

**ORIGINAL**Decision No. 57318

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of  
EAST PASADENA WATER CO., LTD.  
to increase rates for water service.

Application No. 40096  
Amended

Richard C. Goodspeed, president and attorney  
for applicant.  
Donald B. Steger, for the Commission staff.

O P I N I O N

East Pasadena Water Co., Ltd., a corporation, by the above-entitled application filed May 15, 1958, seeks authority to increase its rates for water service in the unincorporated area known as East Pasadena in Los Angeles County, by the approximate gross annual amount of \$2,400, based upon estimated operations for the period May 1, 1958, to May 1, 1959.

A public hearing was held before Examiner Stewart C. Warner on July 30, 1958, at Los Angeles. Although notices of the hearing were sent to all customers, no protest to the granting of the application was entered at the hearing.

Applicant is a wholly-owned subsidiary of the Land Department of California-Michigan Land and Water Company, a public utility water corporation. In the year 1931, applicant acquired the water system in East Pasadena owned and operated by C.J. Backus and Son, who had been operating said water system in the area

since about the year 1922. As of December 31, 1957, applicant was furnishing water service to 149 small domestic, commercial, and industrial customers. The record shows that the character of applicant's service area has changed in recent years from dairy-ing and residential users to small industrial and commercial users. There has been little change in the number of customers served, however, and it is estimated that about 10 customers will be added to the water system within the year.

Applicant based its application on its allegations that its indebtedness as of May 1, 1958, amounted to \$35,160.79; that its quick assets amounted to \$971.01; that it had insufficient funds to carry on its current obligations and had reached the limit of its borrowing capacity without creating a secured indebtedness; that it had no present net earning power such as would be necessary to support any indebtedness to pay interest thereon; that its present and immediate and prospective revenues were insufficient to meet its immediately prospective operating expenses; and that its presently prevailing rate schedule was substantially lower than the generally prevailing rates for water service in Los Angeles County.

Applicant requested an increase in rates which would more adequately provide revenues from its operations sufficient to pay its operating and maintenance costs and adequate replacement of its plant and facilities, and provide a net revenue sufficient to provide a reasonable return on its investment, thus enabling it to maintain a more sound credit position and provide a sufficient basis

for new construction as it from time to time becomes necessary. The record shows that during the calendar years 1951 to 1957, both inclusive, applicant's operating losses were as follows:

For the year 1951 .....	\$ 620.70
1952 .....	132.22
1953 .....	696.53
1954 .....	1,022.57
1955 .....	1,301.74
1956 .....	858.15
1957 .....	1,293.72

Applicant's counsel stated that applicant was not requesting what, under its proposed rates, would normally be considered a fully adequate rate of return because of competitive conditions in the area served which is adjacent, on the east thereof, to the City of Pasadena.

#### Rates

All of applicant's water service is furnished on a metered basis, and the meter service rates of applicant were established on January 29, 1928; were adopted by applicant in 1931, and were reduced and modified by applicant in 1931 and in 1933.

The following tabulation compares applicant's present and proposed metered service rates:

<u>Item</u>	<u>Per Meter Per Month</u>	
	<u>Present Rates</u>	<u>Proposed Rates</u>
<u>Quantity Charges</u>		
First 700 cu.ft. or less .....	\$1.50	\$-
Next 2,300 cu.ft., per 100 cu.ft. ....	.15	-
Next 2,000 cu.ft., per 100 cu.ft. ....	.10	-
Over 5,000 cu.ft., per 100 cu.ft. ....	.07	-
First 500 cu.ft. or less .....		1.75
Next 2,500 cu.ft., per 100 cu.ft. ....		.20
Next 2,000 cu.ft., per 100 cu.ft. ....		.15
Over 5,000 cu.ft., per 100 cu.ft. ....		.12

Based on the present rates the average monthly revenue per customer is \$3.51, and at the proposed rate it would be \$4.97; an increase of \$1.46 per month, or 41 percent.

#### Earnings

Exhibit F of the application is a summary of the operating revenues, expenses and earnings of applicant for the period May 1, 1957 to May 1, 1958, at the present rates, and from May 1, 1958 to May 1, 1959, at the proposed rates as estimated. Exhibit No. 2 is a report on applicant's results of operations submitted by Commission staff accounting and engineering witnesses for the calendar years 1957 adjusted and 1958 estimated. The following tabulation compares the earnings information contained in Exhibits F and No. 2:

SUMMARY OF EARNINGS

Item	Present Rates		Proposed Rates	
	Test Period 5-1-57 to 5-1-58 Recorded	Calendar Year 1957 Adjusted	Test Period 5-1-58 to 5-1-59 Estimated	Calendar Year 1958 Estimated
	Per Co. Ex. F	Per PUC Ex. 2	Per Co. Ex. F	Per PUC Ex. 2
Operating Revenue	\$5,919	\$6,110	\$8,375	\$8,700
Operating Expenses	5,586	5,895	5,545	5,895
Depreciation	1,106	1,227	1,197	1,264
Taxes	466	490	465	490
Total Oper. Exp.	\$7,158	\$7,612	\$7,207	\$7,649
Net Oper. Revenue	(1,239)	(1,502)	1,168	1,051
Rate Base	32,353	32,500	32,353	32,500
Rate of Return	-	-	3.61%	3.23%

(Red figure)

Analysis of the earnings tabulation indicates no significant difference between the components of the rate of return calculation submitted by the applicant and by the Commission staff.

The record shows that the applicant based its operating revenue estimate on approximately 149 customers as of the end of the year 1958; included no expense of the instant proceedings; and calculated its depreciation expense according to the straight-line total life method. The staff based its estimate of operating revenues on the addition of 10 customers during the year 1958; normalized the maintenance expenses for applicant's well and pump; included estimated expenses of the instant proceedings, and amortized such expenses over a 5 year period; calculated the depreciation expenses according to the straight-line remaining life method; utilized a composite depreciation rate of 3.3 percent; and deleted from applicant's fixed capital in service

certain structures, pumping equipment, reservoirs and tanks, and transmission and distribution mains totaling \$5,556. The related depreciation reserve and expense were adjusted to accord with such deletions which were all found not to be used and useful by applicant in its current water system operations.

Water Exchange Agreement with  
California-Michigan Land and Water Company

By a letter of agreement filed with the Commission in 1931, applicant and its sole stockholder and owner California-Michigan Land and Water Company have furnished water, one to the other, from time to time, at the flat rate of 4 cents per 100 cubic feet and, currently, at the rate of 7 cents per 100 cubic feet. The record shows that most of applicant's source of water supply is water purchased from California-Michigan Land and Water Company under said agreement.

By verbal amendment at the hearing, applicant requested that its tariffs authorized to be filed be made applicable to all water service rendered on a metered basis, except water furnished under an exchange agreement or agreements.

The schedule to be authorized herein, although applicable to all general metered service, will not restrict the establishment of other schedules or contracts for specialized services which are properly filed with the Commission.

Service Conditions

The record shows that no complaints of applicant's service have been filed with the Commission within the last 10 years, and that applicant has instituted a system for handling customers' complaints promptly and keeping records thereof. The record further shows that water system operating pressures are maintained within the limits prescribed by General Order No. 103.

Findings and Conclusions

It is evident from the record that applicant is in need of immediate financial relief, and the Commission finds and concludes that the rates of return of 3.61 percent submitted by the applicant and 3.23 per cent submitted by the staff, each of which was calculated at the rates for water service proposed in the application, are neither excessive nor unreasonable. The order which follows will authorize applicant to file the said proposed schedule of rates.

The Commission further finds that the increases in rates and charges authorized herein are justified, and that present rates insofar as they differ from those herein prescribed will, for the future, be unjust and unreasonable.

O R D E R

Application, as above entitled and as amended at the hearing, having been filed, a public hearing having been held, the matter having been submitted and now being ready for decision,

IT IS HEREBY ORDERED as follows:

1. That East Pasadena Water Co., Ltd., a corporation, be, and it is, authorized to file in quadruplicate with the Commission,

after the effective date of this order, in conformity with the Commission's General Order No. 96, the schedule of rates for general metered service attached hereto as Appendix A, and on not less than 5 days' notice to the Commission and to the public to make such rates effective for service rendered on and after October 15, 1958.

2. That applicant shall, beginning with the year 1958, determine depreciation expense by multiplying the depreciable utility plant by a rate of 3.3 percent, such rate to be used until a review indicates that it should be revised, and that applicant shall review such rate utilizing the straight-line remaining life method whenever substantial changes in depreciable utility plant occur and at intervals of not more than 5 years, and revise the aforementioned rate in conformance with such reviews. Results of these reviews shall be submitted to the Commission.

3. That applicant shall file within sixty days after the effective date of this order in accordance with General Order No. 96, a tariff service area map acceptable to this Commission, and sample copies of printed forms which are used by applicant in its operations in connection with customers' services. Such tariff service area map and sample forms shall become effective upon five days' notice to the Commission and to the public after filing as hereinabove provided.

4. That applicant shall, within sixty days after the effective date hereof, submit four copies of a comprehensive map drawn to an indicated scale of 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 applicant's water-system properties.

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

Dated at San Francisco, California, this 10<sup>th</sup> day of September, 1958.

E. Lynn Fox  
President

Paul W. [unclear]

Paul [unclear]

[unclear]

Theodore [unclear]  
Commissioners

## APPENDIX A

## Schedule No. 1

GENERAL METERED SERVICEAPPLICABILITY

Applicable to all metered water service.

TERRITORY

In unincorporated area east of the City of Pasadena in Los Angeles County.

RATES

Per Meter  
Per Month

## Quantity Rates:

First 500 cu.ft., or less .....	\$ 1.75
Next 2,500 cu.ft., per 100 cu.ft. ....	.20
Next 2,000 cu.ft., per 100 cu.ft. ....	.15
Over 5,000 cu.ft., per 100 cu.ft. ....	.12

## Minimum Charge:

For 5/8 X 3/4 -inch meter .....	\$ 1.75
For 3/4 -inch meter .....	2.15
For 1 -inch meter .....	2.95
For 1 1/2 -inch meter .....	5.75
For 2 -inch meter .....	8.25
For 3 -inch meter .....	15.00

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