

Decision No. 50574**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, attorneys, by Lauren M. Wright,
for applicant.
Mrs. May Overbury and Mrs. Harry Sallade, consumer
protestants.
J. T. Phelps and C. T. Coffey, for the Commission
staff.

NINTH 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 ninth interim opinion and ninth interim order relate to the matter of applicant's request to increase rates in its Huntington Beach District by about \$26,000, based on 1954 estimated operations. Two consumers appeared in protest to the granting of this portion of the application. One of these consumers also had an individual service complaint regarding a pipeline extension to her property. Applicant will investigate this complaint and report to the consumer.

Adjourned public hearings in this matter were held before
Examiner Stewart C. Warnor on August 25, 1954 at Huntington Beach. (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; in its Barstow District on August 3 and 4, 1954; in its Bloomington District on August 5, 1954; and in its Bell Gardens (Clare Street) District on April 22 and August 24 and 25, 1954.

The Huntington Beach matter has been submitted and is ready for decision.

General Information Re Huntington Beach District

As of December 31, 1953 applicant was furnishing water service in its Huntington Beach District to 2,121 consumers, and it estimated that by the end of 1954 this number would increase to 2,170. Two hundred eleven fire hydrants were connected to the system at the end of 1953. All sales of water were metered. During 1953 approximately one-fourth of the volume of water sold was delivered to one industrial consumer, Southwest Exploration Company, an oil prospecting firm. Said company's properties and drilling equipment are located outside applicant's service area at the western extremity thereof. It is served through a 6-inch compound meter located inside the service area. Its demands vary from month to month and year by year. Applicant considers this consumer to be hazardous because of the nature of its operations and because other sources of water supply are available to it.

The source of water supply for the Huntington Beach District comprises four wells, each equipped with deep-well turbine pumps. The pumping plant installations in each of wells Nos. 3 and 4 have a production capacity of approximately 1,000 gallons per minute. Wells Nos. 1 and 2, each with pumping plant installations of 600 to 700 gallons per minute production capacity, have not been pumped for at least three years, except during periodic tests. The water from wells Nos. 1 and 2 contains large amounts of chlorides, and, while bacteriologically free from contamination, and therefore potable, cannot be used satisfactorily for general domestic purposes unless mixed with water from wells Nos. 3 and 4. Applicant's witness testified that applicant maintained these wells in operative

condition for standby fire protection due to the proximity of the Huntington Beach oil fields.

Water from two of the wells discharges into a 250,000-gallon forebay, and from two of the wells directly into a 1,100,000-gallon concrete reservoir. Water is delivered from the forebay tanks by booster pumps to the concrete reservoir; from the reservoir, water is distributed to the system by booster pumps.

Applicant's witness testified that the water system in Huntington Beach is approximately 50 years old and that many of the original pipelines are still installed. During 1954 applicant's budget provided for gross additions to fixed capital in the amount of \$36,000 for its Huntington Beach District, principally for distribution mains. Because of the age of the system, applicant estimated that it would spend about \$57,000 per year in the future for gross additions to plant.

Rates

The general metered service rates applicable to the Huntington Beach District now on file were authorized by Decision No. 46485, dated December 4, 1951, in Application No. 31696. The following tabulation is a comparison of the present and proposed rates for general metered service.

GENERAL METERED SERVICE

Quantity Rates	Per Meter Per Month	
	Present	Proposed
First 500 cu. ft. or less	\$ 1.40	\$ 1.75
Next 2,000 cu. ft., per 100 cu. ft.	.23	.27
Next 7,500 cu. ft., per 100 cu. ft.	.17	.20
Next 40,000 cu. ft., per 100 cu. ft.	.14	.16
Next 100,000 cu. ft., per 100 cu. ft.	.11	.13
Over 150,000 cu. ft., per 100 cu. ft.	.09	.10

At the present rates the charge for a monthly consumption of 1,500 cubic feet was \$3.70; under the proposed rates such charge would be \$4.45. No change is requested in the presently filed rate

for service to privately owned fire sprinkler systems of \$1 per month per inch of diameter of service connection. No change is proposed in the presently filed schedule of Miscellaneous Rates for Construction and Other Temporary Flat Rate Service. Applicant has no presently filed tariff for service rendered to its employees at rates or charges differing from its regularly filed tariff schedules, and no schedule for public fire hydrant service has been filed.

Earnings

The following tabulation is a comparison of earnings information for the Huntington Beach District as contained in Exhibit No. 66, submitted by applicant, and Exhibit No. 70, submitted by the Commission staff.

SUMMARY OF EARNINGS

Item	Year 1953		Year 1954 Estimated			
	Recorded	Adjusted	Present Rates		Proposed Rates	
	Per Co. Ex. 66	Per PUC Ex. 70	Per Co. Ex. 66	Per PUC Ex. 70	Per Co. Ex. 66	Per PUC Ex. 70
Oper. Rev.	\$114,659	\$112,457	\$114,410	\$114,970	\$140,640	\$140,320
Oper. Exp.	87,724	86,021	87,880	87,612	102,050	101,317
Net Oper. Rev.	26,935	26,436	26,530	27,358	38,590	39,003
Rate Base	588,300	577,900	611,800	602,100	611,800	600,400
Rate of Return	4.58%	4.57%	4.34%	4.54%	6.31%	6.50%

No significant differences in rate of return components for the estimated year 1954 at either the present or proposed rates appear between the estimates submitted by applicant and those submitted by the staff, except in the estimated rate base. The staff engineer deducted \$17,782 from fixed capital in service for non-operative property. Of this amount \$6,487 applied to the well and pumping equipment at Golden West Pumping Plant No. 2. The staff witness testified that when he inspected the plant on May 3, 1954, it was not in operation and had not been producing for three or four years. He found a work order dated April 27, 1954, for the transfer of the pump and motor to the Howard well in applicant's

Los Alamitos District. Applicant's president testified that he, personally, had canceled said order and that the pump and motor had not been removed from the well, but that it had not been operated for several years, and that it, along with well No. 2, was maintained in operative condition for fire protection purposes as noted hereinbefore. It appears to the Commission that this well has not been, is not, and there is no indication in the record that it will be used and useful in the public service. The record shows that water from the Metropolitan Water District may soon be available to the Huntington Beach area, and while applicant may not intend to utilize this source of water supply for its own permanent and regular source, the record shows that it would be available at least for emergency fire protection. The staff rate base and the other components of the estimated rate of return for the year 1954, submitted by the staff, will be adopted as reasonable 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 Huntington Beach District, and that it is entitled to rate relief. However, it is further evident that the rate of return of 6.50%, as determined by the staff estimate for the year 1954 at the proposed rate base, would be excessive. The order which follows will authorize the filing of new schedules of rates which will produce additional gross revenues of approximately \$21,500, or total gross revenues of \$136,500. After taking into consideration operating expenses, including taxes and depreciation, amounting to \$99,275, net revenues of \$37,225 will result. When related to an estimated weighted average depreciated rate base of \$600,400, such net revenues will produce a rate of return of 6.2%. After taking

into consideration the risk factor attributable to the speculative, hazardous, and competitive nature of the large volume of water sales to oil well prospectors and drillers, we find such rate of return and the components thereof to be just and reasonable. The filing of a new schedule of rates for employees' service and public fire hydrant service will also be ordered.

NINTH 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 Huntington Beach 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 Huntington Beach 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 E. Mitchell
President
Justin J. Callesal
Bennett Pottel
Gene Higgins

Commissioners

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

APPENDIX A
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Schedule No. 1

Huntington Beach Tariff Area

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

Within and adjacent to the incorporated City of Huntington Beach, Orange County.

RATES

<u>Quantity Rates:</u>		<u>Per Meter Per Month</u>
First	500 cu.ft. or less	\$ 1.65
Next	2,000 cu.ft., per 100 cu.ft.26
Next	7,500 cu.ft., per 100 cu.ft.20
Next	40,000 cu.ft., per 100 cu.ft.17
Next	100,000 cu.ft., per 100 cu.ft.13
Over	150,000 cu.ft., per 100 cu.ft.10

Minimum Charge:

For	5/8 x 3/4-inch meter	\$ 1.65
For	3/4-inch meter	2.35
For	1-inch meter	3.75
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.

SPECIAL CONDITION

All meter readings for municipal departments of the City of Huntington Beach will be combined for the purpose of computing monthly bills at the Quantity Rates, and for such municipal departments there will be a monthly minimum charge in the amount of the sum of the Minimum Charges for all meters serving the City of Huntington Beach.

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Schedule No. 2

Huntington Beach Tariff Area

PUBLIC FIRE HYDRANT SERVICE

APPLICABILITY

Applicable to all public fire hydrant service.

TERRITORY

Within and adjacent to the incorporated City of Huntington Beach, Orange County.

RATES

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

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Schedule No. 5

Huntington Beach 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 Huntington Beach, Orange County.

RATES

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