



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

		<u>Per Meter Per Month</u>		
		<u>Present*</u>	<u>Proposed#</u>	<u>Authorized</u>
<b>Quantity Rates:</b>				
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	-	1.75	-
Next	1,800 cu.ft., per 100 cu.ft..	-	.18	-
Next	7,500 cu.ft., per 100 cu.ft..	-	.15	-
Over	10,000 cu.ft., per 100 cu.ft..	-	.12	-
First	800 cu.ft., or less	-	-	1.65
Next	1,700 cu.ft., per 100 cu.ft..	-	-	.15
Next	7,500 cu.ft., per 100 cu.ft..	-	-	.13
Over	10,000 cu.ft., per 100 cu.ft..	-	-	.12

**Minimum Charge:**

For	5/8 x 3/4-inch meter	\$ 1.25	\$ 1.75	\$ 1.65
For	3/4-inch meter	1.75	2.50	2.25
For	1-inch meter	2.00	3.50	3.50
For	1 1/2-inch meter	3.50	6.00	6.00
For	2-inch meter	5.00	10.00	10.00
For	3-inch meter	7.50	17.50	17.50
For	4-inch meter	10.00	25.00	25.00
For	6-inch meter	15.00	45.00	45.00
For	8-inch meter	25.00	65.00	65.00

\* Established by Decision No. 36931, dated March 7, 1944, in Application No. 25998.

# Per amended application.

The record shows in Exhibit No. 5 that in the year 1950 56% of the bimonthly consumer bills fell in the consumption blocks of 0 to 2,500 cubic feet. Usage in these blocks accounted for 29.41% of the total water consumption. At present rates the bill for an average monthly consumption of 1,500 cubic feet is \$1.80. At the proposed rates it would be \$3.19, an increase of \$1.39 per month, or 77%. Under the rates authorized by the order herein, the bill for such consumption will be \$2.70, an increase of \$0.90, or 50%.

Earnings

The following is a summary of earnings information for the year 1951 recorded and for the year 1952 estimated at present and proposed rates as contained in applicant's Exhibit No. 2 and in Exhibit No. 5 as submitted by the Commission's staff.

SUMMARY OF EARNINGS

Item	Year	Year 1952 Estimated			
	1951 Recorded per PUC Exh. #5	Present Rates		Proposed Rates	
		Per Co. Exh. #2	Per PUC Exh. #5	Per Co. Exh. #2	Per PUC Exh. #5
Operating Revenues	\$152,676	\$151,240	\$152,100	\$247,380	\$249,800
Operating Expenses	128,327	137,648	139,300	184,240	183,680
Net Revenue	24,349	13,592	12,800	63,140	66,120
Rate Base	616,181	857,800	854,057	857,800	846,557
Rate of Return	3.95%	1.58%	1.50%	7.36%	7.81%

The record shows that during 1952 applicant will have added approximately \$317,000 to fixed capital, in large part to provide Metropolitan Water District water to the Lennox area. It shows further that applicant estimates its rate of return for the year 1953 to be 6.28% due to the bringing in of new capital during the latter part of 1952 and during 1953.

It is evident that the need for financial relief is brought about partially by the large capital expenditures attendant upon applicant's acquiring and utilizing Metropolitan Water District water through the West Basin Municipal Water District. Applicant's heretofore regular sources of water supply were its deep wells which are becoming depleted in production capacity. The Superior Court is adjudicating the matter and will prorate applicant's water drafts from this West Coast Basin source.

During 1952 applicant furnished water service to about 6,500 consumers in the Lennox area. The area is almost entirely built up and the maximum expansion is about 500 additional consumers, making a total of approximately 7,000 consumers.

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 principal causes of decreased rate of return are increased costs of water purchased and the afore-mentioned increased fixed capital in service.

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 Lennox District, and the Commission, therefore, cannot determine precisely the rate of return required in the Lennox 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 Lennox 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 a schedule of rates which will increase gross operating revenues in its Lennox District by about \$64,000 and will result in net revenues of approximately \$51,000 based on the year 1952, which when related to a depreciated rate base of \$847,000, will produce a rate of return of 6% based on estimated average year 1952 figures. After taking into account the indicated declining 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.

#### Withdrawal of Lennox Area from Central District and Change of Name to Lennox District

Applicant's request for authority to withdraw the Lennox area from its Central District does not require specific authorization of this Commission and will therefore not be included in this order.

O R D E R

Application as above entitled having been filed, a public hearing 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 service rendered on and after January 3, 1953.
2. 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 Lennox District.
3. That applicant's presently filed tariff schedules for its Central District, in so far as they apply to Lennox District, be cancelled on the date the rates hereinabove become effective.
4. 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 9<sup>th</sup> day of December, 1952.

A. J. [Signature]  
President.  
Justice F. [Signature]  
Harold [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 Lennox District service area in unincorporated territory, Los Angeles County.

RATES:

	<u>Per Meter</u> <u>Per Month</u>
Quantity Rates:	
First 800 cu. ft., or less .....	\$ 1.65
Next 1,700 cu. ft., per 100 cu. ft. ....	.15
Next 7,500 cu. ft., per 100 cu. ft. ....	.13
Over 10,000 cu. ft., per 100 cu. ft. ....	.12
Minimum Charge:	
For 5/8 x 3/4-inch meter .....	\$ 1.65
For 3/4-inch meter .....	2.25
For 1-inch meter .....	3.50
For 1 1/2-inch meter .....	6.00
For 2-inch meter .....	10.00
For 3-inch meter .....	17.50
For 4-inch meter .....	25.00
For 6-inch meter .....	45.00
For 8-inch meter .....	65.00

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

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## Schedule No. 2

CONSTRUCTION AND OTHER TEMPORARY FLAT RATE SERVICEAPPLICABILITY

Applicable to water service furnished for construction and temporary purposes.

TERRITORY

Throughout the authorized Lennox District service area in unincorporated territory, 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 constructed .....	.40
(3) For each 100 square feet of concrete gutter constructed .....	.40
(4) For each 100 square feet of concrete street constructed .....	.40
(5) For settling graded street, for each 100 square feet of street graded.....	.05
(6) For settling backfill of trenches, for each lineal foot of trench with 16-square foot cross-sectional area, or less .....	.01

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.

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## Schedule No. 3

FIRE SPRINKLER SERVICEAPPLICABILITY

Applicable to all fire sprinkler service.

TERRITORY

Throughout the authorized Lennox District service area in unincorporated territory, Los Angeles County.

RATES

	<u>Per Service Per Month</u>
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 1/2 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.