

ORIGINAL

Decision No. 50412

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
water rates charged by it for
water service.

Application No. 34191
(Amended)

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.

THIRD 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 twelve of its twenty-five districts in Los Angeles, Orange, and San Bernardino Counties by approximately \$327,000, based on 1953 operations.

This Third Interim Opinion and Third Interim Order relate to the matter of applicant's request to increase rates in its Artesia-South Artesia District by approximately \$20,000, 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. (1) The matter has been submitted and is ready for decision.

(1) Also heard at these hearings and submitted were the matters of applicant's requests to increase water rates in its South San Gabriel, 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 Artesia-
South Artesia District

As of December 31, 1953 water service was being furnished by applicant to 1,840 consumers in its Artesia-South Artesia District, and applicant estimated that this number would increase to 2,105 by December 31, 1954. The area served comprises approximately 1.03 square miles in unincorporated territory, Los Angeles County. The district is bounded on the north by Artesia Boulevard, on the west by Gridley Road, on the east by Norwalk Boulevard and Claretta Avenue, and on the south by Carson Street, as shown on the maps, Exhibits Nos. 25 and 25-A filed at the hearing. The source of water supply includes 7 wells located at 6 plants within the district. Storage is provided by a 50,000-gallon elevated steel tank. Applicant's authorized budget for the year 1954 included net additions to fixed capital of \$163,700 applicable to this district. This amount provided \$20,600 for a new well and \$107,900 for distribution mains, including an 8-inch cast iron pipeline connecting Artesia with South Artesia south from Orangethorpe Boulevard to 206th Street.

Rates

The general meter rate schedule now in effect for the Artesia District was filed with the Commission on January 7, 1925. On September 4, 1935 a temporary optional rate schedule "B" was also filed with the Commission, which has continued in effect since that time. In 1940 the quantity of water to which the consumer is entitled for the minimum monthly meter charge in the Artesia District was increased from 500 cubic feet to 800 cubic feet. The general meter rate now in effect for the South Artesia District was authorized by Decision No. 42002 dated August 31, 1948 in Application No. 29402.

The following tabulation is a summary and comparison of the present and proposed general metered service rates:

GENERAL METERED-SERVICE				
Per Meter Per Month				
Present Rates : Proposed :				
Artesia : South :for Entire:				
Regular: Optional: Artesia: District :				
<u>Quantity Rates:</u>				
First 1,500 cubic feet, or less.....		\$ 2.00		
First 800 cubic feet, or less.....	\$ 1.50			\$ 2.00
First 500 cubic feet, or less			\$ 1.50	
Next 300 cubic feet, per 100 cu.ft.			.15	
Next 700 cubic feet, per 100 cu.ft.	.15		.15	.20
Next 1,500 cubic feet, per 100 cu.ft.	.15	.075	.15	.20
Next 7,000 cubic feet, per 100 cu.ft.	.15	.075	.15	.16
Over 10,000 cubic feet, per 100 cu.ft.	.15	.075	.15	.14
<u>Minimum Charge:</u>				
For 5/8 x 3/4-inch meter	\$ 1.50	\$ 2.00	\$ 1.50	\$ 2.00
3/4-inch meter	2.00	2.75	1.80	2.75
1-inch meter	2.50	3.50	2.40	4.00
1 1/2-inch meter	4.00	5.75	3.30	6.50
2-inch meter	6.00	9.50	4.50	10.00
3-inch meter	12.00	20.00		20.00
4-inch meter	20.00	30.00		30.00
6-inch meter				50.00

In the Artesia District the present charge for a monthly consumption of 1,500 cubic feet under the regular rate is \$2.55 and under the optional rate is \$2.00, and in the South Artesia District it is \$3.00. Under the proposed rates the monthly charge for such consumption would be \$3.40.

Earnings

The following tabulation is a summary of the earnings information of the Artesia-South Artesia District contained in applicant's Exhibits Nos. 26 and 26-A and the Commission staff Exhibit No. 36:

SUMMARY OF EARNINGS						
	Year 1953		Year 1954—Estimated			
	Present Rates		Present Rates		Proposed Rates	
	Recorded	Adjusted	Per Co.	Per FUC	Per Co.	Per FUC
	Per Co.	Per FUC	Ex. 26	Ex. 36	Ex. 26	Ex. 36
	Ex. 26	Ex. 36			& 26-A	
Oper. Rev.	\$ 55,948	\$ 55,025	\$ 62,400	\$ 61,310	\$ 81,500	\$ 82,490
Oper. Exp.	44,486	41,650	47,430	46,145	57,920	57,745
Net Oper. Rev.	11,462	13,375	14,970	15,165	23,580	24,745
Rate Base	249,500	249,100	357,600	360,200	357,600	358,700
Rate of Return*	4.59%	5.37%	4.19%	4.21%	6.59%	6.90%

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

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Analysis of the preceding tabulation discloses no substantial differences between the estimated rate of return components submitted by the company and the staff.

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 the Artesia-South Artesia District, and that it is entitled to rate relief. However, the estimated rate of return of 6.90 per cent which would be produced by the gross annual increase in revenues of \$20,000 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 \$75,400 for the Artesia-South Artesia District, or a gross annual increase of about \$14,100 over present rates. After taking into account estimated operating expenses of \$53,800, net revenues of \$21,600 will result. When such net revenues are related to an estimated weighted average depreciated rate base of \$358,700, 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.

THIRD 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 Artesia-South Artesia 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 Artesia-South Artesia 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 400 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 17th day of August, 1954

John L. Mitchell
President

Justin J. Adams

Samuel H. Patten

Deane Higgins

Commissioners

APPENDIX A
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Schedule No. 1

Artesia - South Artesia Tariff Area

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

The unincorporated community of Artesia and territory south thereof, Los Angeles County.

RATES

Quantity Rates:	<u>Per Meter</u> <u>Per Month</u>
First 800 cu.ft. or less	\$1.80
Next 2,200 cu.ft., per 100 cu.ft.18
Next 7,000 cu.ft., per 100 cu.ft.16
Over 10,000 cu.ft., per 100 cu.ft.14
 Minimum Charge:	
For 5/8 x 3/4-inch meter	<u>\$1.80</u>
For 3/4-inch meter	2.75
For 1-inch meter	4.00
For 1-1/2-inch meter	6.50
For 2-inch meter	10.00
For 3-inch meter	20.00
For 4-inch meter	30.00
For 6-inch meter	50.00

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

Schedule No. 2

Artesia - South Artesia 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 Artesia and territory south thereof, Los Angeles County.

RATES

(1)	For each 100 square feet of concrete sidewalk constructed . . .	\$0.20
(2)	For each 100 linear feet of concrete curb constructed40
(3)	For each 100 square feet of concrete gutter constructed40
(4)	For each 100 square feet of concrete street constructed40
(5)	For settling graded street, for each 100 square feet of street graded05
(6)	For settling backfill of trenches, for each lineal foot of trench with 16-square-foot cross sectional area, or less01

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.

Schedule No. 2

Artesia - South Artesia Tariff Area

CONSTRUCTION AND OTHER TEMPORARY FLAT RATE SERVICE
(Continued)

SPECIAL CONDITIONS (Continued)

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. 3

Artesia - South Artesia Tariff Area

FIRE SPRINKLER SERVICE

APPLICABILITY

Applicable to all fire sprinkler service.

TERRITORY

The unincorporated community of Artesia and territory south thereof, Los Angeles 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. This 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.

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Schedule No. 4

Artesia - South Artesia Tariff Area

PUBLIC FIRE HYDRANT SERVICE

APPLICABILITY

Applicable to all public fire hydrant service.

TERRITORY

The unincorporated community of Artesia and territory south thereof,
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.)

Schedule No. 5

Artesia - South Artesia Tariff Area

SERVICE TO COMPANY EMPLOYEES

APPLICABILITY

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

TERRITORY

The unincorporated community of Artesia and territory south thereof, Los Angeles County.

RATES

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