

**ORIGINAL**

Decision No. 51802

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 )	Application No. 36525
rates charged by it for water )	
service in its South Arcadia )	
District. )	

O'Melveny & Myers, attorneys, by Lauren M. Wright,  
and C. T. Mess, consulting engineer, for  
 applicant.  
Luther H. Gulick, Carol T. Coffey, and Theodore  
Stein, for the Commission staff.

O P I N I O N

Southern California Water Company, a corporation, by the above-entitled application, filed December 3, 1954, seeks authority to increase rates for water service by a gross annual amount of about \$55,000 in its South Arcadia District, Los Angeles County.

A public hearing in this matter was held before Commissioner Ray E. Untereiner and Examiner Stewart C. Warner on June 29, 1955, at Los Angeles. Although notices were published in newspapers of general circulation in the service area, and notices of the hearing were sent to interested parties, there was no protest to the granting of the application.

General Information

As of December 31, 1954, as shown in Exhibit No. 1, a general report of applicant's company-wide operations, water service was being furnished by applicant to some 88,350 consumers and electric service to 3,455 consumers throughout 21 separate operating districts. A map included in Exhibit No. 1 as Chart 1-C shows the location of said districts. Fixed capital in service, construction

work in progress, and the related depreciation reserves for applicant's various operations are shown as follows:

	<u>Fixed Capital</u>	<u>Construction Work in Progress</u>	<u>Total</u>	<u>Depreciation Reserve</u>
Water	\$21,055,768	\$164,738	\$21,220,506	\$3,354,290
Electric	887,746	1,327	889,073	249,199
Ice	<u>74,390</u>	<u>-</u>	<u>74,390</u>	<u>53,816</u>
Total	\$22,017,904	\$166,065	\$22,183,969	\$3,657,305

Applicant's gross operating revenues from its water department for the year 1954 amounted to \$3,477,645.

A summary of earnings for total utility operations, included as Table 8-A in Exhibit No. 1, shows that applicant's rate of return for the year 1954, recorded, was 5.69 percent, and that for the year 1955, estimated, it would be 5.43 percent at the present rates and 5.60 percent at the proposed rates in South Arcadia and South Sacramento<sup>1/</sup> for the full year.

#### South Arcadia District

Applicant's South Arcadia District covers approximately three square miles of practically all unincorporated territory of Los Angeles County lying generally southerly and easterly of the City of Arcadia and bounded on the west by Rosemead Boulevard, on the southerly and easterly sides by the Southern Pacific Railroad and the Rio Hondo Channel of the Los Angeles County Flood Control District. Chart 3-B of Exhibit No. 2, and Exhibit No. 3 are maps of the so-called Walnut Grove System of the South Arcadia District,

<sup>1/</sup> By its Application No. 36321 filed November 19, 1954, applicant seeks authority to increase rates for water service in its South Sacramento District.

and Chart 3-C of Exhibit No. 2, and Exhibit No. 4 are maps of the so-called Martin and Goold System of said district. Said maps show that applicant's South Arcadia District is comprised of two service areas. Applicant acquired the so-called Walnut Grove System as a small mutual water company with some 35 customers in 1945. In this system there are now approximately 1,500 customers, all of whom receive metered service. In 1950 the Martin and Goold System was acquired and was merged with applicant in 1952. In this system water service is furnished to 3,563 flat rate customers and approximately 683 meter rate customers. As of the date of the hearing, applicant had installed about 500 meters during the year 1955 in the Martin and Goold System, and anticipates installing approximately that number annually until all flat rate services have been metered.

The easterly portion of the Martin and Goold System and the Walnut Grove System are interconnected for operating purposes. The westerly portion of the Martin and Goold System is operated separately. Sources of water supply include 17 operating wells equipped with deep-well turbine pumps, 3 of which are driven by natural gas engines, the others by directly connected electric motors. The water supply is copious and is of good quality.

Of the total of some 313,307 feet of distribution mains in the South Arcadia District, 93.6 percent, or some 293,076 feet, are steel casing. Applicant proposes, and has budgeted to replace these steel pipe lines over the next five years. It also plans to

replace one pumping plant each year. The total capital five-year budget for such replacements is \$500,000. The record shows that both water systems in the South Arcadia District are substantially built up and there is little room for growth. The total number of meter rate and flat rate customers as of December 31, 1954, was 5,746. This number was estimated to increase to 5,846 by the end of the year 1955. As of the end of 1954, 196 fire hydrants were connected to the system.

#### Bases of Application

Applicant based its application on four reasons, (1) that fixed capital has increased and will continue to increase faster than the growth of customers and sales in its South Arcadia District; (2) that, in order to finance such increases and those in other districts, applicant had, during 1955, borrowed \$2,000,000; (3) that operating expenses have been increasing; and (4) that earnings must be sustained to service such financing and to meet such increased expenses. The record shows that applicant's total budget for the year 1955 was \$260,700, of which 88 percent, or \$229,000, had been authorized. As of May 31, 1955, \$188,000 of the authorized budget had been expended in the district.

#### Rates

The present general metered service and flat rates for the Walnut Grove System became effective March 1, 1946, and those in the Martin and Goold System, November 27, 1954.

The following tabulation is a comparison of the present general metered service and flat rates with those proposed in the application.

COMPARISON OF PRESENT AND PROPOSED RATES

General Metered Service

Quantity Rates:	Per Meter per Month		
	Present		
	Walnut Grove	Martin & Goold	Proposed Combined
First 1,000 cu.ft or less .....	\$1.25		
Next 2,000 cu.ft., per 100 cu.ft.....	.07		
Over 3,000 cu.ft., per 100 cu.ft.....	.05		
First 1,500 cu.ft. or less .....		\$1.50	
Next 3,500 cu.ft., per 100 cu.ft.....		.08	
Over 5,000 cu.ft., per 100 cu.ft.....		.06	
First 800 cu.ft. or less .....			\$1.70
Next 2,200 cu.ft., per 100 cu.ft.....			.09
Over 3,000 cu.ft., per 100 cu.ft.....			.06

Flat Rate Service

	Per Month	With 3/4-Inch Service Connection per Month
For each residence or dwelling, including reasonable and necessary quantities of water for irrigation on a lot not exceeding 15,000 sq.ft.....	\$1.50	
For the irrigation of each additional 5,000 sqft. or less, in excess of the above 15,000 sq.ft.....	.50	
For each lot of 1/2-acre or less, with or without residence, not in excess of 1-inch service .....		\$2.00
For each additional:		
1/4 acre or less .....		.75
Residence on one lot .....		1.00
Service not exceeding 1-inch on lot ....		.50
For each single residence located on a lot of 12,000 sq. ft. in area, or less .....		\$2.70
For each additional residence located on the above size lot .....		1.35

The rates for metered and flat rate service proposed by applicant, and the rates presently in effect only in the Martin and Goold area for fire sprinkler service and for public fire hydrant service, are requested to be authorized for the entire South Arcadia District.

Further, applicant proposes that the rules and regulations currently on file for the Martin and Goold area be cancelled, and that the similar rules and regulations presently on file for the Walnut Grove area be made effective throughout the South Arcadia District. A general irrigation service rate now on file for the Walnut Grove area is requested to be cancelled since no irrigation service is rendered.

Under the present flat rates, customers in the Martin and Goold System pay \$2.00 per month for each lot of one-half acre or less with additional charges for larger areas. This flat rate would increase to \$2.70 per month for each single residence located on a lot of 12,000 square feet in area or less. Under the present meter rates the charge for a monthly consumption of 3,000 cubic feet, which the record shows to be the average usage, is \$2.65 in the Walnut Grove System and \$2.70 in the Martin and Goold System. Under the proposed rate such charge would be \$3.68; an increase of 38.9 percent in the Walnut Grove System and 36.3 percent in the Martin and Goold System.

#### Earnings

Exhibit No. 2 is a report on the operations in the South Arcadia District submitted by the applicant. Exhibit No. 6, as amended by the table submitted as Exhibit No. 6-A, is the corresponding report prepared by the Commission staff. The earnings information contained in said exhibits for the year 1954, recorded,

and for the year 1955, estimated, at present and proposed rates, is summarized as follows:

SUMMARY OF EARNINGS

Item	Year 1954:		Year 1955 Estimated		
	Recorded		Present Rates		Proposed Rates
	Per Co.	Per Co.	Per PUC	Per Co.	Per PUC
	Ex. 2	Ex. 2	Ex. 6A	Ex. 2	Ex. 6A
Operating Revenues	\$159,721	\$162,280	\$163,480	\$217,110	\$218,420
Operating Expenses	75,758	79,890	78,840	80,000	78,840
Taxes	30,050	23,950	27,190	53,810	57,170
Depreciation	21,563	29,060	29,526	29,060	29,526
Subtotal	127,371	132,900	135,556	162,870	165,536
Net Revenue	32,350	29,380	27,924	54,240	52,884
Rate Base*	613,200	864,200	862,600	864,200	862,600
Rate of Return	5.28%	3.40%	3.24%	6.28%	6.13%

\* Weighted average depreciated rate base.

No substantial or significant differences in any of the rate of return components determined by applicant and the staff are indicated in the record in this proceeding, despite thorough investigation by the staff and entirely independent calculations. Staff counsel stated that, as a result, the staff took no position in opposition to the proposed increase in rates.

Conclusion

It is evident that applicant's earnings at the present rates in its South Arcadia District are inadequate and that it is entitled to financial relief. It is further evident that the earnings which would be produced by the rates proposed in the application are not excessive. The order which follows will authorize the filing of the rates proposed in the application which will produce gross annual revenues of approximately \$218,000, net revenues of approximately \$53,000 after total operating expenses of \$165,000, and a rate of return of 6.14 percent related to an average depreciated rate base of \$863,000. It is reasonable to

expect, because of the downward trend indicated by the record in this proceeding, that applicant will realize a rate of return not significantly higher than 6 percent in the first full calendar year in which new rates may be fully effective. Such a rate of return is found to be just and reasonable. The order will provide that the present rates for fire sprinkler and public fire hydrant service in the Martin and Goold area, and the rules and regulations now on file for the Walnut Grove area, may be applied uniformly throughout the South Arcadia District.

O R D E R

Application as above entitled having been filed, a public hearing having been held, the matter of applicant's request for an increase in rates in its South Arcadia 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, will for the future be unjust and unreasonable; therefore,

IT IS HEREBY ORDERED that:

- (1) Applicant 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 South Arcadia District shown in Appendix A attached hereto, and on not less than one days' notice to the Commission and to the public to make such rates effective for service rendered on and after September 1, 1955.
- (2) Applicant's presently filed schedule entitled "Schedule No. 3, General Irrigation Service" is authorized to be cancelled.
- (3) Applicant is authorized to refile, within thirty days after the effective date of this order, in conformity with the provisions of General Order No. 96, those portions of its presently filed tariff schedules for its Walnut Grove Tariff Area as may be necessary to provide for the application of said tariff schedules to applicant's entire



South Arcadia District, and concurrently with such refiling to cancel the tariff schedules presently on file for its Martin and Gould Tariff Area. Such revised tariff sheets shall become effective upon five days' notice to the Commission and to the public after filing as hereinabove provided.

- (4) Within thirty days after the effective date of this order, applicant shall file with this Commission four copies of a tariff service area map in conformity with the provisions of the Commission's General Order No. 96. Such tariff service area map shall become effective on five days' notice to the Commission and the public after filing as hereinabove provided.
- (5) 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 800 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.
- (6) 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 9th day of August, 1955.

[Signature]  
President

[Signature]

[Signature]

[Signature]

[Signature]  
Commissioners

APPENDIX A  
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## Schedule No. 1

South Arcadia Tariff AreaGENERAL METERED SERVICEAPPLICABILITY

Applicable to all metered water service.

TERRITORY

Portions of the area lying generally between the Cities of Arcadia and El Monte, east of Rosemead Boulevard, Los Angeles County.

RATES

For Meter  
per Month

## Quantity Rates:

First 800 cu.ft. or less .....	\$1.70
Next 2,200 cu.ft., per 100 cu.ft. ....	.09
Over 3,000 cu.ft., per 100 cu.ft. ....	.06

## Minimum Charge:

For 5/8 x 3/4-inch meter .....	\$1.70
For 3/4-inch meter .....	2.25
For 1-inch meter .....	3.25
For 1-1/2-inch meter .....	6.00
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 customer to the quantity of water which that minimum charge will purchase at the Quantity Rates.

Schedule No. 2

South Arcadia Tariff Area

RESIDENTIAL FLAT RATE SERVICE

APPLICABILITY

Applicable to all residential water service furnished on a flat rate basis.

TERRITORY

Portions of the area lying generally between the Cities of Arcadia and El Monte, east of Rosemead Boulevard, Los Angeles County.

RATES

	<u>Per 3/4-Inch Service Connection per Month</u>
For each single family residence, including lot not exceeding 12,000 square feet in area .....	\$2.70
For each additional residence located on the same lot and served from the same service connection .....	1.35

SPECIAL CONDITIONS

1. All service not covered by the above classification will be furnished only on a metered basis.
2. Meters may be installed at option of utility or customer for the above classification in which event service thereafter will be furnished only on the basis of Schedule No. 1, General Metered Service.

Schedule No. 3

South Arcadia Tariff Area

PUBLIC FIRE HYDRANT SERVICE

APPLICABILITY

Applicable to all public fire hydrant service.

TERRITORY

Portions of the area lying generally between the Cities of Arcadia and El Monte, east of Rosemead Boulevard, Los Angeles County.

RATE

	<u>Per Month</u>
For each fire hydrant .....	\$2.00

SPECIAL CONDITIONS

1. The utility will supply only such water at such pressure as may be available from time to time as a result of its normal operation of its water system.
2. The utility will not extend its water mains for the purpose of serving fire hydrants.

Schedule No. 4

South Arcadia Tariff Area

FIRE SPRINKLER SERVICE

APPLICABILITY

Applicable to all fire sprinkler service.

TERRITORY

Portions of the area lying generally between the Cities of Arcadia and El Monte, east of Rosemead Boulevard, Los Angeles County.

RATE

Per Service  
per Month

For each inch of diameter of fire sprinkler service .....	\$1.00
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SPECIAL CONDITIONS

1. The customer will pay, without refund, the entire cost of installing the fire sprinkler service.
2. The minimum diameter for fire sprinkler service will be 4 inches and the maximum diameter will be not more than the diameter of the main to which the service is connected.
3. The customer's installation must be such as to effectively separate the fire sprinkler system from that of the customer's regular water service. As a part of the sprinkler service installation there shall be a detector check or other similar device acceptable to the utility which will indicate the use of water. Any unauthorized use will be charged for at the regular established rate for General Metered Service, and/or may be grounds for the utility's discontinuing the fire sprinkler service without liability to the utility.
4. There shall be no cross-connection between the fire sprinkler system supplied by water through the utility's fire sprinkler service to any other source of supply without the specific approval of the utility. This specific approval will require, at the customer's expense, a special double check valve installation or other device acceptable to the utility. Any such unauthorized cross-connection may be the grounds for immediately discontinuing the sprinkler service without liability to the utility.