

ORIGINAL

Decision No. 46703

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the matter of the Application of)	
the Southern California Water Company)	
for authority to withdraw the Bell)	
Area from its Central District and)	Application No. 32484
make it a separate operating District)	
to be known as the Bell District;)	
and to increase water rates in the)	
Bell District.)	

O'Melveny & Myers, by Lauren M. Wright
for applicant.

OPINION AND ORDER

Southern California Water Company, a corporation, operating a number of water distribution systems in various communities in California, and relatively minor electric and ice businesses, filed the above-entitled application on June 14, 1951, asking for authority to withdraw the Bell area, Los Angeles County, from its Central District and make it a separate operating system, to be known as the Bell District, and to increase water rates in this territory, to produce an estimated additional revenue of \$34,930 when based on the 1952 level of business. Applicant's proposed rates are set forth in Exhibit A attached to the application and are estimated to provide a 41% increase in revenue. The operations in the Bell District accounted for approximately 3.4% of the total revenues from the company's water systems for the year 1950. A public hearing on this application was held before Examiner M. J. Kimball on November 19, 1951 at Los Angeles.

The facilities of applicant for serving water to customers in the Bell District consist of production, transmission, storage and distribution equipment. The water supply is obtained entirely from five company-owned wells. Two of the wells are located at the Otis Plant and one each at the Atlantic, Watson, and Bissell Plants. Storage is provided by a 200,000-gallon elevated tank located at the Bissell Plant. Booster pumps are located at all plants of the system and pump water directly into the distribution mains with the surplus being delivered into the storage tank. As of December 31, 1950, the company had in service 136,803 lineal feet of pipe to distribute water to 3,080 customers located in the City of Bell. Of the total customers, 3,068 were domestic or commercial customers and 12 were industrial. All the customers are on a metered service schedule. In addition, there were 178 fire hydrants connected to the system.

Company's Position

In general, the company seeks an increase in revenues for 1952 in this district in order to raise the rate of return from an estimated 3.42% to 6.26% for that year. Applicant claims that this additional revenue is necessary in order to earn a fair return on the capital invested in facilities used and useful in rendering service to the public. The reason it requests such a large increase at this time is due to the disproportionate cost of new capital, which has been required in this area since the close of World War II, and increased maintenance and operation expenses as compared with prewar costs. Applicant's construction budget for its Bell District is approximately \$85,000 for the year 1951 and approximately \$60,000 for the year 1952.

Applicant's Exhibit No. 2 shows that the cost of some 20 common items of material used in the system, has increased to as much as 163% during the 10-year period from 1940 to 1950, inclusive; applicant further claims that the pay per hour has increased sharply in this period, and for the period 1947 through October 1951 has increased at an average rate of 8.75% per year.

The last rate increase authorized in the Bell area was by the Commission's Decision No. 16253, dated March 19, 1926, in which the Bell Water Company, the predecessor company, was authorized to increase domestic water rates. Subsequently, decreased schedules of domestic rates were established by informal negotiations in 1929. Under Decision No. 36931, dated March 7, 1944, seven districts, including the Bell District, were consolidated to form the Central District. The uniform rates established for the Central District resulted in lower rates for the Bell area.

The rate of return under present rates for this system as computed by the company, indicates the following downward trend:

1949 Recorded	5.63%
1950 Recorded	5.49
1951 Estimated*	4.57
1952 Estimated	3.42

* Nine months actual and three months estimated.

Evidence of Earnings

The company and the Commission staff presented analyses of earnings under the present rates for the year 1950 and estimated for the years 1951 and 1952. The following table briefly presents results for the estimated years 1951 and 1952 as presented in company and staff exhibits:

BELL DISTRICT - EARNINGS ON PRESENT RATES

	<u>Company - Exhibit No. 2</u>		<u>Staff Exhibit No. 4</u>	
	<u>Year 1951</u>	<u>Year 1952</u>	<u>Year 1951</u>	<u>Year 1952</u>
Revenues	\$83,900	\$84,440	\$85,510	\$87,800
Expenses and Taxes	62,020	65,380	62,564	63,692
Net Revenues	21,880	19,060	22,946	24,108
Rate Base (Deprec.)	478,500	557,570	463,990	539,200
Rate of Return	4.57%	3.42%	4.95%	4.47%

The difference in company and staff estimates of 1952 revenues is due primarily to the difference in estimates of customer usage. The staff estimated a usage of 16.97 hundred cubic feet per average consumer month while the company estimated a usage of 16.44. A staff witness testified that the probable average use would fall within the range of the two estimates, and recommended the use of a figure midway between the two figures. Accordingly, for the purpose of this decision a 1952 estimated average usage of 16.7 hundred cubic feet per consumer month will be used to develop revenues and expenses related to usage.

A portion of the water produced in the Bell area is transported to the company's Florence-Graham area through the mains of the City of Huntington Park. In both company and staff estimated expenses for 1951 and 1952 an adjustment has been made to reflect the transfer of water out of the Bell System. However, for 1952 the company and staff treatment of expense adjustments to water transferred out of the Bell area was at variance.

A new well and pumping plant at the Bissell Plant was placed in operation in October 1951. This new plant has a deep-well turbine pump driven by a natural gas engine and will produce water at a considerably lower unit cost than the other existing facilities. In operation, practically all of the water transported out of the Bell territory is produced from this new plant. In computing the expenses to allocate to the Florence-Graham District for 1952, the staff used the mean of two costs: (1) the average cost of all water produced in the Bell District; and (2) the cost of water produced only by the new Bissell Plant. The company computed the cost of transmitted water on the basis of costs of operation of the new Bissell Plant for 1952, although for the years 1949, 1950, and 1951 the deductions from expenses were made at the average cost of water produced in the Bell area. Both the company and the staff made adjustments to the 1951 and 1952 fixed capital to reflect plant capital used in producing water transferred out of the Bell area. The testimony indicates that the present arrangements for the transfer of water from the Bell District to the Florence-Graham District are temporary and probably will not be continued beyond the middle of 1953.

We are of the opinion that the staff method of handling expenses and plant capital in connection with the water delivered from the Bell District to the Florence-Graham District is a reasonable one, and it will be used in determining the estimated 1952 expenses and plant capital herein.

Conclusions on Earnings

It is evident that the company will fail to earn a reasonable return on its investment for the year 1951 at present rates and, unless rate relief is granted, it will also fail to earn a reasonable return for 1952 operations. Plant expenditures

made under existing inflated costs of labor and material require increased revenues to earn a fair return. Furthermore, the tax ~~and wage increases~~ ^{increases} ~~imposed~~ ^{and wage increases} permitted by the federal government must be considered in establishing rates if the utility is to receive a fair rate of return.

Having given consideration to all estimates of revenues and expenses for the years 1951 and 1952, we find that for the year 1952 the company will realize net revenues of approximately \$38,700 assuming applicant's proposed rates are in effect throughout the entire year. When tested against a rate base of \$545,900, which we hereby adopt, a rate of return of 7.1% results. In our opinion, increases in rates sufficient to produce a rate of return of 6% for the future should be authorized, and we find such rate of return to be fair and reasonable. On the basis of this finding we conclude that additional gross revenues of \$22,400 for the year 1952 are required, and increased rates to produce such gross revenues will be authorized in the following order.

Authorized Rates

In authorizing an increase in rates we are of the opinion that it is desirable to reduce the quantity of water included in the minimum charge in order to spread more equitably the cost of service among the various customers. The company's

rate blocking has been changed and the proposed rate levels modified to meet the findings of this order. The present rates, company proposed rates, and the authorized rates are as follows:

<u>Present Rates</u>		<u>Per Meter</u> <u>Per Month</u>
First	1,000 cu. ft. or less	\$1.25
Next	1,000 cu. ft., per 100 cu. ft.. . .	.11
Next	48,000 cu. ft., per 100 cu. ft.. . .	.10
Next	50,000 cu. ft., per 100 cu. ft.. . .	.09
Over	100,000 cu. ft., per 100 cu. ft.. . .	.07

<u>Company Proposed Rates</u>		
First	1,000 cu. ft. or less	\$1.75
Next	1,000 cu. ft., per 100 cu. ft.. . .	.17
Next	3,000 cu. ft., per 100 cu. ft.. . .	.15
Next	95,000 cu. ft., per 100 cu. ft.. . .	.12
Over	100,000 cu. ft., per 100 cu. ft.. . .	.10

<u>Authorized Rates</u>		
First	600 cu. ft. or less	\$1.25
Next	1,900 cu. ft., per 100 cu. ft.. . .	.14
Next	7,500 cu. ft., per 100 cu. ft.. . .	.12
Over	10,000 cu. ft., per 100 cu. ft.. . .	.10

After reviewing all of the evidence brought before us in the matter, it is our conclusion that an order should be issued increasing the rates in accordance with the findings herein, and that the applicant's request to withdraw the Bell area from its Central District and make it a separate operating system to be known as the Bell District should be granted.

O R D E R

Southern California Water Company having applied to this Commission for authority to establish a separate operating district to be known as the Bell District and to increase water rates in the said Bell District, 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 for the future, are unjust and unreasonable; therefore,

IT IS HEREBY ORDERED that:

1. Applicant is authorized to withdraw the Bell area from its Central District and make it a separate system to be known as the Bell District, as shown on the map entered as Exhibit No. 1 in this proceeding, and to set up and keep separate records and accounts for the Bell District and make separate special annual reports to this Commission for said district.
2. 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 after not less than five (5) days' notice to the Commission and the public, to make said rates effective for service furnished on and after March 1, 1952.
3. Applicant shall file, concurrently with the filing of the rates authorized herein, four sets of rules and regulations governing customer relations, each set of which shall contain a tariff service area map, acceptable to this Commission and in accordance with General Order No. 96; provided, however, that such filed map shall not be construed as a final or conclusive determination or establishment of the dedicated area of service or any portion thereof. The said rules and regulations and tariff service area map shall become effective coincident with the effective date of the authorized rates.
4. Within forty (40) days after the effective date of this order, applicant shall file four copies of a comprehensive map drawn to an indicated scale, not smaller than 500 feet to the inch, delineating

EXHIBIT A
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Schedule No. 1

METERED WATER SERVICEAPPLICABILITY

Applicable to all metered water service.

TERRITORY

In and about the incorporated City of Bell, Los Angeles County, as delineated on the map included in the tariff schedules.

RATES

Quantity Rates:	Per Meter Per Month
First 600 cu. ft. or less	\$1.25
Next 1,900 cu. ft., per 100 cu. ft.14
Next 7,500 cu. ft., per 100 cu. ft.12
Over 10,000 cu. ft., per 100 cu. ft.10

Minimum Charge:

For 5/8 x 3/4-inch meter	\$ 1.25
For 3/4-inch meter	1.70
For 1-inch meter	2.50
For 1½-inch meter	4.50
For 2-inch meter	6.50
For 3-inch meter	10.00
For 4-inch meter	15.00
For 6-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.

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Schedule No. 2

CONSTRUCTION AND OTHER TEMPORARY FLAT RATE SERVICE

APPLICABILITY

Applicable to unmetered water service for construction and other purposes of temporary nature, where the installation of a meter would not be feasible.

TERRITORY

In and about the incorporated City of Bell, Los Angeles County, as delineated on the map included in the tariff schedules.

RATES

(1)	For each 100 square feet of concrete sidewalk constructed	\$0.20
(2)	For each 100 lineal feet of concrete curb constructed40
(3)	For each 100 square feet of concrete gutter constructed40
(4)	For each 100 square feet of concrete street constructed40
(5)	For settling graded street, for each 100 square feet of street graded05
(6)	For settling backfill of trenches, for each lineal foot of trench with 16 square foot cross-sectional area, or less01

For each lineal foot of trench of over 16 square foot cross-sectional area the rate per foot of trench increases in proportion to the area.

SPECIAL CONDITIONS

1. For other temporary uses, an estimate of the quantity of water used will be made by the Company. The charge for this water will be made at the quantity rate for General Metered Service.

2. The applicant for such temporary service shall be required to pay to the Company in advance, the net cost of installing and removing any facilities necessary in connection with furnishing such service by the Company.

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Schedule No. 2

CONSTRUCTION AND OTHER TEMPORARY FLAT RATE SERVICE

(Continued)

SPECIAL CONDITIONS (Continued)

3. The applicant for temporary service shall be required to deposit with the Company a sum of money equal to the estimated amount of the Company's bill for such service or to otherwise secure, in a manner satisfactory to the Company, the payment of any bills which accrue by reason of such service so furnished or supplied.

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Schedule No. 4

FIRE SPRINKLER SERVICE

APPLICABILITY

Applicable to service for fire protection other than Municipal Fire Hydrant Service.

TERRITORY

In and about the incorporated City of Bell, Los Angeles County, as delineated on the map included in the tariff schedules.

RATE

For Service
Per Month

Per inch diameter of service \$1.00

SPECIAL CONDITIONS

1. The customer will pay, without refund, the entire cost of installing the fire sprinkler service.

2. The minimum diameter for fire sprinkler service will be 4 inches and the maximum diameter will not be more than the diameter of the main to which the service is connected.

3. The customer's installation must be such as to effectively separate the fire sprinkler system from that of the customer's regular water service. As a part of the sprinkler service installation there shall be a detector check or other similar device acceptable to the Company which will indicate the use of water. Any unauthorized use will be charged for at the regular established rate for General Metered Service, and/or may be grounds for the Company's discontinuing the fire sprinkler service without liability to the Company.

4. There shall be no cross-connection between the fire sprinkler system supplied by water through the Company's fire sprinkler service to any other source of supply without the specific approval of the Company. This specific approval will require, at the customer's expense, a special double check valve installation or other device acceptable to the Company. Any such unauthorized cross-connection may be the grounds for immediately discontinuing the sprinkler service without liability to the Company.

by appropriate markings the various tracts of land and territory served and the location of the various properties of applicants.

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

(RP)

Dated at ~~San Francisco~~ ^{Los Angeles}, California, this ~~29th~~ day of January, 1952.

A. J. [Signature]
 President.

Justin F. [Signature]

[Signature]

[Signature]

[Signature]
 Commissioners.