

**ORIGINAL**

Decision No. 47857

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application )  
of CALIFORNIA WATER & TELEPHONE )  
COMPANY to increase rates for ) Application No. 29523  
water service in its Coronado ) First Supplemental  
District. )

Bacigalupi, Elkus & Salinger, by Claude N. Rosenberg, and Miller, Higgs, Fletcher and Mack, by DeWitt A. Higgs, attorneys, for applicant; J. R. Goodbody, City Attorney, for City of Coronado, protestant; Jean L. Vincenz, Director of Public Works, for County of San Diego, Captain H. G. S. Wallace, USN (Ret), in propria persona, and Colonel James D. MacMullan, USA (Ret), president, for Coronado Civic League, interested parties; H. J. McCarthy, C. C. Ferruson and J. F. Donovan, for the Commission staff.

O P I N I O N

This application was filed November 29, 1951. It amends and supplements an original application filed July 19, 1948.

A public hearing on the original application was held before Examiner Syphers on October 21, 1948 in San Diego. Exhibits Nos. 1 to 10, inclusive, were introduced at that proceeding. By Decision No. 42421, dated January 12, 1949, applicant was authorized to place in effect, on February 1, 1949 the rates applied for on an interim basis. These interim rates constitute applicant's present rates.

Public hearings on the First Supplemental Application were held before Examiner Warner on April 23 and 24, 1952 in San Diego at which hearings applicant completed its direct showing. There was no cross-examination and the Commission staff made no direct showing. A motion by applicant for interim relief in the First Supplemental Application was taken under submission,

and the balance of the matter was continued to a date to be set. Adjourned public hearings for cross-examination of applicant's witnesses and for the introduction of evidence by the Commission staff were held before Examiner Warner on September 16 and 17, 1952 in Coronado at which time the matter was submitted.

Rates

The following tabulation is a comparison of applicant's present and proposed rates with the rates authorized by the order herein:

		<u>Present*</u>	<u>Proposed</u>	<u>Authorized</u>
		<u>Rates</u>	<u>Rates</u>	<u>Rates</u>
		<u>Per Meter Per Month</u>		
<u>GENERAL METERED SERVICE</u>				
<u>Quantity Rate:</u>				
(1) First	500 cu.ft., or less	\$ 1.50	\$ 2.00	\$ 1.90
Over	500 cu.ft., per 100 cu.ft.	.24	.33	.30
(2) First	500 cu.ft., or less	1.50	2.00	1.90
Next	9,500 cu.ft., per 100 cu.ft.	.25	.33	.30
Over	10,000 cu.ft., per 100 cu.ft.	.24	.33	.30
<u>Minimum Charge:</u>				
For	5/8 x 3/4-inch meter	\$ 1.50	\$ 2.00	\$ 1.90
For	3/4-inch meter	1.75	2.25	2.20
For	1-inch meter	2.25	3.00	2.80
For	1 1/2-inch meter	3.50	4.75	4.40
For	2-inch meter	5.00	6.75	6.25
For	3-inch meter	8.00	10.50	10.00
For	4-inch meter	15.00	20.00	19.00
For	6-inch meter	25.00	34.00	31.00
For	8-inch meter	35.00	48.00	44.00

- (1) Within the incorporated limits of the City of Coronado, North Island, Silver Strand, and South Bay area westerly of Highland Reservoir, in San Diego County.
- (2) Along transmission line between Coronado Wye and Highland Reservoir, in San Diego County.

PUBLIC AND PRIVATE HYDRANT RENTALS AND SERVICE FOR SPRINKLER SYSTEMS

Rates

Municipal and public fire hydrant charge, per hydrant	\$ 3.00	\$ 4.00	\$ 3.75
Private fire hydrant charge, per hydrant	3.00	4.00	3.75
Private fire service for sprinkler systems,			
For 4-inch connection	15.00	20.00	19.00
For 6-inch connection	25.00	34.00	31.00
For 8-inch connection	35.00	48.00	44.00
For 10-inch connection	50.00	65.00	63.00

\* Authorized by Decision No. 42421 dated January 12, 1949.

The record shows that the average consumption per customer during 1951 was approximately 1,500 cu.ft. per month. At the present rates the bill for such average consumption is \$3.90 in Coronado, and \$4.00 in South Bay. Under the proposed rates it would be \$5.30, an increase of approximately 36%. Under the authorized rates it will be \$4.90, an increase of approximately 25%.

Evidence

Comparative financial statements covering operations of the entire company, and a statement of the estimated income from water and telephone service, are shown in two of applicant's exhibits. According to these exhibits, the estimated earnings on 297,363 shares of common stock outstanding on April 15, 1952, are stated to be \$2.44 per share.

In a series of additional exhibits are shown detailed operating data applicable to the Coronado District. These tabulations set forth recorded revenues, operating expenses, taxes, depreciation annuity and capital, as recorded for the four-year period 1948 to 1951, and the estimated year 1952.

Applicant's Exhibit No. 20 is a statement of the estimated results of operation of the Coronado District for the estimated year 1952 at present and proposed rates. The results of operation are also summarized in Exhibit No. 36, prepared by the Commission's staff, covering the recorded years 1950 and 1951, as well as the estimated year 1952.

Earnings

The following tabulation is a summary of the earnings information of the Coronado District for the year 1951 recorded and for the estimated year 1952 at present and proposed rates as contained in Exhibits Nos. 20 and 36.

Item	Year 1951:		Estimated Year 1952		
	Recorded:		Present Rates		Proposed Rates
	Per PUC	Per Co.	Per PUC	Per Co.	Per PUC
	Exh. No. 36	Exh. No. 20	Exh. No. 36	Exh. No. 20	Exh. No. 36
Operating Revenues	\$330,508	\$359,682	\$364,000	\$487,065	\$493,000
Operating Expenses, before Taxes and Depreciation	206,045	229,310	227,900	229,310	228,100
Taxes	42,856	43,537	46,240	112,223	115,640
Depreciation	22,996	11,400	30,100	11,400	30,100
Total Oper. Exp.	271,897	284,247	304,240	352,933	373,840
Net Revenue	58,611	75,435	59,760	134,132	119,160
Rate Base (Depreciated)	1,567,100	2,276,964	1,783,900	2,276,964	1,783,900
Rate of Return	3.74%	3.33%	3.35%	5.91%	6.68%

The major differences between applicant's estimates and the staff's estimates are in depreciation expense and rate base. The record shows that applicant computed depreciation expense using 5% annuities whereas the staff engineering witness used the remaining life basis for his computation. Since the remaining life method tends to adjust for over-accruals and under-accruals to the depreciation reserve, spreading such corrective factor over the remaining life of the existing plant, that method will be adopted for the purposes of this proceeding.

The record further shows that applicant included lands at present value in its estimates of rate base, whereas the staff included lands at original or estimated original cost.

Adjustments to the rate base were made by the staff for Consumers' Advances for Construction, Donations in Aid of Construction, Lands Held for Future Use, and South Basin and Otay Valley litigation. A rate base for the estimated year 1952 of \$1,784,000 will be adopted for the purposes of this proceeding.

#### Conclusion

From a review of the record it is evident that applicant is in need of financial relief in the Coronado District. However, it is also evident that the rate of return of 6.68% which would be produced by applicant's proposed rates is excessive. The order which follows will authorize applicant to file a new schedule of rates which it is estimated will increase its gross annual revenues by approximately \$89,000 and should produce total gross annual revenues of approximately \$453,000. After deducting taxes, depreciation and other operating expenses from such gross revenues, a net revenue of approximately \$101,000 results. Such net revenue, when related to the estimated depreciated rate base of \$1,784,000, will produce a rate of return of 5.65%. This is found to be a fair rate of return for this proceeding.

Applicant's motion for interim relief in the First Supplemental Application will be denied since that question is now moot.

#### O R D E R

The above-entitled application having been filed, public hearings having been held, the matter having been submitted, the Commission being fully advised in the premises 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 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 as 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 December 1, 1952.
2. That applicant's motion for interim relief in the First Supplemental Application be, and it is denied.

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

Dated at San Francisco, California, this 28<sup>th</sup> day of October, 1952.

R. J. Indurain  
President  
James J. Garner  
Harold A. Hils  
Samuel H. Patten  
John E. Mitchell  
Commissioners

EXHIBIT A  
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Schedule No. 1

GENERAL METERED WATER SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

Within the incorporated limits of the City of Coronado, North Island, Silver Strand, and South Bay area westerly of Highland Reservoir, and along transmission line between Coronado Wye and Highland Reservoir, in San Diego County.

RATES

Quantity Rate:	<u>Per Meter</u> <u>Per Month</u>
First 500 cu. ft. or less.....	\$ 1.90
Over 500 cu. ft., per 100 cu. ft.....	.30
 Minimum Charge:	
For 5/8-inch meter.....	\$ 1.90
For 3/4-inch meter.....	2.20
For 1-inch meter.....	2.80
For 1 1/2-inch meter.....	4.40
For 2-inch meter.....	6.25
For 3-inch meter.....	10.00
For 4-inch meter.....	19.00
For 6-inch meter.....	31.00
For 8-inch meter.....	44.00

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

EXHIBIT A  
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Schedule No. 2

PUBLIC AND PRIVATE HYDRANT RENTALS  
AND SERVICES FOR SPRINKLER SYSTEMS

APPLICABILITY

Applicable to hydrant and sprinkler service.

TERRITORY

Within the incorporated limits of the City of Coronado, North Island, Silver Strand, and South Bay area westerly of Highland Reservoir, and along transmission line between Coronado Wye and Highland Reservoir, in San Diego County.

RATES

	<u>Per Month</u>
Municipal and public fire hydrant charge, per hydrant.....	\$ 3.75
Private fire hydrant charge, per hydrant.....	3.75
Private fire service for sprinkler systems, For 4-inch connection.....	19.00
For 6-inch connection.....	31.00
For 8-inch connection.....	44.00
For 10-inch connection.....	63.00

SPECIAL CONDITION

1. Private fire service for sprinkler systems shall be equipped with standard detector type meter or by-pass check valve with pressure alarm system approved by the Board of Fire Underwriters.