

ORIGINALDecision No. 48494

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application)
of SAN GABRIEL VALLEY WATER COMPANY)
for authority to increase rates in)
its WHITTIER DISTRICT.)

Application No. 33561

Faries & McDowell by McIntyre Faries, attorney,
Paul Overton, attorney, and John E. Skelton,
vice president, for applicant.
Captain Ed Beck, William E. Chapman, Thomas
R. W. Hughes, Ralph Skiles, Emery A. Johnson,
in propria personae, Robert L. Everett, for
self and for District 2, Pico Coordinating
Council, and Robert J. Dayton for Homewood
Protective Association, protestants.
John M. Gregory, Carol T. Coffey, and Theodore
Stein, for the Commission staff.

O P I N I O N

San Gabriel Valley Water Company, a corporation, by the above-entitled application filed July 10, 1952, seeks authority to increase rates for water service in its Whittier District by approximately \$97,500, or 46.8 per cent, for general metered service consumers.

Public hearings in this matter were held before Examiner Warner on January 15, 1953, and February 25, 1953, at Whittier, and February 26 and 27, 1953, at El Monte. A motion for the granting of an interim rate increase was made by applicant at the hearing of January 15, 1953.

General Information

San Gabriel Valley Water Company operates public utility water systems in its El Monte and Whittier Districts in Los Angeles County and in its Fontana District in San Bernardino County. General management of the company is conducted at its main office in El Monte. As of December 31, 1952, water service was being furnished to approximately 30,000 consumers. Total assets as of

November 30, 1952, amounted to \$5,400,351.48. Gross revenue for the first 11 months of 1952 amounted to \$773,148.10, and total operating expenses, including depreciation and taxes, for the same period amounted to \$653,361.85. As of September 30, 1952, the outstanding capital stock consisted of 2,880 shares of no par value common stock. No preferred stock has been authorized or issued. As of that date long-term debt amounted to \$2,500,000 which represented 71.23 per cent of the total capital structure. The average effective interest rate on outstanding bonds was calculated to be 3.56 per cent. Earnings on the book value of equity capital amounted to 10.46 per cent in 1951.^{1/} No dividends have ever been declared or paid. Total property acquired between the years 1945 and the end of 1951 amounted to \$1,553,641.30, and total net additions and betterments from 1945 to September 30, 1952, amounted to \$2,988,683.05.

Whittier District

As of December 31, 1952, water service was being furnished in applicant's Whittier District to 8,444 consumers, including 206 fire hydrants.^{2/ 3/} Of the total of 8,238 domestic and commercial consumers, 8,159 were served at metered rates and 79 at flat rates. Applicant intends to complete the metering of this district early in 1953.

^{1/} Earnings on book value of equity capital for 1946 were 4.71 per cent; 1947, 9.36 per cent; 1948, 8.91 per cent; 1949, 4.94 per cent; and 1950, 4.79 per cent.

^{2/} At the end of the year 1946 there were 1,452 consumers in the Whittier District.

^{3/} Applicant estimated that 800 consumers would be added in its Whittier District during 1953.

The Whittier District covers an area of approximately 12 square miles located within unincorporated territory of Los Angeles County northwest, west and south of the City of Whittier. The area is divided into three operating units which are not interconnected.

The smallest of these is northwest of the City of Whittier at Pellissier Road. This area had approximately 170 consumers at the end of 1952. The source of water supply for this area comprised one well, the pumping plant installation in which had a production capacity of 300 gallons per minute.

The second unit is located north and east of the town of Pico. This area had 1,173 consumers at the end of 1952. The source of water supply for this area comprised four wells, the pumping plant installations in which had a production capacity of 2,850 gallons per minute. Applicant estimated that 275 consumers would be added in this area during 1953.

The third unit is located southwest of the City of Whittier and serves the territory located on the east and west sides of the San Gabriel River. This area contained 6,895 consumers at the end of 1952. The source of water supply for this area comprised four wells, the pumping plant installations in which had a production capacity of 8,800 gallons per minute. Applicant estimated that during 1953 about 525 consumers would be added in this area for a total of 7,420 consumers by the year's end. If applicant's construction program for 1953 were carried out and completed, 6,950 gallons per minute of production capacity would be added to pumping plant facilities increasing the total pumping plant production capacity for the third unit to 15,750 gallons per minute by the year's end.

Rates

Applicant's present rates in its Whittier District became effective October 1, 1946, in accordance with Decision No. 39440, dated September 24, 1946, in Application No. 27135 (46 CRC 731).

The following is a comparison of the present general metered service rates for Whittier District, its proposed rates and the rates hereinafter authorized to be filed:

Quantity Rates:	Per Meter Per Month		
	Present Rates	Proposed Rates	Authorized Rates
First 800 cu.ft. or less	\$1.25	\$1.75	\$1.35
Next 1,200 cu.ft., per 100 cu.ft....	.11	.16	.125
Next 1,000 cu.ft., per 100 cu.ft....	.09	.16	.10
Next 3,000 cu.ft., per 100 cu.ft....	.07	.13	.08
Over 6,000 cu.ft., per 100 cu.ft....	.07	.11	.075

Exhibit No. 1, a report submitted by applicant, shows that a representative residential consumer's annual water bill^{4/} at present rates in the Whittier District would be \$26.30. Under the proposed rates it would be \$38.35, an increase of \$12.05, or 45.8 per cent. Under the rates hereinafter authorized to be filed, such annual water bill would be \$29.05, an increase of \$2.75, or 10.5 per cent.

Applicant's Allegations

In support of this application applicant alleged that the estimated rate of return in its Whittier District for the year 1952 was deficient, and that due to estimated increased operating expenses, including the establishment of a pension plan, the hiring of new employees, increased wages, increased costs of materials and supplies, together with estimated capital

^{4/} For total annual consumption of 20,100 cubic feet.

expenditures in Whittier District of approximately \$346,000 during 1953, its estimated rate of return for the year 1953 at the present rates would be more deficient. It contended that in order to attract capital to finance planned capital expenditures, the filing of the proposed rates should be authorized.

Summary of Earnings

The following tabulation is a summary and comparison of estimated earnings for the year 1952 at present and proposed rates as submitted by applicant in its Exhibit No. 1-H, and by the Commission staff in its Exhibit No. 6. Also shown are estimated earnings for the year 1953 at present and proposed rates as submitted by applicant in Exhibit No. 1-H.

Summary of Earnings

Item	Present Rates		Proposed Rates	
	Co. Exh.:	PUC Exh.:	Co. Exh.:	PUC Exh.:
	No. 1-H	No. 6	No. 1-H	No. 6

Year 1952 Estimated

Operating Revenue	\$213,992	\$214,360	\$311,477	\$311,787
Operating Expenses (excl. taxes and Depreciation)	122,133	117,425	122,247	117,545
Taxes	21,592	21,220	73,404	74,380
Depreciation	32,924	29,400	32,924	29,400
Total Oper. Expenses	176,649	168,045	228,575	221,325
Net Operating Revenue	37,343	46,315	82,902	90,462
Rate Base (Depreciated)	877,039	838,000	902,039	827,000
Rate of Return	4.26%	5.53%	9.19%	10.94%

Year 1953 Estimated

Operating Revenue	\$ 237,386	\$ 345,706
Operating Expenses (excl. taxes and Depreciation)	164,064	164,195
Taxes	31,200	61,472
Depreciation	40,321	40,321
Total Oper. Expenses	235,585	265,988
Net Operating Revenue	1,801	79,718
Rate Base (Depreciated)	1,115,534	1,141,311
Rate of Return	.16%	6.98%

The record shows that certain inter-account adjustments were made to operating expenses and different allocation percentages were used by the staff than by the company in prorating common utility expenses and taxes. Further, certain adjustments were made by the staff to recorded operating expenses for abnormal and nonrecurring expenses. Such adjustments are set forth in Exhibits Nos. 5 and 6, and they account, primarily, for the differences in operating expenses for the year 1952 estimated submitted by applicant and the staff as shown by the preceding tabulation.

The computation of the estimated depreciation expense for the year 1952 by both the company and the staff was on the straight-line remaining life basis. Said basis should be adopted and the order which follows will so provide.

Analysis of the preceding tabulation for the year 1952 estimated indicates that the greatest significant difference between applicant's showing of estimated earnings and that of the staff is in the rate base. Adjustments made by the staff to the total weighted average fixed capital of the Whittier District included donations in aid of construction, consumers' advances for construction, nonoperative properties, common utility prorate, cash discounts, and land at historical cost.

The components of the rate of return determination for the year 1952 estimated, as submitted by the staff, appear to be reasonable, and they are hereby adopted for the purposes of this proceeding. ^{5/}

^{5/} An amount of \$1,000, which was excluded from expense as being a capital item, should be added to the staff rate base on an average-year basis. Such addition to capital was stipulated to in the record by counsel for the Commission staff.

Applicant's Estimate for the Year 1953

The preceding tabulation indicates that, at the present rates, operating expenses in Whittier District for the year 1953, before taxes and depreciation, were estimated by applicant to increase by almost \$42,000 over the year 1952, or 34.3 per cent, and rate base was estimated to increase by \$238,495, or 27.2 per cent. The increased estimated operating expenses were attributed to increased pumping expense, due principally to the addition of more and larger pumping plants, and due partially to changes in power schedules, regular salary increases to present employees and the employment of additional employees in the Whittier District,^{6/} the annual cost of a pension plan established January 1, 1953, in the amount of more than \$5,000 annually, including costs for past and present service liabilities for the Whittier District and increases in legal and regulatory expenses. The increase in the rate base was attributed to the proposed addition of water production and distribution facilities to be constructed in 1953 as shown in Exhibit No. 7.

Conclusion

From a careful review and consideration of the record, it appears that applicant is in need of financial relief, but that the proposed rates would produce an excessive rate of return; therefore, the filing of a schedule of rates will be authorized

^{6/} Applicant estimated it would add about 20 employees to its pay roll throughout its entire system during 1953. Some of such additional employees would replace employees who have resigned or have been discharged, some would be employees on military leave returning to the company's employ, and the balance would be new employees. Applicant's pay roll as of February 27, 1953, together with its contemplated pay roll for 1953 are shown in Exhibit No. 4.

by the order which follows which will produce additional gross revenues of approximately \$21,000. When related to operating expenses, taxes, depreciation and rate base for the estimated year 1952 adopted hereinbefore, such additional gross revenues would have produced a rate of return of approximately 6.7 per cent. Taking into account the declining trend of rate of return as indicated by the record, such rate of return for the past test period is found to be just and reasonable and will provide a fair return for the future.

O R D E R

The above-entitled application having been filed, public hearings having been held thereon, 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 San Gabriel Valley Water Company 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 five days' notice to the Commission and the public, to make such rates effective for services rendered on and after May 8, 1953. ✓
- b. That applicant shall file in quadruplicate with this Commission within thirty days after the effective date of this order a complete set of rules and regulations, containing therein Rules and Regulations Nos. 15 and 19 shown in Exhibit B attached hereto, and four copies of a tariff service area map, in conformity with the Commission's General Order No. 96.

2. 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. The results of these reviews shall be submitted annually to the Commission.
3. That San Gabriel Valley Water Company shall file progress reports, in writing, with the Commission every ninety days after the effective date of this order, and until each item of its proposed construction program is completed or abandoned. Such reports shall show the progress in carrying out and completing said proposed construction program in the Whittier District as shown in Exhibit No. 7. The reports shall also show the completion date, together with the cost of each completed project.
4. That applicant's presently filed tariffs for its Whittier District be cancelled on the date the rates and rules and regulations hereinabove authorized become effective, respectively.

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

Dated at San Francisco, California, this 14th day of April, 1953.

R. T. [Signature]
President.

Justus F. [Signature]

Harold P. [Signature]

[Signature]

[Signature]
Commissioners.

EXHIBIT A
Page 1 of 5

Schedule No. 1

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

Throughout the entire Whittier District in unincorporated territory southwesterly, westerly, northwesterly, and northerly of the City of Whittier, Los Angeles County.

RATES

Quantity Rates:	<u>Per Meter</u> <u>Per Month</u>
For the first 800 cu.ft. or less	\$1.35
For the next 1,200 cu.ft., per 100 cu.ft.125
For the next 1,000 cu.ft., per 100 cu.ft.10
For the next 3,000 cu.ft., per 100 cu.ft.08
For all over 6,000 cu.ft., per 100 cu.ft.075

Minimum Charge:

For 5/8 x 3/4-inch meter	\$1.35
For 3/4-inch meter	2.00
For 1-inch meter	3.00
For 1 1/2-inch meter	5.00
For 2-inch meter	7.50
For 3-inch meter	13.50
For 4-inch meter	21.00
For 6-inch meter	38.00

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
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Schedule No. 2

CONSTRUCTION FLAT RATE SERVICEAPPLICABILITY

Applicable to temporary water service rendered on a flat rate basis for construction work.

TERRITORY

Throughout the entire Whittier District in unincorporated territory southwesterly, westerly, northwesterly, and northerly of the City of Whittier, in Los Angeles County.

RATES

For street paving 5 inches thick, per 100 square feet . . .	\$0.19
For street paving 6 inches thick, per 100 square feet22
For street curb construction, per 100 lineal feet30
For sidewalk construction, per 100 square feet15
For trench settling, per lineal foot of section of trench 2 feet x 4 feet01
For sprinkling subgrade of street and roadway construction in application of oil or any form of patented oil paving or surfacing, or for rolling and settling subgrade, per 3000 square feet of roadway	1.60

Schedule No. 3

PUBLIC FIRE HYDRANT SERVICE

APPLICABILITY

Applicable to all public fire hydrant service rendered to fire districts or other public agencies.

TERRITORY

Throughout the entire Whittier District in unincorporated territory southwesterly, westerly, northwesterly, and northerly of the City of Whittier, Los Angeles County.

RATES

	<u>Per Month</u>
For each fire hydrant connected to a 4-inch main or larger	\$1.50
For each fire hydrant connected to a main less than 4 inches in diameter	1.00

SPECIAL CONDITIONS

1. The Company will supply only such water at such pressure as may be available from time to time as a result of its normal operation of the system.
2. The customer shall indemnify the Company and save it harmless against any and all claims arising out of service under this schedule and shall further agree to make no claim against the Company for any loss or damage resulting from service hereunder.

Schedule No. 4

PRIVATE FIRE PROTECTION SERVICEAPPLICABILITY

Applicable to all water service rendered for private fire protection purposes.

TERRITORY

Throughout the entire Whittier District in unincorporated territory southwesterly, westerly, northwesterly, and northerly of the City of Whittier, Los Angeles County.

RATES

The charge for fire sprinkler service is \$1 per month per inch of diameter of the service.

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.
3. The customer's installation must be such as to separate effectively the fire sprinkler service from that of the customer's regular water service. As a part of the sprinkler service 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 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 grounds for immediately discontinuing the sprinkler service without liability to the Company.

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Schedule No. 5

TEMPORARY FLAT RATE SERVICE

APPLICABILITY

Applicable to all water service rendered on a flat rate basis pending installation of meters.

TERRITORY

Throughout the entire Whittier District in unincorporated territory southwesterly, westerly, northwesterly, and northerly of the City of Whittier, in Los Angeles County.

RATES

(Company to insert here a list of all classifications of service, now being rendered at flat rates, showing monthly rates for such classifications which will result in charges no more than ten per cent greater than charges now being made.)

SPECIAL CONDITIONS

1. No new applications will be received for service under this schedule.
2. Existing consumers receiving service under this schedule will be placed on metered service as soon as the rearrangement of piping will permit and thereafter service will be rendered only under Schedule No. 1, General Metered Service.

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Rule and Regulation No. 15

MAIN EXTENSIONS

A. General or Ordinary Extensions

In applications for ordinary extension of mains, other than to serve subdivisions, tracts or organized service districts, the utility will extend its water distribution mains to new consumers at its own expense when the required total length of main extension from the nearest existing distribution main is not in excess of 100 feet per service connection. If the total length of main extension is in excess of 100 feet per service connection applied for, the applicant or applicants for such service will be required to advance that portion of the reasonable estimated cost of such extension over and above the estimated reasonable cost of 100 feet of the main extension per service connection, exclusive of cost of service connections and meters and of any costs of increasing the size or capacity of the utility's existing mains or any other facilities used or necessary for supplying the proposed extension; provided, however, that in no case will the above estimate be based upon the cost of a main in excess of four inches in diameter. The money so advanced will be refunded without interest in payments equal to the reasonable actual cost of 100 feet of the main extension in place, to be made within 90 days after installation of each additional regular and bona fide service connection attached to the extension for which deposit has been made. No refunds will be made after a period of ten years after the date of completion of the main extension and the total refund shall not exceed the original deposit.

In addition to refunds made on the basis of additional service connections attached directly to the extension for which a deposit has been made as provided in the preceding paragraph, refunds also will be made to the depositor (or depositors) in those cases where an additional regular and bona fide consumer (or consumers) may be served by a subsequent main extension, either continuous or lateral, supplied from the original extension upon which an advance deposit is still refundable, whenever the length of the further extension is less than 100 feet per service connection. Such additional refunds will be based on the difference between the 100-foot allowance per service connection and the lengths of the required subsequent extension at the average unit cost of the original extension. In those cases where subsequent consumers are served through a series of such main extensions, refunds will be made to depositors in chronological order beginning with the first of the extensions in the series from the original point of supply, until the amount advanced is fully repaid within the period of ten years as specified above. In those cases where two or more consumers have made a joint advance deposit on the same extension, refunds will be made on a prorata basis.

Adjustment of any substantial difference between the estimated and the reasonable actual cost will be made within 60 days after completion of the installation, subject to review by the Public Utilities Commission in the

EXHIBIT B
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Rule and Regulation No. 15

MAIN EXTENSIONS
(Continued)

A. General or Ordinary Extensions

event of disagreement or dispute between depositor and the utility. No advance deposit in aid of construction will be required from an applicant requesting regular and bona fide service other than temporary from a main already in place.

Where streets, highways and freeways exceed 70 feet in width, the company may require a main on each side of the street and the length of the extension will be measured from the nearest existing main on the same side of the thoroughfare as the premises to be supplied.

B. Extensions to Serve Subdivisions, Tracts or Organized Service Districts.

Applicants for main extensions to serve new subdivisions, tracts or service districts will be required to deposit with the utility before construction is commenced the estimated reasonable cost of installation of the mains and necessary fittings, gates and housings therefor from the nearest existing main, exclusive of service connections and meters, and exclusive of any costs of increasing the size or capacity of the utility's existing mains and for any other facilities used or necessary for supplying the proposed extension. Provided, however, that in the event applicant requests, or local laws or ordinances provide, that distribution stubs or service connections to lots in such subdivisions, tracts, or service districts be installed prior to the paving of streets, the cost of such stubs and service connections shall be included in the amount of the deposit.

The size, type and quality of materials, and location of the mains will be specified by the utility and the actual construction will be done by the utility or by a constructing agency acceptable to it.

In case of disagreement over location, size, type or quality of materials of the mains specified or the constructing medium, or the amount to be advanced by applicant, the matter may be referred to the Public Utilities Commission for settlement.

Adjustment of any substantial differences between the estimated and the reasonable actual cost thereof will be made within 90 days after completion of the installation, subject to review by the Public Utilities Commission in the event of disagreement or dispute between depositor and the utility.

For a period not exceeding ten years from and after the date of completion of the main extension, the utility will refund without interest to the depositor, or other party entitled thereto, annually, 35 per cent of the gross revenues due and receivable from each bona fide consumer attached to the

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Rule and Regulation No. 15

MAIN EXTENSIONS
(Continued)B. Extensions to Serve Subdivisions, Tracts or Organized Service Districts
(continued)

extension within the subdivision, tract or service district; provided, however, that the total payment thus made by the utility shall not exceed the amount of the original deposit, without interest.

Money advanced for installation of stubs and service connections will be refunded without interest in payments equal to the actual reasonable cost of each stub and service connection within 90 days after it is placed in service. No refunds hereunder will be made after a period of ten years from and after the date of completion of the original extension, and the total refund for such stub and service connection will not exceed the original deposit without interest.

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Rule and Regulation No. 19

BIMONTHLY METER READING AND BILLING

The special rules set forth on this sheet are established, and any other rules or regulations, rates, or contracts of this company on file with the Public Utilities Commission and inconsistent herewith shall be taken as suspended or modified to the extent necessary to remove such inconsistency;

1. For all metered customers served by the company, water meters may, at the option of the company, be normally read at intervals of approximately two months instead of one month.
2. The charge for service rendered in each two-month period will be computed at the applicable filed rate schedule by doubling the monthly minimum charge and the number of cubic feet to which each block rate is applicable on a monthly basis.
3. Bills for service supplied during each such two-month period shall be rendered promptly after the close of such period and shall be payable in the same manner as monthly bills.
4. Where meters are normally read at monthly intervals, opening and closing bills and monthly bills for water service rendered for periods of less than 27 days or more than 33 days will be computed in accordance with the rate applicable to that service but the amount of the blocks in the schedule and minimum charge as set forth will be prorated on the basis of the number of days in the period in question to the total number of days in an average month which will be taken as 30.4 days.

Where bimonthly meter reading is established, opening and closing bills and bills for irregular periods will be computed in accordance with the above paragraph, except that period of 54 to 66 days, both inclusive, will be considered two months.