

ORIGINAL

Decision No. 49558

## BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)  
 SANTA PAULA WATER WORKS, LTD., a )  
 corporation, for an order author- )  
 izing it to change and increase )  
 its rates. )

Application No. 34468

Churchill & Teague, attorneys, by E. Perry  
Churchill and Charles M. Teague, for  
 applicant.

James F. Wilson, Reginald H. Knaggs and  
R. R. Entwistle, for the Commission staff.

## O P I N I O N

Santa Paula Water Works, Ltd., a corporation, by the above-entitled application filed June 25, 1953, seeks authority to increase rates for water service in and about the City of Santa Paula, Ventura County.

A public hearing in this matter was held before Examiner Warner on December 9, 1953, at Santa Paula. Although notices of the hearing were sent to all consumers and were published in newspapers of general circulation throughout the area, no appearance was made by any party in protest to the granting of the application.

General Information

Applicant furnishes water service to about 3,500 domestic and irrigation consumers in and in the vicinity of the City of Santa Paula, throughout its service area which comprises about 790 acres. Exhibit No. 1 is a map of said service area showing in red the areas in which domestic service is furnished and in green the areas in which irrigation service is furnished. The sources of water supply comprise the surface runoff of Santa Paula Creek and six wells. Water storage facilities include a regulating

reservoir and several storage tanks, with a total combined storage capacity in excess of five million gallons.

Basis of Application

In its application applicant stated that it was requesting a change in rates which would produce revenue sufficient to pay its maintenance and operation costs, adequate to cover necessary additions to and replacements of its property, and provide a reasonable net revenue for the payment of dividends to its stockholders, thus establishing a sound credit position and providing a satisfactory basis for essential new construction and replacements.

Rates

Applicant's present rates have been in effect since 1923. They were established by Decision No. 12816, dated November 10, 1923, in Application No. 9293. The following tabulation is a comparison of applicant's present and proposed rates for general metered service:

COMPARISON OF PRESENT AND PROPOSED RATES

<u>General Metered Service</u>	<u>Per Meter Per Month</u>	
	<u>Present</u>	<u>Proposed</u>
Quantity Rates:		
First 700 cu. ft. or less	\$1.00	
Next 4,300 cu. ft., per 100 cu. ft.	.10	
Next 5,000 cu. ft., per 100 cu. ft.	.07	
Over 10,000 cu. ft., per 100 cu. ft.	.05	
First 500 cu. ft. or less		\$1.25
Next 4,500 cu. ft., per 100 cu. ft.		.15
Next 5,000 cu. ft., per 100 cu. ft.		.12
Over 10,000 cu. ft., per 100 cu. ft.		.08

Commensurate increases in monthly minimum charges are also proposed.

Since 1923 applicant has been charging some 459 multiple units by applying multiple minimum charges to each unit, together with quantity charges according to individual usage. Such individual

usage was charged according to the regularly filed general metered service rate.

Authorization is now requested to file Schedule No. 2, Multiple Unit Service, the quantity rates in which would be identical to its general metered service rates, but the uniform minimum charge in which would be applicable to all size meters at the rate of \$1.25 per unit per month. This rate would apply to multiple unit domestic, commercial, and industrial service where two or more units are served through one meter.

Applicant proposes to make permanent its presently effective rate for fire hydrant service which constitutes a reduction from \$1.50 to \$1.00 per hydrant per month for each hydrant served from mains four inches or larger when hydrants are owned by a municipality or agency. A new rate of \$3.00 per hydrant per month is proposed when service and hydrant have been paid for by the utility and will be maintained by the utility.

An increase in rate for surplus irrigation water sold to the Thermal Belt Mutual Water Company from \$0.10 per miner's inch per day of 24 hours to \$0.20 is proposed. Also, increases in irrigation rates when water ceases to waste over applicant's dam and prior to inauguration of pumping, from \$0.30 per miner's inch to \$0.40, and when gravity flow of water is insufficient to supply all of applicant's consumers and pumping operations are necessary, from \$0.60 per miner's inch to \$0.75 per miner's inch per day of 24 hours, are proposed. At present there is no filed minimum charge for irrigation service and applicant proposes a minimum charge for irrigation use from gravity line of \$2.50 per 24-hour day or any portion of a 24-hour day.

Earnings

Reports of recorded, adjusted, normalized and estimated results of applicant's operations for the years 1951 through 1954 were submitted by an accounting witness for applicant and by Commission staff accounting and engineering witnesses as Exhibits Nos. 3 and 4, respectively. The earnings information contained in said exhibits at present and proposed rates for the year 1953 estimated, and for the year 1954 normalized and estimated, is summarized in the following tabulation:

SUMMARY OF EARNINGS

Item	Year 1953*		Year 1954 Estimated		: Par Co. : : Exh. 3 :
	: Present : : Rates :	: Proposed : : Rates :	: Present : : Rates :	: Proposed : : Rates :	
Operating Revenue	\$111,310	\$159,682	\$114,735	\$164,470	\$166,928
Operating Expenses	101,931	124,563	108,271	130,749	131,931
Net Revenue	9,379	35,119	6,464	33,721	34,997
Rate Base	547,897	543,739	650,447	645,280	631,604
Rate of Return	1.71%	6.46%	0.99%	5.23%	5.54%

\* Nine months recorded, three months estimated.

The record shows that the year 1952, due to higher than normal rainfall, was a so-called wet year and applicant was able to utilize substantial quantities of its surface runoff water supply sources, thereby abnormally reducing its pumping costs. The record further shows that the year 1953, due to lower than normal rainfall, has been a so-called dry year and applicant has been required to pump considerable quantities of water. However, water usage by consumers, and revenues received for such consumption, during the recorded months of 1953, have been abnormally high. Both applicant's witness and the staff engineering witness normalized their estimates for the year 1954 by taking the above-mentioned abnormal years into consideration and arriving at average rainfall, water supply and operating conditions.

No significant differences appear between the estimates of operating revenues, operating expenses, net revenue, rate base and rate of return submitted by applicant and the staff.

Applicant's witness testified that he had not included certain probable increases in operating expense in his 1954 estimate; viz., (a) a possible increase in power costs due to a pending rate increase proceeding of Southern California Edison Company, (b) a general five per cent wage increase granted since his estimates were prepared, (c) a greater increase in property taxes than anticipated and possible county tax assessments by the United Water Conservation District formed in the Santa Clara Valley and the Oxnard Plain; said district has been authorized to issue \$10,930,000 of bonds, the tax effect of which was not included in applicant's 1954 estimate, and (d) part of the operational cost of a radio communications system proposed to be installed by applicant.

Likewise, applicant's witness testified that he had not included certain additional capital expenditures, amounting to approximately \$30,000, in his average 1954 rate base.

The staff engineer testified that he had computed depreciation expense according to the remaining life basis and he recommended a composite rate of 1.76 per cent as developed in his computations. He further recommended that future accruals to the depreciation reserve should be based on the remaining life method and that a review of the remaining lives of plant should be made within two to four years.

Both applicant's witness and the staff witness deducted an amount of approximately \$71,000 appearing in Account C-4, Other Intangible Capital, from their average rate base determinations. This amount had been deducted by the Commission in Decision No. 12816, in 1923, hereinbefore referred to.

Service Complaints

No service complaints of any nature were filed at the hearing and Exhibit No. 4 indicates that no complaints have been filed with the Commission since 1941.

Conclusion

It is evident that applicant is in need of financial relief. The adjusted earnings for the year 1952, as shown in Exhibit No. 4, and the estimated earnings for the years 1953 and 1954, all at the present rates, indicate that applicant's earnings have been and will be deficient. The order which follows will provide for the filing of applicant's rates except that minimum charges for 5/8 x 3/4-inch and 3/4-inch meter sizes will be separately included and that the filing of proposed Schedule No. 2, Multiple Unit Service, will not be authorized. In substitution for this latter schedule, an increase in the rate for consumptions over 10,000 cubic feet per month from \$0.08 to \$0.10 per 100 cubic feet will be authorized. The authorized rates will produce estimated gross revenue of \$165,750, and when total estimated operating expenses of \$131,360 are deducted therefrom, estimated net operating revenue of \$34,390 will result. Such net revenue, when related to an estimated rate base of \$645,280, which rate base we hereby find to be reasonable, will produce a rate of return of 5.3 per cent. This is found to be a just and reasonable rate of return for this proceeding.

O R D E R

Application as above entitled having been filed, a public hearing 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 General Order No. 96, the schedule of rates shown in Appendix A attached hereto and, on not less than five days' notice to the Commission and the public, to make such rates effective for service rendered on and after February 15, 1954.
2. That within thirty days after the effective date of this order, applicant shall file with this Commission four sets of up-to-date rules and regulations governing customer relations, together with four copies of a tariff service area map acceptable to the Commission and in accordance with the requirements of General Order No. 96.
3. That within forty days after the effective date of this order, applicant shall file with this Commission four copies of a comprehensive map, drawn to an indicated scale not smaller than 600 feet to the inch, delineating by appropriate markings the various tracts of land and territory served and the location of the various properties of applicant.
4. That applicant shall base future accruals to the reserve for depreciation upon a spreading of the original cost of the plant, less estimated net salvage and depreciation reserve, over the estimated remaining life of the property; further, applicant shall review such accruals when major changes in plant composition occur and for each plant account at intervals of not less than two years nor more than four years. Results of these reviews shall be submitted to this Commission.

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

Dated at San Francisco, California, this 12<sup>th</sup> day of January, 1954.

J. E. Dunning  
President

Arthur D. Carlson

Frederick Pottel

Walter H. Hill

Verne Macris  
Commissioners

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## Schedule No. 1

GENERAL METERED SERVICEAPPLICABILITY

Applicable to metered water service rendered for residential, commercial, industrial and municipal purposes.

TERRITORY

The incorporated City of Santa Paula and adjacent unincorporated areas, Ventura County.

RATES

## Quantity Rates:

	<u>Per Meter per Month</u>
First 500 cu.ft. or less .....	\$1.25
Next 4,500 cu.ft., per 100 cu.ft.....	.15
Next 5,000 cu.ft., per 100 cu.ft.....	.12
Over 10,000 cu.ft., per 100 cu.ft.....	.10

## Minimum Charge:

For 5/8 x 3/4-inch meter .....	\$ 1.25
For 3/4-inch meter .....	1.75
For 1-inch meter .....	2.50 /
For 1-1/2-inch meter .....	4.00 /
For 2-inch meter .....	6.00 /
For 3-inch meter .....	12.00 /
For 4-inch meter .....	20.00 /
For 6-inch meter .....	40.00 /
For 8-inch meter .....	60.00 /

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



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*rewritten*

Schedule No. 2

IRRIGATION SERVICE

APPLICABILITY

Applicable to all measured water service rendered to individual consumers for agricultural irrigation purposes.

TERRITORY

In the area supplied by the utility's gravity system in Santa Paula Canyon northerly of the City of Santa Paula, Ventura County.

RATES

<u>Quantity Rates:</u>	<u>Per Miner's Inch (1/50 of one cubic foot per second) per 24-Hour Day</u>
When water is wasting over diversion dam in Santa Paula Creek .....	\$0.15
When water ceases to waste over dam and prior to inauguration of pumping operations by the utility .....	0.40
When gravity flow of water is insufficient to supply all of the utility's consumers and pumping operations by the utility are necessary.....	0.75
 <u>Minimum Charge:</u>	 <u>Per 24-Hour Day or Any Portion Thereof</u>
For each irrigation water delivery .....	\$2.50

SPECIAL CONDITIONS

1. Service under this schedule is limited to the lands being rendered irrigation service as of the effective date of this schedule.
2. Requests for each irrigation water delivery shall be made to the utility not less than 48 hours in advance of the time said delivery is desired.

REM

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Schedule No. 3

SURPLUS RESALE IRRIGATION SERVICE

APPLICABILITY

Applicable to all measured water service rendered on a surplus basis to the Thermal Belt Mutual Water Company for resale for agricultural irrigation purposes as provided for in the special conditions below.

TERRITORY

In the area supplied by the utility's gravity system in Santa Paula Canyon northerly of the City of Santa Paula, Ventura County.

RATES

Per Miner's Inch  
(1/50 of one cubic  
foot per second)  
per 24-Hour Day

For water delivered ..... \$0.20

SPECIAL CONDITION

Service under this schedule is limited to those times when water is available in the gravity system in excess of the maximum demands of all other customers of utility and prior to inauguration of pumping operations.

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Schedule No. 4

PUBLIC FIRE HYDRANT SERVICE

APPLICABILITY

Applicable to all public fire hydrant service.

TERRITORY

The incorporated City of Santa Paula and adjacent unincorporated areas, Ventura County.

RATES

	<u>Per Hydrant per Month</u>
When hydrant is owned and maintained by municipality or public agency:	
For fire hydrant served from mains less than 4 inches in diameter .....	\$0.50
For fire hydrant served from mains 4 inches and larger in diameter .....	1.00
When service and hydrant are owned and maintained by the utility .....	3.00

SPECIAL CONDITIONS

1. The above rates include use of water for fire fighting and for no other purpose. Quantities of water delivered through fire hydrants for any other purpose will be estimated or measured and charges will be made at the monthly quantity rates under the General Metered Service schedule.

2. The utility 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.