

Decision No. 58367**ORIGINAL**

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 South
San Gabriel District.

Application No. 40380

O'Melveny & Myers by Lauren M. Wright for applicant.
Martin J. Porter and Jean Balcomb for the Commission staff.

O P I N I O N

A public hearing in this matter was held on January 23, 1959, in San Gabriel, California, before Examiner Grant E. Syphers. The matter now is ready for decision.

The applicant herein seeks an order authorizing it to increase rates charged for general metered water service in its South San Gabriel District. The present rates and those it proposes herein are as follows:

		Per Meter	Per Month
		Present	Proposed
		Rates	Rates
Quantity Rates:			
First	800 cu. ft. or less	\$ 1.40	\$ 1.80
Next	1,200 cu. ft. per 100 cu. ft.13	.17
Next	3,000 cu. ft. per 100 cu. ft.11	.14
Over	5,000 cu. ft. per 100 cu. ft.085	.12
Minimum Charge:			
For	5/8 x 3/4-inch meter	\$ 1.40	\$ 1.80
For	3/4-inch meter	2.00	2.50
For	1-inch meter	3.25	4.00
For	1½-inch meter	5.00	7.50
For	2-inch meter	8.00	10.00
For	3-inch meter	15.00	20.00
For	4-inch meter	25.00	30.00
For	6-inch meter	45.00	50.00

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

The South San Gabriel District covers an area encompassing approximately two square miles located in unincorporated territory in Los Angeles County lying generally east of the City of Monterey Park and bounded on the north by the City of San Gabriel. The area is principally residential and less than one per cent of the service is for industrial and public authority services. The water supply for this district is obtained from six wells, two of which are located at each of three company-owned pumping plants - The Garvey Plant, the San Gabriel Plant, and the Saxon Plant. There are approximately 180,247 feet of distribution mains in this district, and 600,000 gallons of storage capacity. As of December 31, 1957, there were 3,960 customers, and in addition there were 178 fire hydrants. This system is physically separate from any other systems of the applicant company.

The only appearances at the hearing were those of the applicant and of the Commission staff. Studies were presented by each of these appearances as to the results of operations for the estimated year 1958 under present and proposed rates. These estimates are as follows:

<u>Item</u>	<u>Present Rates</u>		<u>Proposed Rates</u>	
	<u>Per Co.</u>	<u>P.U.C.</u>	<u>Per Co.</u>	<u>P.U.C.</u>
Operating Revenues	\$118,270	\$120,140	\$151,509	\$153,800
Operating Expenses	<u>95,090</u>	<u>93,740</u>	<u>113,170</u>	<u>112,030</u>
Net Revenue	23,180	26,400	38,330	41,770
Depreciated Rate Base	584,800	591,100	584,800	591,100
Rate of Return	3.96%	4.47%	6.55%	7.07%

From the above studies, we now conclude that the applicant is entitled to some increase in its rates. The estimates of results of operations under proposed rates show a difference in rate base which is principally due to the fact that the company has allowed a

greater amount for working cash than has the staff. The company computed its estimates of working cash as two months' average operating expenses excluding uncollectibles, taxes, and depreciation expense plus a prorata of the amount the company, in connection with its entire operations, is required to keep on deposit for short term bank borrowings. The staff calculated this particular district's expenses including prorated expenses and revenues. The staff's method is one that is commonly used in this type of proceeding and has been adopted by the Commission in other cases. Other differences in the two rate base estimates are found in that the staff had available later information showing higher construction costs. Accordingly, we now find the staff's estimate of rate base to be reasonable and conclude that the allowable rate base for this company for the year 1958 is \$591,100.

The staff estimates of operating revenues and expenses appear reasonable and will be adopted with minor modifications. An additional \$1,200 will be reflected in operating expenses to cover wage increases granted by the company. For the years 1954 through 1957 the company has used accelerated depreciation for income tax purposes and has accumulated a deferred tax reserve estimated at about \$16,750 as of January 1, 1958. The question as to what rate treatment should be accorded to accelerated depreciation tax accruals and reserves for deferred taxes is being investigated by the Commission under Case No. 6148. The company indicated it would not take accelerated depreciation for 1958. Until Case No. 6148 is decided, the applicant will be required to advise this Commission as to its election for each year.

For the purpose of this decision only, pending final decision by this Commission in Case No. 6148, the tax expense for rate making purposes herein will be determined after crediting to the

Federal Income Tax Account interest calculated on the reserve for income taxes at the rate of return herein found reasonable.

A rate of return of 6.5% on the herein adopted rate base is found to be reasonable for the test year 1958 and for the future, there being no evidence of a significant trend in the rate of return. On this basis the adopted results for the year 1958 are as follows:

Operating Revenues	\$145,280
Operating Expenses	<u>106,860</u>
Net Revenue	38,420
Depreciated Rate Base	591,100
Rate of Return	6.5%

There were no protests to the proposed rate increases. The applicant's record as to service is good and there were no unsatisfied service complaints disclosed on this record.

The rates authorized on this basis will result in an average bi-monthly bill of \$5.57 as compared to \$4.55 at the present rates and \$5.87 at the rates proposed by applicant. We now find that the increase in general metered service rates and charges as authorized is justified and that the present rates insofar as they differ from those herein prescribed are for the future unjust and unreasonable.

O R D E R

Application as above entitled having been filed, public hearing having been held and the Commission having made the foregoing findings,

IT IS ORDERED that the Southern California Water Company, a corporation, be and it hereby is authorized to file in quadruplicate with this Commission after the effective date of this order, in conformity with 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 June 1, 1959.

IT IS FURTHER ORDERED THAT:

1. Applicant shall, within sixty days after the effective date of this order, file four copies of a comprehensive map drawn to an indicated scale not smaller than 200 feet to the inch, delineating by appropriate markings various tracts of land and territory served; the principal production, storage and distribution facilities; and the location of the various water system properties of applicant in its South San Gabriel District.

2. Applicant shall, within thirty days after the effective date of this order, advise this Commission in writing as to its election on depreciation for income tax purposes for the 1959 tax year and yearly thereafter by January 1 of each year until a final decision of this Commission in Case No. 6148.

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

Dated at San Francisco, California, this 5th
day of May, 1959.

L. Lynn Fox
President
W. H. [illegible]
Theodore [illegible]
Commissioners

Commissioner Everett C. McKeage, being necessarily absent, did not participate in the disposition of this proceeding.

APPENDIX A

Schedule No. SG-1

South San Gabriel Tariff AreaGENERAL METERED SERVICEAPPLICABILITY

Applicable to all metered water service.

TERRITORY

The unincorporated community of South San Gabriel and vicinity, Los Angeles County.

RATES

Quantity Rates:

	Per Meter Per Month
First 800 cu. ft. or less	\$ 1.70
Next 1,200 cu. ft., per 100 cu. ft.16
Next 3,000 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	\$ 1.70
For 3/4-inch meter	2.50
For 1-inch meter	4.00
For 1 1/2-inch meter	7.50
For 2-inch meter	10.00
For 3-inch meter	20.00
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 .