

ORIGINAL

Decision No. 60520

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application)
of CONSERVATIVE WATER COMPANY)
for authority to increase rates)
charged by it for water service.)

Application No. 41814

O'Melveny & Myers, attorneys, by Lauren M. Wright
and Donn B. Miller, for the applicant.
Lathon B. Brewer, for Los Angeles County Fire
Department and Consolidated Fire Protection
District, and John F. Ransom, associate engineer,
for the City of South Gate, protestants.
Alan G. Campbell, assistant city attorney, for the
City of Los Angeles, interested party.
William C. Bricca, attorney, and Donald B. Steger,
engineer, for the Commission staff.

O P I N I O N

Conservative Water Company, a corporation, by the above-entitled application, filed December 30, 1959, seeks authority to increase its rates for water service in the Cities of Los Angeles, South Gate and Lynwood, and in unincorporated territory of Los Angeles County by an amount of approximately \$114,000 based on operations for the year 1959.

A public hearing was held before Examiner Stewart C. Warner on May 11, 1960 at South Gate. The Cities of Los Angeles and South Gate, and the County of Los Angeles protested the proposed increase in fire hydrant rentals. About 45 customers attended the hearing, and two of their representatives complained of the hardness of the water and low pressure conditions. The matter was submitted on the hearing date and it is now ready for decision.

General Information

The applicant furnished water service to an average of 8,835 metered commercial customers during the year 1959, and was estimated to increase this number to 8,880 during the year 1960. The area served is shown on Chart 3-B of Exhibit No. 3, applicant's report on its operations submitted at the hearing. Generally speaking, the service area lies south of 83rd Street, west of Santa Fe Avenue, north of 117th Street, and east of Avalon Boulevard. The area is surrounded by the Los Angeles Department of Water and Power to the west, Southern California Water Company to the north, the City of South Gate to the east, City of Lynwood to the southeast, Willowbrook County Water Works District No. 10 to the south, and Park Water Company to the south. The applicant operates five wells and has two connections to the Metropolitan Water District middle feeder line within the service area. About 2.5 percent of the applicant's water supply is purchased from the Metropolitan Water District and the remainder of the supply is pumped. The water system is a so-called closed system without above-ground storage. Its operating pressures are maintained by its pumping facilities and working pressure is 60 pounds per square inch.

The applicant was organized on April 21, 1904 in unincorporated territory of Los Angeles County and preceded incorporation of the City of Watts on May 23, 1907. Said city consolidated and merged with the City of Los Angeles in 1926.

Rates

Applicant's present rates were established by Decision No. 1012, dated October 14, 1913, in Application No. 494.

The following tabulation is a comparison of applicant's present and proposed rates in its Schedule No. 1, General Metered Service:

Quantity Charge:

		<u>Per Meter Per Month</u>		
		<u>Present</u>	<u>Proposed</u>	<u>Authorized</u>
First	1,114 cu.ft. or less	\$1.25		
Over	1,114 cu.ft., per 100 cu.ft.	.1122		
First	500 cu.ft. or less		\$1.25	\$1.25
Next	2,000 cu.ft., per 100 cu.ft.		.18	.17
Next	7,500 cu.ft., per 100 cu.ft.		.16	.15
Next	40,000 cu.ft., per 100 cu.ft.		.14	.14
Next	150,000 cu.ft., per 100 cu.ft.		.12	.12
Next	800,000 cu.ft., per 100 cu.ft.		.10	.10
Over 1 million	cu.ft., per 100 cu.ft.		.08	.08

Under the present rates the monthly charge for 1,200 cubic feet of water is \$1.35; under the proposed rates such charge would be \$2.51; and under the rates authorized hereinafter such charge will be \$2.44.

The applicant proposes to increase the present rate for each single 2½-inch outlet fire hydrant owned, installed and maintained by the company under written contract of \$2.50 per month to \$3.00 for a single outlet, and \$3.50 per month for a double outlet hydrant. The applicant has contracted with the Consolidated County Fire Protection District for the rental of 115 single and 17 double outlet hydrants; with the City of Los Angeles Fire Department for the rental of 170 single and 7 double outlet hydrants; and with the City of South Gate Fire Department for the rental of 5 single and 2 double outlet hydrants; for a total of 316 hydrants.

The applicant proposes, by the instant application, to eliminate its present Schedule No. 2 which is a special meter rate for multiple occupancy customers, and to bill such customers in accordance with Schedule No. 1, General Metered Service. It also proposes to eliminate its present Schedules Nos. 3, General Flat Rate Service, and No. 4, Special Flat Rate Service, and to serve

such customers under its general metered service schedule or by Schedule No. 2, General Construction Rates. A general increase in charges for fire sprinkler service is proposed in the application.

Earnings

The following tabulation summarizes and compares the earnings data for the test year 1959 at present and proposed rates submitted by the applicant in Exhibit No. 3 and by the staff in Exhibit No. 7:

SUMMARY OF EARNINGS

Item	Test Year 1959			
	Present Rates		Proposed Rates	
	Per Co. : Ex. #3	Per P.U.C. : Ex. #7	Per Co. : Ex. #3	Per P.U.C. : Ex. #7
Operating Revenues	\$230,418	\$244,500	\$344,366	\$343,300
Operating Expenses	214,790*	198,100#	216,359*	198,100#
Depreciation	27,503	26,210	27,503	26,210
Taxes	18,679	18,640	49,966	59,300
Subtotal	\$260,972	\$242,950	\$293,828	\$283,610
Net Operating Revenue	<u>\$ 30,554</u>	\$ 1,550	\$ 50,538	\$ 59,690
Rate Base	\$800,810	\$738,600	\$800,810	\$738,600
Rate of Return	-	0.2%	6.3%	8.1%

* Includes Central and West Basin Water Replenishment District estimated assessment of \$6.60 per acre-foot.

Includes Central and West Basin Water Replenishment District assessment at actual rate of \$3.19 per acre-foot for fiscal year 1960-61.

Red Figure

No significant differences between the earnings' estimates submitted by the applicant and by the staff are evident, except that the applicant deducted from rate base \$12,553 for average contributions, an amount some \$47,417 less than the staff deduction of \$59,970. This difference of \$47,417 is made up of \$42,309 representing depreciation accruals on contributed plant to December 31, 1954, and \$5,108 of contributions representing plant retired from service prior to December 31, 1954. The staff engineering witness

testified that the staff deduction was consistent with accounting practices ordered by the Commission in the Uniform System of Accounts prescribed for Water Utilities. Under the Uniform System of Accounts prescribed prior to December 31, 1954, depreciation on contributed plant was charged against income to operating expenses and credited to the depreciation reserve. Subsequent to January 1, 1955, depreciation on contributed plant has been charged to the contributed plant account and credited to the reserve without entering the income account.

The record shows in Exhibit No. 1, which is a comparison of monthly costs of water through 5/8 by 3/4-inch meters under the proposed rates of the applicant and under the present published rates of the City of Los Angeles within its city limits as of May 11, 1960, that in all instances of usages up to 150,000 cubic feet per meter per month, the applicant's proposed rates are lower than those of the present rates of the City of Los Angeles.

Exhibit No. 7 is a supplementary summary of earnings submitted by the staff engineer showing the effect on applicant's earnings for the test years 1959 and 1960 at present and proposed rates of a recent action of the Central and West Basin Water Replenishment District. Said District was formed by the electorate in November, 1959, and its function is to purchase, for spreading in the central and west underground basins, water from the Metropolitan Water

District. Although the rate of assessment was originally estimated by the District to be \$6.60 per acre-foot, a resolution, dated April 21, 1960, adopted by the District set the rate for the fiscal year 1960-61 at \$3.19 per acre-foot.

A witness for the applicant, its consulting engineer who is also a director of the Central Basin Water Association, testified that although the rate for the fiscal year 1960-61 had been set at \$3.19 per acre-foot, the Replenishment District expected to increase its purchases from the Metropolitan Water District from 70,000 acre-feet to 120,000 acre-feet if Zones 1 and 2 of the County Flood Control District did not purchase about 80,000 acre-feet for spreading purposes. This witness testified that the secretary of the Replenishment District had advised him by telephone that members of the Central and West Basin Water Replenishment District were being advised by letters of the likelihood that the assessment rate might be increased in fiscal years subsequent to the fiscal year 1960-61.

Protests to Proposed Increases in
Public Fire Hydrant Rental

The protests of the County of Los Angeles and the Cities of Los Angeles and South Gate to the proposed increases in public fire hydrant rental rates were based on alleged inadequate pressures for fire-fighting purposes at hydrants and inadequately sized mains in certain areas. The assistant fire chief of the City of Los Angeles testified that the applicant's service area was down-rated by the Board of Fire Underwriters for these reasons. He further testified that, when utilizing hydrants rented from the applicant in fighting fires within applicant's service area, the City's Fire Department

was required to set up auxiliary pumpers whereby different hydrants were hooked together by pumper trucks. This required the laying of fire lines across intersections which tied up traffic and required the calling in of special traffic officers, all of which added to the expense of fire fighting.

Findings and Conclusions

Since the applicant's present rates produced practically no rate of return for the test year 1959, it is found as a fact and concluded that they are deficient and that the applicant is in need of financial relief.

The Commission is of the opinion and finds that the evidence before it regarding the likelihood of an increase in the Central West Basin Water Replenishment District assessment is not conclusive and therefore must be disregarded.

The Commission is further of the opinion and finds that the applicant's proposal to increase its rates for public fire hydrant rentals is not justified in view of the level of service rendered by the applicant to public agencies. The Commission is mindful also of the fact that any increase in rates for public fire hydrant rentals to public agencies would of necessity become an increased tax burden on applicant's water consumers.

Based on the evidence herein and the foregoing opinions, it is found as a fact and concluded that the public interest requires that the application should be granted in part and denied in part. The order which follows will authorize the applicant to file and place in effect the schedules of rates for construction service and for private fire protection service essentially as proposed in the application. Rates for general metered service somewhat lower than those proposed in the application will be authorized also.

Applicant's request for increased rates for public fire hydrant rental service will be denied. Applicant will be authorized, however, to file a revised tariff sheet for public fire hydrant service to reflect present-day tariff practices.

It is found as a fact and concluded that the estimates of operating revenues, operating expenses, depreciation and taxes, including replenishment district assessments at the rate of \$3.19 per acre-foot, and depreciated rate base which excludes from utility plant the amount of contributions in aid of construction shown on the applicant's books as of December 31, 1959, of approximately \$59,000, as submitted by the staff engineer in Exhibit No. 7, are reasonable. When such estimates are adjusted for the denial of the proposed increase in public fire hydrant rentals, gross operating revenues of \$325,870, or \$17,430 less than applied for, net operating revenues of \$51,780, and a rate of return of 7.0 percent will result. This rate of return is 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.

ORDER

Application as above entitled 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. (a) That Conservative Water Company, a corporation, be 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 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 such rates effective for water service rendered on and after September 1, 1960.

- (b) That, concurrently with the filing authorized hereinabove, Conservative Water Company is authorized to withdraw and cancel by appropriate advice letter its presently effective rate schedules as follows: Schedule 1, General Metered Service; Schedule 2, Special Metered Service; Schedule 3, General Flat Rates; Schedule 4, Special Flat Rates; Schedule 5, Public Service Rates; and Schedule 6, Fire Sprinkler Service.
2. That applicant shall file with this Commission within sixty days after the effective date hereof, four copies of a comprehensive map drawn to an indicated scale not smaller than 300 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.
 3. That applicant shall review its depreciation accruals, using the straight-line remaining life method, whenever major changes in utility plant composition occur and for each plant account at intervals of not more than three years beginning with the next review as of January 1, 1962. Results of these reviews shall be submitted to the Commission.
 4. That applicant shall, within thirty days after the effective date hereof, file in quadruplicate with the Commission, in conformity with the provisions of General Order No. 96, a revised tariff service area map, acceptable to the Commission, rules governing customer relations revised to reflect present-day operating practices, and sample copies of printed forms that are normally used in conjunction with customers' services. 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.

5. That in all other respects this application be and it is denied.

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

Dated at San Francisco, California, this 2nd day of August, 1960.

Cecil Allred
President
Arthur E. Mitchell
William D. Pool
E. J. Fox
Richard Jenner
Commissioners

APPENDIX A
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Schedule No. 1

GENERAL METERED SERVICEAPPLICABILITY

Applicable to all metered water service.

TERRITORY

Certain portions of the Cities of Los Angeles, Lynwood, South Gate, and adjacent unincorporated areas, Los Angeles County.

RATES

Per Meter
Per Month

Quantity Rates:

First	500 cu.ft. or less	\$ 1.25
Next	2,000 cu.ft., per 100 cu.ft.17
Next	7,000 cu.ft., per 100 cu.ft.15
Next	40,000 cu.ft., per 100 cu.ft.14
Next	150,500 cu.ft., per 100 cu.ft.12
Next	800,000 cu.ft., per 100 cu.ft.10
Over	1,000,000 cu.ft., per 100 cu.ft.08

Minimum Charge:

For	5/8 x 3/4-inch meter	\$ 1.25
For	3/4-inch meter	2.00
For	1-inch meter	3.00
For	1½-inch meter	4.00
For	2-inch meter	6.00
For	3-inch meter	11.00
For	4-inch meter	17.00
For	6-inch meter	25.00
For	8-inch meter	39.00

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

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Schedule No. 4

PRIVATE FIRE PROTECTION SERVICE

APPLICABILITY

Applicable to all water service furnished for private fire protection.

TERRITORY

Certain portions of the Cities of Los Angeles, Lynwood, South Gate, and adjacent unincorporated areas, Los Angeles County.

RATE

Per Service
Per Month

For each inch of diameter of fire
protection service connection \$ 1.25

SPECIAL CONDITIONS

1. The fire protection service connection will be installed by the utility at the cost of the applicant. Such cost shall not be subject to refund.
2. The customer's installation must be such as to effectively separate the fire protection system from that of the customer's other water services. As a part of the fire protection service installation there shall be a detector check or other similar device acceptable to the utility which will indicate the use of water. Any unauthorized use will be charged for at the regularly established General Metered Service Rates and/or may be grounds for discontinuing the fire protection service without liability to the utility.
3. There shall be no cross-connection between the fire protection system and any other source of water supply without the specific approval of the utility. The specific approval will require installation at the customer's expense of a special double check valve or other separation or back-flow prevention device acceptable to the utility. Any unauthorized cross-connection may be the grounds for immediately discontinuing the fire protection service without liability to the utility.

Schedule No. 5

PUBLIC FIRE HYDRANT SERVICE

APPLICABILITY

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

TERRITORY

Certain portions of the Cities of Los Angeles, Lynwood, South Gate, and adjacent unincorporated areas, Los Angeles County.

RATE

Per Month

For each hydrant \$ 2.50

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. The cost of installation and maintenance of hydrants will be borne by the utility.

3. Relocation of any hydrant shall be at the expense of the party requesting relocation.

4. 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.

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Schedule No. 9C

CONSTRUCTION AND OTHER TEMPORARY FLAT RATE SERVICE

APPLICABILITY

Applicable to water service furnished for construction and temporary purposes.

TERRITORY

Certain portions of the Cities of Los Angeles, Lynwood, South Gate, and adjacent unincorporated areas, Los Angeles County.

RATES

A. For water for settling backfill in trenches:

Minimum Charge:

- a. Per connection or per job \$ 5.00
- b. Per lineal foot of trench02

Rate:

Per cubic foot of excavation004

B. For the use of water from a fire hydrant when proper permit can be obtained by the applicant or for use of water from a connection selected by the utility:

Minimum Charge:

For each setting of a portable meter by utility, not including water service 5.00

Rate:

For all water used Quantity Rates under Schedule No. 1, General Metered Service