

ORIGINAL

Decision No. 56274

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of )  
INVESTMENT WATER CORPORATION, LTD., )  
a corporation, for authority to )  
increase rates for water service. )

Application No. 39068

Flint & McKay, by Roscoe C. Andrews and William R. Flint, for applicant.

T. E. Hoffman, Department of Public Utilities and Transportation, City of Los Angeles, interested party.

John D. Reader and Theodore Stein, for the Commission staff.

O P I N I O N

A public hearing in this matter was held in Los Angeles on December 17, 1957, before Examiner Grant E. Syphers, at which time evidence was adduced and the matter submitted. No one appeared to protest the proposed increase in water rates.

The Los Angeles Investment Company is engaged in the business of real estate development. Its wholly owned subsidiary, the applicant herein, is the Investment Water Corporation, Ltd., which is a "water corporation"<sup>1/</sup> operating in the Baldwin Hills District. Part of the service area of the company is in the City of Los Angeles, and part in the County of Los Angeles. At the present time the company is serving about 5,800 customers and 260 fire

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<sup>1/</sup> Sections 241 and 2701 of the Public Utilities Code.

hydrants. All of the customers' services are metered, and the fire hydrants are furnished on a rental basis of \$2.00 per month per hydrant.

In the instant application authority is requested to increase rates. The present rates have been in effect since May 1, 1929, and were authorized by Decision No. 20961 issued by this Commission. The testimony presented by the applicant at the hearing discloses that for the year 1957, under present rates, the company will realize a net income of \$37,485 which will result in a rate of return of 3.7 percent on a claimed rate base of \$1,007,671. Had the rates herein proposed been in effect for 1957, the applicant estimated that the net income would have been increased to \$68,408, and the rate of return on the same rate base would be 6.8 percent.

A study presented by the staff of the Commission showed figures substantially in accord with the company.<sup>2/</sup> The results of this study are set out hereinbelow:

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<sup>2/</sup> Exhibit No. 2.

Item	Year 1957	
	Estimated	Present : Proposed :
	Rates	Rates
<u>Operating Revenues</u>		
Metered Comm. Sales - County	\$164,353	\$220,184
Metered Comm. Sales - City	29,750	40,415
Metered Industrial Sales	6,095	7,300
Commercial Sales - Flat Rate	350	350
Public Fire Protection	6,384	6,384
Other Sales	600	600
Rent from Water Property	2,525	2,525
Total Revenue	<u>210,057</u>	<u>277,758</u>
<u>Operating Expenses</u>		
Source of Supply Expense	10,360	10,360
Pumping Expenses	44,190	44,190
Water Treatment Expenses	600	600
Trans. and Dist. Expenses	19,600	19,600
Customer Account Expenses	11,160	11,160
Administrative & General Expense	23,220	23,220
Miscellaneous	4,500	4,500
Subtotal	<u>113,630</u>	<u>113,630</u>
Depreciation	27,108	27,108
Taxes	33,453	72,599
Total Expenses	<u>174,191</u>	<u>213,337</u>
Net Revenue	35,866	64,421
Average Depreciated Rate Base	980,700	980,700
Rate of Return	3.66%	6.57%

The rate increases herein requested, as compared with the present rates of the company, are set out hereinbelow:

Meter Rates

Minimum Charge	Per Month	
	Present	Proposed
	Rates	Rates
5/8 x 3/4" meter .....	\$ 1.00	\$ 1.40
3/4" meter .....	1.25	1.75
1" meter .....	2.25	3.00
1 1/2" meter .....	3.00	4.00
2" meter .....	4.50	6.00
3" meter .....	10.00	12.00
4" meter .....	20.00	24.00
6" meter .....	-	36.00
8" meter .....	25.00	48.00

Quantity Rates:

First	600 cubic feet or less	\$ 1.00	\$ 1.40
Next	1,400 cubic feet per 100 cubic feet	.15	.20
Next	8,000 cubic feet per 100 cubic feet	.12	.15
Over	10,000 cubic feet per 100 cubic feet	.10	.12

These proposed rate increases affect all of the services of the applicant with the exception of service which it provides to the Standard Oil Company of California under a contract dated November 7, 1940, as amended in November 1953. Under this contract water is furnished to the Standard Oil Company of California on a monthly basis at the following rates:

<u>Amount</u>	<u>Rate per Hundred Cu.Ft.</u>
0 - 600 cu. ft. ....	\$ .16-2/3
All over 600 cu. ft. ....	.15

Minimum Rate per Month - \$1.00

The contract rates were originally the same as the filed rates for General Metered Service but were increased without Commission authorization by verbal agreement between the utility and Standard Oil Company in November 1953. By amendment to its

application, filed December 27, 1957, the utility requested authority to charge such modified rate. Exhibit "C" attached to the amendment is confirmation from Standard Oil Company of the verbal agreement reached in November 1953. Under these circumstances, the utility will be authorized to enter into a written contract as is provided in the order which follows.

An analysis of all of the evidence presented in this matter discloses and we now find that the rates proposed by applicant, and as corroborated by the studies of the Commission's staff, are reasonable; accordingly they will be approved herein. Likewise we find that the rates herein authorized compare favorably with rates for similar service provided by similar water companies, and that such rates should enable applicant to earn a rate of return of 6.57 percent on a rate base of \$980,700, which return and rate base are hereby adopted as reasonable.

O R D E R

Application as above entitled having been filed, public hearing having been held thereon, the Commission being fully advised in the premises and having found that the proposed rates will result in reasonable charges,

IT IS ORDERED:

(1) That applicant is authorized to file in quadruplicate with this Commission after the effective date of this order, in conformance with the provisions of 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 said rates effective for all water service rendered on and after April 1, 1958.

(2) That applicant, within sixty days after the effective date of this order, shall file in quadruplicate with this Commission rules governing customer relations revised to reflect present-day operating practices, together with four copies of a tariff service area map, acceptable to this Commission and in accordance with the requirements of General Order No. 96. Such rules and tariff service area map shall become effective upon five days' notice to the Commission and to the public after filing as hereinabove provided.

(3) That applicant, within sixty days after the effective date of this order, shall file with this Commission four copies of a comprehensive map drawn to an indicated scale not smaller than 600 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 the various water system properties of applicant.

(4) That applicant shall determine the accruals for depreciation by dividing the original cost of the utility plant less estimated future net salvage, less depreciation reserve, by the estimated remaining life of the plant. Applicant shall review the accruals when major changes in plant composition occur and for each plant account at intervals of not more than three years. Results of these reviews shall be submitted to this Commission.

(5) (a) That applicant is authorized to enter into a written contract providing for water service to Standard Oil Company of California, said contract to be substantially in accordance with the terms and conditions of the contract dated November 7, 1940, a copy of which is attached to the amendment to the application as Exhibit B, except that it shall include in addition the following indicated terms and provisions:

(1) A statement of the rates, as follows:

"Monthly rates:

First 600 cubic feet .....	\$1.00
Over 600 cubic feet, per 100 cubic feet ..	.15"

(2) A statement indicating that the understanding of the parties is that the contract shall not become effective until authorization of the Commission has been first obtained.

(3) Substantially, the following provision:

"This contract shall at all times be subject to such changes or modifications by the California Public Utilities Commission as said Commission may, from time to time, direct in the exercise of its jurisdiction."

(b) That applicant, within sixty days after the effective date of this order, shall file with the Commission two certified copies of the executed contract, prepared as hereinabove provided, together with a statement of the date on which the contract is deemed to have become effective.

(c) That applicant shall notify the Commission of the date of termination of said contract within thirty days from and after said date of termination.

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

Dated at San Francisco, California, this 25<sup>th</sup> day of February, 1958.

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



APPENDIX A  
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Schedule No. 1

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

The unincorporated area known as Baldwin Hills, and vicinity, comprising approximately 2,000 acres, located adjacent to the easterly boundary of Culver City and the northerly boundary of Inglewood, Los Angeles County.

RATES

	<u>Per Meter Per Month</u>
Quantity Rates:	
First 600 cu. ft. or less .....	\$ 1.40
Next 1,400 cu. ft., per 100 cu. ft. ..	.20
Next 8,000 cu. ft., per 100 cu. ft. ..	.15
Over 10,000 cu. ft., per 100 cu. ft. ..	.12

Minimum Charge:

For 5/8 x 3/4-inch meter .....	\$ 1.40
For 3/4-inch meter .....	1.75
For 1-inch meter .....	3.00
For 1-1/2-inch meter .....	4.00
For 2-inch meter .....	6.00
For 3-inch meter .....	12.00
For 4-inch meter .....	24.00
For 6-inch meter .....	36.00
For 8-inch meter .....	48.00

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

Schedule No. 5

PUBLIC FIRE HYDRANT SERVICE

APPLICABILITY

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

TERRITORY

The unincorporated area known as Baldwin Hills, and vicinity, comprising approximately 2,000 acres, located adjacent to the easterly boundary of Culver City and the northerly boundary of Inglewood, Los Angeles County.

RATE

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

SPECIAL CONDITIONS

1. For water delivered for other than fire protection purposes, charges will be made at the quantity rates under Schedule No. 1, General Metered Service.
2. Relocation of any hydrant shall be at the expense of the party requesting relocation.
3. The utility will supply only such water at such pressure as may be available from time to time as the result of its normal operation of the system.