

ORIGINAL

Decision No. 48081

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the matter of the Application)
of Southern California Water)
Company for authority to increase)
water rates in its Bear Valley)
District, and appurtenant thereto)
to revise its Rule and Regulation)
No. 9 applicable to water service)
in said District.)

Application No. 33450

O'Melveny & Myers, attorneys, by Lauren M. Wright, for applicant; Leo B. Fenderson, Richard Nicholls, E. F. Stolba, Horace Hosford, Lon C. Thompson, Vernon D. Sutton, Patrick Murray, W. C. Weymouth, O. P. Barber, David Dumas, Miss Florence Steiner, L. B. Walters, Mrs. Bernice Minnock, Harold Hall, Mrs. Cledith Lancaster, Mrs. J. O. Crandal, E. L. Moore, Mrs. C. G. Jennings, Mrs. R. V. Cawthon, H. L. Cogburn, L. A. Sowers, Catherine Freiman, Mrs. Helen Fisher, Mrs. Vena Norris, Mrs. J. E. Dotson, R. J. Lyon, Vernon J. Carraia, Jay Farkis, Gus B. Otto, Mrs. Laura Simpkins, F. C. Jackson, Mrs. W. E. Besser, Ira C. Fuller, W. C. Mauerham and Mrs. Webster, in propria personae, and Butchers Summit Lodge, protestants; C. 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 May 26, 1952, seeks authority to increase the charges for metered water service by about \$31,000 annually in its Bear Valley District, Big Bear Lake, San Bernardino County, and to revise its Rule and Regulation No. 9, Reconnection Service Charge, in said Bear Valley District. It also seeks authority to file rates for construction and other temporary flat rate service and for fire sprinkler service.

A public hearing in this matter was held before Commissioner Huls and Examiner Warner on October 9, 1952, at Big Bear Lake.

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 No. 1 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#	Authorized Permanent	Seasonal
Quantity Rates:				
First 400 cu. ft. or less.....	\$2.00	\$ -	\$ -	\$ -
Next 500 cu.ft., per 100 cu.ft.....	.40	-	-	-
Next 600 cu.ft., per 100 cu.ft.....	.35	-	-	-
Next 13,500 cu.ft., per 100 cu.ft.....	.30	-	-	-
Over 15,000 cu.ft., per 100 cu.ft.....	.15	-	-	-
First 400 cu.ft. or less.....	-	3.85	3.00	-
Next 600 cu.ft., per 100 cu.ft.....	-	.35	.50	-
Next 14,000 cu.ft., per 100 cu.ft.....	-	.35	.35	-
Over 15,000 cu.ft., per 100 cu.ft.....	-	.20	.20	-
First 200 cu.ft. or less.....	-	-	-	2.00
Next 800 cu.ft., per 100 cu.ft.....	-	-	-	.50
Next 14,000 cu.ft., per 100 cu.ft.....	-	-	-	.35
Over 15,000 cu.ft., per 100 cu.ft.....	-	-	-	.20

* Basic portions established by Decisions Nos. 13164 and 13414, dated February 16, 1924, and December 15, 1924, respectively, in Application No. 9639.

Per application.

COMPARISON OF PRESENT*, PROPOSED#, AND AUTHORIZED RATES
(Continued)

	<u>Present*</u> Per Meter Per Month	<u>Proposed#</u> Per Meter Per Month	<u>Authorized</u>	
			<u>Permanent</u> Per Meter Per Month	<u>Seasonal</u> Per Meter Per Year
Minimum Charge:				
For 5/8 x 3/4-inch meter.....	\$ 2.00	\$ 3.85	\$ 3.00	\$ 24.00
For 3/4-inch meter.....	2.00	5.00	4.00	32.00
For 1-inch meter.....	3.60	7.00	6.00	48.00
For 1 1/2-inch meter.....	5.75	12.00	10.00	80.00
For 2-inch meter.....	10.00	20.00	15.00	120.00
For 3-inch meter.....	15.00	30.00	25.00	200.00
For 4-inch meter.....	25.00	50.00	40.00	320.00

* Basic portions established by Decisions Nos. 13164 and 13414, dated February 16, 1924, and December 15, 1924, respectively, in Application No. 9639.

Per application.

During the year 1951 water service was being furnished to an average of 1,347 consumers in the Bear Valley District, of which some 400, or about 30%, are considered seasonal and the balance of which take service for the entire year. Applicant requests the establishment of options under its general metered service rate which would allow a consumer to choose between paying in advance an amount equal to the minimum charge applicable to his service for a period of 12 months and not being required to make further payment of bills until such advance had been absorbed, or paying one month's minimum charge plus a service charge of \$12.

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

Applicant also proposes to revise its Rule and Regulation No. 9 to provide for a reconnection charge of \$3 where service has been discontinued for nonpayment of bills, such charge now being \$1,

if service is renewed within thirty days after such discontinuance; if not so renewed, the prepayment of one of the optional amounts specified in its proposed general metered service rate schedule hereinabove described.

The record shows, in Exhibit No. 4, that in the year 1951 58% of the consumer months fell in the consumption blocks of 0 to 200 cubic feet and about 73% fell in the consumption blocks of 0 to 400 cubic feet. At the present rates the bill for a monthly consumption of 400 cubic feet is \$2. At the proposed rates it would be \$3.85, an increase of \$1.85, or 92.5%. Under the rates authorized by the order herein, the bill for such consumption will be \$3, an increase of \$1 per month, or 50%. If the consumer is seasonal he will be entitled to 200 cubic feet or less of water usage each month of the year after having paid the minimum annual charge of \$24. The authorized rates do not provide for the establishment of a service charge as proposed by applicant, the Commission being of the opinion that for fire protection reasons it would not be in the public interest that frequent connections and disconnections of water service to seasonal consumers be encouraged.

Applicant will be authorized to file a public fire hydrant service rate schedule which will incorporate therein the presently effective rate for the Big Bear Lake County Fire Protection District provided for in an agreement on file dated July 1, 1948. Such contract provides for a charge of \$2 per hydrant per month.

Earnings

The following is a summary of earnings information contained in applicant's Exhibit No. 2 and in Exhibit No. 4 submitted by the Commission staff:

SUMMARY OF EARNINGS

Item	Year 1951:		Year 1952 Estimated		
	Recorded		Present Rates		Proposed Rates
	Per PUC	Per Co.	Per PUC	Per Co.	Per PUC
	Exh. No. 4	Exh. No. 2	Exh. No. 4	Exh. No. 2	Exh. No. 4
Operating Revenue	\$ 50,264	\$ 52,350	\$ 53,200	\$ 83,370	\$ 84,300
Operating Expenses	40,638	45,443	44,718	61,692	61,673
Net Revenue	9,626	6,907	8,482	21,680	22,627
Rate Base	299,600	337,630	307,600	337,630	305,800
Rate of Return	3.21%	2.05%	2.76%	6.42%	7.40%

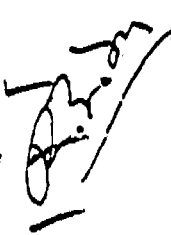
Applicant's engineering witness testified that due to the anticipated addition of approximately \$23,000 of fixed capital during 1953, principally to replace old distribution mains, the rate of return for the estimated year of 1953 would be 6.11% at the proposed rates.

No substantial differences between applicant's estimated operating revenues and expenses for the year 1952 and those of the staff are 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 difference of approximately \$31,000 between the estimated rate bases for the average year 1952 submitted by applicant and the staff is accounted for, principally, in the treatment of depreciation on consumers' advances for construction and donations in aid of construction.

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.

In Application No. 33449, the applicant has requested the Commission for authority to increase electric rates in its Bear Valley (Electric) District. [An increase in electric rates is being authorized.] An additional \$770 has been allowed in the expenses herein for increased pumping power costs, which, after related income taxes have been considered, results in about \$350 decrease in net revenue. 

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 Bear Valley District, and the Commission, therefore, cannot determine precisely the rate of return required in the Bear Valley 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.

Conclusions

From a review of the record it is evident that applicant is in need of financial relief in its Bear Valley 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 Bear Valley District by about \$22,000, based on the year 1952, and will result in net revenues of approximately \$18,000 which, when related to a depreciated rate base of \$306,000, will produce a rate of return of 6% based on the estimated year 1952 figures. After taking into account 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.

All consumer appearances protested the magnitude of the proposed rate increase. Many stated that due to the seasonal and mountain resort nature of Big Bear Lake, their cabins were utilized either for week-end or summer or winter vacation periods only. The rates authorized to be filed by the order which follows have been designed to provide week-end and seasonal users with the maximum water usage commensurate with such consumers making their fair contribution to the maintenance of sound financial operations by the utility in its Bear Valley Water District.

In order that the annual minimum charge may be made effective for a full 12-month period, and in order to eliminate the necessity of prorating such charge, it is considered to be in

the public interest that the effective date of this order shall be five (5) days after the date hereof. The Commission so finds and the order which follows will so provide.

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. a. 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, and on not less than one (1) day's notice to the Commission and the public, to make such rates effective for service rendered on and after January 1, 1953.
 - b. That applicant shall file in quadruplicate with this Commission within thirty (30) days after the effective date of this order, rules and regulations and four copies of a service area map, in conformity with the Commission's General Order No. 96.
 - c. That applicant be and it is authorized, when refiling its rules and regulations hereinabove ordered, to provide in the applicable rule and regulation that the utility may charge \$3 for restoring water service which has been discontinued for nonpayment of delinquent bills or other noncompliance with any of its rules.
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 Bear Valley District.

- 3. That applicant's presently filed tariffs for its Bear Valley Water District be cancelled on the date the rates and rules and regulations hereinabove authorized become effective, respectively.
- 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. The results of these reviews shall be submitted annually to the Commission.

The effective date of this order shall be five (5) days after the date hereof.

Dated at San Francisco, California, this 22nd day of December, 1952.

R. T. [Signature]
President.

[Signature]

[Signature]

[Signature]

[Signature]
Commissioners.

EXHIBIT A
Page 1 of 5

Schedule No. 1

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service to permanent consumers.

TERRITORY

Throughout the authorized Bear Valley District service area adjacent to Big Bear Lake, in San Bernardino County.

RATES

Quantity Rates:	<u>Per Meter</u> <u>Per Month</u>
First 400 cu.ft., or less	\$ 3.00
Next 600 cu.ft., per 100 cu.ft.50
Next 14,000 cu.ft., per 100 cu.ft.35
Over 15,000 cu.ft., per 100 cu.ft.20
 Minimum Charge:	
For 5/8 x 3/4-inch meter	\$ 3.00
For 3/4-inch meter	4.00
For 1-inch meter	6.00
For 1-1/2-inch meter	10.00
For 2-inch meter	15.00
For 3-inch meter	25.00
For 4-inch meter	40.00

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

Any applicant for service employing the use of existing service connections where service has been discontinued, or for service which requires the installation of a new service connection, as a guarantee of the continuous use of service, shall pay in advance an amount equal to the minimum charge applicable to such service for a period of 12 months. The consumer will not be required to make further payment of bills until such advance has been absorbed.

EXHIBIT A
Page 2 of 5

Schedule No. 2

SEASONAL GENERAL METERED SERVICEAPPLICABILITY

Applicable to all metered water service to nonpermanent consumers.

TERRITORY

Throughout the authorized Bear Valley District service area adjacent to Big Bear Lake, in San Bernardino County.

RATES

Monthly Quantity Rates:	Per Meter Per Month
First 200 cu.ft., or less	\$ 2.00
Next 800 cu.ft., per 100 cu.ft.50
Next 14,000 cu.ft., per 100 cu.ft.35
Over 15,000 cu.ft., per 100 cu.ft.20

Annual Minimum Charge:	Per Meter Per Year
For 5/8 x 3/4-inch meter	\$ 24.00
For 3/4-inch meter	32.00
For 1-inch meter	48.00
For 1-1/2-inch meter	80.00
For 2-inch meter	120.00
For 3-inch meter	200.00
For 4-inch meter	320.00

The Annual Minimum Charge will entitle the consumer to the quantity of water monthly which 1/12 of the annual minimum charge will purchase each month at the Monthly Quantity Rates.

SPECIAL CONDITIONS

1. The annual minimum charge is due and payable on January 1 of each year and is applicable to the 12 months of the calendar year, or the balance thereof regardless of when seasonal service is started, except for new service which will be prorated.

2. The charge for water used in excess of the quantity allowed per month for the minimum charge will be payable upon presentation of the monthly bill for such excess quantity.

EXHIBIT A
Page 3 of 5

Schedule No. 3

CONSTRUCTION AND OTHER TEMPORARY FLAT RATE SERVICEAPPLICABILITY

Applicable to water service furnished for construction and temporary purposes.

TERRITORY

Throughout the authorized Bear Valley District service area adjacent to Big Bear Lake, in San Bernardino County.

RATES

- | | | |
|-----|---|---------|
| (1) | For each 100 square feet of concrete sidewalk constructed | \$ 0.50 |
| (2) | For each 100 lineal feet of concrete curb constructed | 1.00 |
| (3) | For each 100 square feet of concrete gutter constructed | 1.00 |
| (4) | For each 100 square feet of concrete street constructed | 1.00 |
| (5) | For settling graded street, for each 100 square feet of street graded | 0.125 |
| (6) | For settling backfill of trenches, for each lineal foot of trench with 16-square foot cross-sectional area, or less | 0.04 |

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. 4
FIRE SPRINKLER SERVICE

APPLICABILITY

Applicable to all fire sprinkler service.

TERRITORY

Throughout the authorized Bear Valley District service area adjacent to Big Bear Lake, in San Bernardino 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. 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. 5

PUBLIC FIRE HYDRANT SERVICE

APPLICABILITY

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

TERRITORY

Throughout the authorized Bear Valley District service area adjacent to Big Bear Lake, in San Bernardino County.

RATES

	<u>Per Month</u>
For each fire hydrant	\$2.00