

ORIGINAL

Decision No. 46658

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application)
of SAN DIMAS-CHARTER OAK DOMESTIC)
WATER COMPANY for authority to)
increase rates.)

Application No. 32756
(Amended)

Trent G. Anderson, attorney, for applicant;
James F. Wilson for the Commission staff.

O P I N I O N

San Dimas-Charter Oak Domestic Water Company, a corporation, by the above-entitled application filed September 19, 1951, seeks authority to increase its rates for domestic metered service in and about San Dimas and Charter Oak in unincorporated territory, Los Angeles County, California. The application was amended at the hearing by the filing of a different schedule of proposed rates than those originally applied for in Exhibit D of the application.

A public hearing in this matter was held before Examiner Warner in San Dimas, California, on December 19, 1951, at which time the matter was submitted.

San Dimas-Charter Oak Domestic Water Company is engaged in the business of distributing and selling water for domestic purposes to consumers in and about San Dimas and Charter Oak, Los Angeles County, California, in accordance with a certificate of public convenience and necessity granted by the Commission on January 20, 1913. Its present rates were established by the Commission's Decision No. 42172, dated October 26, 1948, in Application No. 29398. San Dimas Water Company, a mutual water

#2

company, owns all of the capital stock of applicant, and members of its board of directors and officers serve both companies.

Applicant's service area comprises approximately 2,300 acres including many small farms and poultry ranches in the area lying south of Foothill Boulevard, just west of the City of LaVerne and east of Glendora. The service area boundaries are generally delineated on the map filed at the hearing as Exhibit No. 1. As of the date of the hearing, water service was being furnished to 1,409 consumers. All water service is metered.

Applicant's entire water supply is purchased from San Dimas Water Company and is delivered to the applicant at three separate locations in the service area at a rate of \$0.04 per miner's inch hour. Water is secured by applicant through its ownership of 163 shares of stock of the mutual water company. This ownership entitles applicant to an annual amount of 26,080 miner's inch hours, more or less, of water. This annual entitlement is exceeded by more than double that amount, on the average, through water made available to applicant by the mutual water company on the basis of a contractual understanding between the parties.

Water storage is provided by two 500,000-gallon reservoirs located within the service area, and as of August 30, 1951, the distribution system consisted of 231,898 feet of transite and steel water mains varying in diameter from 2 inches to 10 inches. Applicant's general manager and secretary testified that the distribution system includes many dead ends which have created severe operating problems with respect to the maintenance of adequate pressures in portions of the service area, together with problems relating to the efficient and adequate distribution of the water delivered by the mutual water company to applicant's storage reservoirs. He stated that applicant had recently retained an

engineering firm to prepare a study of the water system embracing an analysis of present and future water supply requirements, as well as necessary improvements and enlargements of the distribution system to provide for anticipated demands. The following tabulation is a summary of recommended improvements submitted at the hearing by applicant's manager which, however, had not been adopted by applicant's board of directors at the date of the hearing, but which indicates in some degree applicant's future water system and financial needs:

<u>Project No.</u>	<u>Description</u>	<u>Estimated Cost</u>
1	Conversion of irrigation reservoir to domestic use at main booster plant	\$ 15,000
2	Tie-in and equipment to create pressure zone I	13,775
3	Tie-in and equipment to create pressure zone II	10,500
4	Connection to the treated water aqueduct of the Metropolitan Water District - creation of pressure zone 3 together with necessary 10-, 12- and 14-inch pipe lines	78,000
5	New reservoir in Charter Oak District with new boosting equipment, 500,000-gallon capacity	26,200
6	Interconnections on Cienega Avenue in zone 3	8,750
7	Interconnection on Cypress Avenue in zone 3	<u>3,500</u>
	Total Recommended Improvements	155,725

As shown in the balance sheet dated October 31, 1951, contained in Exhibit No. 4, notes payable to San Dimas Water Company bearing 5% interest, dated December 15, 1950, due December 15, 1951 (extended to December 15, 1952), amounted to \$100,000; accounts payable to San Dimas Water Company for capital improvements amounted to \$17,014.36; cash on hand and in the bank

amounted to \$5,949.88; and accounts receivable amounted to \$3,041.98. The record shows that applicant has never paid any dividends on its capital stock issued and outstanding of 750 shares of an aggregate par value of \$75,000.

At its present rates, based on 11 months actual and 1 month estimated, the 1951 net operating revenues after taxes and depreciation amounted to \$3,659.63, interest and other charges amounted to \$5,684.65, leaving a net loss of \$2,025.02. In its application, applicant alleged that the total revenue derived from the sale of water at the present rates has been inadequate due to sharp increases in costs of material and labor, coupled with expansions of the system which have taken place within the service area. Applicant's witness testified that with a small populated area in the east and a large agricultural area in the west, applicant is obliged to maintain 162 feet of main per service connection and that in the outlying area there is one service for every 8 acres of ground.

In order to finance a portion of the most necessary improvements to its system, applicant proposes to draw on an unexpended credit balance secured by San Dimas Water Company, amounting to approximately \$50,000. This amount would be available to applicant on a note bearing 5% annual interest rate and would be in addition to the note payable and accounts payable due San Dimas Water Company, heretofore mentioned, totaling \$118,000.

The following tabulation is a summary and comparison of applicant's present rates, and its proposed rates as amended at the hearing:

SAN DIMAS-CHARTER OAK DOMESTIC WATER COMPANY
SUMMARY AND COMPARISON OF PRESENT AND PROPOSED RATES*

Quantity Charge:		Present	Proposed
		Rates Per Meter	Rates Per Month
First	500 cu.ft., or less	\$ 1.50	\$ 2.00
Next	4,500 cu.ft., per 100 cu.ft.	.18	.20
Next	11,000 cu.ft., per 100 cu.ft.	.12	.15*
Over	16,000 cu.ft., per 100 cu.ft.	.10	.12*
 <u>Minimum Charge:</u>			
For	5/8 x 3/4-inch meter	\$ 1.50	\$ 2.00
For	3/4-inch meter	1.80	3.00
For	1-inch meter	2.10	5.00*
For	1 1/2-inch meter	2.40	7.50*
For	2-inch meter	3.00	12.00*
For	3-inch meter	-	17.00*
For	4-inch meter	6.25	25.00

* As amended at the hearing.

There are thirty 1-inch, eight 1 1/2-inch, eight 2-inch and two 4-inch meters in service.

The record shows that 57.45% of the consumer months during the year 1950 fell in the consumption block of 1,100 cu. ft., or less, per month. Under the present rates, the monthly bill for water usage of 1,100 cu. ft. is \$2.58, and under the proposed rates, the monthly charge for 1,100 cu. ft. of water usage would be \$3.20, or an increase of 23%.

Exhibit No. 4 contains a summary of earnings and rate base for the years 1947 through 1951 estimated at the present rates, and for the estimated years 1951 and 1952 at the proposed rates. Applicant's witness requested that the estimate for 1952 be ignored due to the uncertainties surrounding the estimated additions to fixed capital which have not been authorized by applicant's officers and due to the uncertainties of the procurement of materials created

by the National Defense Program. Further, definite plans have not been worked out for the connection to the treated water aqueduct of the Metropolitan Water District indicated in the schedule of recommended improvements included hereinbefore. A report on applicant's results of operations for the year 1951 was submitted at the hearing as Exhibit No. 6 by a Commission staff engineering witness. The earnings information with respect to the years 1950 and 1951 contained in Exhibits Nos. 4 and 6 is summarized in the following tabulation:

SUMMARY OF EARNINGS
YEAR 1950 ACTUAL, AND YEAR 1951 ESTIMATED
AT PRESENT AND PROPOSED RATES*

Item	Year 1950		Year 1951 Estimated#		
	Actual	Present Rates	Proposed Rates*	Proposed Rates*	Proposed Rates*
	Per Co.:	Per Co.:	Per PUC:	Per Co.:	Per PUC:
	Ex.No.4:	Ex.No.4:	Ex.No.6:	Ex.No.4:	Ex.No.6:
Operating Revenues	\$ 59,900	\$ 66,733	\$ 66,681	\$ 79,899	\$ 77,578
Operating Expenses (Before Taxes and Depreciation)	40,171	50,906	51,805	50,906	51,805
Taxes	4,086	3,757	3,677	6,961	6,310
Depreciation	8,292	8,410	8,410	8,410	8,410
Total Operating Expenses	52,549	63,073	63,892	66,277	66,525
Net Operating Revenue	7,351	3,660	2,789	13,622	11,053
Rate Base ^Ø	246,218	258,351	241,844	258,351	241,844
Rate of Return	3.0%	1.4%	1.2%	5.3%	4.6%

* Company Exhibit No. 4 estimate for 1951 at proposed rates based on application as originally filed; Staff Exhibit No. 6 estimate for 1951 at proposed rates based on application as amended at the hearing except for certain proposed minimum charges which were amended subsequent to the preparation of Exhibit No. 6.

11 months actual, 1 month estimated.

Ø Average rate base, depreciated.

In discussing his 1951 estimate of operating revenues under both the present and proposed rates, applicant's witness testified that he had utilized an anticipated 12% customer growth as a basis for such estimate.

Applicant's estimate of operating expenses for the year 1951 reflected an increase over the operating expenses for the year 1950 in the cost of water purchased from \$0.035 per miner's inch hour to \$0.04 per miner's inch hour, placed in effect by San Dimas Water Company late in 1950. It also reflected increases in salaries and the assignment of what was purported to be a more equitable proration of San Dimas Water Company's operating expenses to applicant's operations by the former. As shown in Exhibit No. 5 filed at the hearing, the total pay roll of San Dimas Water Company, other affiliated companies and applicant, for the first 11 months of 1951, amounted to \$46,563.66. San Dimas Water Company charged on its books \$20,932.38; applicant charged \$18,947.89 to operating expense; \$3,771.08 was capitalized by applicant; and \$813 was charged to reserve for depreciation for the rehabilitation of meters and the total pay roll charged on applicant's books amounted to \$23,531.97. Other companies, affiliated with San Dimas Water Company, charged \$2,099.31. The pay roll of San Dimas Water Company comprises seven employees, including the general manager, office manager and five ditch tenders at \$2,192.57 per month, and applicant's pay roll includes seven employees which comprise four service personnel, one full-time office clerk, one part-time office clerk and one part-time pumping man, totaling \$1,781.03. On an annual basis these pay rolls total \$47,683.20. They reflect pay roll adjustments effected by San Dimas Water Company and applicant during 1951. Their magnitude and proration as between companies appear to be conservative and reasonable, respectively.

Applicant's rate base was computed by starting with the fixed capital allowed by the Commission staff and authorized in Decision No. 42172, dated October 26, 1948, hereinbefore referred to, and adding thereto the net additions and betterments through December, 1951. The estimated average rate base for the year 1951 includes the average fixed capital for that year. Applicant's investment in water stock of San Dimas Water Company amounting to \$44,279, as set forth in Exhibit No. 6, comprises the actual investment therein plus the total assessments to August 16, 1948, for fixed capital additions.

Depreciation reserve requirements and annual depreciation expense were computed by both applicant's witness and the Commission staff engineering witness on the straight-line basis.

After a careful review of the record it is evident that applicant is in need of financial relief, and the estimated rate of return for the year 1951 at the proposed rates as amended of 4.6% as determined by the Commission staff's engineering witness, the components of which are hereby adopted for the purpose of this proceeding, is not considered to be excessive, and the rates applied for as amended at the hearing will be authorized by the order herein.

Although the record shows that notices of the hearing in this matter were sent to all consumers, and that notice of the hearing was published in a newspaper of general circulation throughout the area, no objection to the application as amended was entered by any party.

O R D E R

San Dimas-Charter Oak Domestic Water Company, a corporation, having applied for authority to increase its domestic

metered service rates, a public hearing 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 are unjust and unreasonable; therefore,

IT IS HEREBY ORDERED that 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, a schedule of rates shown in Exhibit A attached hereto and on not less than five (5) days' notice to the Commission and to the public to make said rates effective for service rendered on and after February 11, 1952.

IT IS HEREBY FURTHER ORDERED that applicant, within thirty (30) days from the effective date of this order, shall file with this Commission four (4) sets of rules and regulations governing customer relations.

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

Dated at San Francisco, California, this 15th day of January, 1952..

R. T. Ingram
President.
James F. Calver
Harold D. Kula
Robert L. Fitzhugh
Commissioners.

EXHIBIT A

Schedule No. 1

GENERAL METERED SERVICEAPPLICABILITY

Applicable to all measured domestic water service.

TERRITORY

Throughout the authorized service area in and about San Dimas and Charter Oak in unincorporated territory, Los Angeles County.

RATES

Quantity Rates:		<u>Per Meter</u> <u>Per Month</u>
First	500 cubic feet, or less	\$2.00
Next	4,500 cu. ft., per 100 cu. ft.20
Next	11,000 cu. ft., per 100 cu. ft.15
Over	16,000 cu. ft., per 100 cu. ft.12
Minimum Charge:		
For	5/8 x 3/4-inch meter	\$ 2.00
For	3/4-inch meter	3.00
For	1-inch meter	5.00
For	1 1/2-inch meter	7.50
For	2-inch meter	12.00
For	3-inch meter	17.00
For	4-inch meter	25.00

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