

ORIGINAL

Decision No. 57726

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
SAN GABRIEL VALLEY WATER COMPANY for
authority to increase rates for water
service in its Whittier Division.

)
)
)

Application No. 39864
Amended

In the Matter of the Application of
SAN GABRIEL VALLEY WATER COMPANY for
authority to increase rates for water
service in its El Monte Division.

)
)
)

Application No. 39865
Amended

In the Matter of the Application of
SAN GABRIEL VALLEY WATER COMPANY for
authority to increase rates for water
service in its Fontana Division.

)
)
)

Application No. 39866
Amended

Ralph B. Hubbard, attorney, and J. E. Skelton,
vice president, secretary and attorney for
applicant.

Ralph F. Skiles, in propria persona, and for
residents of Friendship Avenue, Pico; Mrs. Marie
A. Wilson, in propria persona, and for her
neighborhood on Dunlap Crossing Road; Arthur V.
Nichols, in propria persona, and for his
neighborhood on Rincon Drive; protestants in
Application No. 39864; E. F. Dibble and Barry
Dibble, consulting engineers, for the City of
Fontana, protestant in Application No. 39866.

Eugene A. Conlon, councilman, for the City of
Fontana, interested party.

William C. Bricca, Greville L. Way, Theodore Stein
and Richard R. Entwistle, for the Commission
staff.

O P I N I O N

San Gabriel Valley Water Company, a corporation, by the
above-entitled applications, filed on February 28, 1958, as amended
May 29, 1958, seeks authority to increase its rates for water service

in its Whittier Division by the gross annual amount of approximately \$182,630, in its El Monte District by approximately \$287,250, in its Puente District by approximately \$4,680, in its Fontana District by approximately \$195,670, and in its Highland District by approximately \$3,230; for a total system-wide requested increase in water rates of approximately \$673,460 based on estimated operations for the year 1958. The amendments to the applications seek emergency interim rate relief based on alleged system-wide losses for the 4 months ending April 30, 1958, of \$87,847.70, as shown on Exhibit "B" attached to each of said amendments, and for the six months ending June 30, 1958, of \$90,920.95, as shown on Exhibit No. 25. Said exhibits show operating losses for each of said periods in each of applicant's divisions.

Public hearings were held before Examiner Stewart C. Warner on June 9, 1958, at Whittier; June 23, 1958, at El Monte; June 25, 1958, at Fontana; and August 12, 13 and 14, 1958, at Los Angeles. The matters were heard on a consolidated record. The consumers who appeared in protest complained of inadequate pressures and deficient service conditions in the Whittier Division; a consumer complained of low water pressures in the 9400 and 9500 block of Elm Street in the Fontana District; by a letter dated July 10, 1958, a group of 14 consumers in Bloomington on Alder Avenue, Valley Boulevard, and Taylor, also complained of low water pressures in the Fontana District; and the City of Fontana, although conceding applicant's apparent need for financial relief, both system-wide and in its Fontana Division, protested the magnitude of the

proposed increase and questioned, to some extent, the allocation of common or general company expenses to the Fontana Division as well as the amounts paid for administrative and general salaries, the inclusion in applicant's rate base of shares of stock owned by applicant in Fontana Mutual Water Company in excess of annual requirements, and dollar amounts of materials and supplies allocated to the Fontana Division.

General Information

Applicant is the successor to San Gabriel Valley Water Service, a public utility water company incorporated February 10, 1937, and was itself incorporated February 26, 1945.

Its principal officers are R. H. Nicholson, chairman of the Board of Directors and president; M. E. Moseley, vice president; J. E. Skelton, vice president and secretary; F. M. Strain, treasurer and chief accountant; and C. H. Palmer, auditor-controller. Its directors are R. H. Nicholson, Helene S. Nicholson, Robert H. Nicholson, Jr., M. E. Moseley, Nadine M. Moseley, Earle C. Thomas, Nancy N. Thomas, John E. Skelton, and Francis M. Strain.

As of December 31, 1957, applicant's capital stock consisted of 129,340 shares of \$10 par value, of an aggregate par value of \$1,293,400, owned by the following persons in the following amounts: R. H. Nicholson, trustee, 96,255 shares; R. H. Nicholson, 1000 shares; Nadine Moseley, 32,015 shares; and 10-share stockholders, 100 shares. During the 4 months ended April 30, 1958, an additional 3,660 shares, of an aggregate par value of \$36,600, were issued for cash, of which 3,410 shares were sold to the Nicholson family.

As of December 31, 1957, the remaining liability under various issues of applicant's first mortgage bonds was \$4,500,000.

Applicant's president testified that applicant proposed to issue and sell one million dollars of 6 percent stock during the year 1959, and one million dollars of 5 percent bonds during the year 1960.

The following tabulation shows the number of applicant's active service customers as of December 31, 1957, and the estimated weighted average number of active service customers for the year 1958:

Division or District	Number of Customers as of 12-31-57			Estimated Weighted Average No. of Customers for Year 1958		
	Active Services					
	Domestic and Commercial	Automatic Fire Protection	Fire Hydrants	Domestic and Commercial	Automatic Fire Protection	Fire Hydrants
Whittier Div.						
Metered	10,608	-	-	10,723	-	-
Unmetered	50	16	447	48	17	459
El Monte Dist.	18,052	44	991	18,447	45	1,030
Puente Dist.	304	-	14	306	-	14
Fontana Dist.	11,280	7	584	11,415	8	592
Highland Dist.	292	-	15	296	-	16
Total	40,586	67	2,051	41,235	70	2,111

The above tabulation shows the total number of active service customers as of December 31, 1957, to be 42,704, and for the average year 1958 to be 43,416; a difference of 712 customers.

Basis of Applications

Applicant based its applications on its allegations of wage increases to all employees effective January 1, 1958, plus its alleged need of an increased number of management and clerical

personnel, including a chief engineer, a valuation engineer, a rate analyst, an assistant superintendent, and 2 clerks; increased ad valorem tax assessments on its water service facilities; increased tax rates applicable to such assessments; increased property taxes associated with increases in fixed utility plant in service; increased cost of money; plant growth costs at higher than historical unit investment per service; and increased power costs as a result of rate increases granted to Southern Counties Gas Company and Southern California Edison Company since 1954, the year of applicant's last rate increase.

Applicant alleged that it had been able to forestall the necessity of making an earlier application for rate relief due to increased customer density and improvements in plant construction and operating methods which result in efficiency in operation; due to the fact that large portions of applicant's plant were constructed or acquired before the inflationary period and which were such as to permit serving a substantial portion of its growing load through their greater utilization; due to applicant's ability until the time of its most recent debt financing, to borrow money to pay in part the cost of its plant expansion at relatively favorable interest rates; and due to the willingness of its shareholders to forego any distribution of its earnings in the form of dividends permitting such earnings to be reinvested in plant.

Applicant paid its first dividend on common stock of \$.2339 per share on 128,240 shares of record at August 30, 1957; a second dividend of \$.15 per share on 129,340 shares of record at December 16, 1957; and a third dividend of \$.15 per share on March 1, 1958.

Basis of Supplemental Applications

Applicant based its supplemental applications for emergency interim rate relief on its allegations that as a result of the operating losses, hereinbefore noted, for the period ending April 30, 1958, it was unable to certify to the trustee of its first mortgage bonds that its ratio of net earnings to fixed charges met the conditions required to permit withdrawal of certain proceeds of said bonds issued in 1957, and that any rate relief would come so late in the season of 1958 as to afford applicant little benefit during the normal summer period of substantial water use.

The applicant alleged that the demands upon its system requiring the continuation of construction activities for the years 1953 through 1957 were in excess of \$827,000 in its Whittier Division, \$1,952,131 in its El Monte Division, and \$867,000 in its Fontana tariff area; and for the years 1955 through 1957 in excess of \$63,000 in its Highland tariff area.

Rates

The following tabulations compare applicant's present rates for general metered service, with those proposed in the instant applications, and with those authorized hereinafter:

Whittier Division * (1)

<u>Quantity Rates:</u>	<u>Per Meter Per Month</u>		
	<u>Present</u>	<u>Proposed</u>	<u>Authorized</u>
First 800 cu. ft. or less	\$1.35	\$2.15	\$2.00
Next 1,200 cu. ft., per 100 cu. ft. ...	.125	.20	.15
Next 1,000 cu. ft., per 100 cu. ft. ...	.10	-	-
Next 3,000 cu. ft., per 100 cu. ft. ...	.08	.14	.12
Over 6,000 cu. ft., per 100 cu. ft. ...	.075	-	-
Over 5,000 cu. ft., per 100 cu. ft. ...	-	.09	.09

* The presently effective monthly flat rate applicable to the Whittier Division is \$1.65 for 3/4-inch service connection; proposed, \$2.50; and authorized, \$2.40

(1) Present Whittier Division rates became effective May 8, 1953, pursuant to Decision No. 48494.

Under the presently effective rates in the Whittier Division, the charge for a monthly consumption of 1500 cubic feet is \$2.23. Under the proposed rates such charge would be \$3.55, an increase of \$1.32, or 59 percent. Under the authorized rates such charge would be \$3.05, an increase of \$0.82, or 37 percent.

El Monte District (2)

<u>Quantity Rates:</u>	<u>Per Meter Per Month</u>		
	<u>Present</u>	<u>Proposed</u>	<u>Authorized</u>
First 800 cu. ft. or less	\$1.45	\$2.15	#\$2.05
Next 1,500 cu. ft., per 100 cu. ft. ...	.11	.18	.13
Next 2,700 cu. ft., per 100 cu. ft. ...	.095	.12	.10
Over 5,000 cu. ft., per 100 cu. ft. ...	.08	.10	.09

(2) Present El Monte District rates became effective May 8, 1953, pursuant to Decision No. 48495.

Under the presently effective rates in the El Monte District, the charge for a monthly consumption of 1500 cubic feet is \$2.22. Under the proposed rates such charge would be \$3.41, an increase of \$1.19, or 54 percent. Under the authorized rates such charge would be \$2.96, an increase of \$0.74, or 33 percent.

Puente District (Kwis Service Area) (3)

<u>Quantity Rates:</u>	<u>Per Meter Per Month</u>		
	<u>Present</u>	<u>Proposed</u>	<u>Authorized</u>
First 1,000 cu. ft. or less	\$2.50	Ø	Ø
Over 1,000 cu. ft., per 100 cu. ft. ...	.05	Ø	Ø

Ø Same as El Monte District proposed rates.

(3) Present Puente District rates became effective August 6, 1954, pursuant to Decision No. 50251.

Under the presently effective rates in the Puente District, the charge for a monthly consumption of 1500 cubic feet is \$2.75. Under the proposed rates such charge would be \$3.41, an increase of \$.66, or 24 percent. Under the authorized rates such charge would be \$2.96, an increase of \$0.21, or 8 percent.

Fontana District (4)

<u>Quantity Rates:</u>	<u>Per Meter Per Month</u>		
	<u>Present</u>	<u>Proposed</u>	<u>Authorized</u>
First 800 cu. ft. or less	\$1.65	\$2.30	\$2.10
Next 1,700 cu. ft., per 100 cu. ft. ...	.12	.17	.15
Next 2,500 cu. ft., per 100 cu. ft. ...	.09	.12	.12
Over 5,000 cu. ft., per 100 cu. ft. ...	.07	.10	.10

(4) Present Fontana District rates became effective December 15, 1950, pursuant to Decision No. 45024.

Under the presently effective rates in the Fontana District, the charge for a monthly consumption of 1500 cubic feet is \$2.49. Under the proposed rates such charge would be \$3.49, an increase of \$1.00, or 40 percent. Under the authorized rates such charge would be \$3.15, an increase of \$0.66, or 27 percent.

Highland District (5)

<u>Quantity Rates:</u>	<u>Per Meter Per Month</u>		
	<u>Present</u>	<u>Proposed</u>	<u>Authorized</u>
First 1,000 cu. ft. or less	\$2.50	\$2.85	
Next 1,000 cu. ft., per 100 cu. ft. ...	.15	.22	
Next 5,000 cu. ft., per 100 cu. ft. ...	.10	.17	
Over 7,000 cu. ft., per 100 cu. ft. ...	.05	.13	
First 800 cu. ft. or less			\$2.50
Next 1,700 cu. ft., per 100 cu. ft. ....			.17
Next 2,500 cu. ft., per 100 cu. ft. ....			.14
Over 5,000 cu. ft., per 100 cu. ft. ....			.12

(5) Present Highland District rates became effective January 12, 1955, pursuant to Decision No. 50793.

Under the presently effective rates in the Highland District, the charge for a monthly consumption of 1500 cubic feet is \$3.25. Under the proposed rates such charge would be \$3.95, an increase of \$0.70, or 22 percent. Under the authorized rates such charge would be \$3.69, an increase of \$0.44, or 14 percent.

Applicant proposes to file the rates authorized herein-after in a consolidated tariff book.

Earnings

Applicant submitted, as Exhibits Nos. 1, 2, 7, 10, 11, and 12, reports of its operations and earnings for the company

over-all, for its Whittier Division, El Monte Division, including its El Monte and Puente Districts, and for its Fontana and Highland Districts and Fontana Division for the years 1955, 1956, and 1957 recorded, and 1957 adjusted and 1958 estimated, at present and proposed rates. Commission staff accounting and engineering witnesses submitted, as Exhibits Nos. 22, 23, 27-A, and 33, reports on the results of applicant's operations for the total company and for its Whittier, El Monte, and Fontana Divisions for the year 1957 recorded, and the years 1957 adjusted and 1958 estimated, at present and proposed rates. The following tabulations summarize the earnings data contained in said exhibits:

SUMMARY OF EARNINGS

Item	Year 1957 Recorded					
	Per Co. Exs. Nos. 1, 2, 7, 10, & 11					
	Whittier	El Monte		Fontana		Company Over-All
El Monte		Puente	Fontana	Highland		
Oper. Rev.	\$ 349,033	\$ 616,244	\$ 12,223	\$ 509,440	\$12,156	\$1,499,096
Oper. Exp.	177,772	291,828	9,244	349,177	5,861	833,882
Deprec.	50,917	92,219	4,037	42,565	1,652	191,390
Taxes	56,288	115,206	(674)	44,119	3,567	218,506
Total Oper. Exp.	\$ 284,977	\$ 499,253	\$ 12,607	\$ 435,861	\$11,080	\$1,243,778
Net Rev.	64,056	116,991	(384)	73,579	1,076	255,318
Rate Base	\$1,519,100	\$2,518,740	\$168,130	\$1,435,200	\$45,780	\$5,686,950
Rate of Return	4.22%	4.64%	Nil	5.13%	2.35%	4.49%

(Red Figure)

Item	Year 1958 Estimated					
	Present Rates					
	Per Co. Exs. Nos. 1, 2, 7, 10, & 11					
Item	Whittier	El Monte		Fontana		Company Over-All
		El Monte	Puente	Fontana	Highland	
Oper. Rev.	\$ 337,130	\$ 614,940	\$ 12,880	\$ 504,640	\$12,590	\$1,482,180
Oper. Exp.	207,340	338,140	14,310	409,140	7,070	976,000
Deprec.	55,000	92,210	4,800	46,180	1,240	199,430
Taxes	36,260	88,820	(3,580)	27,020	2,050	150,570
Total Oper. Exp.	\$ 298,600	\$ 519,170	\$ 15,530	\$ 482,340	\$10,360	\$1,326,000
Net Rev.	38,530	95,770	(2,650)	22,300	2,230	156,180
Rate Base	\$1,682,930	\$2,652,390	\$171,600	\$1,624,260	\$54,580	\$6,185,760
Rate of Return	2.29%	3.61%	Nil	1.37%	4.09%	2.52%

(Red Figure)

SUMMARY OF EARNINGS
(Continued)

Item	Year 1958 Estimated					
	Proposed Rates					
	Per Co. Exs. Nos. 1, 2, 7, 10 & 11					
	Whittier	El Monte	Fuente	Fontana	Highland	Company Over-All
Oper. Rev.	\$ 519,760	\$ 902,190	\$ 17,560	\$ 700,310	\$15,820	\$2,155,640
Oper. Exp.	207,790	339,510	14,330	400,050	7,110	978,790
Deprec.	55,000	92,210	4,800	46,180	1,240	199,430
Taxes	129,500	244,000	(1,060)	120,360	3,760	496,560
Total Oper. Exp.	\$ 392,290	\$ 675,720	\$ 18,070	\$ 576,590	\$12,110	\$1,674,780
Net Rev.	127,470	226,470	(510)	123,720	3,710	480,860
Rate Base	\$1,682,930	\$2,652,390	\$171,600	\$1,624,260	\$54,580	\$6,185,760
Rate of Return	7.57%	8.54%	Nil	7.62%	6.80%	7.77%

(Red Figure)

Item	Year 1958 Estimated			
	Present Rates			
	Per P.U.C. Exs. Nos. 23, 27-A, & 33			
Whittier	El Monte	Fontana	Total Company	
Operating Revenue	\$ 355,900	\$ 641,720	\$ 514,250	\$1,511,870
Operating Expense	202,740	351,840	396,100	950,680
Depreciation	55,780	97,430	47,110	200,320
Taxes	43,320	92,710	26,480	162,510
Total Oper. Expense	\$ 301,840	\$ 541,980	\$ 469,690	\$1,313,510
Net Revenue	54,060	99,740	44,560	198,360
Rate Base	\$1,686,700	\$2,776,300	\$1,684,300	\$6,147,300
Rate of Return	3.21%	3.59%	2.65%	3.23%

Item	Year 1958 Estimated			
	Proposed Rates			
	Per P.U.C. Exs. Nos. 23, 27-A, & 33			
Whittier	El Monte	Fontana	Total Company	
Operating Revenue	\$ 543,100	\$ 940,220	\$ 713,400	\$2,196,720
Operating Expense	203,200	353,260	397,050	953,510
Depreciation	55,780	97,430	47,110	200,320
Taxes	144,970	253,960	131,800	530,730
Total Oper. Expense	\$ 403,950	\$ 704,650	\$ 575,960	\$1,684,560
Net Revenue	139,150	235,570	137,440	512,160
Rate Base	\$1,686,700	\$2,776,300	\$1,684,300	\$6,147,300
Rate of Return	8.25%	8.49%	8.16%	8.33%

Exhibits Nos. 24, 28-A, and 31 are comparisons of the results of operations for the year 1958 estimated, at present and proposed rates, submitted by the Commission staff and applicant. Analysis of said exhibits, and of the earnings data hereinbefore set forth, discloses that the differences between the staff estimates of all components of the rates of return, calculated by the staff and applicant for the year 1958 at present and proposed rates for applicant's Whittier, El Monte and Fontana Divisions, are nominal.

Applicant took some exception to the staff estimates of operating revenues for the year 1958 at present and proposed rates in the Whittier Division due to the fact that the staff utilized the weather station at the City Hall in Whittier as its basic rainfall point whereas applicant utilized the weather station at the City Hall in Los Angeles as its rainfall point. Similarly, applicant took exception to the staff estimates of operating revenues for the year 1958 at present and proposed rates for the El Monte Division due to the fact that the staff utilized the weather station at the San Gabriel Fire Station as its basic rainfall point whereas applicant again utilized the City Hall in Los Angeles as its rainfall point.

The record shows that applicant, in its estimate of operating pay roll for the year 1958, included the effects, on an annual basis, of the general wage increase granted to applicant's employees on January 1, 1958, together with the pay roll of two clerical employees, one engineer, one rate analyst, and one assistant superintendent, as shown in Chapter 6 of Exhibit No. 1. The operating expense portion of the total pay roll was determined by

an analysis of applicant's actual pay roll for the 23-month period ending November 30, 1957. Said analysis indicated that 80 percent of total pay roll was expensed with the remaining 20 percent charged to plant expenditures, clearing accounts, and miscellaneous accounts. The staff, in its estimate of applicant's pay roll for the year 1958, did not include the salary of the proposed assistant superintendent on the grounds that said position had not been filled and that no such employee had been employed.

The record shows that applicant, in its estimate of operating expenses for the year 1958, amortized the estimated cost of the instant proceedings plus the remaining unamortized cost of \$220, or \$50 per year, of a proceeding on General Order No. 103, in the total amount of \$24,000 over a three-year period or \$8,000 per annum, whereas the staff amortized the estimated costs of the instant proceedings over a five-year period.

In its allocation of common expenses and taxes, applicant used a modified form of a four-factor method which included the use of (a) weighted average number of customers, (b) direct operating pay roll, (c) direct operating expense less purchased power and water, and (d) weighted average plant in service. Said method was also used by the staff.

The record shows that ad valorem assessments in the Fontana Division, for the fiscal tax year 1958-1959, have been substantially increased by the San Bernardino County Assessor's Office. Said increases were reflected by applicant in its 1958 estimate of taxes for said Division as shown in Exhibit No. 10, and were also reflected by the staff in its estimates. The staff estimated that

ad valorem tax expense in said Division would increase from \$4,387 for the year 1957 recorded to \$22,460 for the year 1958 estimated as shown in Exhibit No. 30.

Applicant submitted, as Exhibit No. 7-A, a revaluation of mains and services of Potrero Heights Mutual Water Company acquired by applicant on April 30, 1951 and recorded on applicant's books at a depreciated cost of \$57,084.34. The revalued original depreciated cost of said assets, as shown in Exhibit No. 7-A, is \$111,989.34, a difference and an increase in valuation of \$54,905. Applicant included the effects of its revaluation in its estimated rate base for the El Monte Division for the year 1958. The staff included the amounts shown on applicant's books for these properties on the grounds that insufficient data was available to include any different amount. The record shows that the recorded book amount is the depreciated purchase price of the mutual water company.

Exhibit No. 32 is a supplemental report on payments to Fontana Union Water Company for purchased water submitted by the staff. Said report shows that applicant's Fontana Union stock investment at the end of the year 1957 was \$238,020.60. The cost to applicant of water purchased from Fontana Union during the year 1957 was \$165,826.64. Said latter amount included an assessment levied against said stock at the annual rate of \$7.00 per share. Said exhibit contains an analysis of applicant's stock investment in Fontana Union for the period from 1953 to 1957, inclusive, and also includes a statement of the cost to applicant of water purchased from Fontana Union over the same period. The total cost of water purchased for this period was \$741,480.27. Stock assessments paid

by applicant over the same period amounted to \$94,284.45. Total assessments upon Fontana Union shareholders for the five-year period amount to \$525,000 which roughly approximates the net capital additions to Fontana Union's water production, storage, transmission and distribution facilities of \$236,762.73 and debt retirement of \$332,259.87. The record shows that applicant has expensed all costs of water purchased, including the \$.025 per miner's inch hour and quantity charge, now \$.03 per miner's inch hour, and \$7.00 per year annual assessment. The record shows that if, for rate-making purposes, it is found that 48.35 percent of the annual \$7.00 assessment previously expensed should be capitalized by applicant and included in its rate base, and that, after taking into account the effect on applicant's income tax expenses which would result from such expense disallowance, and that, after allowing a rate of return on the increase in rate base, the over-all additive adjustment to applicant's rate base for the year 1958, based on the present \$.03 quantity charge, would be \$2.04 per share of Fontana Union stock owned by applicant, or a total weighted adjustment of \$21,500.

Applicant's Construction Budget for the Year 1958
and Capital Additions as of July 31, 1958

In its 1958 capital budget for the Whittier Division, as shown in Exhibit No. 2, total budgeted additions amounted to \$209,700. Of said amount, new capital and changes in construction work in progress, from December 31, 1957 to July 31, 1958, amounted to \$67,000. The record shows, in Exhibit No. 23, that the staff included unweighted and weighted average net additions in the 1958 estimated rate base in the total amount of \$182,875.

In its 1958 capital budget for the El Monte Division, as shown in Exhibit No. 7, total budgeted additions amounted to \$333,200 for the El Monte District, with advances of \$100,300, and \$22,200 for the Puente District. Of said amounts, new capital and changes in construction work in progress, from December 31, 1957 to July 31, 1958, amounted to \$202,500, including advances of \$44,000 and the addition of 4 booster pumps at a cost of \$12,000 not budgeted. The record shows, in Exhibit No. 27, that the staff included unweighted and weighted average net additions in the 1958 estimated rate base for the El Monte Division in the total amount of \$373,618.

In its 1958 capital budget for the Fontana Division, as shown in Exhibits Nos. 10 and 11, total budgeted additions amounted to \$252,400 plus donations in the amount of \$28,600 for the Fontana District, and \$16,730 for the Highland District. Of said amounts, new capital and changes in construction work in progress, from December 31, 1957 to July 31, 1958, amounted to \$106,700 in the Fontana District, and \$5,800 in the Highland District. The record shows, in Exhibit No. 30, that the staff included unweighted and weighted average net additions in the 1958 estimated rate base in the total amount of \$386,169.

Service Complaints

As heretofore noted, three groups of customers in the Whittier Division, and two groups in the Fontana Division, protested the granting of the instant applications to increase rates for water service in their localities because of poor service conditions. At the direction of the presiding examiner, the applicant investigated each of said complaints and the reports on the results of each of

such investigations were submitted by applicant as Exhibits Nos. 18, 19, and 21. Exhibit No. 18, applicable to the Whittier Division, shows that the pipe line at 10717 Dunlap Crossing Road, near the Wilson address, was flushed on November 16, 1957, and a trace of silt was found. Said exhibit also shows that the pressure at 11706 Keith Drive, the address of the last recorded complaint in this area, was recorded in 1957 and found to be 54 psi. On June 5, 1958, the pressure at 11757 Rincon Drive, near the Nichols address, was recorded and found to be at a maximum of 62 psi and at a minimum of 38 psi.

Exhibit No. 19, applicable to the Fontana Division, shows that pressures on Elm Street in the 9400 to 9500 block of Elm Street were recorded on July 10, 12, 14, 18, 20, 21, and 22, at the Coleman, Anderson and Shriver addresses, and found to range between 10 pounds and 50 pounds, minimum. Said exhibit indicates that a tie-over, with check valve, with the 2-inch main in Elm Street to the 6-inch main in Juniper, thus making Alder pressure available to Elm Street, would be the best solution to the low pressures complained of.

Exhibit No. 21, the complaint by letter of F. L. Kelly and 13 others residing in the vicinity of Alder and Taylor Avenues and Valley Boulevard, Bloomington, in the Fontana Division, indicates that on the north side of Taylor, 700 feet east of Alder, and at 10153 Alder, between 2:30 p.m. on August 13, 1958, for a 23-hour period, until 12:30 p.m. on August 14, 1958, pressure recorders registered maximum pressures of 163 pounds psi, and minimum pressures of 75 pounds psi. Said exhibit shows that replacement of the 2-inch pipe lines on Valley Boulevard and on Taylor Avenue, and the 4-inch pipe lines on Locust Avenue south of Valley Boulevard, with

3,200 feet of 6-inch pipe on Taylor Avenue and Locust Avenue, is a part of applicant's 1958 capital budget. Said exhibit also shows that, as a part of applicant's long-range program, this area will be transferred from the Alder system pressure level to the Juniper pressure level which will reduce the high static pressure to approximately 55 pounds.

Highland District Customers
Included in Fontana Tariff Area

The record shows that between 50 and 60 of applicant's customers in its Highland District, receiving water service in an area north of Base Line Road, because of substandard service conditions, are being billed by applicant according to the Fontana tariffs. The conditions of such billing were recognized in Decision No. 53994, dated October 30, 1956, in Application No. 37246. As of the date of the August 14, 1958 hearing, applicant had installed 1,320 feet of 12-inch pipeline on Oleander between Base Line and Highland. Such installation would affect approximately 12 customers, and other construction items budgeted for the Highland District would include the improving of service conditions to some of the remaining customers.

Findings and Conclusions

After a careful review of the record herein, it is evident that applicant is in need of financial relief in its Whittier, El Monte, and Fontana Divisions, the rates of return for each of which for the year 1958 estimated at present rates were calculated by applicant, as hereinbefore shown, to be 2.29 percent, and 3.61

percent, for the Whittier Division and El Monte District; nil for the Puente District; 1.37 percent, and 4.09 percent, for the Fontana and Highland Districts; and 2.52 percent for the company over-all. Also, as hereinbefore shown, the staff calculated rates of return at present rates for the year 1958 estimated to be 3.21 percent for the Whittier Division, 3.59 percent for the El Monte Division, 2.65 percent for the Fontana Division, and 3.23 percent for the total company.

All of said rates of return are found as a fact to be deficient and unreasonably low. It is further evident, however, and the Commission finds as a fact, that the rates of return in each of said Divisions, and for the company over-all, of 7.57 percent in Whittier, 8.54 percent in El Monte, 7.62 percent in Fontana, 6.78 percent in Highland, and 7.7 percent for the company over-all, for the year 1958 estimated at the rates proposed in the applications, as calculated by the applicant, are excessive. Likewise, the rates of return calculated by the staff of 8.25 percent for Whittier, 8.49 percent for El Monte, 8.16 percent for Fontana, and 8.33 percent for the total company, for the year 1958 estimated at the rates proposed in the applications, are found to be excessive and unreasonably high.

Based on the evidence of record it is found that the public interest requires that the applications should be granted in part and denied in part, and that applicant should be authorized to file new schedules of rates which will produce additional gross revenues in the Whittier Division of approximately \$122,000, or an increase over estimated revenues for the year 1958 at present rates

of 34 percent; in the El Monte Division of approximately \$178,000, or an increase of 28 percent; and in the Fontana Division of approximately \$143,000, an increase of 28 percent. Under the authorized rates, total company over-all gross revenues will be increased by approximately \$443,000, or an increase of 29 percent over estimated revenues for the year 1958 at present rates. The total estimated gross annual increases in rates authorized hereinafter are approximately \$230,000 less than the total increases requested by the applicant in these applications.

The following tabulation shows the adopted components of the rate of return calculation for the Whittier, El Monte and Fontana Divisions and the total company, for the test year 1958. Such components include the gross operating revenues which will be produced by the authorized rates:

Item	Year 1958 (Test Year)			
	Authorized Rates			
	Whittier	El Monte	Fontana	Total Company
Operating Revenue	\$ 477,900	\$ 819,720	\$ 657,250	\$1,954,870
Operating Expenses, including Depreciation and Taxes	368,260	639,260	547,770	1,555,290
Net Revenue	\$ 109,640	\$ 180,460	\$ 109,480	\$ 399,580
Rate Base	1,686,700	2,776,300	1,684,300	6,147,300
Rate of Return	6.5%	6.5%	6.5%	6.5%

The adopted rate of return calculation, hereinbefore set forth, is based on the following findings of fact:

1. That the staff estimates of revenues for the year 1958 at present and proposed rates, including its estimates based on rainfall data at City Hall, Whittier, and San Gabriel Valley Fire Station, and excluding, for trending purposes, large commercial users in the Whittier Division, are more realistic than the revenue estimates submitted by the applicant.

2. That the use of the four-factor method of allocating common expenses and taxes by the applicant and the staff in their estimates of such items for the year 1958 does not result in any discrimination either for or against the calculated earnings, for rate-making purposes, of any one of applicant's operating divisions.
3. That the revaluation of Potrero Heights Mutual Water Company mains and services as of April 30, 1951, submitted by the applicant as Exhibit No. 7-A, is rejected since applicant did not prove that such revaluation reflects the date on which such properties were first dedicated to public use.
4. That, for rate-making purposes, applicant's estimated operating expenses and rate base should be and are adjusted to reflect the disallowance of 48.35 percent of the annual Fontana Union Mutual Water Company stock assessment expense and the inclusion of the over-all effect of such adjustment in applicant's rate base, all as set forth in Exhibit No. 32, and based on the \$.03 per miner's inch hour quantity charge for water purchased by applicant from Fontana.
5. That the estimates of operating revenues, expenses, depreciation, taxes, and rate base for the year 1958, as submitted by the staff, are reasonable.
6. That the calculated rate of return should and does reflect applicant's financial requirements associated with the employment of additional management personnel.
7. That such rate of return should and does take into consideration, applicant's financial requirements to improve its existing water system facilities and water service and to meet the anticipated growth of its water system facilities in each of the operating divisions.
8. That a rate of return of 6.5 percent on the operations of each of applicant's divisions, and for the total company, as heretofore set forth, is just and reasonable for these proceedings.

The Commission further finds as a fact 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.

It is evident from the record that applicant has budgeted and planned certain capital additions to improve its water service in each of its operating divisions.

With respect to the service conditions complained of in the Whittier and Fontana Divisions, as noted herein, the applicant should institute appropriate main flushing programs to alleviate complaints of dirty water and conduct more comprehensive pressure surveys of the particular complaints. Applicant should proceed to make the necessary improvements where pressures exist which are not within the limitations prescribed by General Order No. 103. Applicant will be ordered to furnish this Commission with a program for main flushing and with the results of its more comprehensive pressure surveys of each of the pressure complaints herein referred to, as well as a definitive report on the utility's plans for alleviating any pressure deficiencies in these areas.

Further, the order hereinafter will provide that applicant shall take steps to improve the standards of water service in its Highland District, with respect to the 50 or 60 customers receiving low pressure service, and shall continue to bill such customers at its Fontana rate level until adequate service facilities are extended in the Highland District to such customers; and shall within ninety days after the effective date of the order hereinafter, and every 180 days thereafter until completed, file with the Commission, in writing, a report of its progress in improving the standards of such water service.

O R D E R

Applications, as amended, as above entitled having been filed, public hearings having been held, the matters having been submitted and now being ready for decision,

IT IS HEREBY ORDERED as follows:

(1) That San Gabriel Valley Water Company, 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 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 October 1, 1958.

(2) a. That applicant shall, within thirty days after the effective date of this order, submit to this Commission, in writing, a main flushing program.

b. That applicant shall, within thirty days after the effective date of this order, submit to this Commission, in writing, a report on the results of a comprehensive pressure survey on each of the pressure complaints herein referred to, together with the utility's definitive plans for alleviating any pressure deficiencies in these areas.

(3) a. That applicant shall take steps to improve the standards of water service in its Highland District with respect to the 50 or 60 customers receiving low pressure service.

b. That applicant shall bill such customers according to a special rate schedule until adequate service facilities are extended in the Highland District to such customers.

c. That applicant shall, within ninety days after the effective date of this order, and every one hundred eighty days thereafter until completed, file with the Commission, in writing, a report of its progress in carrying out the provisions of paragraph (a) herein.

(4) That applicant shall, within sixty days after the effective date of this order, file four copies of comprehensive maps drawn to an indicated scale not smaller than 600 feet to the inch, delineating by appropriate markings 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.

(5) That in all other respects the applications be and they hereby are denied.

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

Dated at San Francisco, California, this 10th day of September, 1958.

E. L. Fox
President
John Mitchell
John C. G. ...
William ...
Richard ...
Commissioner

APPENDIX A
Page 1 of 6

Schedule No. WH-1

Whittier Tariff Area

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

Portion of the City of Whittier and vicinity, Los Angeles County.

RATES

Quantity Rates :	<u>Per Meter</u> <u>Per Month</u>
First 800 cu. ft. or less	\$ 2.00
Next 1,200 cu. ft., per 100 cu. ft. ....	.15
Next 3,000 cu. ft., per 100 cu. ft. ....	.12
Over 5,000 cu. ft., per 100 cu. ft. ....	.09
 Minimum Charge:	
For 5/8 x 3/4-inch meter	\$ 2.00
For 3/4-inch meter	2.50
For 1-inch meter	4.00
For 1 1/2-inch meter	6.50
For 2-inch meter	9.50
For 3-inch meter	17.00
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.

APPENDIX A
Page 2 of 6

Schedule No. WH-2L

Whittier Tariff Area

LIMITED FLAT RATE SERVICE

APPLICABILITY

Applicable to limited water service furnished on a flat rate basis. ✓

TERRITORY

Portion of the City of Whittier and vicinity, Los Angeles County.

RATE

	<u>Per Month</u>
For each 3/4-inch service connection	\$ 2.40 ✓

SPECIAL CONDITIONS

1. Service under this schedule will be furnished to premises served hereunder as of the effective date of this tariff sheet.
2. Meters may be installed at option of utility only for above classification in which event service thereafter will be furnished only on the basis of Schedule No. WH-1, General Metered Service.

Schedule No. EM-1
El Monte Tariff Area
GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

Portions of the cities of El Monte, Baldwin Park, La Puente and Industry, and vicinity, Los Angeles County.

RATES

	<u>Per Meter</u> <u>Per Month</u>
Quantity Rates:	
First 800 cu. ft. or less	\$ 2.05
Next 1,500 cu. ft., per 100 cu. ft. ....	.13
Next 2,700 cu. ft., per 100 cu. ft. ....	.10
Over 5,000 cu. ft., per 100 cu. ft. ....	.09
Minimum Charge:	
For 5/8 x 3/4-inch meter	\$ 2.05
For 3/4-inch meter	2.55 ✓
For 1-inch meter	4.00
For 1 1/2-inch meter	6.50
For 2-inch meter	9.50
For 3-inch meter	17.00
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.

APPENDIX A
Page 4 of 6

Schedule No. FO-1

Fontana Tariff AreaGENERAL METERED SERVICEAPPLICABILITY

Applicable to all metered water service.

TERRITORY

The area including the City of Fontana and vicinity, south of Base Line Road, San Bernardino County.

RATES

	<u>Per Meter</u> <u>Per Month</u>
Quantity Rates:	
First 800 cu. ft. or less	\$ 2.10
Next 1,700 cu. ft., per 100 cu. ft. ....	.15
Next 2,500 cu. ft., per 100 cu. ft. ....	.12
Over 5,000 cu. ft., per 100 cu. ft. ....	.10
Minimum Charge:	
For 5/8 x 3/4-inch meter	\$ 2.10
For 3/4-inch meter	2.60
For 1-inch meter	4.00
For 1 1/2-inch meter	6.50
For 2-inch meter	9.50
For 3-inch meter	17.00
For 4-inch meter	30.00
For 6-inch meter	50.00
For 8-inch meter	75.00
For 10-inch meter	100.00

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

APPENDIX A
Page 5 of 6

Schedule No. HI-1

Highland Tariff Area

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

The unincorporated area north of the City of Fontana and north of the street designated Base Line Road, San Bernardino County.

RATES

	<u>Per Meter</u> <u>Per Month</u>
Quantity Rates:	
First 800 cu. ft. or less	\$ 2.50
Next 1,700 cu. ft., per 100 cu. ft. ....	.17
Next 2,500 cu. ft., per 100 cu. ft. ....	.14
Over 5,000 cu. ft., per 100 cu. ft. ....	.12
Minimum Charge:	
For 5/8 x 3/4-inch meter	\$ 2.50
For 3/4-inch meter	3.00
For 1-inch meter	5.00
For 1 1/2-inch meter	7.00
For 2-inch meter	9.50
For 3-inch meter	17.00
For 4-inch meter	30.00
For 6-inch meter	50.00
For 8-inch meter	75.00
For 10-inch meter	100.00

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

Schedule No. HI-ILX
Highland Tariff Area
LIMITED TEMPORARY METERED SERVICE

APPLICABILITY

Applicable to all metered water service furnished from existing transmission mains at low pressure.

TERRITORY

The unincorporated area north of the City of Fontana and north of the street designated Base Line Road, San Bernardino County.

RATES

	<u>Per Meter</u> <u>Per Month</u>
Quantity Rates:	
First 800 cu. ft. or less	\$ 2.10
Next 1,200 cu. ft., per 100 cu. ft. ....	.15
Next 3,000 cu. ft., per 100 cu. ft. ....	.12
Over 5,000 cu. ft., per 100 cu. ft. ....	.10
Minimum Charge:	
For 5/8 x 3/4-inch meter	\$ 2.10
For 3/4-inch meter	2.60
For 1-inch meter	4.00
For 1 1/2-inch meter	6.50
For 2-inch meter	9.50
For 3-inch meter	17.00
For 4-inch meter	30.00
For 6-inch meter	50.00
For 8-inch meter	75.00
For 10-inch meter	100.00

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

SPECIAL CONDITION

Service under this schedule will be available until such time as adequate pressure distribution facilities are installed. Service thereafter will be furnished only on the basis of Schedule No. HI-1, General Metered Service.