

ORIGINAL

Decision No. 53912

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 rates charged by it for water service in its Florence-Graham District.)))))	Application No. 37374
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O'Melveny and Myers, by Lauren M. Wright, attorneys,
and C. T. Mess, consulting engineer, for appli-
cant.
L. C. Pemberton, for Florence-Firestone Chamber of
Commerce; Robert J. McWhinney, for self;
protestants.
W. R. Roche, for the Commission's staff.

O P I N I O N

By this application Southern California Water Company seeks authority to increase rates for water service in the Florence-Graham District.

A public hearing was held at Los Angeles before Examiner Mark V. Chiesa. Oral and documentary evidence having been adduced, the matter was submitted for decision.

The Florence-Graham District is located in Los Angeles County territory adjacent to the City of Vernon, and serves an area of approximately 2.9 square miles. The area is primarily residential but partially industrial. Ninety-seven per cent of the customers are residential and commercial. Water is supplied by ten company wells located in the district. Total production in 1955, in units of 100 cubic feet, was 2,028,144 units, of which 1,662,934 were sold.

During 1955 a feeder line of the Metropolitan Water District of Southern California was constructed through the district for the Central Basin Municipal Water District. The company has

installed a connection to this line located at Gage Avenue and Miramonte Avenue, and the company commenced taking water in the latter part of 1955. The company anticipates it will be taking water through this connection throughout the years to come, including the year 1956. In the past, prior to January 1, 1956, the Florence-Graham District also obtained a portion of its water supply from the company's nearby Bell District. This water supply was delivered to those customers of the Florence-Graham District who were not physically connected to the Florence-Graham distribution system. As of January 1, 1956, these customers were transferred to applicant's Bell District.

There are approximately 295,000 feet of distribution mains varying in size from 1 inch to 14 inches in diameter in the Florence-Graham District, with storage capacity consisting of one steel tank and two forebays, of 390,000 gallons. As of December 31, 1955, the district had 6,428 customers, all served through meters except 27 fire services which are on a flat rate. In addition, there are 215 fire hydrants in the district.

Applicant heretofore received authority to increase its rates for its Florence-Graham District water service in August of 1954 (Decision No. 50443). Its present and proposed rates are as follows:

Quantity Rates:		<u>Per Meter per Month</u>	
		<u>Present</u>	<u>Proposed</u>
First	700 cu.ft.....	\$1.25	\$1.75
Next	1,800 cu.ft.....	.14*	.19*
Next	7,500 cu.ft.....	.12*	.17*
Next	40,000 cu.ft.....	.11*	.15*
Next	50,000 cu.ft.....	.10*	.14*
Over	100,000 cu.ft.....	.09*	.13*

* Per 100 cubic feet.

Minimum Charge:	Per Meter per Month	
	Present	Proposed
For 5/8 x 3/4-inch meter	\$ 1.25	\$ 1.75
For 3/4-inch meter	2.00	2.50
For 1-inch meter	3.00	3.50
For 1-1/2-inch meter	5.00	6.00
For 2-inch meter	8.00	10.00
For 3-inch meter	13.00	17.50
For 4-inch meter	20.00	25.00
For 6-inch meter	40.00	50.00
For 8-inch meter	60.00	75.00

No increase is proposed for public fire hydrant service, fire sprinkler service, or construction and other temporary flat rate service. Applicant has a special rate for employees which is the minimum rate for the size of meter used.

Applicant's president testified that the reason for the request for higher rates is a declining rate of return in this district due principally to an increase in fixed capital expenditures and higher operating costs resulting from cost of purchased water, as well as increases in costs of material, supplies and labor.

It was estimated that the rate of return, on total company operation, based on present rates, would be 5.77 per cent in 1956, as compared with 6.10 per cent in 1955. Applicant estimates that the company rate of return for 1956, based on six months at present rates and six months at proposed rates for Florence-Graham and Norwalk Districts,^{1/} will be 5.93 per cent (Exhibit No. 5, page 46).

Applicant and the Commission's staff presented various tabulations showing recorded, adjusted, and estimated results of operations for the years 1955 and 1956 (Exhibit No. 6, Table 11-A

^{1/} See companion Application No. 37379 pertaining to the Norwalk District.

and Exhibit No. 13-A, Table 11-A). The following is a summary of earnings for the year 1956, estimated:

Item	Present Rates		Proposed Rates	
	Applicant	P.U.C.	Applicant	P.U.C.
Operating Revenue	\$ 257,800	\$ 260,900	\$ 350,670	\$ 355,125
Operating Expense	208,140	205,140	258,690	256,530
Net Revenue	49,660	55,760	91,980	98,595
Rate Base (depreciated)	1,422,000	1,413,600	1,422,000	1,413,600
Rate of Return	3.49%	3.94%	6.47%	6.97%

The following table shows the company's recorded fixed capital by years applicable to the Florence-Graham District:

End of year	Total Fixed Capital
1952	\$1,200,649
1953	1,295,372
1954	1,360,786
1955	1,421,720
1956 (1)	1,642,450

(1) Based on 1956 budget.

Applicant's estimates reflect the transfer of plant applicable to 13 customers transferred to applicant's Bell District as of January 1, 1956. Said customers were not directly connected with applicant's facilities, but were served through the distribution system of the City of Huntington Park pursuant to an agreement with said city. They will continue to be served by an interchange of water between applicant's Bell District and the City of Huntington Park, through the latter's distribution system. The current charges for water service in the Bell District are slightly higher than present Florence-Graham District rates but lower than the rates authorized by the order herein.

In 1955 applicant began the purchase of water for the Florence-Graham District from the Metropolitan Water District, although applicant had an adequate water supply in said district

from its own wells. It was testified that the reason for purchasing water was to help retard the overdraft in the basin where the Florence-Graham wells are located. In view of the absence of a joint effort on the part of other well operators in said basin, the present expenditure for the purpose indicated appears questionable. Applicant paid a required deposit of \$25,690 for the connection to the Metropolitan Water District feeder line, and an adjustment of \$24,737 and \$21,561, respectively, was made to reflect said cost for the full years 1955 and 1956. The deposit is not repayable and the connections remain the property of the Metropolitan Water District. Applicant, however, has included the said adjusted amounts in its rate base, comparing the expenditure to a capital investment, and at the same time is proposing to amortize said deposit as a depreciation expense over a 25-year period and reduce its rate base annually in the amount of the amortization. It is the Commission's opinion that the cost of making said connection should be returned to applicant through amortization expense.

Applicant and the Commission staff are not in agreement as to the trend in rate of return for this district. The staff study shows that net revenue and rate base are increasing in a compensating manner notwithstanding the fact that this district is not experiencing any significant growth in the number of customers served, whereas applicant contends the trend is downward. As a further consideration, the company's and the Commission staff's calculations as tabulated on Page 3 show that the proposed rates and charges will result in an estimated rate of return for the district which, in our opinion, is somewhat out of line with the estimated rates of return for the entire company. Under the circumstances, the Commission, after due consideration of the

evidence of record, must exercise its judgment so as to bring about an equitable result both for the company and its customers. We are of the opinion and find that the increased rates as herein authorized will produce a rate of return of 6.0 per cent based upon the weighted average depreciated rate base of \$1,413,600 of the staff's Exhibit No. 14, which rate base we adopt as reasonable. Said rate of return we find to be fair and reasonable; however, it should be made clear that a portion of the aforesaid increased rates is intended to cover the additional costs associated with the supply of Metropolitan Water District water. The extent of such costs is reflected by the quantity of water that applicant contemplates from this source for the year 1956 which was used as a guide year.

The increase of rates and charges herein authorized is found justified.

O R D E R

A public hearing having been held in the above-entitled matter, the Commission being fully advised in the premises and having found as hereinabove set forth,

IT IS ORDERED,

(1) That Southern California Water Company, a corporation, be and it hereby is, authorized to increase its rates and charges and file in quadruplicate with this Commission, in conformity with the provisions of General Order No. 96, the schedules of rates and charges set forth in Appendix A attached to this order and made a part hereof, together with a revised tariff service area map acceptable to this Commission, and, on not less than five days' notice to the public and to the Commission, to make said rates and charges effective for all the services rendered on and after November 16, 1956.

(2) That applicant shall submit to this Commission, in writing semiannually, reports showing the quantities and corresponding

dollar amounts of water purchased each month from Metropolitan Water District during the period from July 1, 1956 to and including December 31, 1958. Each such report shall be submitted within thirty days after the close of the semiannual period to which it applies.

(3) That applicant be, and it is, authorized to apply its rates presently on file and in effect for its Bell District in the area hereinabove referred to, and to revise its tariff schedules, including the tariff service area maps, for its Bell and Florence-Graham Districts to the extent necessary to reflect the area being transferred. Such revised tariff sheets and tariff service area maps shall be filed in accordance with the procedure prescribed by General Order No. 96 and shall become effective upon five days' notice to the Commission and the public after filing as hereinabove referred to.

(4) That within forty days after the date of actual transfer to the Bell District of the customer accounts hereinabove authorized, applicant shall file with this Commission: (a) a comprehensive map, in quadruplicate, of the Florence-Graham District, drawn to an indicated scale not smaller than 600 feet to the inch, delineating by appropriate markings the territory served, the principal water production and connection to the Metropolitan Water District supply, storage and distribution facilities and the location of the various water system properties; (b) a comprehensive map, in quadruplicate, of the Bell District, drawn to an indicated scale not smaller than 600 feet to the inch, delineating by appropriate

markings the territory served, the principal water production, storage and distribution facilities, and the location of the various water system properties.

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

Dated at San Francisco, California, this 16th day of OCTOBER, 1956.

John E. Mitchell
President

Justus J. Coe

Ronald W. Reinier

Mustafa

R. H. Hertz

Commissioners

APPENDIX A

Schedule No. FG-1

Florence-Graham Tariff AreaGENERAL METERED SERVICEAPPLICABILITY

Applicable to all metered water service.

TERRITORY

Within and adjacent to the incorporated Cities of Huntington Park and Vernon, Los Angeles County.

RATES

Quantity Rates:		Per Meter per Month
First	700 cu.ft. or less	\$ 1.50
Next	1,800 cu.ft., per 100 cu.ft.....	.18
Next	7,500 cu.ft., per 100 cu.ft.....	.16
Next	40,000 cu.ft., per 100 cu.ft.....	.14
Next	50,000 cu.ft., per 100 cu.ft.....	.13
Over	100,000 cu.ft., per 100 cu.ft.....	.11

Minimum Charge:

For	5/8 x 3/4-inch meter	\$ 1.50
For	3/4-inch meter	2.50
For	1-inch meter	3.50
For	1-1/2-inch meter	6.00
For	2-inch meter	10.00
For	3-inch meter	17.50
For	4-inch meter	25.00
For	6-inch meter	50.00
For	8-inch meter	75.00

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