

ORIGINAL

Decision No. 46929

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 from its Central)
 District the remaining portion of its South)
 Los Angeles System after the sale of)
 properties to the City of Los Angeles;)
 to add the Northerly portion thereof to) Application No: 32727
 its Normandie District; to add the)
 Southerly portion thereof to its)
 Gardena-Lawndale District; and to put)
 into effect the Normandie District and)
 the Gardena-Lawndale District Rates in)
 the portions respectively requested to)
 be included in the Normandie and)
 Gardena-Lawndale Districts.)

O'Melveny & Myers, by Lauren M. Wright,
for applicant; Bruce M. Whaley and
Mrs. H. Williams, consumers, in propria
personae; protestants; H. J. McCarthy
and C. T. Mess; for the Commission staff:

O P I N I O N

Southern California Water Company, a corporation, by the above-entitled application filed September 6, 1951, seeks authority to withdraw from its Central District the remaining portion of its South Los Angeles System after the sale of properties to the City of Los Angeles^{1/} and to add the northerly portion thereof to its Normandie District and to apply its presently filed Normandie District rates therein; and to add the southerly portion thereof to its Gardena-Lawndale District and to apply its presently filed Gardena-Lawndale District rates therein. The areas affected by

- 1/ (a) Sale approved by Decisions Nos. 45932 and 45965 dated July 10, 1951, and July 17, 1951, in Application No. 32468.
- (b) Properties affected by the sale are shown on Chart 1, Exhibit No. 4 filed at the hearing.

this application are shown in detail on the map, Exhibit No. 1, in pink and green for the Normandie District and on the map, Exhibit No. 2, in yellow and blue for the Gardena-Lawndale District.

A public hearing in this matter was held before Examiner Warner on February 27, 1952, in Los Angeles and the matter was submitted for decision on that date on the filing of Exhibits Nos. 8, 11 and 12, on March 10, 1952.

Southern California Water Company, a California corporation, was incorporated on December 31, 1929, under the name of American States Water Service Company of California. This name was changed to Southern California Water Company on December 18, 1936. In addition to its public utility water business it is engaged as a public utility in the distribution of electric energy in Big Bear Valley, San Bernardino County, and as a nonutility in the manufacture of ice at Barstow, also located in San Bernardino County. Martin and Goold Water Corporation, a public utility, is a wholly owned subsidiary serving 3,588 water consumers in the vicinity of applicant's Walnut Grove System near Arcadia, Los Angeles County. As of December 31, 1951, water service was being furnished by applicant and its subsidiary to a total of 69,769 consumers throughout its 28 water systems, all located in Southern California, except South Sacramento System. Some systems are combined as districts either for operating or accounting purposes, or both. Applicant's total gross operating revenues for 1951 from water system operations, including its subsidiary, amounted to \$2,808,311.

As shown in Exhibit No. 12, applicant's annual report for 1951, the sale to the Department of Water and Power of the City of Los Angeles of all of applicant's Sunland-Tujunga System

(5,217 consumers), a portion of its South Los Angeles System, which is a component of its Central District, (7,712 consumers), a portion of its Venice-Culver City System (16,754 consumers), and a portion of its Gardena-Lawndale System (637 consumers), a total of 30,320 consumers, was effected June 8, 1951, for a total of 33,342,944.

On December 31, 1950, applicant's South Los Angeles System comprised 9,468 consumers. After the transfer of 7,712 consumers to the city during 1951 and after gaining 93 new consumers during the year, 1,849 consumers were left in the South Los Angeles System as of December 31, 1951. Of this number, 1,077 consumers were included in the territory proposed to be annexed to applicant's Normandie District, and 772 consumers were included in the territory proposed to be annexed to applicant's Gardena-Lawndale District.

Applicant's witness, C. P. Harnish, president, testified that applicant desired to effect the proposed annexations in order to realize certain economies. He stated that it would be impracticable to operate the remaining northerly and southerly portions of the South Los Angeles System jointly as a separate system due to a significant difference in operating pressures caused by differences in elevation between the two portions. He also stated that a substantial part of the water produced in the northerly portion at applicant's Belhaven Plant is now being transported into and is now being consumed by the present Normandie District, and that such water constitutes a major source of water supply for that district. Also, a substantial part of the water produced in the southerly portion at applicant's Wadsworth Plant is being transported into and is now being consumed by the present

Gardena-Lawndale District, and that such water constitutes a major source of water supply for that district.

The witness Harnish testified further that it would not be practicable to operate the Normandie District and the Gardena-Lawndale District as a combined system at this time due to the fact that Metropolitan Water District water is not yet available to the Normandie District and to a portion of Gardena-Lawndale District. He stated that neither the Normandie District area, nor the northerly portion of the South Los Angeles System area proposed to be annexed thereto is within the bounds of the Metropolitan Water District^{2/}, and none of their sources of water supply is located in the so-called West Basin. He also stated that all of the Gardena-Lawndale District area west of the Los Angeles city limits lies within the bounds of the Metropolitan Water District in the West Basin Municipal Water District, and Metropolitan Water District water is available to that portion of the Gardena-Lawndale District. However, the Wadsworth Plant is located outside the so-called West Basin and outside the bounds of the Metropolitan Water District.

The subject of the availability of Metropolitan Water District water to either or both Normandie and Gardena-Lawndale Districts is pertinent to this proceeding due to its present and future effect on rates for water service therein. It is also pertinent in so far as Metropolitan Water District water serves or may be available to serve as a substitute for water now being obtained from underground sources in the West Basin. A Superior

^{2/} An election on whether or not to join the Metropolitan Water District was to have been held in the Normandie District area on March 11, 1952.

Court referee's proposed report in the case of California Water Service, et al, plaintiffs, vs. City of Compton, et al, defendants, No. 506806, has recommended that water production in the West Basin be reduced by 65% in order to attempt to save the Basin from further salt water intrusion and in order to arrest the depletion of underground supplies of water now taking place. This report would not affect applicant's Belhaven or Wadsworth Plants.

It is evident from the record that applicant is obliged and plans to conduce the fullest benefits to the Normandie District and Gardena-Lawndale District from the utilization of its own underground sources of water supply, together with the Metropolitan Water District source of water supply available to it, and the application to annex the areas as proposed is considered not to be adverse to the public interest with respect to sources of water supply and proposed water system operations.

As of December 31, 1951, water service was being furnished to 4,574 consumers in the Normandie District, and 188 fire hydrants were connected to that system. It is proposed to transfer 1,077 consumers and 39 fire hydrants to the Normandie District from the northerly portion of the South Los Angeles System, making a total of 5,651 consumers and 227 fire hydrants therein.

The source of water supply of the present Normandie District includes six wells with a total production capacity of 2,380 gallons per minute. It is proposed to transfer applicant's Belhaven Plant Wells Nos. 1 and 2, with total production capacity of 1,655 gallons per minute, from the former northerly portion of the South Los Angeles System. This will increase the Normandie District's total source of water supply to 4,035 gallons per minute. The record shows that it is estimated that the northern portion of

the remaining South Los Angeles System will require only 20% or 30% of the water produced at the Belhaven Plant; the balance being available to augment the water supply to the balance of the Normandie District. The distribution system as of December 31, 1951, in the present Normandie District comprised 217,315 feet of main and in the area proposed to be annexed 78,470 feet, for a total of 295,785 feet of main in the Normandie District as proposed. All services are metered.

A comparison of applicant's presently filed general metered service rates for the South Los Angeles System and Normandie District is shown below:

Rates:	Per Meter Per Month	
	South Los Angeles System*	Normandie District#
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	
First 700 cu.ft., or less		\$ 1.70
Next 1,800 cu.ft., per 100 cu.ft. ....		.19
Next 7,500 cu.ft., per 100 cu.ft. ....		.16
Over 10,000 cu.ft., per 100 cu.ft. ....		.14

* Became effective April 15, 1944, by Decision No. 36931.

Became effective December 26, 1950, by Decision No. 45061.

This tabulation indicates that for a monthly consumption of 1,100 cu. ft., a present consumer on the South Los Angeles System who now pays \$1.36 for such water usage, if annexed to Normandie as proposed, would pay \$2.46 for that consumption, or an increase of 81%.

A report of operations in the South Los Angeles System and the Normandie and Gardena-Lawndale Districts pursuant to the instant application was submitted as Exhibit No. 3 by applicant's engineering witness. This report includes a summary of operations

of the northerly portion of the South Los Angeles System requested to be added to the Normandie District for the year 1951, assuming the sale of properties to the City of Los Angeles had taken place prior to January 1, 1951. Exhibit No. 3 also includes a summary of operations for the Normandie District with or without the proposed annexation for the year 1952 estimated. A summary of earnings of Normandie District, including and excluding the proposed annexation for the year 1951 adjusted, was submitted as Exhibit No. 10 by a Commission staff engineering witness, and its components were testified to by other Commission staff engineering witnesses. The earnings information pertaining to Normandie District contained in Exhibits Nos. 3 and 10 is summarized in the following tabulation:

Item	: Northerly : Portion : So.L.A. Sys. : Year 1951 : Present : Rates : Per Ex. 3	: : Normandie: : District : District : Proper : Year 1951 : Adjusted : Per Ex. 10	: : Normandie: : District : Incl. Prop. : Annexation : Year 1951 : Adjusted : Per Ex. 10	: : Normandie: : District : Present : Normandie : District : Yr. 1952 : Estimated : Per Ex. 3	: : Normandie: : District : Incl. Prop. : Annexation : Year 1952 : Estimated : Per Ex. 3
Operating Revenue	\$ 24,294	\$186,606	\$225,618	\$190,300	\$231,470
Operating Expenses	19,889	135,740	162,980	139,010	168,920
Net Operating Revenue	4,405	50,866	62,638	51,290	62,550
Rate Base (Deprec.)	136,079	872,000	1,007,000	958,260	1,137,390
Rate of Return	3.24%	5.83%	6.22%	5.35%	5.50%

There is no significant difference between the staff's estimates of earnings of the Normandie District and the estimates submitted by applicant.

It is evident, from a review of the record, that the northerly portion of the South Los Angeles System did not earn a fair return during 1951, and that if the northerly portion of the South Los Angeles System had been annexed to Normandie District, the latter would not have earned an excessive return during 1951 and that if the northerly portion of the South Los Angeles System

were annexed to Normandie District the latter would not earn an excessive return during 1952. The earnings estimates for the year 1951 adjusted and for the year 1952 estimated as shown in Exhibits Nos. 3 and 10, with respect to the northerly portion of South Los Angeles System and Normandie District prior to and after the proposed annexation, are hereby adopted for the purposes of this proceeding.

It appears, therefore, that applicant's proposal to add the northerly portion of the South Los Angeles System remaining after the transfer of certain Central District properties to the City of Los Angeles on August 27, 1951, to its Normandie District and to put into effect, therein, the Normandie District rates is not adverse to the public interest and that the increase in rates proposed to be effected in the territory proposed to be annexed is just and reasonable. The order herein will provide for the authority to effect the addition and annexation to the Normandie District as applied for.

As of December 31, 1951, water service was being furnished to 11,642 consumers in the Gardena-Lawndale District and 419 fire hydrants were connected to that system. It is proposed to transfer 772 consumers and 13 fire hydrants to the Gardena-Lawndale District from the southerly portion of the South Los Angeles System, making a total of 12,414 consumers and 432 fire hydrants therein.

The source of water supply of the present Gardena-Lawndale District includes 11 wells with a total production capacity of 8,150 gallons per minute. It is proposed to transfer applicant's Willowbrook Plant and Wadsworth Plant Wells Nos. 1 and 3, with a total production capacity of 1,890 gallons per minute from the former southerly portion of the South Los Angeles System. This

will increase the Gardena-Lawndale District's total source of water supply from applicant's wells to 10,040 gallons per minute. These sources are supplemented by Metropolitan Water District water received from the West Basin Municipal District as discussed hereinbefore. The Willowbrook Plant (290 gallons per minute) serves the nonintegrated isolated area to the east as shown on Exhibit No. 2. Approximately 75% to 80% of the water produced at Wadsworth Plant is now transferred to the present Gardena-Lawndale District. The distribution system as of December 31, 1951, in the present Gardena-Lawndale District comprised 703,377 feet of main, and in the area proposed to be annexed, 55,692, for a total of 759,069 feet of main in the Gardena-Lawndale District as proposed. All services are metered.

A comparison of applicant's presently filed general metered service rates for the South Los Angeles System and Gardena-Lawndale District is shown below:

Rates:	Per Meter Per Month	
	South Los Angeles System*	Gardena- Lawndale District#
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	
First 800 cu.ft., or less		\$ 1.60
Next 1,700 cu.ft., per 100 cu.ft. ....		.15
Next 7,500 cu.ft., per 100 cu.ft. ....		.13
Next 40,000 cu.ft., per 100 cu.ft. ....		.11
Next 50,000 cu.ft., per 100 cu.ft. ....		.09
Over 100,000 cu.ft., per 100 cu.ft. ....		.08

* Became effective April 15, 1944, by Decision No. 36931.

Became effective December 26, 1950, by Decision No. 45068.

This tabulation indicates that for a monthly consumption of 1,100 cu. ft., a present consumer on the South Los Angeles System who now pays \$1.36 for such water usage, if annexed to

Gardena-Lawndale District as proposed, would pay \$2.05 for the consumption, or an increase of 51%.

The earnings information pertaining to the southerly portion of the South Los Angeles System proposed to be added to the Gardena-Lawndale District for the year 1951 and for the Gardena-Lawndale District, with or without the proposed annexation for the year 1951 adjusted and for the year 1952 estimated as contained in Exhibits Nos. 3 and 10, hereinbefore referred to, is summarized in the following tabulation:

Item	Southerly Portion : So.L.A. Sys. : Year 1951 : Present : Rates : Per Ex. 3	Gardena-Lawndale District : Incl. Prop. : Year 1951 : Proper : Adjusted : Per Ex. 10	Gardena-Lawndale District : Incl. Prop. : Year 1951 : Annexation : Adjusted : Per Ex. 10	Gardena-Lawndale District : Present : Year 1952 : Estimated : Per Ex. 3	Gardena-Lawndale District : Present : Year 1952 : Estimated : Per Ex. 3
Operating Revenue	\$ 21,375	\$380,186	\$408,548	\$427,040	\$456,680
Operating Expenses	16,770	281,740	302,020	317,300	338,970
Net Operating Revenue	4,605	98,446	106,528	109,740	117,710
Rate Base (Deprec.)	137,475	1,613,000	1,758,000	2,018,610	2,168,730
Rate of Return	3.35%	6.10%	6.06%	5.44%	5.43%

There is no significant difference between the staff's estimates of earnings of the Gardena-Lawndale District and the estimates submitted by applicant. It is evident from a review of the record that the southerly portion of the South Los Angeles System did not earn a fair return during 1951, and that if the southerly portion of the South Los Angeles System had been annexed to Gardena-Lawndale District, the latter would not have earned an excessive return during 1951 and that if the southerly portion of the South Los Angeles System were annexed to Gardena-Lawndale District the latter would not earn an excessive return during 1952. The earnings estimates for the year 1951 adjusted and for the year 1952 estimated as shown in Exhibits Nos. 3 and 10, with respect to

the southerly portion of the South Los Angeles System and Gardena-Lawndale District prior to and after the proposed annexation, are hereby adopted for the purposes of this proceeding.

It appears, therefore, that applicant's proposal to add the southerly portion of the South Los Angeles System remaining after the transfer of certain Central District properties to the City of Los Angeles on October 15, 1951, to its Gardena-Lawndale District and to put into effect therein the Gardena-Lawndale District rates is not adverse to the public interest and that the increase in rates proposed to be effected in the territory requested to be annexed is just and reasonable, and the order herein will provide for the authority to effect the addition and annexation to the Gardena-Lawndale District as applied for.

At the hearing, applicant requested permission to set up on its books of account for its Normandie District and Gardena-Lawndale District, respectively, the results of the historical cost appraisal, as shown in Exhibit No. 3, of the northerly and southerly portions of its South Los Angeles System remaining after the sale of properties to the City of Los Angeles. In connection with this request, applicant submitted as Exhibit No. 11 the proposed journal entries to effect such request. These journal entries appear to be reasonable and the permission requested relating thereto will be granted by the order which follows:

O R D E R

Southern California Water Company, a corporation, having applied for authority to withdraw from its Central District the remaining portion of its South Los Angeles System after the sale of properties to the City of Los Angeles, to add the northerly portion

thereof to its Normandie District, to add the southerly portion thereof to its Gardena-Lawndale District, and to put into effect the Normandie District and the Gardena-Lawndale District rates in the portions, respectively requested to be included in the Normandie and Gardena-Lawndale Districts, 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 it would be uneconomical and impracticable for Southern California Water Company either to continue to operate the remaining portions of its South Los Angeles System after the sale of properties to the City of Los Angeles jointly as a separate system or at this time to operate its Normandie District and Gardena-Lawndale District, with or without the annexation of the remaining portions of the South Los Angeles System after the sale of properties to the City of Los Angeles as a combined system, due to differences in operating pressures caused by differences in elevations, and due to the availability to applicant of Metropolitan Water District water in portions of the Gardena-Lawndale District and its unavailability in other portions, either with or without the proposed annexation thereto, and the unavailability to applicant of said Metropolitan Water District water in the Normandie District, either with or without the proposed annexation thereto, and due to the necessity of applicant to provide each system with an adequate source of water supply, which the plan of annexation contained in this application does provide;

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 Southern California Water Company be and it is authorized to add the northerly portion of its South Los Angeles System remaining after the sale of properties to the City of Los Angeles to its Normandie District and to place in effect therein its presently filed Normandie District rates for service rendered on and after May 1, 1952, and to add the southerly portion of its South Los Angeles System remaining after the sale of properties to the City of Los Angeles to its Gardena-Lawndale District and to place in effect therein its presently filed Gardena-Lawndale District rates for service rendered on and after May 1, 1952.

2. That applicant's request to set up on its books of account for Normandie District and Gardena-Lawndale District, respectively, the results of the historical cost appraisal, as shown in Exhibit No. 3, of the northerly and southerly portions of its South Los Angeles System remaining after the sale of properties to the City of Los Angeles in accordance with the proposed journal entries to effect such request as shown in Exhibit No. 11 be and it is approved.

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

Dated at San Francisco, California, this 1st day of April, 1952.

R. F. [Signature]
 President.

Justin J. Casseus

Harold P. Kula

W. E. [Signature]

Commissioners.