

ORIGINAL

Decision No. 52697

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of) CALIFORNIA WATER & TELEPHONE COMPANY) to increase rates for water service) in its Coronado District.)	Application No. 37105 (Amended)
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Bacigalupi, Elkus & Salinger, attorneys, by Claude N. Rosenberg, and Higgs, Fletcher & Mack, attorneys, by DeWitt Higgs, for applicant;
J. R. Goodbody, city attorney, and Clarence A. Winder, consulting engineer, for the City of Coronado, protestant;
Charles S. Goode, assistant director of Public Utilities for San Diego County; E. R. Harrison, for the citizens of Coronado; Miss Joanna R. Rohrbough, for the Coronado Journal; Captain H. G. S. Wallace, in propria persona, interested parties;
Boris H. Lakusta, Carol T. Coffey, and John F. Donovan, for the Commission staff.

O P I N I O N

California Water & Telephone Company, a corporation, by the above-entitled application filed July 7, 1955, as amended July 27, 1955, to include a statement of the depreciation reserve as of April 30, 1955, and as amended September 29, 1955, to include a new set of proposed rates, seeks authority to increase rates for water service in its Coronado District. The rate increase sought would increase gross operating revenues by \$126,800 based on estimated operations for the year 1955.

Public hearings in this matter were held before Commissioner Rex Hardy and Examiner Stewart C. Warner on October 6 and 7, November 30, and December 1, 1955, at Coronado. The City of Coronado protested the application.

General Information

California Water & Telephone Company furnishes telephone service in parts of Los Angeles, San Bernardino and Riverside Counties, and water service in the Monterey Peninsula, San Gabriel Valley in Los Angeles County, and in its Sweetwater and Coronado Districts in San Diego County. The Sweetwater District serves National City, Chula Vista and surrounding territory. The Coronado District serves the City of Coronado, North Island, Silver Strand, the South Bay area including the unincorporated communities of Imperial Beach and Palm City, and certain area along applicant's transmission line between the Coronado "Y" and Highland Reservoir in San Diego County.

The company's general office is at 300 Montgomery Street, San Francisco 4.

As of June 30, 1955, applicant's total assets were \$49,984,435.93, of which total depreciable water plant was \$20,608,868.53; total depreciable telephone plant was \$25,201,920.73, and total depreciable general office property and equipment was \$3,270.28, for total depreciable utility plant of \$45,814,059.54.

For the year ending June 30, 1955, water department gross operating revenues were \$3,647,002.99, telephone department gross operating revenues were \$7,998,526.88, and total gross operating revenues were \$11,645,529.87.

As of December 31, 1954, total water customers were 48,591, total telephone connections were 72,015; a total of 120,606 customers and connections in all divisions.

Applicant's gross payroll for the year 1954 for all divisions amounted to \$3,488,006.58, of which \$659,171.80 applied to the water department.

Basis of Application

Applicant based its application on the following alleged conditions:

1. That in the calendar years 1953-1954, net additions were made to the Coronado District's water system of \$546,463. It estimated that in the calendar year 1955, further net additions to said water system would be made in the amount of \$136,000.
2. That since the establishment of applicant's present rates in 1952, three successive wage increases have occurred which, together with other developments, have resulted in a substantial increase in the annual operating expenses in Coronado District.
3. That the present rates and charges have been, still are, and, in the immediate future would continue to be, inadequate and insufficient to yield a reasonable return to applicant.

Coronado District

As of June 30, 1955, applicant was furnishing water to 7,129 active service connections in its Coronado District of which 6,838, or 95.92 per cent, were commercial and domestic. The population served in the Coronado District at the end of 1954 was estimated to be 30,100.

During 1954 there was an average of 91 employees in the San Diego Bay Division (Sweetwater and Coronado Districts), of whom nine were assigned exclusively to the Coronado District. The total 1954 San Diego Bay Division payroll was \$351,143 of which \$89,826 was allocated to the Coronado District.

Sources of Water Supply and Description of Coronado District Transmission and Distribution System

Applicant's sources of water supply for the Coronado District are from the company-owned Otay Valley Wells, from purchases from the City of San Diego under contract, and from wells in the South Basin (Tia Juana Valley). During 1954 53.20 per cent of the total water supply for the district was furnished from the Otay Wells, 45.61 per cent was purchased from San Diego, and 1.19 per cent was furnished from the Tia Juana Valley.

Applicant's consulting engineering witness testified that mineral content of the water obtained from the Otay Wells was increasing, and that unless applicant is allowed, through court action, to pump more water from the Tia Juana Valley, additional water would have to be purchased from the City of San Diego. Said purchases are at a rate of 15 cents per 100 cubic feet, which is sharply higher than the production cost of the Otay and Tia Juana Wells.

Applicant maintains a 1,725,000-gallon capacity concrete reservoir, known as the Highland Reservoir, for the Coronado District located about six miles west of the Coronado "Y". In the City of Coronado the company has a 500,000-gallon elevated steel tank, and there is also a connection with the United States Navy's 1,000,000-gallon tank at the Amphibian Training Base. The Navy tank may be used in emergencies.

The transmission and distribution system consists of nearly 98 miles of pipe of which 222,841 feet, or 43.14 per cent, are cast iron, 61,185 feet or 11.84 per cent are standard screw, 215,564 feet or 41.72 per cent are asbestos-cement, cement-lined steel and cast iron, and the balance are copper, welded steel, or other type of pipe. Commencing in 1952 a program of cement-lining of transmission mains has been underway. This program is scheduled for completion in 1956, although the record shows that the larger sizes of distribution mains will also be so treated in subsequent years. This cement-lining treatment smooths out the internal encrustations, thereby reducing friction losses and increasing the carrying capacity of the pipe. The cost of the program so far was stated to be approximately \$260,000.

Rates

Applicant's present rates were established by Decision No. 42857, dated October 18, 1952, in Application No. 29523. The following tabulation is a summary and comparison of the present rates,

of those proposed in the amended application, and of those authorized hereinafter:

COMPARISON OF PRESENT, AMENDED PROPOSED, AND AUTHORIZED RATES

GENERAL METERED SERVICE

<u>Quantity Rates</u>	<u>Per Meter per Month</u>		
	<u>Present</u>	<u>Amended Proposed</u>	<u>Authorized</u>
First 500 cu.ft. or less	\$ 1.90	\$ 2.40	\$ 2.25
Over 500 cu.ft., per 100 cu.ft.	.30	.36	-
Next 2,500 cu.ft., per 100 cu.ft.	-	-	.35
Over 3,000 cu.ft., per 100 cu.ft.	-	-	.33

PUBLIC AND PRIVATE HYDRANT RENTALS AND SERVICES FOR SPRINKLER SYSTEMS

Rates

Municipal and public fire hydrant charge per hydrant	\$ 3.75	\$ 4.00	\$ 4.00
Private fire hydrant charge per hydrant	3.75	4.00	4.00
Private fire service for sprinkler systems:			
For 4-inch connection	19.00	10.00	10.00
For 6-inch connection	31.00	20.00	20.00
For 8-inch connection	44.00	30.00	30.00
For 10-inch connection	63.00	45.00	45.00
For 12-inch connection	-	65.00	65.00

At the present rates, the bimonthly charge to domestic and commercial customers using 2,800 cubic feet is \$9.20. This charge, at the amended proposed rates, would be \$11.28, a bimonthly increase of \$2.08 or 22.6 per cent. Under the rates authorized the charge would be \$10.80, a bimonthly increase of \$1.60 or 17.4 per cent.

Earnings

Applicant's consulting engineering witness submitted as Exhibit No. 1 detailed estimates of applicant's earnings at the present rates for the years 1953 recorded and 1954 recorded and adjusted, and for the estimated year 1955 recorded and adjusted. This witness submitted as Exhibit No. 2 an estimate of applicant's earnings at the amended proposed rates for the adjusted year 1955. Commission

staff engineering witnesses submitted in Exhibit No. 13 detailed estimates of applicant's earnings for the years 1954 adjusted and 1955 estimated at the present and amended proposed rates. The following tabulation is a summary of the earnings information contained in Exhibits Nos. 1, 2 and 13:

SUMMARY OF EARNINGS

Item	Year 1954 :		Year 1955 Estimated			
	Adjusted :		Present Rates			
	Present :		Present Rates		Proposed Rates	
	Per PUC	Per PUC	Per Co.	Per PUC	Per Co.	Per Co.
	Exh. 13	Exh. 13	Exh. 1	Exh. 13	Exh. 2	
Operating Revenue	\$ 547,920	\$ 572,360	\$ 567,200	\$ 692,380	\$ 694,000	
Operating Expenses	283,430	301,290	313,150	301,290	313,150	
Depreciation	44,725	47,465	47,130	47,465	47,130	
Taxes	113,900	117,700	108,950	182,400	177,320	
Subtotal	442,055	466,455	469,230	531,155	537,600	
Net Revenue	105,865	105,905	97,970	161,225	156,400	
Rate Base (Deprec'd)	2,278,500	2,388,000	2,420,900	2,388,000	2,420,900	
Rate of Return	4.65%	4.43%	4.05%	6.75%	6.46%	

It is evident upon analysis of the earnings information submitted by both the company and the staff that there is no substantial nor significant difference in the respective estimated results of operations. The rate base includes an amount of \$536,693 for the company's plant in the Tia Juana River Valley. This amount includes litigation costs of \$292,235. At the present time, due to the status of litigation of these properties, the company is obtaining only a nominal four acre feet of water per month from this source. This substantial item of production plant has been retained as a potential source of supply depending upon the outcome of the pending litigation.

The record shows that the staff estimate of the cost of water purchased for resale was based on conditions as they existed in 1955, the test year, therefore, the staff estimate is, and the Commission so finds it to be, more realistic than that of the company.

Exhibits Nos. 1-A and 1-B are schedules showing details of legal expenses and Public Utilities Commission (rate case) expenses

charged, and estimated to be charged, to old Accounts E-39 and E-40, and new Accounts 797 and 798. They show that 1955 estimated recorded legal expense was \$12,755 for the Coronado District, and estimated adjusted to \$12,700. They show that 1955 estimated recorded Public Utilities Commission expense was \$21,925, and estimated adjusted to \$9,000 to amortize the cost of the 1952 and the instant rate proceeding over a three-year period. In arriving at a fair rate of return in this proceeding, the Commission will give consideration to the fact that the Tia Juana River plant has been included although the outcome of the litigation is uncertain and also that the legal expenses of this utility are continuing at a substantial level.

The staff estimates of operating expenses and rate base will be and hereby are adopted as reasonable for the purposes of this proceeding.

Conclusion

After a careful review of the record it is evident that applicant is in need of financial relief in its Coronado District. However, it is further evident that the rate of return which would be produced by the amended proposed rates would be excessive. The order hereinafter will authorize applicant to file new schedules of rates which will produce gross annual revenues of \$653,460 or an increase of \$81,100 over the revenues estimated by the staff to be received for the year 1955 at present rates. The authorized increase in gross revenues will be approximately 14.2 per cent.

When estimated operating expenses including depreciation and taxes, after taking into account the effect of the authorized gross revenue increase on income taxes of \$510,180, are deducted from the estimated gross revenues, net revenue of \$143,280 will result. Such net revenue, when related to the rate base of \$2,388,000 adopted as reasonable hereinbefore, will produce a rate of return of 6 per cent predicated on the test year of 1955.

Applicant submitted testimony and evidence, and argued to the effect that it was suffering and would continue to suffer attrition of or decline in its rate of return due to the large expenditures for so-called nonrevenue producing plant. Such expenditures were averred to be required to increase its sources of water supply and transmission and storage facilities without necessarily bringing new customers and increased revenues. Under these circumstances we find that a 6 per cent return based on the test period year 1955 estimated will allow applicant a rate of return for the future of 5.75 per cent which we hereby find to be just and reasonable.

The Commission finds 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.

ORDER

Application as amended having been filed, public hearings having been held, the matter having been submitted, and based upon the testimony and evidence of record and the findings,

IT IS HEREBY ORDERED that 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 shown in Appendix A attached hereto, and upon not less than five days' notice to the Commission and to the public to make such rates effective for service rendered on and after March 24, 1956.

The effective date of this order shall be twenty days after the date hereof.

Dated at San Francisco, California, this 29th day of February, 1956.

[Signature]
President.
[Signature]
[Signature]
Commissioners

Justus F. Graemer
Commissioner S. Matthew J. Dauley being necessarily absent, did not participate in the disposition of this proceeding.

APPENDIX A
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Schedule No. CO-1
Coronado Tariff Area
GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

The incorporated City of Coronado, the unincorporated areas of North Island, Silver Strand, South Bay westerly of Highland Reservoir, and adjacent to the utility's transmission main from the Coronado Wye to Highland Reservoir, San Diego County.

RATES

Quantity Rates:	<u>Per Meter</u> <u>Per Month</u>
First 500 cu.ft. or less	\$ 2.25
Next 2,500 cu.ft., per 100 cu.ft.35
Over 3,000 cu.ft., per 100 cu.ft.33
 Minimum Charge:	
For 5/8 x 3/4-inch meter	\$ 2.20
For 3/4-inch meter	3.25
For 1-inch meter	4.25
For 1 1/2-inch meter	7.00
For 2-inch meter	11.00
For 3-inch meter	20.00
For 4-inch meter	35.00
For 6-inch meter	70.00
For 8-inch meter	110.00

The Minimum Charge will entitle the customer to the quantity of water which that minimum charge will purchase at the Quantity Rates.

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Schedule No. CO-4

Coronado Tariff Area

PRIVATE FIRE PROTECTION SERVICE

APPLICABILITY

Applicable to all water service rendered for privately owned fire protection systems.

TERRITORY

The incorporated City of Coronado, the unincorporated areas of North Island, Silver Strand, South Bay westerly of Highland Reservoir, and adjacent to the utility's transmission main from the Coronado Wye to Highland Reservoir, San Diego County.

RATES

	<u>Per Month</u>
Automatic Fire Sprinkler Systems:	
For each 4-inch connection or smaller	\$10.00
For each 6-inch connection	20.00
For each 8-inch connection	30.00
For each 10-inch connection	45.00
For each 12-inch connection	65.00
For each private fire hydrant	4.00

SPECIAL CONDITIONS

1. All water used for other than fire extinguishing purposes shall be paid for at general metered service rates.
2. Connections for private fire protection systems shall be equipped with standard detector type meters approved by the Board of Fire Underwriters and the cost of the meter and appurtenant structure shall be paid, without refund, by the applicant.
3. If a distribution main of adequate size to serve a private fire service in addition to all other normal service does not exist in the street or alley adjacent to the premises to be served hereunder, then a service main from the nearest existing main of adequate capacity will be installed by the

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Schedule No. CO-4

Coronado Tariff Area

PRIVATE FIRE PROTECTION SERVICE

SPECIAL CONDITIONS--Contd.

utility at the cost of the applicant. The amounts paid by the applicant hereunder to establish private fire protection service shall not be subject to refund.

4. Any service under this schedule will be furnished only to privately owned automatic fire sprinkler systems which are completely isolated from any other water pipes and services of the customer.

5. 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 system.

6. The customer shall indemnify the utility and save it harmless against any and all claims arising out of the service under this schedule and shall further agree to make no claim against the utility for any loss or damage resulting from the services hereunder.

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Schedule No. CO-5

Coronado Tariff Area

PUBLIC FIRE HYDRANT SERVICE

APPLICABILITY

Applicable to fire hydrant service furnished to municipalities, duly organized or incorporated fire districts, or other political subdivisions of the State.

TERRITORY

The incorporated City of Coronado, the unincorporated areas of North Island, Silver Strand, South Bay westerly of Highland Reservoir, and adjacent to the utility's transmission main from the Coronado Wye to Highland Reservoir, San Diego County.

RATE

Per Month

For each fire hydrant \$4.00

SPECIAL CONDITIONS

1. Hydrants will be installed and maintained by the utility at its expense.
2. The above rate includes use of water for fire fighting and for no other purpose. Quantities of water delivered through fire hydrants for any other purpose will be estimated or measured and charges therefore will be made at the monthly quantity rates under the General Metered Service schedule.
3. 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 system.
4. The customer shall indemnify the utility and save it harmless against any and all claims arising out of the service under this schedule and shall further agree to make no claim against the utility for any loss or damage resulting from the services hereunder.