

Decision No. 50445**ORIGINAL**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application )  
of CALIFORNIA WATER & TELEPHONE )  
COMPANY to increase rates for )  
water service in its San Gabriel )  
Valley Division. )

Application No. 34395  
(Amended)

Bacigalupi, Elkus & Salinger, attorneys, by  
Claude N. Rosenberg, for applicant.  
Charles E. Martin, City Manager, for the City  
of San Marino, protestant to proposed  
increase in fire hydrant rates.  
Rollin E. Woodbury, attorney, for Southern  
California Edison Company, interested party.  
Harold J. McCarthy, Luther H. Gulick, Carol T.  
Coffey and John F. Donovan, for the  
Commission staff.

O P I N I O N

California Water & Telephone Company, a corporation, by the above-entitled application filed May 27, 1953, as amended May 1, 1954, seeks authority to increase rates for water service in its San Gabriel Valley Division in and about the Cities of San Marino and San Gabriel, Los Angeles County. The requested increase in rates would produce approximately \$131,000, additional gross annual revenues, based on operations for the year 1954 estimated.

Public hearings in this matter were held before Examiner Warner on June 3, 4 and 30, 1954 and July 1, 1954 at Los Angeles. The City of San Marino protested the proposed increase in rates for fire hydrant service, but applicant's counsel had said in his opening statement that applicant would not press such requested increase. There were no other protests to the granting of the application.

General Information

California Water & Telephone Company furnishes telephone service to about 72,000 subscribers in its Monrovia, San Fernando and Redlands districts. It furnishes water service to about 51,000 consumers in its Monterey Peninsula, San Diego Bay (including its Sweetwater and Cornado Districts), and San Gabriel Divisions. As of December 31, 1953 net plant investment in its telephone department amounted to \$17,356,496 and in its water department to \$18,639,691, for a total of \$35,996,187. Telephone department gross operating revenues for the year 1953 amounted to \$6,081,187, water department gross revenues amounted to \$3,351,711, or total gross operating revenues of \$9,432,898.

San Gabriel Valley Division  
History and Operations

Water service has been furnished in the San Gabriel Valley Division area since 1875. Applicant acquired the water system properties in 1935 through the purchase of stock of the San Gabriel Valley Water Company from Western Utilities Water Corporation.<sup>1/</sup> A substantial portion of the new development in this territory has occurred since applicant acquired the water system. However, the area is now substantially built up, and growth has somewhat stabilized. As of December 31, 1953 water service was being furnished to 11,088 metered domestic and 64 irrigation consumers, for a total of 11,152 metered consumers, and 463 fire hydrants were connected to the system as of that date.

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<sup>1/</sup> Western Utilities Water Corporation purchased the stock of San Gabriel Valley Water Company from Huntington Land and Improvement Company in 1929.

The Commission's staff estimated that the number of domestic consumers would increase to 11,380, that there would be a loss of one irrigation consumer, and that the number of fire hydrants connected to the system would increase to 503 by the end of 1954. The San Gabriel Valley Division serves the City of San Marino, a portion of the City of San Gabriel, and surrounding territory in Los Angeles County. The areas served are shown on the maps in Exhibit No. 1, an engineering report submitted by applicant. The area comprises approximately 15 square miles including the unincorporated town of Rosemead and part of the Temple City area.

The San Gabriel Valley Division consists of two non-interconnected water systems known as the upper system and the lower system.

#### Upper System

The so-called upper system includes the City of San Marino and a portion of the City of San Gabriel and certain unincorporated territory. The City of Pasadena adjoins the upper system on the north and on portions of its eastern and western boundaries. The balance of the western boundary adjoins the City of South Pasadena and the City of Alhambra. A portion of the southern boundary also adjoins the City of Alhambra and crosses the City of San Gabriel. The remaining portion of the eastern boundary adjoins unincorporated territory of Los Angeles County. The upper system comprises an area of eight square miles and the terrain varies in elevation from 400 feet to 815 feet. For operating purposes the system is divided into four service zones. Water is obtained from eight deep wells, and is discharged either directly into the distribution system or into ground storage reservoirs from which it is elevated by booster pumps to the service zone

requiring water. Storage is provided by six reservoirs and two elevated tanks having a combined capacity of 7,357,000 gallons. As of December 31, 1952 there were 6,163 metered consumers in the upper system and 309 fire hydrants were connected to said system.

Lower System

Applicant's lower system includes the unincorporated town of Rosemead, part of Temple City and certain adjacent territory and is located about one mile southeasterly from the upper system. A portion of the northern boundary adjoins the City of Arcadia and a portion of the eastern boundary adjoins the City of El Monte. The area comprises seven square miles and is relatively flat. The system is operated as one service zone.

Water for the lower system is supplied from eleven deep wells and is discharged directly into the distribution mains from eight wells and into the Rosemead ground storage reservoirs from three wells. Storage is provided by three ground storage tanks and two elevated tanks having a combined capacity of 1,615,000 gallons. As of December 31, 1952 water service was being furnished to 4,663 metered consumers in the lower system, and 109 fire hydrants were connected to the system.

Rates

Applicant's present rates comprise separate commercial and irrigation rate schedules. Separate general metered service schedules are filed for the upper system and for each of the Rosemead, Mariposa and Valley areas of the lower system. The rate schedule for general metered service in the upper system has been in effect since March 1, 1940, for the Rosemead district since August 1, 1937, and for the Mariposa and Valley areas since

January 1, 1939. The following tabulations summarize the present and proposed rates in the upper and lower systems:

Upper System

Quantity Rates:	Per Meter per Month	
	Present	Proposed
First 800 cu.ft. or less .....	\$1.25	\$1.55
Next 4,200 cu.ft., per 100 cu.ft.....	.14	.18
Next 5,000 cu.ft., per 100 cu.ft.....	.12	.14
Next 5,000 cu.ft., per 100 cu.ft.....	.12	.12
Over 15,000 cu.ft., per 100 cu.ft.....	.12	.10

Lower System

Quantity Rates:	Per Meter per Month			
	Rosemead	Mariposa	Valley	All Three
First 600 cu.ft. or less .....	\$1.00	\$ -	\$ -	\$ -
Next 400 cu.ft., per 100 cu.ft.	.15	-	-	-
Next 1,000 cu.ft., per 100 cu.ft.	.12	-	-	-
Next 1,000 cu.ft., per 100 cu.ft.	.10	-	-	-
Over 3,000 cu.ft., per 100 cu.ft.	.08	-	-	-
First 1,000 cu.ft., per 100 cu.ft.	-	0.15	-	-
Next 1,500 cu.ft., per 100 cu.ft.	-	.10	-	-
Over 2,500 cu.ft., per 100 cu.ft.	-	.06	-	-
First 750 cu.ft. or less.....	-	-	1.00	-
Next 2,750 cu.ft., per 100 cu.ft.	-	-	.10	-
Over 3,500 cu.ft., per 100 cu.ft.	-	-	.06	-
First 800 cu.ft. or less .....	-	-	-	1.55
Next 700 cu.ft., per 100 cu.ft.	-	-	-	.16
Next 1,500 cu.ft., per 100 cu.ft.	-	-	-	.12
Next 7,000 cu.ft., per 100 cu.ft.	-	-	-	.09
Over 10,000 cu.ft., per 100 cu.ft.	-	-	-	.06

Under the present rates the monthly charge for water usage of 1,500 cubic feet in the upper system is \$2.23. Under the proposed rates this charge would be \$2.81. Under the present rates the monthly charge for water usage of 1,500 cubic feet in the Rosemead area is \$2.20, in the Mariposa area, \$2.00 and in the Valley area, \$1.75. Applicant proposes to consolidate the three rate schedules now in effect in its lower system into one uniform schedule, and under such proposal the monthly charge for water usage of 1,500 cubic feet would be \$2.67.

At present applicant has on file four schedules of rates for metered irrigation service applicable to its four rate areas. It proposes to discontinue those schedules and to provide service to those consumers under the general meter rate schedule.

Applicant has applied for an increase in the monthly charge to various municipal agencies, for each hydrant which the company has installed, from \$2.00 per hydrant per month to \$2.50 per month. However, as noted hereinbefore the City of San Marino objected to this charge, and applicant's counsel stated that applicant did not wish to press this phase of its application.

Earnings

The earnings information contained in Exhibits Nos. 4-A and 4-B, submitted by applicant, and in Exhibit No. 7, submitted by Commission staff engineering and accounting witnesses, is compared and summarized as follows:

Summary of Earnings

Item	Year 1953		Year 1954 Estimated			
	Present Rates Per PUC Ex. #7 Recorded	Adjusted	Present Rates Per Co. Exs. #4A & B	Proposed Rates Per PUC Ex. #7	Per Co. Ex. #4-B	Per PUC Ex. #7
<u>52% Federal Income Tax</u>						
Operating Rev.	\$ 500,510	\$ 469,580	\$ 485,000	\$ 479,390	\$ 616,093	510,510 451,093
Operating Exp.	385,910	366,918	387,334	379,493	457,507	159,417
Net Oper. Rev.	114,600	102,662	97,666	99,897	2,507,709	2,460,000
Rate Base	2,301,000	2,254,000	2,503,609	2,442,066	6.28%	6.48%
Rate of Return	4.98%	4.55%	3.90%			

A review and analysis of the preceding tabulation indicates that, with respect to the estimates of operating revenues, the company exceeds the staff by about \$5,500 due primarily to the methods employed in such estimates. The difference is not consequential.

With respect to the estimates of operating revenues and expenses, a review of the record indicates the bases of the staff

estimates are reasonable and they will be adopted for the purposes of this proceeding.

With respect to the differences in estimated rate base for the year 1954, \$16,000 of the total difference of \$47,709<sup>2/</sup> is attributable to a staff deduction for the Marengo reservoir site (\$10,000) and Marengo reservoir (\$6,000), classified by it as non-operative, and other items. The record shows that this reservoir was last used in 1951, but that applicant plans to use this property in the near future. It therefore appears that the appropriate amount representing this property should be restored to the rate base. After effecting such restoration in the amount of \$10,000, representing the amount on the books of the company for the reservoir site, to the staff rate base of \$2,460,000, an estimated rate base of \$2,470,000 will result.<sup>3/</sup> Such estimated rate base for the test year 1954 is hereby adopted as reasonable. Additional expenses for the year 1954 have been included for increased ad valorem taxes and depreciation resulting from the above restoration of property to fixed capital included in the rate base.

#### Service Conditions

The staff report, Exhibit No. 7, indicates several areas throughout the two systems where low pressure can be found during the hot summer months. Said report further indicates that two new wells scheduled for completion this year, should substantially correct the deficiency in applicant's lower system, and that applicant plans to remedy the low pressure problem in a small area

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<sup>2/</sup> The staff reduced recorded fixed capital by \$27,840 to reflect estimated original cost of land. Such reduction is considered to have been reasonable and is consistent with the Commission's policy to include landed fixed capital in rate bases at its original cost to the utility.

<sup>3/</sup> The staff reduced both the fixed capital and the depreciation reserve by \$6,000 for the Marengo reservoir. Accordingly, restoring this amount to both the fixed capital and the reserve will not change the rate base.

of its upper system. The order which follows will provide that applicant shall file with the Commission every ninety days reports of its progress in improving the aforementioned service deficiencies.

Conclusion

It is evident that the rate of return in applicant's San Gabriel Valley Division has been and will continue to be deficient at the present rates. However, it is concluded that the rate of return of 6.48 per cent which would result from the proposed gross annual increase in operating revenues of \$131,000, utilizing a 52 per cent federal income tax rate, would be excessive. The order which follows will authorize applicant to file new schedules of rates which will result in an increase in gross annual revenues of approximately \$107,100. After considering estimated 1954 operating expenses, including taxes and depreciation, of approximately \$438,300, which we hereby find to be reasonable, net operating revenues of approximately \$148,200 will result. When related to an estimated rate base of \$2,470,000 such net revenues will produce a rate of return of 6 per cent which is hereby found to be just and reasonable. No increase in public fire hydrant rates will be authorized.

O R D E R

Amended application as above-entitled having been filed, public hearings 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 California Water & Telephone Company 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 schedules of rates applicable to its San Gabriel Valley Division 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 September 10, 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 review annually the accruals to the 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. Results of this review shall be submitted to this Commission by May 15 annually.
5. That applicant shall file in writing with this Commission, within ninety days after the

effective date of this order, and every ninety days thereafter until completed, a report of its progress in completing the additions to fixed capital and effecting the improvements in service conditions referred to in the preceding opinion.

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. [Signature]  
President  
Justin F. Casella  
Kenneth [Signature]  
Deane [Signature]  
Commissioners

APPENDIX A  
Page 1 of 4

## Schedule No. 1

GENERAL METERED SERVICEUPPER SYSTEMAPPLICABILITY

Applicable to all metered water service.

TERRITORY

City of San Marino, adjacent territory north of San Marino, and a portion of the City of San Gabriel, Los Angeles County.

RATES

	<u>Per Meter per Month</u>
Quantity Rates:	
First 800 cu.ft. or less .....	\$1.45
Next 4,200 cu.ft., per 100 cu.ft.....	.17
Next 5,000 cu.ft., per 100 cu.ft.....	.14
Next 5,000 cu.ft., per 100 cu.ft.....	.12
Over 15,000 cu.ft., per 100 cu.ft.....	.10
Minimum Charge:	
For 5/8 x 3/4-inch meter .....	\$ 1.45
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 .....	7.00
For 3-inch meter .....	17.00
For 4-inch meter .....	28.00
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

GENERAL METERED SERVICE

LOWER SYSTEM

APPLICABILITY

Applicable to all metered water service.

TERRITORY

Unincorporated territory in Los Angeles County, including Rosemead and a portion of Temple City.

RATES

<u>Quantity Rates:</u>		<u>Per Meter</u> <u>Per Month</u>
First	800 cu.ft. or less .....	\$1.45
Next	700 cu.ft., per 100 cu.ft.....	.15
Next	1,500 cu.ft., per 100 cu.ft.....	.12
Next	7,000 cu.ft., per 100 cu.ft.....	.10
Over	10,000 cu.ft., per 100 cu.ft.....	.09
 <u>Minimum Charge:</u>		
For	5/8 x 3/4-inch meter .....	\$ 1.45
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 .....	7.00
For	3-inch meter .....	17.00
For	4-inch meter .....	28.00
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. 3

PUBLIC FIRE HYDRANT SERVICE

APPLICABILITY

Applicable to all public fire hydrant service.

TERRITORY

The City of San Marino, a portion of the City of San Gabriel, and unincorporated area in Los Angeles County, including Rosemead and a portion of Temple City.

RATES

	<u>Per Hydrant per Month</u>
For all hydrants .....	\$2.00

Schedule No. 4

PRIVATE FIRE PROTECTION SERVICE

APPLICABILITY

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

TERRITORY

The City of San Marino, a portion of the City of San Gabriel, and unincorporated area in Los Angeles County, including Rosemead and a portion of Temple City.

RATES

	<u>Per Month</u>
For inch of diameter of service connection .....	\$1.50

SPECIAL CONDITIONS

1. The minimum diameter of the connection for service under this schedule will be 4 inches and the maximum diameter will be not more than the diameter of the main to which the service is connected.
2. Private fire protection service connections shall be equipped with standard detector-type meters approved by the Board of Fire Underwriters. The cost of the meter and appurtenant structures shall be paid, without refund, by the applicant.
3. If a distribution main of adequate size to serve a private fire service in addition to all other normal service does not exist in the street or alley adjacent to the premises to be served hereunder, then a service main from the nearest existing main of adequate capacity will be installed by the Company and shall be paid without refund by the applicant.