

Decision No. 50528**ORIGINAL**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

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

O'Melveny & Myers, attorneys, by Lauren M. Wright, and C. T. Mess, consulting engineer, for applicant.
 The Atchison, Topeka and Santa Fe Railway Company, by G. L. Davenport and W. E. Casey, interested party.
L. H. Gulick and C. T. Coffey, for the Commission staff.

SIXTH INTERIM OPINION

Southern California Water Company, by the above-entitled application filed March 27, 1953, as 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 Sixth Interim Opinion and Sixth Interim Order relate to the matter of applicant's request to increase rates in its Barstow District by about \$24,000, based on 1954 estimated operations. There were no protests to the granting of this portion of the application.

Adjourned public hearings in this matter were held before Examiner Stewart C. Warner on August 3 and 4, 1954, at Barstow.^{1/}

^{1/} 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 and March 17 and 18, 1954. Adjourned hearings on applicant's requests to increase water rates in its South San Gabriel (Wilmar), Artesia-South Artesia, Florence-Graham, and Norwalk Districts were held on April 21 and 22 and May 26 and 27, 1954. Also applicant's direct showing on its Bell Gardens (Clara Street) District was heard on April 22, 1954.

The Barstow District matter has been submitted and is ready for decision.

General Information Re Barstow District

As of December 31, 1953 applicant was furnishing water service in its Barstow District to 1,830 consumers, and it estimated that by the end of 1954 this number would increase to 2,080. Ninety-one fire hydrants were connected to the system at the end of 1953. The Santa Fe Railway has been and is a large industrial consumer, and in 1953 approximately one fourth of applicant's total volume of water sales was made to the railroad. However, due to Santa Fe's conversion from steam locomotive operations to diesel, the railroad's water requirements have been reduced and sales thereto have been reduced accordingly.

The Barstow District serves an area of approximately 1½ square miles in and adjacent to the city of Barstow, San Bernardino County. The source of water supply comprises five wells located at three plants within the district. Storage is provided by means of two steel and one concrete tank with a combined storage capacity of 880,000 gallons. In October, 1953 the engine in applicant's River plant was converted from gasoline to natural gas operations. Applicant's budget for 1954 provided for net additions to fixed capital in the amount of \$128,400, \$66,200 of which was allocated to distribution mains, \$13,200 for new pumping equipment, \$16,600 for a new reservoir, and the balance for services, meters, and miscellaneous items. As of August 3, 1954 approximately 70 per cent of the Barstow budget had been expended.

Rates

Applicant's present general metered service rates for its Barstow District have been in effect since April 21, 1941. On that date, the rates which had been in effect previously since September 1,

1933 were reduced. Applicant's special rate to the Santa Fe Railway has also been in effect since April, 1941, when the September, 1933 rate was also reduced. Applicant's presently filed flat rate schedule became effective July 31, 1925; however, no flat rate service is furnished; all customers are metered. Fire hydrants are billed at \$2 per hydrant per month, but applicant has filed no tariff schedule for fire protection service. Likewise, applicant has filed no tariff schedule for water service furnished to its employees at reduced rates.

The following tabulation compares the present rates, the rates proposed in the application, and the rates authorized by the order which follows:

Comparison of Present, Proposed, and
Authorized General Metered Service Rates

		<u>Per Meter Per Month</u>		
		<u>Present</u>	<u>Proposed</u>	<u>Authorized</u>
Quantity Rates:				
First	1,200 cu.ft. or less	\$1.50	\$2.00	\$1.90
Next	1,300 cu.ft., per 100 cu.ft.	-	.15	.14
Next	1,800 cu.ft., per 100 cu.ft.	.125	-	-
Next	7,000 cu.ft., per 100 cu.ft.	.10	-	-
Next	7,500 cu.ft., per 100 cu.ft.	-	.12	.12
Next	140,000 cu.ft., per 100 cu.ft.	-	.10	.10
Over	10,000 cu.ft., per 100 cu.ft.	.08	-	-
Over	150,000 cu.ft., per 100 cu.ft.	-	.05	.05

At the present rates the charge for a monthly consumption of 3,000 cu.ft. is \$3.75. At the proposed rates it would be \$4.55, and under the rates authorized hereinafter, \$4.32.

No change has been requested in the Construction and Other Temporary Flat Rate Service rate schedule or in the Fire Sprinkler Service rate schedule.

Earnings

The following tabulation is a comparison of earnings information for the Barstow District as contained in Exhibit No. 46,

submitted by applicant, and Exhibit No. 48, submitted by the Commission staff:

Summary of Earnings

Item	Year 1953		Year 1954 Estimated			
	Recorded	Adjusted	Present Rates		Proposed Rates	
	Per Co. : Exh. 46	Per PUC : Exh. 48	Per Co. : Exh. 46	Per PUC : Exh. 48	Per Co. : Exh. 46	Per PUC : Exh. 48
Oper. Revenue	\$100,270	\$ 96,000	\$109,300	\$108,070	\$133,500	\$132,340
Oper. Expense	78,670	72,460	84,320	80,870	97,470	94,070
Net Oper. Rev.	21,600	23,540	24,980	27,200	36,030	38,270
Rate Base	470,100	465,500	571,400	578,500	571,400	578,500
Rate of Return	4.59%	5.06%	4.37%	4.70%	6.31%	6.62%

No significant difference appears between applicant's estimate of operating revenues for the year 1954 and that of the staff. The staff 1954 estimated revenues will be adopted for the purposes of this proceeding.

The net difference in operating expenses of \$3,400, as shown in the preceding tabulation, is primarily in pumping expense, in which the staff estimate is \$2,300 lower than that of the company, and in general expenses wherein the staff estimate is about \$2,200 lower than the company's. After careful consideration of the record and testimony, and cross-examination of staff and company witnesses, it appears that the staff estimates of pumping expenses and the treatment of the superintendent's salary are more realistic than those of applicant, and the staff estimates will be adopted for the purposes of this proceeding.

There is no significant difference in the estimated rate bases submitted by applicant and the staff, and the staff estimate 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 in its Barstow District, and that it is entitled to

rate relief. However, the estimated rate of return of 6.62 per cent which would be produced by the gross annual increase in revenues of \$24,000 as applied for, is considered excessive. The order which follows will authorize the filing of rates which will produce gross annual revenues of approximately \$128,420 for the Barstow District, or a gross annual increase of about \$20,350. After taking into account estimated operating expenses of \$92,000, net revenues of \$36,420 will result. When such net revenues are related to an estimated weighted average depreciated rate base of \$578,500, an estimated rate of return of 6.3 per cent will result. After taking into account annual decline in rate of return attributable to the growth factor in the Barstow District it is estimated that applicant's rate of return at the authorized rates will approximate 6 per cent. We find such estimated rate of return and the components thereof to be fair and reasonable. The filing of a new schedule of rates for employee service and public fire hydrant service will also be ordered. Applicant should request cancellation of its general flat rate schedule unless it intends to render this type of service.

The record shows that applicant maintains no list or master file of complaints made by consumers or potential consumers at its Barstow office. The maintenance of such a file should be instituted at once.

SIXTH INTERIM ORDER

Amended application as above-entitled having been filed, public hearings having been held, the matter of the application for increase in rates in the Barstow 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 Barstow 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 October 15, 1954.
 - b. Within thirty days after the effective date of this order, applicant shall file with this Commission four copies of an up-to-date 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 14th day of September, 1954.

Walter E. Mitchell
President

James J. Adams

Herbert F. Felt

Gene Higgins

Commissioners

APPENDIX A
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Schedule No. 1

Barstow District

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

Within and adjacent to the incorporated City of Barstow, San Bernardino County.

RATES

Quantity Rates:	<u>Per Meter</u> <u>Per Month</u>
First 1,200 cu.ft. or less	\$ 1.90
Next 1,300 cu.ft., per 100 cu.ft.14
Next 7,500 cu.ft., per 100 cu.ft.12
Next 140,000 cu.ft., per 100 cu.ft.10
Over 150,000 cu.ft., per 100 cu.ft.05

Minimum Charge:

For 5/8 x 3/4-inch meter	\$ 1.90
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.

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Schedule No. 5

Barstow Tariff Area

PUBLIC FIRE HYDRANT SERVICE

APPLICABILITY

Applicable to all public fire hydrant service.

TERRITORY

Within and adjacent to the incorporated City of Barstow, San Bernardino County.

RATE

Per Month

For each hydrant \$2.00

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Schedule No. 6

Barstow 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 City of Barstow, San Bernardino County.

RATES

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