

ORIGINAL

Decision No. 57908

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 Barstow District.)

Application No. 40272
Amended

O'Melveny & Myers, attorneys, by Lauren M. Wright,
and C. T. Mess, consulting engineer, for applicant.
George W. Oakes, Mayor, for the City of Barstow, and
Mrs. Harry Melieste, T. C. Harper, Mrs. Carrie Kemp,
A. P. Rohmiller, Clyde O. Doughty, and G. O.
Jaramillo, in propria personae, protestants.
Martin J. Porter, J. B. Balcomb, and A. L. Gielegem,
for the Commission staff.

O P I N I O N

Southern California Water Company, a corporation, by the above-entitled application, filed July 17, 1958, as amended August 13, 1958, seeks authority to increase its rates for water service in its Barstow District, San Bernardino County, by the gross annual amount of \$60,360 based on its 1958 estimated operations. This represents a proposed over-all increase of 36.2 percent.

Public hearings were held before Examiner Stewart C. Warner on December 9 and 10, 1958, in Barstow. By its Resolution No. 371, dated December 1, 1958, the City Council of the City of Barstow protested the magnitude of the proposed rate increase, and the mayor of said city testified in opposition to said proposed increase. Several water consumers entered appearances in protest to the granting of the application as amended, but a portion of said protesting

customers who were from the so-called Sturnacle zone withdrew their protests upon learning that the rates proposed in the instant application would effect a reduction in present rates applicable to said zone.

General Information

Applicant is a California corporation, with principal offices in Los Angeles. It furnishes water service to 21 operating water districts in Los Angeles, San Bernardino, Orange, Imperial, Ventura, and Sacramento Counties, and distributes electricity in its Bear Valley District in San Bernardino County, and operates a nonutility ice plant in the City of Barstow.

Exhibit No. 2 is a general report on applicant's company-wide operations as submitted by its valuation engineer. The following tabulation summarizes applicant's estimated earnings for its total utility operations for the year 1958 estimated, utilizing the proposed rates for Barstow for a full year, as shown in said exhibit:

<u>Item</u>	<u>Amount</u>
Operating Revenue	\$5,279,750
Total Expenses including Taxes and Depreciation	<u>3,919,430</u>
Net Revenue	\$1,360,320
Rate Base	\$24,882,800
Rate of Return	5.47%

Basis of Application

Applicant based the instant application on its allegations that the rates proposed therein would produce additional revenue on an annual basis necessary to allow applicant to earn a fair, just, and reasonable return on its capital investment in facilities used

and useful in rendering water service in its Barstow District; that the proposed rates would not in the future yield to applicant more than a fair return on its investment in said district; and that the proposed rates would result in a return below a fair return on its total utility operations. The amendment to the application alleges that the ad valorem tax bills on applicant's unsecured property in the Barstow District, for the fiscal year 1958-59, showed an assessed value on said property in the amount of \$86,730, whereas such assessed valuation for the previous two years was \$16,800, and that the change in assessment resulted in an increase in ad valorem taxes of \$5,261 in the Barstow District.

Rates

Applicant's present rates in the general area of its Barstow District were established by Decision No. 50528, dated September 14, 1954, in Application No. 34191. The rates applicable to the Sturnacle zone were incorporated by applicant in its tariffs pursuant to authorization contained in Decision No. 53823, dated October 1, 1956, in Application No. 38337, wherein the water system of John Sturnacle was transferred to applicant.

The following tabulation compares the present rates with those proposed in the application, as amended, and with those authorized hereinafter:

Comparison of Present Proposed and Authorized Rates

		Per Meter Per Month			
		Present	Proposed	Authorized	
Quantity Charge		General Area	Sturnacle Zone	Entire District	Entire District
First	1,200 cu.ft. or less	\$1.90	\$3.00	\$2.75	\$2.75
Next	1,300 cu.ft., per 100 cu.ft. ....	.14	.25	.18	.16
Next	500 cu.ft., per 100 cu.ft. ....	.12	.25	.18	.16
Next	7,000 cu.ft., per 100 cu.ft. ....	.12	.20	.16	.13
Next	140,000 cu.ft., per 100 cu.ft. ....	.10	.16	.14	.12
Over	150,000 cu.ft., per 100 cu.ft. ....	.05	.16	.07	.07

Under the present rates for the general area, the charge for a monthly consumption of 2,300 cubic feet is \$4.08, and in the Sturnacle zone, \$7.00. Under the rates proposed in the application, as amended, such charge would be \$5.63, which is an increase of \$1.55, or 38 percent, for the general area, and a reduction of \$1.37, or 19.6 percent, for the Sturnacle zone. Under the authorized rates such charge will be \$5.31, an increase of \$1.23, or 30.1 percent, for the general area, and a decrease of \$1.69, or 24.1 percent, for the Sturnacle zone.

Applicant also proposed a new schedule, Optional Special Metered Service, applicable to consumers who use 75 percent of the water during the off-peak hours.

The order hereinafter will include authorization for a special rate of \$35 per meter per month for the first 27,900 cubic feet of usage; \$0.12 per 100 cubic feet for the next 122,100 cubic feet; and \$0.06 per 100 cubic feet for all over 150,000 cubic feet.

Earnings

Exhibit No. 3 is a report on applicant's operations in its Barstow District submitted by its valuation engineer. Exhibit No. 5 is a report on the results of applicant's operations in its Barstow District for the year 1957 recorded; the year 1957 adjusted; and the year 1958 estimated; at present and proposed rates as submitted by Commission staff engineering witnesses. The following tabulation summarizes the earnings data contained in Exhibits Nos. 3 and 5:

Summary of Earnings

Item	Year 1957:		Year 1958 Estimated		
	Recorded		Present Rates		Proposed Rates
	Per Co.	Per. Co.	Per P.U.C.	Per Co.	Per P.U.C.
	Exh. 3	Exh. 3	Exh. 5	Exh. 3	Exh. 5
Operating Revenues	\$156,987	\$168,040	\$168,670	\$228,900	\$230,600
Operating Expenses	76,614	86,860	86,330	86,910	86,330
Depreciation	18,307	28,760	25,800	28,760	25,800
Taxes	20,456	15,420	16,260	48,490	50,050
Total Operating Expenses	\$115,377	\$131,040	\$128,390	\$164,160	\$162,180
Net Revenue	41,610	37,000	40,280	64,740	68,420
Rate Base	736,200	973,700	912,800	973,700	912,800
Rate of Return	5.65%	3.80%	4.41%	6.65%	7.50%

The record shows that the staff rate base for the year 1958, estimated, should be increased by approximately \$10,000 for a miscalculation.

Analysis of the preceding tabulation and of the testimony relating thereto indicates that the only significant differences between the estimates of rate of return components for the year 1958 at present and proposed rates, as submitted by the applicant and the staff, are in the estimates of weighted net additions and betterments and working cash capital included in the rate bases submitted by each, respectively.

The record shows that applicant had scheduled and completed the following utility plant improvements in 1958:

<u>Item</u>	<u>Amount</u>
Drilling and Equipping Bradshaw Well No. 4	\$ 34,100
Construction & Equipping of Flora Booster Station	21,400
1 million-gallon Reservoir at Bear Valley Road	
Plant Site	99,400
Distribution System Improvements	26,000
Total	\$180,900

All the above-noted improvements, together with other capital additions, were included in the 1958 estimated rate base. However, the period of utility plant in service for such net additions was weighted differently by the applicant and the staff. Such difference in weighting methods resulted in about an \$80,000 difference between the applicant and the staff, the staff having used applicant's books of accounts and recorded figures, and thereby having estimated lesser additive capital and a resulting lesser rate base by said amount. A difference of about \$14,000 in estimated working cash was also shown. Such difference resulted from the fact that the applicant based a portion of its estimated working cash requirement on a pro rata amount required of it to be kept on deposit, in connection with short-term bank borrowings. We find the rate base, as construed by the staff, to be reasonable.

Findings and Conclusions

It is evident from the record herein that applicant is in need of financial relief in its Barstow District water operations, and that such need has been brought about by increased operating expenses, including ad valorem taxes, plus the additions to fixed water utility plant capital heretofore outlined. Such added capital, the record shows, although providing additional water production and storage facilities for the future, will greatly raise the standards of water service to applicant's present consumers in the Barstow District through providing greater fire protection, storage, and additional sources of water supply in the event of electric power shortages or a community disaster affecting the transmission and distribution pipelines throughout the City of Barstow and the adjacent service area in unincorporated territory of San Bernardino County.

We find, however, that the rates proposed in the application, as amended, would produce an excessive rate of return based on the estimates submitted by the Commission staff for the test year 1958 and the rate base which we have, heretofore, found to be reasonable. Such estimates are hereby adopted as reasonable for this proceeding. Based on the evidence before us, we conclude that the application should be granted in part and denied in part.

The order which follows will authorize applicant to file new schedules of rates which, it is estimated, will produce gross annual revenues of \$212,070. This amount is \$17,460, or 28.7 percent, less than the amount of the gross annual increase originally sought by applicant herein. When total operating expenses of \$152,070 are deducted from such estimated gross annual revenues, net revenue of \$60,000 will result, and when such net revenues are related to a rate base of \$923,000, a rate of return of 6.5 percent will be produced. Such rate of return and its components are hereby found to be just and reasonable.

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

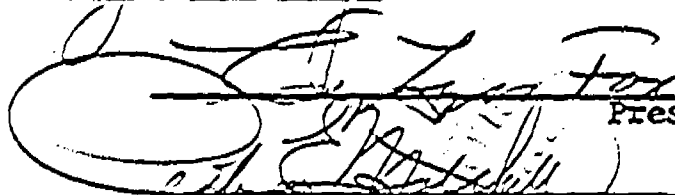
IT IS HEREBY ORDERED as follows:


1. That Southern California 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 March 1, 1959.


2. That in all other respects the application be and it is denied.

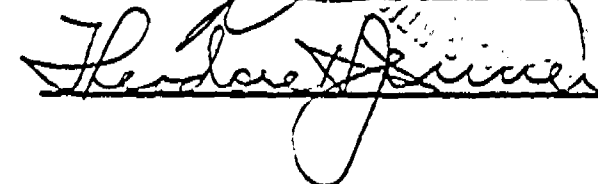
The effective date of this order shall be twenty days after the date hereof.

Dated at Los Angeles, California,
this 27th day of January, 1959.



President






Commissioners

APPENDIX A
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Schedule No. BA-1

Barstow Tariff Area

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

The City of Barstow and vicinity, San Bernardino County.

RATES

		<u>Per Meter</u> <u>Per Month</u>
Quantity Rates:		
First	1,200 cu.ft. or less	\$ 2.75
Next	1,800 cu.ft., per 100 cu.ft. ....	.16
Next	7,000 cu.ft., per 100 cu.ft. ....	.13
Next	140,000 cu.ft., per 100 cu.ft. ....	.12
Over	150,000 cu.ft., per 100 cu.ft. ....	.07

Minimum Charge:

For	5/8 x 3/4-inch meter	\$ 2.75
For	3/4-inch meter	3.75
For	1-inch meter	5.50
For	1 1/2-inch meter	8.75
For	2-inch meter	13.00
For	3-inch meter	25.00
For	4-inch meter	35.00
For	6-inch meter	60.00
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.

SPECIAL CONDITION

All meter readings for The Atchison, Topeka and Santa Fe Railway Company will be combined for the purpose of computing monthly bills at the Quantity Rates, and there will be a monthly minimum charge in the amount of the sum of the Minimum Charges for all meters serving The Atchison, Topeka and Santa Fe Railway Company.

APPENDIX A
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Schedule No. BA-1M

Barstow Tariff Area

OPTIONAL SPECIAL METERED SERVICE

APPLICABILITY

Applicable to special metered water service.

TERRITORY

The City of Barstow and vicinity, San Bernardino County.

RATES

	<u>Per Meter</u> <u>Per Month</u>
Quantity Rates:	
First 27,900 cu.ft. or less	\$35.00
Next 122,100 cu.ft., per 100 cu.ft. ....	.12
Over 150,000 cu.ft., per 100 cu.ft. ....	.06
Minimum Charge:	
For 4-inch meter	\$35.00
For 6-inch meter	60.00
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.

SPECIAL CONDITIONS

1. Service under this schedule will be furnished only when 75% of the water used is taken between the hours of 12:00 midnight and 10:00 a.m. Utility will provide adequate controls to conform with this condition.
2. This schedule applies only to service furnished through a 4-inch meter or its equivalent capacity, or larger meter.
3. All meter readings for The Atchison, Topeka and Santa Fe Railway company will be combined for the purpose of computing monthly bills at the Quantity Rates, and there will be a monthly minimum charge in the amount of the sum of the Minimum Charges for all meters serving The Atchison, Topeka and Santa Fe Railway Company.