

ORIGINAL

Decision No. 46782

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of WHITTIER WATER COMPANY,)
a corporation, for authority to)
increase public utility water)
corporation rates.)
-----)

Application No. 32350
(Amended)

Application of WHITTIER WATER COMPANY,)
a corporation, for authority to)
charge and assess flat rates for)
domestic water service.)

Application No. 32362

William N. Parker and C. L. Gardner, attorneys,
for applicant; Mrs. S. Bishop, Mrs. W. P. Erickson,
Mrs. C. R. Rhodes, Lawrence J. Adams, Mrs. Marion
Lee Ellis, Lewis J. Evans, Ken Tallman, Edward Hall,
Mrs. C. N. Schroth, Mrs. Raymond A. Reiring,
Mrs. Philip Songen, Adelaide Barels, protestant-
consumers; Kenyon F. Lee, attorney, for Murphy Ranch
Mutual Water Company; C. G. Ferguson and Theo Stein
for the Commission staff.

O P I N I O N

Whittier Water Company, by the above-entitled applications filed April 26, 1951, and April 27, 1951, respectively, request authority to increase rates for public utility water service, and the establishment of flat rates for water service, in unincorporated territory south and east of the City of Whittier, Los Angeles County. The rate increase application was amended August 24, 1951, and was again amended November 27, 1951, to request the establishment of a different schedule of rates than originally applied for in Application No. 32350. By its interim opinion and order in Decision No. 45659, dated May 8, 1951, in Application No. 32362, the Commission authorized applicant to file a schedule of emergency monthly flat rates. An increase in said flat rates was requested

by the afore-mentioned second amended application in Application No. 32350. Applicant also requests authority to abandon its presently filed wholesale rate for sales to other public utility water corporations. At the hearing, applicant requested authority to adjust its books of account to reflect the results of a physical inventory and historical cost appraisal of its useful properties prepared by applicant's engineering consultants and submitted at the hearing as Exhibit No. 2.

These matters were consolidated for hearing, and public hearings therein were held before Examiner Warner on December 5 and 6, 1951, in Whittier, and the matters were submitted upon the filing of additional evidence on December 13, 1951.

General Information

Whittier Water Company, a California corporation, was incorporated April 15, 1907, and commenced operations in the vicinity of Whittier prior to enactment of the Public Utilities Act. Some of the operations of its predecessors in interest date back to the year 1891. Its presently filed schedule of rates was authorized by the Commission's Decision No. 9675 dated October 28, 1921, in Application No. 4815, except for the afore-mentioned emergency flat rates established by Decision No. 45659 in May, 1951. No other rate increase has been authorized by the Commission for applicant since the year 1921. Applicant's service area, as generally delineated on the map filed at the hearing as Exhibit No. 1, comprises about 11,000 acres of rapidly growing territory located in the southeast portion of Los Angeles County. In prior years this area was largely devoted to agriculture and citrus and walnut groves but due to the rapid expansion of suburban Los Angeles, portions of the area have been subdivided and many new homes have been constructed therein. The following tabulation indicates

the growth in number of consumers and total water sales from 1947 through the year 1952 estimated. It also indicates the substantial increase in domestic and consumer water sales and decrease in irrigation water sales:

Year:	: Consumers :		Water Sales (Inch Hours)		
	: Average :	Domestic :	:	:	:
	: Number :	&	:	:	:
	Per Year:	Commercial :	Industrial :	Irrigation :	Total :
1947	1,074	278,900	97,500	950,800	1,327,200
1948	1,301	379,585	87,750	936,768	1,404,103
1949	1,735	411,204	77,895	898,835	1,387,934
1950	2,205	544,138	92,474	665,465	1,302,077
1951	3,548	1,003,125	100,085	509,463	1,614,675
1952	5,743	1,659,146	98,300	483,000	2,240,446

Production and Transmission System

Applicant's production and transmission system comprises the following: (1) The right to 250 miner's inches of water produced at its Bassett plant, located adjacent to the San Gabriel River between the towns of El Monte and Puente, south of Garvey Boulevard and north of Valley Boulevard, near Five Points, from which water is transported a distance of about 5 miles through a 48-inch main owned by California Domestic Water Company, a mutual water company, to a central distributing point near the intersection of Palm Avenue and Beverly Boulevard in Whittier; (2) Its Bartolo plant, also located adjacent to the San Gabriel River, consisting of three artesian wells and one pumped well, producing between 100 and 300 miner's inches, as required, whence water is boosted over an intervening hill through a 16- and 20-inch pipe line 1½ miles south to the aforesaid central distributing point at the intersection of Beverly Boulevard and Palm Avenue; and (3) Purchases from Colima Tract Water Company and Rose Hills Memorial Park. Purchases from Colima Tract Water Company are on the basis of 100-hour inches

of continuous flow, 14 hours per day, from May 1 to October 31, or 1,400-hour inches per day for six months, amounting to 252,000-hour inches. Purchases from Rose Hills Memorial Park are minor.

The land, wells, and pumping facilities at both the Bassett and the Bartolo plants are now owned and operated by applicant. However, the record shows that completion of the Whittier Narrows Flood Control Dam, now under construction by the U. S. Government, will necessitate the protection of the Bartolo wells by concrete casings and the relocation of the Bartolo pumping plant to a site just below the dam. Included in applicant's estimate of capital expenditures for 1952, submitted as Exhibit No. 6, is an amount of \$45,000 for "Additions to Bartolo Relocation", estimated to be completed by May of 1952. However, applicant's witness, C. A. Garnier, president, testified that negotiations with the U. S. Government for flowage easements on the 94 acres, more or less, of Bartolo plant land had not been completed, particularly with respect to the final sum to be paid by the government to applicant for such easements. This witness further testified that such negotiations might not be completed for at least three years. The record shows that the U. S. Government has deposited \$94,000 to applicant's account in partial payment of such easements but the record does not show to what use this money has been put, if any, whether it bears interest, whether applicant intends to include it in operating income or in nonoperating income, whether it is to be used to retire indebtedness, or whether it is to be put to some other corporate use. It is important that the Commission be kept informed on this subject, and the order herein, therefore, will provide that applicant shall file with the Commission a detailed statement of the source and disposition of any lump sum payments to applicant by the

U. S. Government which have been received. The order will also provide that applicant shall continue to file with the Commission a report every six months indicating the progress of negotiations with the government regarding the relocation of the Bartolo plant, together with a detailed statement of any payments received from the government, and expenditures thereof made by applicant, until final settlement with the government and relocation of the Bartolo plant have been effected.

Distribution System

From the intersection of Palm Avenue and Beverly Boulevard in Whittier, water is conveyed through applicant's "Main Ditch" which, in part, consists of the original covered concrete ditch, and of which the balance is steel or concrete pipe. The "Main Ditch" pipe line, originally constructed as part of an irrigation system in 1910, traverses the City of Whittier from northwest to southeast and follows a meandering route under new concrete highways and freeways, markets and subdivisions. Consequently, its maintenance has presented a problem to applicant.

Applicant's estimated operating expenses for the year 1952 as shown in Exhibit No. 3 include a total of \$30,000 for repair and maintenance of the "Main Ditch", spread over a future 5-year period, commencing with the year 1952. This is in addition to estimated capital replacements attributable to the "Main Ditch" during 1952 of \$22,000, and the replacement of 1,000 feet of 36-inch line on Whittier Boulevard in the additional amount of \$36,000, for which applicant will be reimbursed by the State Highway Department.

Connected to the distribution system are seven booster pumping plants. Two booster plants deliver water into an 825,000-gallon concrete reservoir located on the northwest corner of California Avenue and 6th Street in East Whittier. This reservoir

serves some of the higher areas in its vicinity; the Cullen Street booster station increases the pressure in a small area adjacent thereto; the Granada booster plant serves a second pressure area in the vicinity of Granada Street and Stamy Road; a booster plant installed in June, 1951, increases the pressure in an area just south of the California Street reservoir. Additional booster stations are planned for 1952 on South Painter Avenue and on the Rincon Ditch in order to increase pressures in other areas on applicant's distribution system where low pressures have been complained of and are known to exist. The original fundamental design and construction of applicant's water system for irrigation purposes, primarily, and the change-over to domestic residential suburban service during most recent years and months, have required the pressuring by booster plant installations of various specific low-pressure areas.

Consumer Complaints and Applicant's Plans Relating Thereto

Several consumers appeared at the hearings to protest the granting of an increase in rates until and unless water pressures and other operating conditions are improved in their residential areas. Petitions in this regard were filed by residents of the Phoenix Tract and the Sorenson Manor Tract. Residents of the Lake Marie Homes Tract protested any increase in rates but did not complain about service. In addition, a representative of the Blue Pacific Lodge, a 22-unit motel, protested the rate increase, and an appearance and protest was also entered for the Laurel Lambert Tract. Mrs. Songen complained of debris and dirt in water coming from household faucets in her home in the Phoenix Tract. The company's witness, Garnier, testified that pressures had been increased in 1951 along California Street; that the Mills Street booster plant and Granada booster plant installations had increased pressures in their vicinities during the past year and during the

past few months, respectively. He further testified that planned capital improvements for the year 1952 would increase pressures on Sorenson Avenue, that a booster plant would be installed south of the Boys School to improve pressures in the Hersch Edmunds Tract and the Wilson Tract, that it would be necessary to enlarge the mains in the vicinity of Cullen Street, and that pressures in the Whittier Grove Tract would be improved, that applicant had spent \$400,000 within the last 22 months, and that he estimated that applicant would spend approximately \$200,000 within the next year for capital improvements to improve service conditions. The following tabulation is a schedule of such planned capital improvements for the year 1952 as shown in Exhibit No. 6:

<u>Estimated Completion Date</u>	<u>Description</u>	<u>Gross Estimated Cost</u>
March, 1952	Installation Pump Station, South Painter Avenue	\$ 20,000
March, 1952	Cement Line Cole Road Line	8,250
April, 1952	Replace 1,000' 36" line Whittier Blvd.	36,000*
May, 1952	3,000,000-gal. Reservoir in East Whittier	130,000
November, 1952	Booster Station on Rincon Ditch	<u>22,000</u>
Total Improvements - Year 1952		216,250

* Of this amount, \$18,000 will be
donated by State Highway Department.

Financing

In order to finance the planned capital improvements for the year 1952, including those designed to improve service as shown above, and also including additional installations in subdivisions and tracts, and the addition of new services and new meters, applicant alleged that it would be necessary to secure outside capital; that in order to secure such outside funds, its capital stock should be attractive to outside investors; and that in order that its capital stock be attractive to outside investors, its

financial condition, as reflected by its balance sheet, and earnings position for the years 1950 and 1951 estimated at the present rates, would have to be substantially improved through the establishment of the rates requested in the applications herein.

Applicant has a total authorized capital stock of 80,000 shares of the par value of \$50 each and of the aggregate par value of \$4,000,000, of which 3,000 shares of the aggregate par value of \$150,000 had been issued as of September 30, 1951.

According to its balance sheet of September 30, 1951, applicant's properties were subject to a mortgage payable to Pacific Mutual Life Insurance Company in the amount of \$250,000. The balance sheet of that date also showed, among other things, notes payable to the Security-First National Bank of Los Angeles, amounting to \$85,000; accounts payable amounting to \$42,281.02; and consumers' advances for construction amounting to \$409,943.76. Total current assets as of September 30, 1951, amounted to \$46,691.26, which included \$6,581.04 in cash and \$32,856.71 in accounts receivable. Surplus amounted to \$52,633.67 as of the same date.

By the Commission's Decision No. 46300, dated October 15, 1951, in Application No. 32777, applicant was authorized to issue at par value of \$50 per share, 2,000 shares of its Class-A 5½% cumulative preferred stock (aggregate par value of \$100,000), and 1,000 shares of common stock (aggregate par value of \$50,000), (total aggregate par value of \$150,000), for the purpose of paying a note outstanding in the amount of \$80,000 and of financing the cost of additions to its plants and properties consisting principally of mains, services, and meters to serve new customers. It was also authorized to issue 8,000 shares of its Class-B 3% cumulative preferred stock (aggregate par value of \$400,000), to be

offered to subdividers who have made advances for construction, in exchange for their advances at dollar for dollar. The witness, Garnier, testified that applicant planned to refund to subdividers advances for construction in the amount of at least \$300,000 "within the next 60 days" through the issuance of such Class-B preferred stock. However, he further testified that as of December 6, 1951, no such refunds had been effected and no stock had been issued.

Present and Proposed Rates

A summary and comparison of applicant's present and proposed rates (second amended application) is shown in the following tabulation:

	<u>Present Rates*</u>	<u>Proposed Rates</u>
<u>GENERAL METERED SERVICE</u>		
Quantity Charge:		
First 600 cu.ft. or less	\$1.00	\$ -
Next 1,400 cu.ft., per 100 cu. ft.....	.12	-
Over 2,000 cu.ft., per 100 cu.ft.....	.07	-
First 800 cu.ft., or less	-	1.75
Next 1,200 cu.ft., per 100 cu.ft.....	-	.16
Next 1,000 cu.ft., per 100 cu.ft.....	-	.13
Over 3,000 cu.ft., per 100 cu.ft.....	-	.11
Minimum Charge:		
For 5/8 x 3/4-inch meter, per month.....	\$ -	\$ 1.75
For 3/4-inch meter, per month.....	-	2.25
For 1-inch meter, per month.....	-	3.50
For 1 1/2-inch meter, per month.....	-	5.00
For 2-inch meter, per month.....	-	7.50
For 3-inch meter, per month.....	-	15.00
For 4-inch meter, per month.....	-	25.00
<u>MONTHLY FLAT RATES</u>		
For each residence including one lot consisting of 1/2 acre or less, per service...	\$2.00	\$ -
For each additional 1/2 acre.....	1.00	-
For each additional residence on lot.....	1.00	-
For each single family residence including one lot consisting of 10,000 sq. ft. or less, served through a 3/4" service.....	-	3.50
Each additional 100 sq. ft. in excess of 10,000 sq. ft.....	-	.02

(Continued)

	<u>Present Rates*</u>	<u>Proposed Rates</u>
<u>WHOLESALE DOMESTIC RATES</u>		
Applicable to sales to public utility water companies, per miner's inch hour (72 cu.ft.).....		
	\$0.04	\$ -

IRRIGATION RATE

Quantity Charge:		
Per miner's inch hour (72 cu.ft.).....	\$0.04	\$ 0.05
Minimum Charge (Annual):		
For 5/8 x 3/4-inch meter, per annum.....	\$ -	\$ 21.00
For 3/4-inch meter, per annum.....	-	27.00
For 1-inch meter, per annum.....	-	42.00
For 1 1/2-inch meter, per annum.....	-	60.00
For 2-inch meter, per annum.....	-	90.00
For 3-inch meter, per annum.....	-	180.00
For 4-inch meter, per annum.....	-	300.00

INDUSTRIAL RATE

Quantity Charge:		
Per 42-gallon barrel.....	\$0.00295	\$ 0.0054
Minimum Charge:		
Monthly Meter Charges.....	\$ -	Same as general metered service

MURPHY RANCH CONTRACT

Quantity Charge:		
Per miner's inch hour (72 cu.ft.).....	\$ -	\$ 0.045
Annual Minimum Charge.....	\$ -	\$ 6,000.00

* Present general metered service, wholesale, irrigation and industrial rates established by Decision No. 9975, dated January 9, 1922, in Application No. 4815; present flat rates established by interim opinion and order in Decision No. 45659, dated May 8, 1951, in Application No. 32362, herein being considered.

Applicant proposes to abandon its wholesale domestic rate applicable to sales to other public utility water companies. As applicant has no consumers using this schedule and no prospective

consumers for this service, it will be authorized to abandon the schedule. Also, the record shows that the Murphy Ranch contract was executed on December 5, 1951, and a copy was filed at the hearing as Exhibit No. 5. The rate provisions of this contract for water deliveries are those requested in the application and approval of the contract will be granted by the order herein.

The record shows that 49.59% of the consumer months fell in the consumption block of 1,100 cu. ft., or less, per month during the year 1950, and that their average charge was \$1.60, or less, per month. Under the proposed general metered service rates this would increase to \$2.23 or an increase of 39%. The Commission authorized on an emergency basis in May, 1951, by its Decision No. 45659 hereinbefore referred to, the establishment of a \$2 per month flat rate which, as of December, 1951, was being applied to approximately 400 consumers, and which is estimated to be applied to a total of 857 flat rate consumers by the end of 1952. The proposed flat rate of \$3.50 represents a 75% increase for those consumers. The flat rate was authorized by the Commission upon applicant's allegation in May, 1951, that it was unable to obtain meters for the Lake Marie Homes Tract, the residents of which were requesting immediate water service at that time. The rate schedule provided that meters would be installed by applicant "as soon as practicable". The witness, Garnier, stated that applicant, as of December, 1951, had been unable to obtain a sufficient number of meters from either Hersey Manufacturing Company (through Whittier Utilities Supply Company which supplies applicant with meters), or any other of its usual or other known sources of meter supply in sufficient quantities to supply the Lake Marie Homes Tract or to meet the demands created by the large subdivision water system installations being constructed elsewhere throughout applicant's

service area. A letter by applicant to Whittier Utility Supply Company dated December 11, 1951, a copy of which was filed at the hearing as Exhibit No. 10, indicates that, making no allowance for flat rate customers now on applicant's system, it had an immediate need for a total of 793 meters distributed as follows: For Tracts Nos. 16661 and 16565 (305 meters), 16082 (205 meters), 17299 and 15975 (206 meters) and 17259 (77 meters). In its reply, dated December 12, 1951, to this letter, Whittier Utility Supply Company stated that it was holding 510 meters in inventory for applicant, and expected to supply 283 additional meters within the next 120 days. It also stated that commencing May 1, 1952, it appeared that it would be able to furnish applicant 80 meters per month. A letter by applicant addressed to Neptune Meter Company dated December 7, 1951, requesting a bid by Neptune on at least 1,500 meters, was unanswered as of December 13, 1951.

It appears that applicant is still experiencing difficulty in obtaining a sufficient number of meters to complete installations throughout its service area, and the Commission's interim opinion and order authorizing the establishment of a flat rate will, therefore, be made final by the order herein except that the flat rate of \$2 per month, established by Decision No. 45659, will be increased to \$2.50 per month, and the special condition contained in the order regarding installation of meters will be retained.

Earnings

A report on applicant's earnings, prepared by an accountant witness for applicant, covering the years 1947 through 1950 as reported to the Commission in annual reports, for the year 1950 adjusted and reclassified, and for the years 1951 and 1952 estimated at present and proposed rates, was submitted at the hearing as Exhibit No. 3. This report utilized the results of an

historical cost appraisal submitted as Exhibit No. 2 prepared by applicant's engineering witness. A report on applicant's results of operation for the year 1951 recorded and estimated, and the year 1952 estimated, at present and proposed rates was submitted by Commission staff engineering witnesses as Exhibit No. 13. The information contained in Exhibits Nos. 3 and 13 is summarized in the following tabulation:

Item	Year 1950		Year 1951**		Year 1952 Estimated	
	Recorded	Reclass'd.	Pres. Rates	Pres. Rates	Proposed Rates**	Proposed Rates**
	Per Co. Ex. #3	Per Co. Ex. #3	Per PUC Ex. #13¢	Per PUC Ex. #13¢	Per Co. Ex. #3	Per PUC Ex. #13¢
<u>Operating Revenues</u>						
Metered	\$86,578	\$85,717	\$130,056	\$156,540	\$218,963	\$221,525
Flat	-	861	3,119	17,700	33,096	30,975
Total Oper. Rev.	86,578	86,578	133,175	174,240	252,059	252,500
<u>Operating Expenses</u>						
Before Taxes &						
Depreciation	58,237	49,783	72,340	99,830	111,724	100,040
Taxes	7,825	7,722	9,900	16,835	48,053	55,860
Depreciation	16,693	21,900	27,444	37,923	37,800	37,923
Total Oper. Exp.	82,755	79,405	109,684	154,588	200,577	193,823
Net Operating Rev.	3,823	7,173	23,491	19,652	51,482	58,677
Rate Base #						
(1)	-	-	556,900	875,078	824,613	875,078
(2)				975,078		975,078
Rate of Return			4.22%	2.25%(1) 2.02%(2)	6.24%	6.71%(1) 6.02%(2)

* Nine months recorded, 3 months estimated.

** Per Second Amended Application No. 32350 filed November 27, 1951.

¢ Revised to indicate corrected capitalization of overheads.

Depreciated Rate Base.

(1) and (2) - Rate Bases showing effect on Consumers' Advances before and after refunding provisions authorized by P.U.C. Decision No. 46300.

In discussing Exhibit No. 3, applicant's accountant witness testified that he had found it necessary to adjust and reclassify applicant's books for the year 1950 as a starting place for his estimates of operating expenses for the years 1951 and 1952

at the present and proposed rates. These adjustments and reclassifications had been found to be necessary for the reasons that; (1) certain operating expenses should have been capitalized; (2) certain operating expenses themselves had been incorrectly classified; and (3) some operating expenses not relating to applicant's operations, including certain power bills paid by applicant for Rivera Water System, another public utility water corporation which shares some of applicant's facilities, had been erroneously charged on applicant's books. These net adjustments resulted in a reduction of \$8,354 in total operating expenses for the year 1950 recorded, before taxes and depreciation.

Applicant's estimate of operating revenues for the year 1952 as shown in Exhibit No. 3 was based on an average of 4,815 general metered service consumers.

The estimates of operating expenses for the years 1951 and 1952 on a normal basis, as presented by applicant's witness in Exhibit No. 3, included substantial increases in the cost of water purchased due to increased amounts estimated to be purchased from the Colima Tract Water Company during 1952 to supplant applicant's sources of supply from the Bassett and Bartolo wells. Applicant's 1952 estimate of operating expenses also included substantial increases in the cost of repairs to pumping equipment, including the overhaul of gas engines at the Bassett and Bartolo plants every three years, the overhaul of deep well pumps and motors every five years, and the overhaul of booster pumps every seven years. A substantial increase in the cost of repairs to its mains, effected by the repairs to the "Main Ditch" in the amount of \$6,000 per year for five years, was also included in the 1952 estimate. Other major increases in operating expenses submitted by applicant, and as shown in Exhibit No. 3, are attributable to increases in salaries to

general officers and employees. The record shows that the total salaries on the Whittier Water Company pay roll, including salaries prorated to Rivera Water System, amounted to \$54,564, on an annual basis, as of October 1, 1951. These salaries reflected a wage increase granted on that date. Applicant's 1952 ad valorem tax estimate included an increase in general property tax anticipated to be levied by Los Angeles County if and when applicant's books were adjusted to reflect the historical appraisal shown in Exhibit No. 2. The 1952 total tax estimate included increases in pay roll taxes, due to increases in wages; increases in county franchise taxes, due to estimated increases in revenues; and increases in state and federal income taxes, due to increases in net income resulting from the proposed water service rates and due to increases in federal income tax rates. A federal income tax of 52% was utilized in applicant's estimate.

The difference between applicant's estimated operating expenses of \$114,724 and the Commission staff estimate of \$100,040 is accounted for, primarily, by transmission and distribution expenses, a difference of \$3,048; commercial expense, a difference of \$3,470; and total general and miscellaneous expenses, a difference of \$8,149.

The record shows that in addition to employing a president and general manager, secretary, treasurer and office manager, and assistant treasurer, as general officers, a superintendent, two pumpers, an engineer, three servicemen, and three office clerks; applicant's meter reading, billing, mailing, commercial accounting, bookkeeping, secretarial and certain other office work are performed by Garnier Construction Company on a fee basis; also, much of applicant's engineering work and capital construction work are performed by Garnier Construction Company; also, legal retainers are paid, and

much of applicant's work in this proceeding was contracted for on the outside. This outside work, the cost of which will amount to more than \$15,000 consisted of the preparation of the inventory and appraisal at a cost of \$10,000, proposed by applicant to be spread over a 10-year period for rate-making purposes, and the preparation of the independent accountant's report on estimated earnings, attorney's fees, and typing, at a cost of \$5,000, proposed to be spread over a 5-year period for rate-making purposes.

It is concluded after a careful review of the record in this proceeding that for a company of this size, and for a company which serves the compact operating area which this company does serve under the service and operating conditions experienced by it and with the sources of water supply outlined hereinbefore, the combined salaries and fees for outside services are excessive and result in depressing applicant's estimated earnings. The record does not contain evidential support for the inclusion of the full amount of such services in the estimated operating expenses for the year 1952. Total estimated operating expenses for the year 1952 adopted for the purpose of this proceeding will amount to \$181,000.

The estimated average rate base for the year 1952 as presented by the Commission staff engineering witness is greater than the estimated rate base presented by applicant's engineering witness for the reason that the staff's estimate was prepared after September 30, 1951, based on nine months' actual experience for that year, whereas the applicant's estimate was prepared after June 30, 1951, based on but six months' actual experience for the year 1951.

A letter dated December 11, 1951, submitted as Exhibit No. 11, signified applicant's agreement to the acceptance, for accounting purposes, of the "remaining life basis for depreciation." This basis was utilized in the annual depreciation expense estimate

and depreciation reserve requirement included in the staff Exhibit No. 13. It is hereby adopted for the purposes of this proceeding.

It is evident from the record that applicant is in need of some financial relief but the operating expenses estimated for 1952 are considered to be excessive as noted hereinabove. The order herein, therefore, will authorize the filing of a new schedule of rates which are considered to be just and reasonable. The new schedule of rates will produce total estimated operating revenues of \$240,000 for the year 1952, an increase of \$65,760, rather than the increase of \$78,260 requested. It is estimated that normal net operating revenue, after taxes and depreciation, will be \$59,000 which, when related to the estimated average depreciated rate base of \$875,070 and before taking into account the refunding provisions authorized by Decision No. 46300, will produce a rate of return of 6.7%. If applicant refunds \$200,000 of consumers' advances for construction during the year 1952, or an average of \$100,000 during that year, the rate base will be increased to \$975,070. When the above estimated normal net operating revenues of \$59,000 are related to the latter rate base, they will produce a rate of return of 6.0%.

Request to Adjust Books of Accounts to Reflect Historical Cost Appraisal.

With respect to applicant's request to adjust its books of account to reflect the results of the historical cost appraisal submitted as Exhibit No. 2, this appraisal showed total undepreciated fixed capital, including overhead, of \$913,116 as of December 31, 1950, as contrasted to total undepreciated tangible fixed capital of \$764,076.77 as shown in the balance sheet for December 31, 1950, attached to the original Application No. 32350 as Exhibit A. Applicant's witness testified that the most significant difference between the appraisal and the book accounts was in Account C-17, Transmission

Mains, due to the fact, as shown in the record, that applicant's predecessor owners and operators had failed to enter any charges to this and other accounts during the period 1945 through 1949, for unexplained reasons. The depreciation reserve requirement as shown in Exhibit No. 13, however, is estimated to be \$214,117 as of December 31, 1950, as compared with the book reserve of \$163,726. Applicant's request to adjust its books to conform to the appraisal shown in Exhibit No. 2 and to set up on its books the depreciation reserve in the amount of the reserve requirement indicated therein, appears to be reasonable and will be authorized by the order herein. However, the total cost of the inventory, appraisal and special audit in connection with the restatement of the books for the year 1950 will be charged to surplus rather than to future operating expenses. Applicant should exert more care and diligence in recording future additions to capital in accordance with instructions contained in the Uniform Classification of Accounts for Water Corporations prescribed by this Commission. The record shows that applicant's books of accounts have not been so kept, not only with respect to its capital accounts, but also with respect to its segregation of accounts between operating expenses and capital accounts and as among operating expense accounts themselves.

The record reveals a somewhat complicated affiliated-interests relationship between applicant's president, its supply company, its construction company and other affiliated operating companies. Applicant is placed on notice that the Commission will expect these relationships to be simplified and that Whittier Water Company's books, records, and affairs be rearranged so as to be maintained and conducted independently of other affiliated operations. To the extent that facilities are constructed or materials or services are purchased from affiliated

interests, the cost to the affiliated interest is important in determining the reasonableness of charges to applicant. (Smith v. Ill. Bell Telephone Co., 282 U.S. 133, 152-153, 75 L. ed. 255, 265. Western Distributing Co. v. Public Service Com., 285 U.S. 119, 124-127, 76 L. ed. 655, 658-659. Columbus Gas & Fuel Co. v. Public Utilities Commission, 292 U.S. 398, 400-401, 78 L. ed. 1327, 1329.) The Commission will, therefore, require the filing of appropriate reports in this regard. Also, applicant must not intermingle its operations with the operations of its affiliates. Regulated and non-regulated operations must be kept separate and separate accounts therefor established. (Panhandle Eastern Pipeline Co. v. Federal Power Commission, 324 U.S. 635, 639-647, 89 L. ed. 1241, 1246-1250).

The order herein will also provide that applicant shall immediately check the individual services and service areas of all consumer-protestants who entered appearances at the hearings to determine the nature and the remedy for each complaint and shall file a statement within sixty (60) days showing what action has been taken or is planned to be taken to correct the conditions complained of. Applicant will also be required to file monthly progress reports on the completion of planned capital improvements during the year 1952 as shown by Exhibit No. 6.

O R D E R

Whittier Water Company, a corporation, having applied to the Commission for an order authorizing an increase in its water rates and charges; having applied for authority to establish a schedule of flat rates for water service; having requested authority to abandon its wholesale rate for water sales to other public utility.

water companies; having requested approval of a contract with the Murphy Ranch Company; and having requested authority to adjust its books to conform to an historical cost appraisal submitted at the hearing as Exhibit No. 2, public hearings having been held and the matters having been submitted 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 as follows:

1. 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 the public to make said rates effective for service rendered on and after March 15, 1952.
2. That applicant shall file coincidentally with the rate filing authorized herein, four copies of rules and regulations and tariff service area map acceptable to this Commission and in accordance with the requirements of General Order No. 96.
3. That applicant shall file within forty (40) days after the effective date of this order 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 locations of various properties of applicant.
4. That applicant be and is authorized to cancel its presently filed wholesale rate for water sales to other public utility water companies.
5. That the contract between applicant and Murphy Ranch Mutual Water Company, executed December 5, 1951, copy of which was submitted at the hearing in this proceeding as Exhibit No. 5, be and is hereby approved.
6. a. That applicant is authorized to restate its books of account to conform to the appraisal of its properties submitted at the hearing as Exhibit No. 2, and to set up on its books the depreciation reserve in the amounts of the reserve requirement as indicated therein. Prior to restating its books setting up the depreciation reserve, applicant shall file with the Commission its proposed accounting entries.

- b. The total cost of the inventory, appraisal, and special audit in connection with the restatement of the books for the year 1950 will be charged to surplus rather than to future operating expenses.
7. That applicant shall review annually the accruals to its depreciation reserve which shall be based upon spreading the original cost of the plant, less estimated net salvage, and less depreciation reserve, over the estimated remaining life of the property; and the results of these reviews shall be submitted annually to the Commission.
 8. That applicant shall within fifteen (15) days submit in writing to the Commission a detailed statement of the source and disposition of funds on deposit advanced to its account by the U. S. Government in partial payment of flowage easements on the Bartolo plant lands comprising 94 acres, more or less, and shall every six (6) months submit in writing a detailed statement of the progress of negotiations with respect to the final settlement of payment for such flowage easements and the amounts and disposition of any funds received by applicant in consideration thereof.
 9. Effective March 15, 1952, if applicant shall purchase materials or services or contract plant construction from a person, partnership or company affiliated with the applicant or with the management of applicant, applicant shall require from and shall keep on file at its offices in Whittier, records showing in detail the cost to said affiliated interest of any such materials or services, or plant construction, together with the amount paid therefor by applicant.
 10. That applicant shall immediately check all services and service areas of those consumer-protestants who are listed in the appearances in this proceeding to determine the nature of and remedy for each complaint. Applicant shall also file monthly progress reports on the completion of planned capital improvements during the year 1952 as shown in Exhibit No. 6.

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

Dated at San Francisco, California, this 19th
day of February, 1952.

J. Z. [Signature]
President.
Justin J. Cooney
Harold P. Huls

Commissioners.

EXHIBIT A
Page 1 of 4

Schedule No. 1

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all measured domestic water service.

TERRITORY

Throughout the authorized service area in unincorporated territory south and east of the City of Whittier, Los Angeles County.

RATES

Quantity Rates:	<u>Per Meter</u> <u>Per Month</u>
First 800 cu. ft. or less.....	\$1.75
Next 1,200 cu. ft., per 100 cu. ft.....	.16
Next 1,000 cu. ft., per 100 cu. ft.....	.13
Over 3,000 cu. ft., per 100 cu. ft.....	.11
Minimum Charge:	
For 5/8 x 3/4-inch meter.....	\$1.75
For 3/4-inch meter.....	2.25
For 1-inch meter.....	3.50
For 1 1/2-inch meter.....	5.00
For 2-inch meter.....	7.50
For 3-inch meter.....	15.00
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.

EXHIBIT A
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Schedule No. 2

INDUSTRIAL SERVICE

APPLICABILITY

Applicable to all measured industrial water service.

TERRITORY

Throughout the authorized service area in unincorporated territory south and east of the City of Whittier, Los Angeles County.

RATES

Quantity Rates:

Per 42-gallon barrel..... \$ 0.0054

Minimum Charge:

For 5/8 x 3/4-inch meter.....	\$ 1.75
For 3/4-inch meter.....	2.25
For 1-inch meter.....	3.50
For 1 1/2-inch meter.....	5.00
For 2-inch meter.....	7.50
For 3-inch meter.....	15.00
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.

EXHIBIT A
Page 3 of 4

Schedule No. 3

IRRIGATION SERVICE

APPLICABILITY

Applicable to all measured irrigation water service.

TERRITORY

Throughout the authorized service area in unincorporated territory south and east of the City of Whittier, Los Angeles County.

RATES

Quantity Rates:

Per miner's inch hour (72 cu. ft.)..... \$ 0.05

Minimum Charge:

Per Year

For 5/8 x 3/4-inch meter.....	\$ 21.00
For 3/4-inch meter.....	27.00
For 1-inch meter.....	42.00
For 1 1/2-inch meter.....	60.00
For 2-inch meter.....	90.00
For 3-inch meter.....	180.00
For 4-inch meter.....	300.00

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

EXHIBIT A
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Schedule No. 4

FLAT RATE SERVICE
(Temporary Schedule)

APPLICABILITY

Applicable to all unmeasured domestic water service only during such period as meters are unavailable.

TERRITORY

Throughout the authorized service area in unincorporated territory south and east of the City of Whittier, Los Angeles County.

RATES

Per Service
Per Month

For each single family residence on one lot consisting of 10,000 sq. ft. or less, through a 3/4-inch service.....	\$2.50
For each additional 100 sq. ft. in excess of 10,000 sq. ft.....	0.02

SPECIAL CONDITION

1. A meter will be installed by the Company as soon as practicable after receipt of water meters from Company's supplier.