

ORIGINALDecision No. 50573

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.

O P I N I O N

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.^{1/}

This Opinion and Order relate to the matter of applicant's request to increase rates in its Cypress-Los Alamitos-Stanton District by about \$24,000, based on 1954 estimated operations. There were no protests to the granting of this portion of the application.

^{1/} Applicant's request for authority to increase rates in its Highland District, San Bernardino County, was withdrawn August 26, 1954. Such withdrawal reduced its overall requested increase by \$7,760 to approximately \$319,000, based on 1953 operations.

An adjourned public hearing in this matter was held before Examiner Stewart C. Warner on August 26, 1954 at Huntington Beach.^{2/} The Cypress-Los Alamitos-Stanton District matter has been submitted and is ready for decision.^{3/}

General Information Re Cypress-Los Alamitos-Stanton District

The Cypress-Los Alamitos-Stanton District comprises three separate service areas with a combined total of approximately 3 square miles, located in unincorporated territory, Orange County, about 4 miles west of Anaheim, just east of the Los Angeles County line, south of the Santa Ana Freeway, and north of Huntington Beach.

The record shows that the Cypress-Los Alamitos-Stanton District is a potentially fast-growing area with large subdivisions being developed in its vicinity.

As of December 31, 1953 applicant was furnishing water service in its Cypress-Los Alamitos-Stanton District to the number of consumers shown on the following tabulation, segregated according to type of rate schedule.

NUMBER OF CONSUMERS AS OF 12-31-53				
Type of Rate Schedule	Cypress	Los Alamitos	Stanton	Total
Optional	275	310	127	712
Regular	167	332	205	704
Total	442	642	332	1416

^{2/} 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; in its Bloomington District on August 5, 1954; in its Bell Gardens (Clara Street) District on April 22 and August 24 and 25, 1954; and in its Huntington Beach District on August 25, 1954.

^{3/} Other decisions having been issued with respect to other districts involved in the instant application, and the entire matter of the application having been submitted, this is the final decision in the matter.

In the instant application applicant requests authority to file a uniform schedule of rates applicable to all consumers in its Cypress-Los Alamitos-Stanton District, and it estimated that by the end of 1954 the total number of consumers would increase to 1,530. Seventeen fire hydrants are connected to the system in this district, and applicant requests authority to establish a rate for fire hydrant service, such rate to be applicable to each water consumer. It is proposed to install 88 new fire hydrants at locations shown on the maps Exhibits Nos. 77, 78, and 79, and a new fire hydrant would be installed upon the addition of every 15 new consumers.

The source of water supply of the Cypress-Los Alamitos-Stanton District comprises 6 wells, each of which is equipped with a deep well turbine pump. Two of the pumping plants discharge into a 50,000-gallon elevated steel tank, and two of the pumping plants discharge directly into the distribution mains through a pressure sand trap and pressure tanks. Applicant drilled a new well for its Los Alamitos system in 1954. Of the gross additions to fixed capital budgeted for the Cypress-Los Alamitos-Stanton District for the year 1954, approximately \$50,000 had been expended as of the end of August, 1954. Applicant's president testified that approximately \$45,000 would be expended annually for gross additions to fixed capital in this district in the future. The amount budgeted for 1954 did not include the estimated cost of the proposed fire hydrant installation of \$17,952.

Rates

The general metered service rate schedule now in effect for the Los Alamitos area was filed with the Commission on November 28, 1921, and the schedules for the Cypress and Stanton areas were filed on January 12, 1931. On September 4, 1935 a temporary optional rate schedule "B" applicable to each district, was also filed with the

Commission, and it has continued in effect in each district since that time. Applicant now proposes a single new schedule of rates for general metered service applicable to all three areas of the district. The following tabulation is a summary and comparison of the present general metered service, optional, and proposed general metered service rates for the three areas.

GENERAL METERED SERVICE RATES

Quantity Rates:	Per Meter Per Month				
	Present		Proposed:		
	General Metered Service	Optional	Entire	District:	
	Cypress	Los Alamitos	Stanton	All Areas	District
First 1,000 cu. ft. or less	\$ 1.50	\$ 1.25	\$ 1.50	\$ 2.00	\$ 2.00
First 600 cu. ft. or less					
First 500 cu. ft. or less					
Next 100 cu. ft., per 100 cu. ft.		.20			
Next 400 cu. ft., per 100 cu. ft.	.25	.20	.25		.26
Next 500 cu. ft., per 100 cu. ft.	.20	.18	.20	.75	.26
Next 1,000 cu. ft., per 100 cu. ft.	.20	.18	.20	.75	.26
Next 2,000 cu. ft., per 100 cu. ft.	.15	.18	.15	.75	.23
Next 1,000 cu. ft., per 100 cu. ft.	.15	.15	.15	.75	.20
Next 14,000 cu. ft., per 100 cu. ft.	.12	.15	.12	.75	.20
Over 20,000 cu. ft., per 100 cu. ft.	.12	.15	.12	.75	.17

a. In the optional rate schedule, the charges are computed on blocks of 1,000 cu. ft. or fraction thereof.

At the present regular rate the charge for a monthly consumption in the Los Alamitos area of 1,500 cubic feet is \$3.15; in the Cypress and Stanton areas \$3.50; and under the optional rate \$2.75. The uniform charge for such consumption applicable to all

three areas at the proposed rate would be \$4.34. Applicant has no filed tariff for private fire hydrant service or private fire sprinkler system service, and no tariff has been filed for service rendered to applicant's employees at rates or charges differing from its regularly filed tariff schedules.

District Earnings

The following tabulation is a comparison of earnings information for the Cypress-Los Alamitos-Stanton District as contained in Exhibits Nos. 73 and 73-A, submitted by applicant, and Exhibit 83, submitted by the Commission staff.

	Year 1953		SUMMARY OF EARNINGS			
	Recorded	Adjusted	Year 1954 Present Rates		Year 1954 Estimated Proposed Rates	
	Per Co. Ex. 73*	Per PUC Ex. 83#	Per Co. Ex. 73*	Per PUC Ex. 83#	Per Co. Ex. 73-A#	Per PUC Ex. 83#
Oper. Rev.	\$ 42,571	\$ 43,858	\$ 43,040	\$ 47,168	\$ 67,430	\$ 70,475
Oper. Exp.	34,974	35,226	36,400	37,924	48,045	50,769
Net Oper. Rev.	7,597	8,632	6,640	9,244	19,385	19,706
Rate Base	238,300	256,400	284,000	310,400	301,952	307,400
Rate of Return	3.19%*	3.37%#	2.34%*	2.98%#	6.42%#	6.41%#

* Does not include revenue, expenses, and capital related to proposed installation of 88 fire hydrants.

Includes revenue, expenses, and capital related to proposed installation of 96 fire hydrants.

There are no significant differences between the estimated revenues, expenses, net revenues, rate base, or rate of return for the estimated year 1954 at the proposed rates, as submitted by applicant and the Commission staff. The staff estimate, which includes the revenue, expenses, and capital related to the proposed installation of fire hydrants will be adopted for the purposes of this proceeding.

Proposed Fire Hydrant Service Rate

In its Third Amendment to the application, filed May 24, 1954, applicant requested authority to file a schedule of rates

for fire hydrant service applicable to all consumers in the Cypress-Los Alamitos-Stanton District for fire hydrant service afforded by the fire hydrants which are located within the district. The proposed monthly charge would be 15 cents per consumer in the district, in addition to said consumer's regular water bill. Fire hydrants would be installed, owned, and maintained by applicant. Proposed special conditions of the rate provide that no additional mains would be installed for the installation of a fire hydrant; hydrants would be installed on the basis of one hydrant for each 15 additional permanent consumers; and hydrants would be installed only at the request of local fire protection authorities and at the location specified by them. Exhibits Nos. 74, 75, and 76 are letters from the Stanton Chamber of Commerce, Cypress Chamber of Commerce, and Los Alamitos Chamber of Commerce, Inc., respectively, requesting the installation of fire hydrants and approving the 15 cents per consumer monthly charge.

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 Cypress-Los Alamitos-Stanton District, and that it is entitled to rate relief. However, the rate of return of 6.41 per cent for the estimated year 1954, which would be produced by the increase in gross revenues of \$24,000 proposed in the application, is considered excessive. The order which follows will authorize the filing of a new schedule of rates which will produce additional gross revenues of \$22,500, or total gross revenues of approximately \$69,700. After taking into account total operating expenses, including taxes and depreciation of \$50,200, net revenues of \$19,500 will result. Such net revenues, when related to an estimated weighted average depreciated rate base of \$307,400, will

produce a rate of return of 6.3 per cent. After taking into account annual decline in rate of return attributable to the growth factor in the Cypress-Los Alamitos-Stanton District, it is estimated that applicant's rate of return at the proposed rates will approximate 6 per cent, and we find such estimated rate of return and the components thereof to be fair and reasonable. The filing of new schedules of rates for fire hydrant service, fire sprinkler service, and employees' service will also be ordered.

Total Utility Earnings

The rate of return for the company's entire utility operations after reflecting the rate increases authorized by this decision and previous interim decisions is computed to be 6.18 per cent for the immediate future. After considering annual decline in the rate of return attributable to growth and other factors, it is our conclusion that the applicant's total utility earnings will approximate 6 per cent. We find such rate of return to be fair and reasonable. A summary of the estimated results of total utility operations for the year 1954 under authorized rates is set forth below.

	<u>TOTAL UTILITY OPERATIONS ESTIMATED YEAR 1954</u>	
	<u>At Rates Before Increase Per Ex. 2</u>	<u>At Authorized Rates</u>
Operating Revenues	\$ 3,458,400	\$ 3,864,200
Operating Expenses	2,651,200	2,864,500
Net Operating Revenues	807,200	999,700
Rate Base	16,047,900	16,180,000
Rate of Return	5.03%	6.18%

O R D E R

Amended application as above-entitled having been filed, public hearings having been held, the matter of the application for

increase in rates in the Cypress-Los Alamitos-Stanton 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 Cypress-Los Alamitos-Stanton 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 up-to-date tariff service area maps 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 comprehensive maps drawn to indicated scales not smaller than 200 feet to the inch for each of the systems in this district, 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 E. Mitchell
President
Justice S. Cisneros
Therese P. Patten
Vernon Duggins
Commissioners

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

APPENDIX A
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Schedule No. 1

Cypress-Los Alamitos-Stanton Tariff Area

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

The unincorporated communities of Cypress, Los Alamitos, and Stanton, Orange County.

RATES

Quantity Rates:

	<u>Per Meter</u> <u>Per Month</u>
First 600 cu.ft. or less	\$ 2.00
Next 1,400 cu.ft., per 100 cu.ft.26
Next 3,000 cu.ft., per 100 cu.ft.22
Next 15,000 cu.ft., per 100 cu.ft.19
Over 20,000 cu.ft., per 100 cu.ft.16

Minimum Charge:

For 5/8 x 3/4-inch meter	\$ 2.00
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. 2

Cypress-Los Alamitos-Stanton Tariff Area

FIRE SPRINKLER SERVICE

APPLICABILITY

Applicable to all fire sprinkler service.

TERRITORY

The unincorporated communities of Cypress, Los Alamitos, and Stanton, Orange County.

RATES

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

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Schedule No. 3

Cypress-Los Alamitos-Stanton Tariff Area

FIRE HYDRANT SERVICE

APPLICABILITY

Applicable to all metered consumers for fire hydrant service afforded by the fire hydrants which are located within the service area.

TERRITORY

The unincorporated communities of Cypress, Los Alamitos, and Stanton, Orange County.

RATE

In addition to the regular water bill for metered service, a charge for fire hydrant service of

Per Metered Consumer
Per Month

\$0.15

SPECIAL CONDITIONS

1. The Company will install and maintain additional fire hydrants under the following conditions:

- a. No additional mains will be installed for the installation of a fire hydrant.
- b. Hydrants will be installed on the basis of one hydrant for fifteen additional permanent metered consumers.
- c. Hydrants will be installed only at the request of the local fire protection authorities and at the locations specified by them.

2. The Company will assume no liability as to the quantity of water which will flow through any of these hydrants.

3. No water will be used through these hydrants except for fire fighting purposes.

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Schedule No. 4

Cypress-Los Alamitos-Stanton 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 Cypress, Los Alamitos, and Stanton, Orange County.

RATES

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