded sums except that certain general expenses and taxes were adjusted as noted, and depreciation expense is the Commission staff 5% sinking fund annuity instead of the recorded judgment figure. Rate bases are as developed by Commission staff.

** Estimates covering 1951 operations are for a year like 1951. The estimated revenues at proposed rates cannot be realized fully in 1951 because the proposed rates cannot be made effective for the entire year.

The staff report also showed rates of return developed on the 5% modified sinking fund basis, using a depreciated rate base, as follows:

1949 Recorded	2.85%
1950 Recorded	3.92
1951 Estimated (Present Water Rates)	3.42
1951 Estimated (Proposed Water Rates)	4.87

There were no material differences between applicant's and the staff's estimates of the various elements entering into results of operation. Both studies used the recorded seven months' actual revenues and expenses in estimating 1951 operations. The rate base for both estimates was based on the figures developed

by the staff in connection with Application No. 29094 and set forth in Commission's Decision No. 43721, issued January 17, 1950, brought forward to 1951. It is apparent that applicant's earnings of about $3\frac{1}{2}\%$ under present rates are inadequate.

Computations by a witness for applicant showed that if the return on the investment in Loveland Dam project of \$2,650,000 were limited to $4\frac{1}{2}\%$, assumed to be the minimum financial obligation for those facilities, return for the balance of the system under proposed rates would be 5.14% .

As the service requirements grow it is necessary to develop new or additional sources of water supply. In this territory such sources are largely limited to storage projects, since the underground formations are not conducive to subsurface storage and to production of large quantities of water by pumping from wells. The seasonal distribution of rainfall in San Diego County requires storage of sufficient capacity to carry over long periods of subnormal rainfall and runoff. Rainfall records show that a season of unusually heavy rainfall is ordinarily followed by several years of subnormal precipitation. All of the major storage projects in San Diego County have been constructed well in advance of needs in order that they could obtain an initial supply of storage from the infrequent years of heavy rainfall and runoff.

Loveland Dam was completed with the expectation of having the reservoir filled by the heavy runoff which was expected to occur during the late forties. However, 1941 was the last year of any substantial rainfall. The runoff on the Sweetwater River for that year amounted to 65,669 acre feet. The year of 1944 was the last year that the runoff approximated the usage of the Sweetwater system. The mean annual runoff for the period 1886 to 1950, inclusive, which is the total period of record, is 16,480 acre feet, the maximum year being 160,590 acre feet during the season

of 1915-1916. Practically no runoff was received during seasons 1897-1898 to 1903-1904, inclusive. Under such circumstances the average runoff has little or no significance unless adequate storage is available to equate fully the demands. All water consumed on the system and not produced from local sources, must be purchased from outside sources of supply. In this case such supply is the Colorado River.

Representatives of the Public Housing Administration protested the increased rate proposed for its housing projects. They contended that the increase was excessive when compared to the increases proposed for other classes of customers. The record shows that the rate for Federal Housing service would be increased 35% under the proposed rates, while increases to other classes of services varied from 15% to 25%, with an over-all increase of 22%. This class of service covers water deliveries to eight housing projects that include 1,899 housing units, the construction being classified as either demountable or temporary. The service is presently being rendered under a special schedule of rates applicable to governmental and municipal use and is based on the total quantity of water delivered to each project. The proposed rate for this class of service is designed for multiple housing service characteristics. The rate is such as to charge each housing unit within the project for the type of service furnished at about the same level as that collected from other domestic customers. A consideration of the evidence submitted in this connection indicates that the proposed increase is too severe at this time and that the multiple housing projects should be allowed to take service under the proposed governmental and municipal schedule. Application of that rate will result in an increase of 25.3% in charges and reduce applicant's estimated annual income from

the proposed rates by approximately \$5,600. The proposed multiple housing service schedule will not be authorized at this time.

Rohr Aircraft Corporation protested the proposed increase in rates on the grounds that the agricultural rate was lower than the rate for industrial service. It asks either that industrial customers be given the agricultural rate or that a schedule be designed that would be applicable to both classes of service. The record shows that the Sweetwater system was originally constructed for irrigation purposes. Irrigation sales were the major source of revenue for many years. However, the area is gradually changing from an agricultural to a residential and industrial community. During the year 1950, irrigation sales have dropped to only 42% of the water delivered. Agricultural customers have for many years been permitted a lower rate than domestic and industrial users. In the past few years the agricultural rate has been increased along with other classes of service to such an extent that now only truck crops may be profitably grown in the area. The expansion of subdivisions and increased industrial and commercial demands are causing a gradual replacement of the agricultural use. In time, this rate may be eliminated. A similar evolution was cited as being experienced in the nearby La Mesa, Lemon Grove, and Spring Valley Irrigation District and the City of San Diego, in which special rates for irrigation service have assertedly been withdrawn. A review of the operating conditions on applicant's system, however, indicates that the time for abandoning the agricultural rate has not yet arrived.

Rohr Aircraft Corporation also suggested that a surcharge should be applied to all bills geared to the actual purchases of water each year. Such a rate treatment was in its opinion preferable to basing the rates on average purchases, since an

average is unreliable under continuing drought conditions in that area.

The rates requested by applicant are designed to cover the purchase of practically all water used on the system, excepting approximately 1,500 acre feet that are now being produced from a well located in National City. However, it is contemplated that the rates established in the following order will be continued in effect only until such time as the water supply situation is definitely improved, or until a material change is made in the contract between applicant and the cities covering the terms and conditions of payment of standby charges. The record shows that the existing contract expires in November, 1951, and that a new contract is being negotiated, which may result in some modification of the payments of these charges. The Commission intends to retain jurisdiction in this proceeding until the present abnormal situation stabilizes.

With the exception of the multiple housing schedule, the rates proposed by applicant will be established in the following order. The rates as modified above and established herein are estimated to produce an increase of \$193,000 in gross revenue and yield a rate of return of 4.8% on a depreciated rate base, which return we find not to exceed a fair and reasonable return.

O R D E R

California Water & Telephone Company, a corporation, having applied to this Commission for an order authorizing increases in water rates in its Sweetwater District, public hearings having been held, the matter having been submitted and now being ready for decision,

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

rates, in so far as they differ from those herein prescribed for the future, are unjust and unreasonable; therefore,

IT IS HEREBY ORDERED that:

1. Applicant is authorized to file in quadruplicate with this Commission after the effective date of this order, in conformity with General Order No. 96 the schedule of rates shown in Exhibit A, attached hereto, and on not less than three (3) days' notice to the Commission and the public to make said rates effective for the service rendered on and after December 1, 1951.
2. California Water & Telephone Company shall file with this Commission a verified copy of any contract entered into by and between the company and the Cities of Chula Vista, National City, and/or other public agency governing the charges or conditions applicable to the purchase and delivery of Colorado River water, said contract to be filed within thirty (30) days after its execution.
3. California Water & Telephone Company shall on or before March 15, 1952, file with this Commission a statement showing the actual and expected seasonal rainfall and runoff of the Sweetwater River for the 1951-1952 season, a forecast of the quantity of water that will be available for distribution to its consumers from its river and well sources of supply, and the estimated quantity of Colorado River water that will be purchased during 1952 to meet the demand for service.
4. The Commission retain jurisdiction herein for the purpose of ordering either with or without hearing further adjustments in the rates prescribed herein based upon an evaluation of the factors to be

EXHIBIT A
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Schedule No. 1

DOMESTIC, COMMERCIAL AND INDUSTRIAL METERED SERVICE

APPLICABILITY

Applicable to all domestic, commercial and industrial 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:		<u>Per Meter</u> <u>Per Month</u>
First	500 cubic feet or less	\$ 2.40
Next	1,500 cubic feet, per 100 cubic feet . . . . .	.38
Next	28,000 cubic feet, per 100 cubic feet . . . . .	.25
Over	30,000 cubic feet, per 100 cubic feet . . . . .	.22
 Minimum Charge:		
For	5/8 x 3/4-inch meter	\$ 2.40
For	3/4-inch meter	3.00
For	1-inch meter	3.50
For	1 1/2-inch meter	5.00
For	2-inch meter	7.00
For	3-inch meter	12.00
For	4-inch meter	19.00
For	6-inch meter	34.00
For	8-inch meter	42.00
For	10-inch meter	54.00
For	12-inch meter	78.00

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
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Schedule No. 2

IRRIGATION METERED SERVICE

APPLICABILITY

Applicable to all irrigation 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 Per Month</u>
First 500 cubic feet or less	\$ 2.40
Next 1,500 cubic feet, per 100 cubic feet . . . . .	.38
Next 8,000 cubic feet, per 100 cubic feet . . . . .	.18
Over 10,000 cubic feet, per 100 cubic feet . . . . .	.10

Minimum Charge:

For 5/8 x 3/4-inch meter	\$ 2.40
For 3/4-inch meter	3.00
For 1-inch meter	3.50
For 1 1/2-inch meter	5.00
For 2-inch meter	7.00
For 3-inch meter	12.00
For 4-inch meter	19.00
For 6-inch meter	34.00
For 8-inch meter	42.00
For 10-inch meter	54.00
For 12-inch meter	78.00

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 AND MUNICIPAL

APPLICABILITY

Applicable to the Cities of Chula Vista and National City, County of San Diego and the Federal Government.

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 30,000 cubic feet, per 100 cubic feet	\$ 0.25
Over 30,000 cubic feet, per 100 cubic feet . . . . .	.22 $\frac{1}{2}$
 Fire Hydrants:	
Each, per month	3.75
 Sprinkling Hydrants:	
Each, per month	2.50
 Minimum Charge:	
For 5/8 x 3/4-inch meter	\$ 2.40
For 3/4-inch meter	3.00
For 1-inch meter	3.50
For 1 $\frac{1}{2}$ -inch meter	5.00
For 2-inch meter	7.00
For 3-inch meter	12.00
For 4-inch meter	19.00
For 6-inch meter	34.00
For 8-inch meter	42.00
For 10-inch meter	54.00
For 12-inch meter	78.00

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

supplied for this record as prescribed in the two preceding paragraphs of this order.

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

Dated at San Francisco, California, this 6th day of November, 1951.

R. J. [Signature]
 President.

James F. [Signature]

Harold [Signature]

[Signature]

[Signature]
 Commissioners.