

Decision No. 50443

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)
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
the Commission staff.

FOURTH 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 Fourth Interim Opinion and Fourth Interim Order relate to the matter of applicant's request to increase rates in its Florence-Graham District by approximately \$68,000, 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, Artesia-South Artesia, 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 Florence-Graham District

As of December 31, 1953 applicant was furnishing water service to 6,347 consumers in its Florence-Graham District, and estimated that this number would increase to 6,365 by December 31, 1954.

The Florence-Graham District serves an area of approximately 2.9 square miles in unincorporated territory of Los Angeles County except for a small portion in the city of Vernon. The source of water supply includes 10 wells located at 5 plants within the district, together with approximately 15 percent of the water production from the company's nearby Bell District. At the end of 1953 water service was provided through 314,000 feet of distribution mains, and 204 fire hydrants were connected to the system. Storage is provided by ground storage of 309,000 gallons and one elevated steel tank with a capacity of 250,000 gallons. The water transferred to the Florence-Graham District from the Bell District of the company is pumped into the mains of the city of Huntington Park and exchanged with that city under an agreement for such exchange.

Applicant's authorized budget for the year 1954 provided for net additions to fixed capital in this district of \$82,800, principally for distribution mains, fire hydrants, and services.

Rates

The general metered service rate schedule for Florence-Graham now in effect was authorized by Decision No. 36931, dated March 7, 1944, in Application No. 25998 and Case No. 4714. The following tabulation is a summary and comparison of the present and proposed rates:

GENERAL METERED SERVICE

Quantity Rates:		<u>Per Meter Per Month</u>	
		<u>Present</u>	<u>Proposed</u>
First	1,000 cubic feet, or less	\$ 1.25	\$ -
First	600 cubic feet, or less	-	1.25
Next	400 cubic feet, per 100 cubic feet	-	.15
Next	1,000 cubic feet, per 100 cubic feet	.11	.15
Next	500 cubic feet, per 100 cubic feet	.10	.15
Next	7,500 cubic feet, per 100 cubic feet	.10	.13
Next	40,000 cubic feet, per 100 cubic feet	.10	.12
Next	50,000 cubic feet, per 100 cubic feet	.09	.11
Over	100,000 cubic feet, per 100 cubic feet	.07	.10

Minimum Charge:			
For 5/8 x 3/4-inch meter	.....	\$ 1.25	\$ 1.25
3/4-inch meter	.....	1.75	2.25
1-inch meter	.....	2.00	3.00
1 1/2-inch meter	.....	3.50	5.00
2-inch meter	.....	5.00	8.00
3-inch meter	.....	7.50	13.00
4-inch meter	.....	10.00	20.00
6-inch meter	.....	15.00	40.00
8-inch meter	.....	25.00	60.00

Under the present rates the charge for monthly consumption of 1,500 cubic feet is \$1.80. Under the proposed rates it would be \$2.60.

Earnings

The following tabulation is a summary of the earnings information contained in the company's Exhibits Nos. 28 and 28-A and the Commission staff Exhibit No. 39:

	<u>SUMMARY OF EARNINGS</u>					
	<u>Year 1953</u>		<u>Year 1954 Estimated Incl City of Vernon</u>			
	<u>Present Rates</u>		<u>Present Rates</u>		<u>Proposed Rates</u>	
	<u>Recorded</u>	<u>Adjusted</u>	<u>Per Co.</u>	<u>Per PUC</u>	<u>Per Co.</u>	<u>Per PUC</u>
<u>Per Co.</u>	<u>Per PUC</u>	<u>Ex. 28</u>	<u>Exh. 39</u>	<u>Ex. 28</u>	<u>Exh. 39</u>	
<u>Ex. 28</u>	<u>Exh. 39</u>			<u>& 28-A</u>		
Oper. Rev.	\$224,360	\$220,040	\$ 217,260	\$ 220,160	\$ 285,770	\$ 288,725
Oper. Exp.	181,816	173,906	175,490	173,833	212,730	211,173
Net Oper. Rev.	42,544	46,134	41,770	46,327	73,040	77,552
Rate Base	961,700	995,000	1,079,500	1,066,000	1,079,500	1,060,000
Rate of Return*	4.42%	4.64%	3.87%	4.35%	6.77%	7.32%

	<u>Year 1954 Estimated Excluding City of Vernon</u>	
	<u>(Per Co. Exh. 28 & 28-A)</u>	
Oper. Rev.	\$ 206,430	\$ 271,320
Oper. Exp.*	169,060	204,350
Net Oper. Rev.*	37,370	66,970
Rate Base	1,036,900	1,036,900
Rate of Return*	3.60%	6.46%

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

Analysis of the preceding tabulation indicates that there is a difference in estimated revenues at the proposed rates between the company and the staff of about \$3,000. The staff estimate appears to be more reasonable and will be adopted for the purpose of this proceeding.

Although the company's estimate of maintenance and operation expenses for the year 1954 exceeded that of the staff by approximately \$5,600, after taking into account the operating and maintenance problems shown in the record to exist in the Florence-Graham System, the company's estimate appears to be reasonable and will be adopted for the purpose of this proceeding, except for the adjustment for the transfer of properties to the city of Vernon hereinafter discussed.

Applicant's witness testified that because of the age and poor condition of certain pipelines in the city of Vernon, which also are paralleled by the water department of the city of Vernon, negotiations have been under way with the city for some time for the sale to the city of the company's pipelines. Exhibit No. 28-D is a letter dated April 19, 1954 to the Vernon City Council from the city engineer recommending that negotiations be carried on with applicant with a view of the private company's retiring from Vernon and the city's taking over such of its facilities as may be found capable of incorporation into the city water system. This letter was approved by the City Council on April 20, 1954. Applicant's witness further testified that if such negotiations were not successful applicant would be compelled to spend approximately \$175,000 for additions to fixed capital to rehabilitate this portion of its system.

In its estimate of operating expenses for the year 1954, excluding the city of Vernon, applicant included an annual amount of \$4,000 representing the amortization, over a five year period, of the estimated loss resulting from the proposed sale of properties

H. J. Jernin

to the city of Vernon. While such loss may occur, its exact amount is dependent on the results of the negotiations hereinbefore referred to, and in any event should be a charge to surplus rather than to operating expenses, for rate-making purposes.

Analysis of the components of the rate base submitted by the staff for the estimated year 1954 indicates that such rate base in the amount of \$1,060,000 is reasonable except that it should be reduced by some \$43,000 for the exclusion of properties in the city of Vernon under negotiation for sale. This adjustment results in a rate base of \$1,017,000.

Conclusion

From a review of the record it appears probable that applicant will soon dispose of its city of Vernon properties under negotiation, and the rates authorized hereinafter will be based on that probability.

It is evident that at the present rate applicant's rate of return in its Florence-Graham District will be deficient for the year 1954 and that applicant is in need of rate relief. However, the rate of return at the proposed rates would be excessive. The order which follows will authorize the filing of a new schedule of rates which will produce an increase in gross annual revenues of approximately \$44,000 and total gross annual revenues of \$253,000. After taking into account estimated operating expenses of \$192,000, net revenues of \$61,000 will result. When such net revenues are related to an estimated weighted average depreciated rate base of \$1,017,000, which is hereby adopted as reasonable for this proceeding, a rate of return of 6 per cent will result. We find such rate of return to be just and reasonable. The filing of new schedules of rates for employees' service and public fire hydrant service will also be ordered.

FOURTH 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 Florence-Graham 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 insofar 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 Florence-Graham 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 800 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 F. Cravens
Kenneth H. Gattes
James Higgins

Commissioners

APPENDIX A
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Schedule No. 1

Florence - Graham Tariff Area

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

Within and adjacent to the incorporated Cities of Huntington Park and Vernon, Los Angeles County.

RATES

Per Meter
Per Month

Quantity Rates:

First	700	cu.ft. or less	\$1.25
Next	1,800	cu.ft., per 100 cu.ft. . . . .	.14
Next	7,500	cu.ft., per 100 cu.ft. . . . .	.12
Next	40,000	cu.ft., per 100 cu.ft. . . . .	.11
Next	50,000	cu.ft., per 100 cu.ft. . . . .	.10
Over	100,000	cu.ft., per 100 cu.ft. . . . .	.09

Minimum Charge:

For	5/8 x 3/4-inch meter	\$1.25
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	8.00
For	3-inch meter	13.00
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 minimum charge will purchase at the Quantity Rates.

APPENDIX A
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Schedule No. 2

Florence - Graham Tariff Area

CONSTRUCTION AND OTHER TEMPORARY FLAT RATE SERVICE

APPLICABILITY

Applicable to water service furnished for construction and temporary purposes.

TERRITORY

Within and adjacent to the incorporated Cities of Huntington Park and Vernon, 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 constructed . . . . .	.40
(3)	For each 100 square feet of concrete gutter constructed . . . . .	.40
(4)	For each 100 square feet of concrete street constructed . . . . .	.40
(5)	For settling graded street, for each 100 square feet 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.

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

Florence - Graham Tariff Area

FIRE SPRINKLER SERVICE

APPLICABILITY

Applicable to all fire sprinkler service.

TERRITORY

Within and adjacent to the incorporated Cities of Huntington Park and Vernon, 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.

Schedule No. 4

Florence - Graham Tariff Area

PUBLIC FIRE HYDRANT SERVICE

APPLICABILITY

Applicable to all public fire hydrant service.

TERRITORY

Within and adjacent to the incorporated Cities of Huntington Park and Vernon, 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

Florence - Graham Tariff Area

SERVICE TO COMPANY EMPLOYEES

APPLICABILITY

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

TERRITORY

Within and adjacent to the incorporated Cities of Huntington Park and Vernon, Los Angeles County.

RATES

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