

ORIGINAL

Decision No. 50564

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, attorneys, by Lauren M. Wright,
for applicant;
J. T. Phelps and C. T. Coffey, for the Commission
staff.

EIGHTH 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 Eighth Interim Opinion and Eighth Interim Order relate to the matter of applicant's request to increase rates in its Bell Gardens District, formerly known as its Clara Street District, by about \$18,000, 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 April 22, 1954 and August 24, 1954 at Los Angeles, and on August 25, 1954 at Huntington Beach.

^{1/} Original and adjourned hearings on applicant's overall 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; in its Barstow District on August 3 and 4, 1954; and in its Bloomington District on August 5, 1954.

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

General Information Re Bell Gardens District

As of December 31, 1953 applicant was furnishing water service in its Bell Gardens District to 2,973 consumers, and it estimated that by the end of 1954 this number would increase to 3,028. One-hundred-eighteen fire hydrants were connected to the system at the end of 1953. Although, during 1953, water service was being furnished to 100 consumers at a flat rate, applicant has installed meters on such services and it estimated that no flat rate service would be furnished by the end of 1954.

The Bell Gardens District serves an area of approximately $1\frac{1}{2}$ square miles in unincorporated territory, Los Angeles County. The district is divided into two non-interconnected areas, as shown on the map Exhibit No. 31, filed at the hearing. The northern area lies generally south of Florence Avenue and east of the Los Angeles City Department of Water and Power right of way. The southerly portion lies south of Stewart and Gray Road, east of Old River School Road, north of Imperial Highway, and west of Paramount Boulevard. During 1953 an interconnection was made between this area and applicant's Hollydale system. The general relation of these two systems is shown on the map Exhibit No. 31-A. Applicant operates its Bell Gardens and Hollydale systems as one system, and the rates proposed in the instant application for the Bell Gardens District are those presently in effect in the Hollydale system.

Applicant's authorized budget for the year 1954 for its Bell Gardens District amounted to \$124,200 for gross additions to fixed capital, of which \$105,331 had been completed by the end of August, 1954. The principal items of this budget included \$16,100 for a new well, \$18,300 for pumping equipment, and \$52,700 for distribution mains, including a 12-inch connection with the

Hollydale system. Applicant's president testified that approximately \$50,000 additional capital would be installed in the Bell Gardens District in 1955.

Rates

The general metered service rates applicable to the Bell Gardens District now on file were authorized by Decision No. 41764, dated June 22, 1948, in Application No. 28952. The following tabulation is a comparison of the present and proposed rates for general metered service:

GENERAL METERED SERVICE

<u>Quantity Rates</u>		<u>Per Meter Per Month</u>	
		<u>Present</u>	<u>Proposed</u>
First	835 cu. ft. or less	\$1.25	-
First	800 cu. ft., or less	-	\$1.25
Next	35 cu. ft., per 100 cu. ft.....	-	.125
Next	165 cu. ft., per 100 cu. ft.....	.15	.125
Next	5,000 cu. ft., per 100 cu. ft.....	.07	.125
Next	44,000 cu. ft., per 100 cu. ft.....	.07	.10
Over	50,000 cu. ft., per 100 cu. ft.....	.07	.08

At the present rates the charge for a monthly consumption of 1,500 cubic feet is \$1.85; under the proposed rates such charge would be \$2.13. No change is requested in the flat rate schedule, which will no longer be applicable to consumers in this district. Charges for service to public fire hydrants are based on a contract between applicant and the Consolidated Fire Protection District of Los Angeles County. Such charge is \$2.00 per hydrant per month. Applicant has filed no tariff for water service rendered to public fire hydrants. No change is proposed in the presently filed rate schedule for privately-owned fire sprinkler systems of \$1.00 per month per inch of diameter of the service. No change is proposed in the Miscellaneous Rates for Construction and Other Temporary Flat Rate Service presently on file. Applicant has no presently filed tariff for service rendered to its employees at rates or charges differing from its regularly filed tariff schedules.

Earnings

The following tabulation is a comparison of earnings information for the Bell Gardens District, as contained in Exhibit No. 32, submitted by applicant, and Exhibit No. 62, submitted by the Commission staff:

SUMMARY OF EARNINGS
(Bell Gardens District)

Item	Year 1953		Year 1954 Estimated			
	Recorded	Adjusted	Present Rates		Proposed Rates	
	Per Co. Ex. 32	Per PUC Ex. 62	Per Co. Ex. 32	Per PUC Ex. 62	Per Co. Ex. 32	Per PUC Ex. 62
Oper. Rev.	\$84,609	\$ 80,593	\$81,520	\$ 86,045	\$100,180	\$104,145
Oper. Exp.	68,528	63,120	65,360	66,791	75,470	76,596
Net Oper. Rev.	16,081	17,473	16,160	19,254	24,710	27,549
Rate Base	323,100	375,700	395,600	428,700	395,600	426,800
Rate of Return	4.98%	4.65%	4.08%	4.49%	6.25%	6.45%

The difference of about \$4,000 in estimated revenues, by which the staff estimate exceeds applicant's estimate for the year 1954 at the proposed rates, is due to differences in estimating methods. The staff estimate, which the record shows took into account variances in amounts of precipitation for years prior to 1954, appears to be the more reasonable and it will be adopted for the purposes of this proceeding. The differences in estimated operating expenses for the year 1954 between those submitted by applicant and by the staff are negligible, and the staff estimates will be adopted for the purposes of this proceeding.

The difference of \$31,000, by which the staff estimate of rate base for the average year 1954 exceeds that of applicant, is accounted for primarily by an item designated as "pro forma adjustment". This item involves major capital expenditures during the year 1954 which the staff considered as extraordinary in nature. Such expenditures included the rehabilitation of pumping plants completed in May 1954, and pipeline work due to street improvements scheduled for completion in September, 1954. The adjustment increased the weighted average fixed capital for the estimated year 1954 and

reduced the weighted average depreciation reserve, creating a net debit adjustment of \$31,779. This adjustment appears to be reasonable, and the staff estimate of rate base will be adopted for the purposes of this proceeding.

In Exhibit No. 32-C applicant submitted a summary of earnings of the combined Bell Gardens District at proposed rates and the Hollydale District at present rates, these latter rates being the same as those proposed herein for the Bell Gardens District, for the estimated year 1954. The earnings information contained in said summary is shown as follows:

SUMMARY OF EARNINGS

(Bell Gardens & Hollydale Districts Combined)
Per Co. Ex. 32 C

Year 1954 Estimated at Proposed Bell Gardens
and Present Hollydale Rates

Item	Bell Gardens	Hollydale	Combined
Oper. Rev.	\$100,180	\$ 72,340	\$172,520
Oper. Exp.	75,470	55,100	130,570
Net Oper. Rev.	24,710	17,240	41,950
Rate Base	395,600	285,000	680,600
Rate of Return	6.25%	6.05%	6.16%

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 Bell Gardens District and that it is entitled to rate relief. When the staff estimate of operating revenues for the Bell Gardens District for the year 1954 of \$104,145 is combined with the estimated revenues for the Hollydale District of \$72,340, total estimated revenues of \$176,485 will result at the proposed rates. After combining the staff estimate of operating expenses for the Bell Gardens District with the estimate of expenses for the Hollydale District, total operating expenses of \$131,696 and net operating revenues of \$44,789 will result. The combined estimated weighted average depreciated rate base will be \$711,800, and when the aforementioned combined net revenues are

related to the combined rate base, a rate of return of 6.29% for the estimated year 1954 will result. After taking into account annual decline in rate of return attributable to the growth factor in the combined Bell Gardens-Hollydale District, it is estimated that applicant's rate of return at the proposed rates will approximate 6%, and we find such estimated rate of return and the components thereof to be fair and reasonable. The order which follows will authorize the filing of the rates proposed in the application, which will result in the gross annual increase in revenues of about \$18,000 in the Bell Gardens District hereinbefore noted. The filing of a new schedule of rates for employees' service and public fire hydrant service will also be ordered. Applicant should request cancellation of its general flat rates unless it intends to render this type of service. Applicant should also refile existing Schedule No. 3, Construction and Other Temporary Flat Rate Service, and Schedule No. 4, Fire Sprinkler Service, under its revised designation of Bell Gardens Tariff Area.

EIGHTH 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 Bell Gardens 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 Bell Gardens (Clara Street) 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 22, 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 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 21st day of September, 1954.

John L. McMill
President

Justus J. Caserio

Kenneth D. Potter

Deane Roggins

Commissioner Ray E. Untereiner, being necessarily absent, did not participate in the disposition of this proceeding.

Commissioners

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Schedule No. 1

Bell Gardens Tariff Area

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

The unincorporated communities of Bell Gardens and Downey, Los Angeles County.

RATES

Quantity Rates:		<u>Per Meter</u> <u>Per Month</u>
First	800 cu.ft. or less	\$ 1.25
Next	5,200 cu.ft., per 100 cu.ft.125
Next	44,000 cu.ft., per 100 cu.ft.10
Over	50,000 cu.ft., per 100 cu.ft.08

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	7.75
For	3-inch meter	11.75
For	4-inch meter	17.75
For	6-inch meter	25.00

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

Bell Gardens Tariff Area

PUBLIC FIRE HYDRANT SERVICE

APPLICABILITY

Applicable to all public fire hydrant service.

TERRITORY

The unincorporated communities of Bell Gardens and Downey, 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. 6

Bell Gardens Tariff Area

SERVICE TO COMPANY EMPLOYEES

APPLICABILITY

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

TERRITORY

The unincorporated communities of Bell Gardens and Downey, Los Angeles County.

RATES

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