

Decision No. 47979

ORIGINAL

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 change the name of)
its Venice-Culver City-Palms District)
to Culver City District and increase)
water rates in its Culver City District.)

Application No. 33271

O'Melveny & Myers, by Lauren M. Wright, attorneys,
for applicant; M. Tellefson, City Attorney, for the
City of Culver City, interested party; Mrs. Geneva
Lauterman, Mrs. May Price, Mrs. Ruth Abeson,
Mrs. John Rehmann, Mrs. Adele Siegel, Mrs. Ruth E.
Perry, Mrs. Bernice Shedle, in propria personae,
Mrs. Ida Grossi in propria persona and the the
complete block of Rhoda Way, and Mrs. Sara Astrin
in propria persona and for the homeowners of Spad
Place and Gerard Avenue between Washington and
Venice Boulevards, protestants; H. J. McCarthy and
G. T. Coffey, for the Commission staff.

O P I N I O N

Southern California Water Company, a corporation, by the above-entitled application filed March 31, 1952, seeks authority to change the name of its Venice-Culver City-Palms District to Culver City District, and to increase the charges for metered water service by about \$85,000 annually in said Culver City District. It also seeks authority to file rates for construction and other temporary flat rate service and for fire sprinkler service. The application for increases in metered water service was amended at the hearing by the filing of a different and lower schedule of proposed rates than those filed with the application.

Public hearings in this matter were held before Examiner Warner on October 2 and 3, 1952, in Los Angeles.

Southern California Water Company's System Operations

Applicant owns and operates water systems in 24 operating districts and also has one electric system (Bear Valley) and one nonutility ice plant (Barstow). All of these operations are in Southern California with the exception of the South Sacramento District which is adjacent to the City of Sacramento.

Its fixed capital in service as of July 31, 1952, amounted to \$15,748,847, and gross operating revenues for the system as a whole at present rates for the estimated year 1952 are shown in Exhibit 3 to be \$2,690,250. This represents a decrease of about \$230,000 from the actual year 1951, due principally to the loss of revenues from properties sold to the Department of Water and Power of the City of Los Angeles during 1951. In this transfer of property to the City, applicant lost approximately 30,000 active consumers. It furnishes water service to approximately 75,000 customers at the present time.

Rates

The following summary is a comparison of present, proposed and authorized rates. Proposed rates are those of the application as amended.

COMPARISON OF PRESENT, PROPOSED AND AUTHORIZED RATES

Quantity Rates:	Per Meter Per Month		
	Present*	Proposed#	Authorized
First 800 cu.ft. or less	\$1.00	\$1.50	\$1.35
Next 1,700 cu.ft., per 100 cu.ft...	.125	.17	.16
Next 5,000 cu.ft., per 100 cu.ft...	.125	.15	.15
Next 2,500 cu.ft., per 100 cu.ft...	.10	.15	.15
Over 10,000 cu.ft., per 100 cu.ft...	.10	.12	.12
Minimum Charge:			
For 5/8 x 3/4-inch meter.....	\$1.00	\$1.50	\$1.35
For 3/4-inch meter.....	1.75	2.25	2.00
For 1-inch meter.....	2.00	3.25	3.25
For 1 1/2-inch meter.....	3.50	7.00	6.50
For 2-inch meter.....	5.00	10.00	10.00
For 3-inch meter.....	7.50	20.00	20.00
For 4-inch meter.....	10.00	30.00	30.00
For 6-inch meter.....	15.00	50.00	50.00
For 8-inch meter.....	25.00	75.00	75.00

* Established by Decision No. 36685 dated October 2, 1943, in Cases Nos. 4690 and 4697.

Per amended application.

In addition to the increases in general metered service rates, applicant proposes to file rates for construction and other temporary flat rate service and for fire sprinkler service, such rates not now being on file with this Commission.

The record shows in Exhibit No. 5 that in the year 1950 48% of the bimonthly consumer bills fell in the consumption blocks of 0 to 2,500 cubic feet. Their usage accounted for 22.34% of the total water consumption. At the present rates the bill for an average monthly consumption of 1,500 cubic feet is \$1.88. At the proposed rates it would be \$2.69, an increase of 81 cents per month, or 43%. Under the rates authorized by the order herein, the bill for such consumption will be \$2.47, an increase of 59 cents per month, or 31%.

Earnings

The following is a summary of earnings information contained in applicant's Exhibit No. 2 and in Exhibits Nos. 5 and 6 submitted by the Commission staff.

SUMMARY OF EARNINGS

Item	Estimated Year 1952		As of Dec. 31, 1952		Estimated Year 1953	
	Per Company: Exch. #2	Per PUC Exch. #5	Per PUC Exch. #6	Per Company: Exch. #2	Per Company: Exch. #2	Per Company: Exch. #2
	(1)	(2)	(3)	(4)		
	<u>Present Rates</u>					
Operating Revenues	\$ 207,790	\$ 208,150	\$ 222,900	\$ 225,130		
Operating Expenses	169,598	177,869	189,950	190,483		
Net Revenue	38,192	30,281	32,950	34,647		
Rate Base	1,271,300	1,201,309	1,257,760	1,356,600		
Rate of Return	3.00%	2.52%	2.63%	2.55%		
	<u>Proposed Rates</u>					
Operating Revenues	\$ 292,970	\$ 294,200	\$ 315,340	\$ 317,720		
Operating Expenses	211,066	215,624	234,100	233,192		
Net Revenue	81,904	78,576	81,240	84,528		
Rate Base	1,271,300	1,192,809	1,256,910	1,356,600		
Rate of Return	6.44%	6.59%	6.46%	6.23%		

- (1) Based on 7 months actual experience, 5 months estimated.
(2) Based on 6 months actual experience, 6 months estimated.
(3) Pro forma estimate as of December 31, 1952.
(4) Based on 12 months estimated.

The staff's pro forma estimate as of December 31, 1952 was submitted to reflect the anticipated addition of approximately 500 new consumers during the year 1952. It is based on an estimated total of 7,223 consumers as of December 31, 1952.

No substantial difference between applicant's estimated operating expenses and the staff's estimate of operating expenses for the year 1952 is apparent. Both the company's and the staff's showing for the year 1952 included the computation of depreciation expense on the straight-line remaining life basis. This method of computing depreciation expense should be adopted and the order herein will so provide.

The record shows that during 1952 applicant will have added about \$234,000 to its fixed capital and expects to add approximately \$95,000 to fixed capital in 1953.

Counsel for applicant moved that the Commission reconsider its treatment of depreciation on consumers' advances for construction and donations in aid of construction expounded in Decision No. 46678, dated January 22, 1952, in Application No. 32186, a rate increase proceeding in applicant's Claremont District. A review of the instant record shows that the staff made no adjustment either to depreciation expense or to the reserve associated with advances and donations. A current and thorough review of such treatment indicates that it was in accordance with past Commission practice and nothing in the record in the instant proceeding warrants any change.

Rate of Return

Applicant urges that its average annual earnings requirements for its system as a whole are equivalent to 5.66% of its total invested capital, including an allowance of 11.1% for equity capital. Applicant alleges and concludes that, in order to maintain such annual earnings, a return of more than 6% on its investment in plant in each individual district is required. The record, however, is silent on the estimated rate of return on individual districts other than the Culver City District, and the Commission, therefore, cannot determine precisely the rate of return required in the Culver City District to make a fair contribution to applicant's over-all earnings position.

In determining a fair rate of return, items other than financial requirements are considered by the Commission. These items include the economics and geography of the district, characteristics of the individual water system, history of the district's rate structure, the effects of proposed rates, the outlook for future development of the area, and the projected and estimated earnings position of the district.

Conclusion

From a review of the record it is evident that applicant is in need of financial relief in its Culver City District but it is further evident that the proposed rates would produce an excessive rate of return; therefore, the order which follows will authorize applicant to file schedules of rates which will increase gross operating revenues in its Culver City District by about \$71,000, based on the year 1952, and will result in net revenues of approximately \$72,000 which, when related to a depreciated rate base of \$1,193,000, will produce a rate of return of 6% based on the estimated average year 1952 figures. After taking into account attrition in the rate of return, this would produce a rate of return for the future of approximately 5.75% which is found to be just and reasonable in this proceeding.

Hardness of Water

All appearances protested the granting of any rate relief to applicant without some assurance that applicant would take steps to eliminate a chronic water-hardness condition in the Culver City District. Applicant's president admitted that the water was hard and outlined the possibility of either obtaining Metropolitan Water District water through annexation of the City of Culver City to the West Basin Municipal Water District, or installing water softening facilities, the cost of which would approximate \$600,000. Increased operating costs of such facilities would approximate \$60,000 for chemicals alone, according to this witness. He further stated that the decision to join the Water District rests with the citizens of Culver City and that applicant is reluctant to construct large water softening plants pending the outcome of such decision.

The foregoing estimated amounts would increase the applicant's investment in plant in this district by about 30% and its operating expenses, excluding taxes and depreciation, by nearly 50%. To compensate the applicant for these large increases would obviously require much greater revenues than those obtainable from the rates requested by applicant. Nor are the rates authorized in the following order based on the inclusion of any amounts to cover the installation or operation of water softening facilities. On the basis of such evidence as is now available, it appears that to adequately compensate the applicant for furnishing water of a quality satisfactory to the consumers in its Culver City District would require the establishment of rates which would be disproportionately higher than those prevailing in surrounding areas served either by the applicant or by other suppliers. It is realized that the increased cost of providing softer water from the applicant's water system might be partially or wholly offset by reductions in expenditures now being made by these same consumers for installing and operating individual water softeners, repairing and replacing water heaters and damaged plumbing fixtures, and other items of costs related to the present supply of hard water, as mentioned in various testimony by representative consumers.

No evidence was introduced at the hearing concerning the cost of buying water from the West Basin Municipal Water District and the attendant expenses of bringing it into the applicant's Culver City District. Apparently this procedure would render useless some or all of the applicant's present water producing facilities.

As a necessary step toward solving this serious and complex problem, the order which follows will require applicant to explore the situation fully and without delay, and to report to the Commission within a given time, with full details of the estimated costs of the alternate methods of alleviating the present hard water condition. The matter should be investigated both from the political angle in relation to the Metropolitan Water District and from the practical possibilities of either bringing Metropolitan water into the area or softening the existing well supplies, or a combination of both.

Applicant's request for authority to change the name of its Venice-Culver City-Palms District to Culver City District does not require specific authorization of this Commission and will therefore not be included in the order. No objection was noted, however, to such change.

O R D E R

Application as above-entitled having been filed, public hearings having been held, the matter having been submitted, and the Commission being fully advised in the premises,

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 be, and it 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, schedules of rates shown in Exhibit A attached hereto, together with rules and regulations and four copies of a tariff service area map, and on not less than five (5) days' notice to the Commission and the public, to make such rates effective for services rendered on and after January 1, 1953.

2. That applicant shall immediately begin an investigation and within ninety (90) days after the effective date of this order shall file a written report with this Commission showing in detail:
 - a. The estimated capital investment, annual operating costs, and consequent increase in the water rates involved to install and operate the necessary additional facilities required to soften the existing well supplies to a satisfactory quality for domestic uses.
 - b. The estimated net additional capital investment, revisions in operating costs, and consequent increase in the water rates involved to purchase and bring into the Culver City District a supply of water from the Metropolitan Water District which, either alone or mixed with the existing well supplies, will be of satisfactory quality for delivery to applicant's consumers for domestic uses.
 - c. All other data and information necessary to a determination of a solution of the problem of water hardness as outlined in the opinion which preceded this order.
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 600 feet to the inch, delineating by appropriate markings the various tracts of land and territory served, and the location of various properties of applicant in its Culver City District.
4. That applicant's presently filed tariff schedules for its Venice-Culver City-Palms District be cancelled on the date the rates hereinabove become effective.

- 5. Applicant shall review annually the accruals to 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.

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

Dated at San Francisco, California, this 2nd day of December, 1952.

R. J. [Signature]
President.

Justin J. [Signature]
Harold P. [Signature]

[Signature]
[Signature]
Commissioners.

EXHIBIT A
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Schedule No. 1

GENERAL METERED SERVICEAPPLICABILITY

Applicable to all metered water service.

TERRITORY

Throughout the authorized Culver City District service area in and about the City of Culver City, Los Angeles County.

RATES

Quantity Rates:		<u>Per Meter Per Month</u>
First	800 cu.ft., or less	\$1.35
Next	1,700 cu.ft., per 100 cu.ft.....	.16
Next	7,500 cu.ft., per 100 cu.ft.....	.15
Over	10,000 cu.ft., per 100 cu.ft.....	.12

Minimum Charge:

For	5/8 x 3/4-inch meter.....	\$ 1.35
For	3/4-inch meter.....	2.00
For	1-inch meter.....	3.25
For	1-1/2-inch meter.....	6.50
For	2-inch meter.....	10.00
For	3-inch meter.....	20.00
For	4-inch meter.....	30.00
For	6-inch meter.....	50.00
For	8-inch meter.....	75.00

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

SPECIAL CONDITION

1. All meter readings for municipal departments of the City of Culver City will be combined for the purpose of computing monthly bills at the Quantity Rate, and for such municipal departments there will be a monthly minimum charge in the amount of the sum of the minimum charges for all meters serving the City of Culver City.

EXHIBIT A
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Schedule No. 2

CONSTRUCTION AND OTHER TEMPORARY FLAT RATE SERVICEAPPLICABILITY

Applicable to water service furnished for construction and temporary purposes.

TERRITORY

Throughout the authorized Culver City District service area in and about the City of Culver City, Los Angeles County.

RATES

(1)	For each 100 square feet of concrete sidewalk constructed	\$0.20
(2)	For each 100 linear 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.

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.

Schedule No. 3

FIRE SPRINKLER SERVICE

APPLICABILITY

Applicable to all fire sprinkler service.

TERRITORY

Throughout the authorized Culver City District service area in and about the City of Culver City, Los Angeles County.

RATES

Per Service
Per Month

For each inch of diameter of fire
sprinkler 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 be not 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. The 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.

Schedule No. 4

PUBLIC FIRE HYDRANT SERVICE

APPLICABILITY

Applicable to all public fire hydrant service in the City of Culver City.

TERRITORY

Throughout the authorized service area within the city limits of Culver City, Los Angeles County.

RATE

	<u>Per Month</u>
For each fire hydrant	\$1.50