

Decision No. 48051

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
the SOUTHERN CALIFORNIA WATER COMPANY) Application No. 33470
for authority to increase water rates))
in its Ojai District.)

O'Melveny & Myers, attorneys, by Lauren M. Wright, for applicant; W. F. Higginbotham and M. W. Phillips in propria personae, Dr. Harry D. Van Fleet in propria persona and for others, interested parties; John W. Pringle and E. Ronald Foster, for the Commission staff.

O P I N I O N

Southern California Water Company, a corporation, by the above-entitled application filed June 6, 1952, seeks authority to increase rates for water service in its Ojai District, Ventura County, by about \$15,000 annually.

Public hearings in this matter were held before Examiner Crenshaw on October 22, 1952, and Examiner Warner on October 23, 1952, in Ojai.

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 2 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:

COMPARISON OF PRESENT*, PROPOSED, AND AUTHORIZED RATES

	Per Meter Per Month			
	Present*		Proposed	Author- ized
	Regular*	Optional#		
Quantity Rates:				
First 500 cu.ft., or less	\$ 1.40	\$ -	\$ 2.10	\$ 1.80
Next 1,500 cu.ft., per 100 cu.ft.	.25	-	.30	.29
Next 8,000 cu.ft., per 100 cu.ft.	.20	-	.24	.25
Next 10,000 cu.ft., per 100 cu.ft.	.15	-	.18	.21
Over 20,000 cu.ft., per 100 cu.ft.	.15	-	.18	.18
First 600 cu.ft., or less	-	1.50	-	-
Next 9,400 cu.ft., per 100 cu.ft.	-	.20	-	-
Over 10,000 cu.ft., per 100 cu.ft.	-	.15	-	-
Minimum Charge:				
For 5/8 x 3/4-inch meter	\$ 1.40	\$ 1.50	\$ 2.10	\$ 1.80
For 3/4-inch meter	2.25	1.90	3.00	2.50
For 1-inch meter	3.50	2.30	4.00	4.00
For 1 1/2-inch meter	7.74	2.90	6.50	7.50
For 2-inch meter	12.00	3.50	10.00	11.00
For 3-inch meter	-	6.30	15.00	20.00
For 4-inch meter	-	10.30	25.00	30.00

* Established by Decision No. 13035, dated January 11, 1924, in Application No. 9476.

Filing of this schedule approved by resolution of the Commission in 1942.

Applicant also proposes to increase its presently filed rate for water service to public parks from \$.10 per 100 cubic feet to \$.15 per 100 cubic feet, and to establish minimum rates for such service. The establishment of a rate for fire sprinkler service and a rate for construction and other temporary flat rate service is also proposed.

At the present rates the bill for an average monthly consumption of 1300 cubic feet under the regular schedule is \$3.40

and under the optional schedule is \$2.90. At the proposed rates it would be \$4.50 or an increase of 32.4% over the present regular rates, and 55.2% over the present optional rate. Under the rates authorized by the order herein the bill for such consumption will be \$4.12, which is an increase of \$0.72 over the regular rate, or 21.2%, and an increase of \$1.22 over the optional rate, or an increase of 42.1%.

Earnings

The following is a summary of earnings information contained in applicant's Exhibit No. 3 and in Exhibit No. 6 submitted by the Commission staff:

SUMMARY OF EARNINGS

Item	Year 1951		Year 1952 Estimated		
	Recorded		Present Rates		Proposed Rates
	Per PUC: Exh. #6	Per Co. : Exh. #3	Per PUC: Exh. #6	Per Co. : Exh. #3	Per PUC Exh. #6
Operating Revenues	\$ 36,891	\$ 38,950	\$ 39,170	\$ 54,420	\$ 54,460
Operating Expenses	30,079	32,719	32,498	41,167	40,838
Net Revenue	\$ 6,812	\$ 6,231	\$ 6,672	\$ 13,253	\$ 13,622
Rate Base	\$ 200,000	\$ 206,220	\$202,000	\$206,220	\$201,000
Rate of Return	3.40%	3.02%	3.30%	6.43%	6.78%

During the year 1951 water service was being furnished to an average of 897 metered consumers.

The record shows that since 1945 applicant has added about \$145,000 to its fixed capital in its Ojai District. Most of such additions were for the enlargement and replacement of existing transmission and distribution pipe lines in order to improve water service throughout the district. Applicant's president testified that it had budgeted an additional amount of \$53,425 of fixed capital for the year 1953. Such additions will further improve water service in the district and will relieve and eliminate most, if not

all, inadequate transmission and distribution pipe lines. Such fixed capital additions account in large measure for the deficient rate of return shown in the preceding tabulation.

It is evident that there are no substantial differences in the estimated rate of return components as submitted by the applicant and by the Commission staff.

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 earning 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 Ojai District, and the Commission, therefore, cannot determine precisely the rate of return required in the Ojai 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 Ojai 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 Ojai District by about \$12,000 based on the year 1952, and will result in net revenues of approximately \$12,000 which, when related to a depreciated rate base of \$201,000, will produce a rate of return of 6% based on the estimated average year 1952 figures. After taking into account the decline 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.

Consumer Complaints

Several consumers appeared at the hearing and complained about low pressures and insufficient water in the Mallory Lane and Eucalyptus Street and in the Eucalyptus Street, Summer and Canada Street areas which are located in the northwest portion of applicant's Ojai service area as shown on the map filed at the hearing as Exhibit No. 1. Applicant's president testified that, although certain improvements in the pipe line capacities had been made in this area and that the proposed improvements to the transmission and distribution system for the year 1953 as set forth in Exhibit No. 4 would further improve water service to these areas, applicant would immediately investigate the service conditions therein, take

pressure readings, and would take the necessary steps to eliminate the service conditions complained of.

O R D E R

Application as above entitled having been filed, public hearings having been held, the matter having been submitted 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 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, the 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 10, 1952.

(2) That applicant's presently filed tariff schedules for its Ojai District be cancelled on the date the rates hereinabove become effective.

(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 Ojai District.

(4) That applicant shall review annually the accruals to

EXHIBIT A

Page 1 of 4

Schedule No. 1

GENERAL METERED SERVICEAPPLICABILITY

Applicable to all domestic, industrial, and irrigation metered water service, except city and county public parks.

TERRITORY

Throughout the authorized Ojai District service area in and about the City of Ojai, Ventura County.

RATES

Quantity Rates:	<u>Per Meter</u> <u>Per Month</u>
First 500 cu.ft., or less.....	\$ 1.80
Next 1,500 cu.ft., per 100 cu. ft.29
Next 8,000 cu.ft., per 100 cu. ft.25
Next 10,000 cu.ft., per 100 cu. ft.21
Over 20,000 cu.ft., per 100 cu. ft.18
 Minimum Charge:	
For 5/8 x 3/4-inch meter	\$ 1.80
For 3/4-inch meter	2.50
For 1-inch meter	4.00
For 1 1/2-inch meter	7.50
For 2-inch meter	11.00
For 3-inch meter	20.00
For 4-inch meter	30.00

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 2 of 4

Schedule No. 2

PUBLIC PARK SERVICEAPPLICABILITY

Applicable to all water service to public parks, either City of Ojai or County of Ventura.

TERRITORY

Throughout the authorized Ojai District service area in and about the City of Ojai, Ventura County.

RATES

	<u>Per Meter</u> <u>Per Month</u>
Quantity Rate:	
For all water consumed, per 100 cu. ft.	\$0.15
Minimum Charge:	
For 5/8 x 3/4-inch meter	\$1.80
For 3/4-inch meter	2.50
For 1-inch meter	4.00
For 1 1/2-inch meter	7.50
For 2-inch meter	11.00
For 3-inch meter	20.00
For 4-inch meter	30.00

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

SPECIAL CONDITIONS

1. Under this schedule water service will be supplied through metered service connections not to exceed 2 inches in diameter.

2. Original meter installation and service connection will be made at the expense of the company. Any subsequent service connections or change in location of service connections which may be required by either the City of Ojai, or the County of Ventura, will be made at the expense of such City or County.

EXHIBIT A

Page 3 of 4

Schedule No. 3

FIRE SPRINKLER SERVICEAPPLICABILITY

Applicable to all fire sprinkler service.

TERRITORY

Throughout the authorized Ojai District service area in and about the City of Ojai, Ventura 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 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. This 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.

EXHIBIT A

Page 4 of 4

Schedule No. 4

CONSTRUCTION AND OTHER TEMPORARY FLAT RATE SERVICEAPPLICABILITY

Applicable to water service furnished for construction and temporary purposes.

TERRITORY

Throughout the authorized Ojai District service area in and about the City of Ojai, Ventura 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.

EXHIBIT A

Page 5 of 5

Schedule No. 5

PUBLIC FIRE HYDRANT SERVICEAPPLICABILITY

Applicable to all public fire hydrants attached to the Company's distribution mains for fire protection.

TERRITORY

Throughout the authorized Ojai District service area in and about the City of Ojai, Ventura County.

RATES

<u>Size and Type of Hydrant</u>	<u>Size of Main</u>	<u>Per Hydrant Per Month</u>
2-inch Riser Type	Any size	\$1.25
3-inch Riser Type	4-inch or smaller	1.25
3-inch Riser Type	Larger than 4-inch	1.50
4-inch Riser Type	4-inch or smaller	1.50
4-inch Riser Type	Larger than 4-inch	1.75
6-inch Standard Type	Less than 6-inch	2.25
6-inch Standard Type	6-inch or larger	2.50
For any hydrant with two or more outlets, additional for each outlet in excess of one		0.25

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 Los Angeles, California, this 16th day of December, 1952.

R. T. Anderson

PRESIDENT

Justus S. Cassel

Harold H. Hills

Herbert H. Patton

Robert L. Russell

COMMISSIONERS