

Decision No. 50431**ORIGINAL**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the matter of the application )	
of the SOUTHERN CALIFORNIA WATER )	
COMPANY for authority to increase )	Application No. 34191
water rates charged by it for )	(Amended)
water service. )	

O'Melveny & Myers, by Lauren M. Wright and  
Everett Clary, attorneys, and C. T. Mess,  
 consulting engineer, for applicant.  
J. T. Phelps, Theodore Stein, and C. T. Coffey,  
 for the Commission staff.

SECOND INTERIM OPINION.

Southern California Water Company, by the above-entitled application filed March 27, 1953, and amended November 19, 1953, April 9, 1954 and May 24, 1954, seeks authority to increase rates for water service in 12 of its 25 districts in Los Angeles, Orange, and San Bernardino Counties by approximately \$327,000, based on 1953 operations.

This Second Interim Opinion and Second Interim Order relate to the matter of applicant's request to increase rates in its South San Gabriel (Wilmar) District by \$16,000, based on 1954 estimated operations.

Adjourned public hearings in this matter were held before Examiner Warner on April 21 and 22, 1954, and May 26 and 27, 1954 at Los Angeles.<sup>1</sup> The matter has been submitted and is ready for decision.

<sup>1</sup> Also heard at these hearings and submitted were the matters of applicant's requests to increase water rates in its Artesia-South Artesia, Florence-Graham, and Norwalk Districts. Original and adjourned hearings on applicant's over-all results of operations and its request to increase rates in its Gardena-Lawndale-Normandie, and Lennox Districts were held on January 13 and 14, 1954 and March 17 and 18, 1954.

General Information re South San  
Gabriel (Wilmar) District

As of December 31, 1953 applicant was furnishing water service in its South San Gabriel District to 3,761 consumers, and it estimated that by the end of 1954 this number would increase to 3,800. The territory comprising the South San Gabriel District is shown on the map, Exhibit No. 23. This map shows that the district comprises an area of approximately 2½ square miles of unincorporated territory in Los Angeles County, lying south of Dewey Avenue (the southerly boundary of the City of San Gabriel) generally west of San Gabriel Boulevard. The area is substantially built up and applicant's operations therein have been and are relatively stable.

The source of water supply comprises five wells located at three plants within the district. Storage is provided by one steel and one redwood tank with a combined capacity of 600,000 gallons. As of December 31, 1953 water service was furnished through approximately 176,000 feet of distribution mains, and fire protection was provided by 83 fire hydrants. Applicant's budget for 1954 provided for net additions to fixed capital in the amount of \$52,000, the principal amount of which was allocated to the replacement and installation of distribution mains.

Rates

The general meter rate schedule now in effect for the South San Gabriel District was authorized by Decision No. 36931, dated March 7, 1944, in Application No. 25988 and Case No. 4714.

The following tabulation is a comparison of the present and proposed rates:

GENERAL METERED SERVICE

Quantity Rates:	Per Meter per Month	
	Present	Proposed
First 800 cu.ft. or less .....	\$1.25	\$ 1.50
Next 1,200 cu.ft., per 100 cu.ft. ....	.125	.14
Next 3,000 cu.ft., per 100 cu.ft. ....	.10	.11
Over 5,000 cu.ft., per 100 cu.ft. ....	.08	.09

Minimum Charge:

For 5/8 x 3/4-inch meter .....	1.25	1.50
3/4-inch meter .....	1.50	2.00
1-inch meter .....	2.00	3.50
1 1/2-inch meter .....	2.75	5.00
2-inch meter .....	3.50	8.00
3-inch meter .....	5.00	15.00
4-inch meter .....		25.00
6-inch meter .....		45.00

At the present rates the charge for a monthly consumption of 1,500 cubic feet is \$2.13. Under the proposed rates the charge for such consumption would be \$2.48, an increase of about 17 per cent.

Earnings

The following tabulation is a comparison of earnings information for the South San Gabriel District as contained in Exhibits Nos. 24 and 24-A, submitted by applicant, and Exhibit No. 33 submitted by the Commission staff:

SUMMARY OF EARNINGS

Item	Year 1953		Year 1954 Estimated			
	Present Rates	Adjusted	Present Rates	Per Co.	Exh. 24	Proposed Rates
	Per Co.	Per PUC	Per Co.	Per PUC	Exh. 24	Per PUC
	Exh. 24	Exh. 33	Exh. 24	Exh. 33	and 24-A	Exh. 33
Oper. Revenue	\$ 96,959	\$ 94,975	\$ 91,840	\$ 96,360	\$108,040	\$111,990
Oper. Expense	77,729	74,902	73,310	75,967	82,130	84,467
Net Oper. Rev.	19,230	20,073	18,530	20,393	25,910	27,523
Rate Base	364,600	364,000	403,200	406,300	403,200	404,600
Rate of Return*	5.27%	5.51%	4.60%	5.02%	6.43%	6.80%

\* Utilizing 52% federal income tax rate for 1954 estimated.

No significant differences in estimated rate of return components for the year 1954 appear between those submitted by applicant and by the staff except the methods used by each in estimating revenues, and certain adjustments to general expenses made by the staff for abnormal and nonrecurring items of expense. Since both the company and the staff adjusted 1953 revenues to so-called normal rainfall conditions it appears that their 1954 estimates of operating revenues contain some leeway for fluctuations in consumers' water usage due to weather conditions. It further appears that the staff method of estimating such revenues is reasonable, and it will be adopted for the purposes of this proceeding.

#### Conclusion

From a review of the record it is evident that applicant is experiencing and will continue to experience a less than reasonable rate of return at the present rates in its South San Gabriel District and that it is entitled to rate relief. However, the estimated rate of return of 6.80 per cent which would be produced by the gross annual increase in revenues of \$16,000 as applied for, at the 52 per cent income tax rate, is considered excessive. The order which follows will authorize the filing of rates which will produce gross annual revenues of approximately \$104,900 for the South San Gabriel District, or a gross annual increase of about \$8,500 over present rates. After taking into account estimated operating expenses of \$80,600, net revenues of \$24,300 will result. When such net revenues are related to an estimated weighted average depreciated rate base of \$404,900, per Exhibit No. 35, which we hereby adopt as reasonable, an estimated rate of return of 6 per cent will result. We find such estimated rate of return to be fair and reasonable. The filing of new schedules of rates for employees' service and public fire hydrant service will also be ordered.

SECOND INTERIM ORDER

Application as above-entitled having been filed, public hearings having been held, the matter of the application for increase in rates in the South San Gabriel District 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 that:

- (1) a. 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 applicable to the South San Gabriel District shown in Appendix A attached hereto, and on not less than five days' notice to the Commission and to the public to make such rates effective for service rendered on and after September 10, 1954. ✓
  - b. Within thirty days after the effective date of this order, applicant shall file with this Commission four copies of a tariff service area map in conformity with the provisions of the Commission's General Order No. 96.
  - c. Within forty days after the effective date of this order, applicant shall file four copies of a comprehensive map drawn to an indicated scale not smaller than 200 feet to the inch, delineating by appropriate markings the various tracts of land and territory served; the principal water production, storage and distribution facilities; and the location of various properties of applicant.
- (2) Applicant shall review annually the accruals to depreciation reserve which shall be determined for each primary plant account by dividing the original cost of plant less estimated future net salvage less depreciation reserve by the estimated remaining life of the surviving plant

of the account; and the results of the reviews shall be submitted annually to the Commission.

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

Dated at San Francisco, California, this 17<sup>th</sup> day of August, 1954.

John L. Mitchell  
President

Justus J. Calver

Samuel Patten

Gene Higgins

Commissioners

APPENDIX A  
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Schedule No. 1

South San Gabriel Tariff Area

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

The unincorporated community of South San Gabriel, Los Angeles County.

RATES

Quantity Rates:	Per Meter Per Month
First 800 cu.ft. or less .....	\$1.40
Next 1,200 cu.ft., per 100 cu.ft. ....	.13
Next 3,000 cu.ft., per 100 cu.ft. ....	.11
Over 5,000 cu.ft., per 100 cu.ft. ....	.085
Minimum Charge:	
For 5/8 x 3/4-inch meter .....	\$1.40
For 3/4-inch meter .....	2.00
For 1-inch meter .....	3.25
For 1 1/2-inch meter .....	5.00
For 2-inch meter .....	8.00
For 3-inch meter .....	15.00
For 4-inch meter .....	25.00
For 6-inch meter .....	45.00

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

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Schedule No. 2

South San Gabriel Tariff Area

CONSTRUCTION AND OTHER TEMPORARY FLAT RATE SERVICE

APPLICABILITY

Applicable to water service furnished for construction and temporary purposes.

TERRITORY

The unincorporated community of South San Gabriel, Los Angeles County.

RATES

(1)	For each 100 sq.ft. of concrete sidewalk constructed	....	\$0.20
(2)	For each 100 linear feet of concrete curb constructed	...	.40
(3)	For each 100 sq.ft. of concrete gutter constructed	.....	.40
(4)	For each 100 sq.ft. of concrete street constructed	.....	.40
(5)	For settling graded street, for each 100 sq.ft. of street graded	.....	.05
(6)	For settling backfill of trenches, for each lineal foot of trench with 16-square-foot cross sectional area or less	.....	.01

For each lineal foot of trench of over 16-square-foot cross sectional area the rate per foot of trench increases in proportion to the area.

SPECIAL CONDITIONS

1. For other temporary uses, an estimate of the quantity of water used will be made by the Company. The charge for this water will be made at the quantity rate for General Metered Service.

2. The applicant for such temporary service shall be required to pay to the Company in advance, the net cost of installing and removing any facilities necessary in connection with furnishing such service by the Company.



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Schedule No. 2

South San Gabriel Tariff Area

CONSTRUCTION AND OTHER TEMPORARY FLAT RATE SERVICE

SPECIAL CONDITIONS—Contd.

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.

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Schedule No. 3

South San Gabriel Tariff Area

PUBLIC FIRE HYDRANT SERVICE

APPLICABILITY

Applicable to all public fire hydrant service.

TERRITORY

The unincorporated community of South San Gabriel, Los Angeles County.

RATES

(To be inserted by applicant in accordance with rates presently being charged pursuant to agreement between applicant and any public fire protection agency concerned.)

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Schedule No. 4

South San Gabriel Tariff Area

SERVICE TO COMPANY EMPLOYEES

APPLICABILITY

Applicable to water service rendered for residential use to employees of the Company.

TERRITORY

The unincorporated community of South San Gabriel, Los Angeles County.

RATES

(To be inserted by applicant in accordance with rates presently being charged.)