

ORIGINAL

Decision No. 48084

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 electric )  
rates in its Bear Valley District and ) Application No. 33449  
appurtenant thereto to revise its Rule )  
and Regulation No. 10 applicable to )  
electric service in said District. )

O'Melveny & Myers, attorneys, by Lauren M. Wright,  
for applicant; W. C. Weymouth and Leo B. Fenderson in  
propria personae, protestants; W. R. Hornbeak in  
propria persona, interested party; 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 electric rates by about \$53,000 annually in its Bear Valley  
District, Big Bear Lake, San Bernardino County. It also seeks  
authority to revise its Rule and Regulation No. 10, Reconnection  
Service Charge.

A public hearing in this matter was held before Commissioner  
Huls and Examiner Warner on October 10, 1952, at Big Bear Lake.

Southern California Water Company's System Operation

Applicant owns and operates 24 public utility water  
systems, one nonutility ice plant (Barstow) and an electric system  
at Big Bear Lake. All of these operations are in Southern California  
with the exception of the South Sacramento Water District which is  
adjacent to the City of Sacramento.

Its fixed capital shown 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 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. During the year 1952 electric service was being furnished to an estimated average of 3,052 customers.

#### Electric System Operations

Applicant purchases all of the electrical energy being distributed to consumers in the Bear Valley District from the California Electric Power Company. The electric energy is furnished to the company from separate sources through two transmission lines, one line with a metering station located at Pine Knot substation and the other line metered at a point near Gold Mountain, which is at the easterly end of Baldwin Lake. Deliveries to the company are made at 33,000 volts. As of December 31, 1951, applicant's transmission lines consisted of 12½ pole miles of 33,000-volt three-phase transmission lines of wood pole construction. As of December 31, 1951, there were approximately 59 miles of overhead distribution pole lines and 1 mile of underground cable. There were four distribution substations and 572 line transformers in use at the end of 1951. A total of 253 street lights were connected to the system as of that date.

#### Rates

Applicant's present Bear Valley electric rates were established by the Commission in the years 1946 and 1947, following informal negotiations between the Commission's representatives and those of applicant. Such negotiations resulted in reductions in rates.

The following summary is a comparison of present and proposed domestic lighting and domestic combination rates. The proposed rates are those of the application as originally filed.

COMPARISON OF PRESENT\*, AND PROPOSED#, RATES  
DOMESTIC SERVICE  
SCHEDULE D

Energy Charge:		<u>Per Meter Per Month</u>	
		<u>Present*</u>	<u>Proposed#</u>
<u>(D-L) Domestic Lighting</u>			
First	14 kwhr or less .....	\$ 1.25	\$ -
Next	36 kwhr, per kwhr .....	.08	-
Next	50 kwhr, per kwhr .....	.06	-
Next	100 kwhr, per kwhr .....	.05	-
Next	100 kwhr, per kwhr .....	.04	-
Over	300 kwhr, per kwhr .....	.035	-
First	20 kwhr or less .....	-	2.00
Next	30 kwhr, per kwhr .....	-	.09
Next	50 kwhr, per kwhr .....	-	.07
Next	100 kwhr, per kwhr .....	-	.06
Next	100 kwhr, per kwhr .....	-	.05
Over	300 kwhr, per kwhr .....	-	.04
<u>(D-C) Domestic Combination<sup>φ</sup></u>			
First	36 kwhr or less .....	\$ 3.00	\$ -
Next	14 kwhr, per kwhr .....	.08	-
Next	50 kwhr, per kwhr .....	.04	-
Next	100 kwhr, per kwhr .....	.03	-
Over	200 kwhr, per kwhr .....	.02	-
First	43 kwhr or less .....	-	4.30
Next	57 kwhr, per kwhr .....	-	.07
Next	100 kwhr, per kwhr .....	-	.04
Next	300 kwhr, per kwhr .....	-	.03
Over	500 kwhr, per kwhr .....	-	.022

\* Established by the Commission in the years 1946 and 1947.

# Per application as originally filed.

<sup>φ</sup> Available to consumers installing electric range of not less than 5 kw total rating, or electric water heater, or other major equipment of not less than 2 kw total rating used for domestic purposes.

Increases in commercial or general service and power service rates are also requested. An increase in the present reconnection charge of \$1, after discontinuance of service for non-payment of bills and other causes, to \$3 is also proposed.

Applicant's presently filed domestic service rates require the payment of an advance, as a minimum guarantee for the use of service, in an amount equal to the minimum charge for a period of six months. Applicant proposes the establishment of options of paying a 12-month minimum monthly charge in advance, or paying a one-month minimum charge plus a service charge of \$8. No further service charge would be required as long as the service is in continuous use.

Applicant's pleading for increased rates is based on its showing of deficient earnings in its Bear Valley Electric District.

#### Earnings

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

#### SUMMARY OF EARNINGS

Item	Year 1951		Year 1952 Estimated		
	Recorded	Present Rates	Proposed Rates	Proposed Rates	Proposed Rates
	Per PUC	Per Co.	Per PUC	Per Co.	Per PUC
	Exh. #5	Exh. #2A	Exh. #5	Exh. #2A	Exh. #5
Operating Revenues	\$166,276	\$169,820	\$174,343	\$223,790	\$227,108
Operating Expenses	143,277	155,748	157,331	185,033	185,911
Net Revenue	22,999	14,072	17,012	38,757	41,197
Rate Base	588,000	632,000	593,000	632,000	593,000
Rate of Return	3.91%	2.23%	2.87%	6.13%	6.95%

Applicant's president testified that about \$29,000 of fixed capital would be added during 1953 and that the rate of return for the year 1953 was estimated by applicant to be 6.04%.

The differences between applicant's estimated operating revenues and expenses and the staff's estimates therefor for the year 1952 at both the present and proposed rates are within reasonable degrees of proximity. 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 applicant has been adding to electric fixed capital in service in the Bear Valley Electric District in substantial amounts since 1947. Fixed capital at the beginning of 1947 was about \$342,000 and at the end of 1952 it is estimated it will be \$787,000. At the end of 1953 it is estimated it will be \$815,000. Such large increases in fixed capital investments, when considered with the evident increases in operating expenses and taxes, account for the rates of return at present rates indicated hereinbefore.

The difference of \$39,000 between applicant's estimated rate base and that of the staff is accounted for primarily in the staff's 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 such items 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 Bear Valley Electric District, and the Commission, therefore, cannot determine precisely the rate of return required in the Bear Valley Electric 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 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 Bear Valley Electric 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 Electric District by about \$40,500, based on the year 1952, and will result in net revenues of approximately \$35,600, which, when related to a depreciated rate base of \$593,000, will produce a rate of return of 6% based on the estimated average 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.

Authorized Rates

The following tabulation is a comparison of revenues by classes of service at present and authorized rates, showing also the percentage increase in each class.

COMPARISON OF REVENUES AT PRESENT AND AUTHORIZED RATES  
BY CLASSES OF SERVICE

<u>Class of Service</u>	<u>Present Rates</u>	<u>Authorized Rates</u>	<u>Increase</u>
Domestic (L)	\$49,509	\$64,999	31.29%
Domestic (C)	24,169	29,640	22.64
Commercial (L)	15,101	16,623	10.08
Commercial (C)	57,435	70,599	22.92
General Power	14,160	17,795	25.67
Street Lighting	6,948	6,948	-
Interdepartment	6,569	8,106	23.40
Miscellaneous	452	100	(77.88)
Total	174,343	214,810	23.21

(Decrease)

After careful consideration of applicant's presently filed tariffs and those proposed in this application, the Commission is of the opinion that domestic lighting and domestic combination rates should be combined into a single schedule and, likewise, that commercial or general service schedules should be combined. The following domestic service schedule will be authorized to be filed:

	<u>Per Meter</u> <u>Per Month</u>
Energy Charge:	
First 14 kwhr or less .....	\$ 1.80
Next 22 kwhr, per kwhr .....	8.5¢
Next 64 kwhr, per kwhr .....	6.5¢
Next 100 kwhr, per kwhr .....	4.0¢
Next 200 kwhr, per kwhr .....	2.8¢
Over 500 kwhr, per kwhr .....	2.2¢
Minimum Charge:	
For consumers having lights, refrigerators, and small household appliances .....	\$ 1.80
For consumers having an electric range, water heater, or other major appliances of more than 2 kw total rating used for domestic purposes .....	3.60

Under the presently filed domestic service schedule the average domestic lighting consumption is 17 kilowatt hours per month. At the present rates the bill for such usage is \$1.49. At the authorized rates it would be \$2.05, an increase of \$0.56, or 38%. The average consumption under the domestic combination schedule is 97 kilowatt hours per month. At the present rates the bill for such consumption is \$6.00. Under the rates authorized herein it would be \$7.64, an increase of \$1.64, or 27%.

The options proposed by applicant to consumers of their choosing between the payment of a 12-month minimum charge in advance, or the payment of a one-month minimum charge plus an \$8 service charge, appear to be reasonable and will be authorized by the order which follows.

The purpose of the service charge is to attempt to recover the costs of connecting and disconnecting service in mountain resort areas where usage is seasonal and intermittent. Those electric customers who use their cabins for vacation periods in the summer-time and for week ends or short visits in the fall, winter and spring, may choose between paying a one-year's minimum charge, or pay a one-month's minimum charge plus the \$8 service charge for reconnection of service, whichever appears to their advantage. By the application of these options the utility is compensated in part for maintaining and providing continuous standby facilities. An electric public utility must be able and ready to furnish reasonable electric service during any season, for any length of time and to meet any lawful demand.

A review of applicant's presently filed Schedule No. 4, Street Lighting Service, and Schedule No. 6, Stand-by Auxiliary Service, shows that they are out of date as to form and should be refiled. The order that 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. 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, 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 17, 1952.
2. That applicant be and it is authorized to refile its Rule and Regulation No. 10, Reconnection Service Charge, to provide for a reconnection charge of \$3.00 for nonpayment of bills.
3. That applicant shall refile its Schedule No. 4, Street Lighting Service, and Schedule No. 6, Stand-by Auxiliary Service, in up-to-date form.
4. That applicant's presently filed tariff schedules for its Bear Valley Electric District be cancelled on the date the rates hereinabove become effective.

- 5. That 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 22<sup>nd</sup> day of December, 1952.

A. E. [Signature]  
President

Justus J. Coe

Harold A. Hull

[Signature]

[Signature]  
Commissioners:

Schedule A

GENERAL SERVICE

APPLICABILITY

This schedule is applicable to other than domestic service, for lighting and, at the consumer's option, for heating, cooking, and/or single phase power alone or combined with lighting.

TERRITORY

Big Bear Lake and vicinity in San Bernardino County.

RATES

Energy Charge:	Per Meter Per Month
First 35 kwhr, or less . . . . .	\$ 3.60
Next 165 kwhr per kwhr . . . . .	7.5¢
Next 300 kwhr per kwhr . . . . .	6.0¢
Next 2500 kwhr per kwhr . . . . .	4.0¢
Over 3000 kwhr per kwhr . . . . .	2.2¢

Minimum Charge:

\$1.15 per kw of active connected capacity per month but in no case less than \$3.60.

SPECIAL CONDITIONS

1. The active connected load is considered as the name place rating of all heating, cooking and/or water heating apparatus permanently connected and shall be taken as 100 per cent of the first 2 kw installed and 50 per cent of the connected load installed in excess of 2 kw.
2. Single phase motors of 3 hp or less may be combined under this schedule, in which case each hp of connected load shall be taken as 3/4 kw in determining the minimum charge.
3. Any applicant for service which requires the installation of a new service line shall be required to pay in advance as a minimum guarantee of the use of service, an amount equal to the minimum charge applicable to such service for a period of twelve months. Consumers will not be required to make further payment of bills until such advance payment has been absorbed. In no case, with the exception of opening and closing bills, will bills be rendered for an amount less than the monthly minimum charge.

Schedule A

GENERAL SERVICE  
(Continued)

SPECIAL CONDITIONS (Cont'd)

4. Any applicant for service employing the use of existing service lines, where service has been discontinued, shall be required to pay in advance the charges specified in either one of the following options:

Options:

- a. Applicant shall pay in advance, as a guarantee of the continuous use of service, an amount equal to the minimum charge applicable to such service for a period of twelve months. Consumers will not be required to make further payment of bills until such advance payment has been absorbed. In no case, with the exception of opening and closing bills, will bills be rendered for an amount less than the monthly minimum charge.
- b. Applicant shall pay in advance as a guarantee of the use of service, the minimum charge applicable to such service for a period of one month and in addition, such applicants shall be required to pay at the time of application a service charge of \$8.00. No further service charge shall be required as long as the service is in continuous use.

EXHIBIT A  
Page 3 of 8

Schedule D

DOMESTIC SERVICE

APPLICABILITY

This schedule is applicable to domestic lighting, heating, cooking, and single-phase domestic power service in single family dwellings and in flats and apartments separately metered by the Company; also to all single-phase farm service on farms operated by the person or persons whose residences are supplied through the same meter.

TERRITORY

Big Bear Lake and vicinity in San Bernardino County.

RATES

Energy Charge:	<u>Per Meter</u> <u>Per Month</u>
First 14 kwhr or less.....	\$1.80
Next 22 kwhr, per kwhr.....	8.5¢
Next 64 kwhr, per kwhr.....	6.5¢
Next 100 kwhr, per kwhr.....	4.0¢
Next 300 kwhr, per kwhr.....	2.8¢
Over 500 kwhr, per kwhr.....	2.2¢

Minimum Charge:

For consumers having lights, refrigerators, and small household appliances.....	\$1.80
For consumers having an electric range, water heater, or other major appliances of more than 2 kw total rating used for domestic purposes.....	3.60

SPECIAL CONDITIONS

1. Major appliances are electric devices rated at more than 1,200 watts.
2. Any applicant for service which requires the installation of a new service line shall be required to pay in advance as a minimum guarantee of the continuous use of service, an amount equal to the minimum charge applicable to such service for a period of 12 months. Consumers will not

EXHIBIT A  
Page 4 of 8

## Schedule D

DOMESTIC SERVICESPECIAL CONDITIONS (Continued)

be required to make further payment of bills until such advance payment has been absorbed. In no case, with the exception of opening and closing bills, will bills be rendered for an amount less than the monthly minimum charge.

3. Any applicant for service employing the use of existing service lines, where service has been discontinued, shall be required to pay in advance the charges specified in either one of the following options:

- a. Applicant shall pay in advance, as a guarantee of the continuous use of service, an amount equal to the minimum charge applicable to such service for a period of twelve (12) months. Consumers will not be required to make further payment of bills until such advance payment has been absorbed. In no case, with the exception of opening and closing bills, will bills be rendered for an amount less than the monthly minimum charge, unless the consumer elects the annual minimum provision (Paragraph c below).
- b. Applicant shall pay in advance, as a guarantee of the use of service, the minimum charge applicable to such service for a period of one month and in addition such applicants shall be required to pay at the time of application a service charge of \$8. No further service charge shall be required as long as the service is in continuous use.
- c. (1)  
If a customer desires, he may elect service under this schedule to be billed under an annual minimum charge, providing he so informs the Company and pays such annual minimum charge in advance on or before June 1st of each year. Such annual minimum charge shall be an amount equal to twelve (12) times the monthly minimum charge for the service desired, and shall represent the minimum charge for such service for the twelve (12) months beginning the June 1st designated. Such annual minimum charge shall entitle the customer to an amount of electrical energy equal to twelve (12) times the amount of electrical energy which may be purchased in one month at the monthly

EXHIBIT A  
Page 5 of 8

## Schedule D

DOMESTIC SERVICESPECIAL CONDITIONS (Continued)

minimum charge for the service desired. Such quantity of electrical energy may be used in any month or months within the twelve (12) month period. In the event the customer exhausts such annual minimum charge before the expiration of the twelve (12) month period his monthly charge for electrical energy thereafter during the twelve (12) month period shall be computed monthly at the energy charge, with the provision that if the customer uses less energy in any month or months than the amount covered by the monthly minimum charge, his bill will be a prorata charge based upon the kilowatt-hours consumed.

(2)

If, after June 1st of each year, a customer so desires, he may elect service under this schedule to be billed under a minimum charge for the period from the date of his election to the following June 1st, provided he so informs the Company and pays in advance on or before the date of the beginning of such period an amount equal to twelve (12) times the monthly minimum charge for the service desired. A prorata portion of such advance payment shall represent the minimum charge for service for the period from the date of his election to the following June 1st, and such prorata portion shall be computed by multiplying the amount of the monthly minimum charge for the service desired by the number of months between the date of the beginning of such service and the next succeeding June 1st. Such prorata portion of the twelve (12) month advance payment as shall represent the minimum charge for service to the next succeeding June 1st, shall entitle the customer to an amount of electrical energy computed by multiplying the amount of electrical energy which may be purchased in one month at the monthly minimum charge, for the service desired, by the number of months between the date of the beginning of such service and the next succeeding June 1st. This quantity of electrical energy so computed may be used in any month or months between the beginning of such service and the next succeeding June 1st. In the event customer exhausts the amount of such prorata

EXHIBIT A  
Page 6 of 8

## Schedule D

DOMESTIC SERVICESPECIAL CONDITIONS (Continued)

minimum charge before the next succeeding June 1st, his monthly charge for electrical energy used thereafter until such following June 1st shall be computed monthly at the energy charge with the provision that if the customer uses less energy in any month or months than the amount covered by the monthly minimum charge, his bill will be a prorata charge based upon the kilowatt-hours consumed.

At the next succeeding June 1st after the beginning of such prorata minimum service, any unused balance of the total advance payment, excluding the prorata portion of such advance payment representing the minimum charge to such June 1st, shall represent a prepayment; and after such June 1st bills will be computed monthly at the energy charge and in no case, with the exception of closing bills, will bills be rendered for an amount less than the monthly minimum charge, unless the customer elects to renew the annual minimum provision and makes additional payment in advance sufficient to satisfy the requirements thereof.



Schedule F

POWER SERVICE

APPLICABILITY

Applicable to all general power service at standard voltages, also for heating service.

TERRITORY

Big Bear Lake and vicinity in San Bernardino County.

RATES

	<u>Cents per kwhr per hp per Month</u>		
Energy Charge:			
<u>hp of Connected Load or Measured Maximum Demand</u>	<u>First 50 kwhr per hp</u>	<u>Next 50 kwhr per hp</u>	<u>All Over 100 kwhr per hp</u>
2 to 4 . . . . .	6.5¢	5.2¢	4.5¢
5 to 9 . . . . .	6.5¢	5.2¢	3.9¢
10 and over . . . . .	5.2¢	2.6¢	2.2¢

Minimum Charge:	<u>Per Month</u>
First 25 hp of connected load, per hp . . . . .	\$2.00
Next 25 hp of connected load, per hp . . . . .	1.60
Over 50 hp of connected load, per hp . . . . .	1.30
But in no case shall the total minimum charge be less than \$4.80 per month, or \$57.60 per year.	

SPECIAL CONDITIONS

1. The basis for computing power and minimum under this schedule shall be the actual indicated hp, but in no case less than the name plate rating on the motors connected to the line.
2. Service connection having been made, consumer shall not be permitted to increase the demand or load without first notifying the Company and paying therefor such additional amount as may be required under the minimum requirements computed under the provisions of Paragraph (a).

Schedule P

POWER SERVICE

SPECIAL CONDITIONS (Cont'd)

3. Any applicant for service shall be required to pay in advance as a guarantee of the continuous use of service, an amount equal to the minimum charge applicable to such service for a period of twelve months. Consumers will not be required to make further payment of bills until such advance payment has been absorbed. In no case, with the exception of opening and closing bills, will bills be rendered for an amount less than the monthly minimum charge.

4. The bills computed on the above rates under this schedule shall be subject to a 10% discount if the service taken is exclusively between the hours of 12:00 midnight and 5:00 P.M. The restricted hours may be modified from time to time at the option of the utility if its load conditions warrant such modification.