

Decision No. 62481

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of DUARTE WATER COMPANY)
under Section 454 of the Public)
Utilities Code for authority to)
increase its public utility water)
rates.)

Application No. 43022

Knapp, Gill, Hibbert & Stevens, by Wyman C. Knapp
and Karl K. Roos, and W. L. Arnold, for the
applicant.

Gordon T. Beaty, for the City of Hope Medical
Center, Robert L. Plumanns, for Huntington
Swim Club, and Harold A. Sparling, in propria
persona, protestants.

Donald L. Twomley, for Southern California Water
Company, Henry W. Shatford, for the City of
Bradbury, Robert L. Wilson, for the City of
Duarte, and Royal M. Sorensen, for the
Bradbury Estates Association, interested parties.
Cyril M. Saroyan, Donald B. Steger, and Richard R.
Entwistle, for the Commission staff.

O P I N I O N

Duarte Water Company, a corporation, by the above-entitled application, filed December 27, 1960, seeks authority to increase its rates for water service in, and in the vicinity of, the Cities of Bradbury, Duarte, Irwindale, and Monrovia, Los Angeles County. The rates sought would produce gross annual revenues of approximately \$171,000 in excess of the recorded revenues for the year 1960, according to the applicant's estimates. Exhibit No. 4 includes proposed schedules of rates for contractors' water for settling trenches, private fire protection service, and public fire hydrant service. No schedules of rates for said services are presently on file by the applicant.

Public hearings were held before Examiner Stewart C. Warner on March 8 and 9 and July 19 and 20, 1961, at Duarte. Although notices of the hearings were published in newspapers, and a notice was mailed to each customer, protests to the granting of the application were made only by the City of Hope Medical Center, Huntington Swim Club, and the individual Harold A. Sparling. The latter two parties complained of poor service.

General Information

The applicant is the successor corporation by merger of Duarte Domestic Water Company, a public utility, and Duarte Mutual Water Company, a mutual irrigation company. By Decision No. 57234, dated August 26, 1958, in Application No. 40162, the applicant was granted authority to continue the consolidated operations of the domestic utility and the mutual irrigation company. The applicant filed its agreement of merger with the California Secretary of State on December 31, 1958. The stock of the applicant is widely held, and no other companies are associated with its operations.

The applicant's irrigation system is supplied by the surface diversion of the San Gabriel River flow made on the east side of the river through a gravity ditch and pipe line to a point on the west side of the river where water not required for irrigation service is spread and stored in spreading grounds owned by the applicant. The gravity irrigation system terminates in a 4,000,000-gallon reservoir which discharges by gravity into the the irrigation water system in areas lower than 700 feet elevation.

Booster pumps provide irrigation water service to a maximum elevation of 950 feet. The irrigation water system is delineated on the map, Exhibit No. 8.

The applicant's domestic water system obtains its water supply from five deep wells located within the service area. The water from the wells is pumped directly into the distribution system below the 680-foot level and into three reservoirs having a combined capacity of 3,500,000 gallons. Above such level water is boosted to two reservoirs having a combined capacity of 1,029,000 gallons. The domestic water system is delineated on the map, Exhibit No. 9.

As of December 31, 1960, irrigation water service was being furnished to 63 customers; domestic water service to 5,184 customers; and 325 fire hydrants were connected to the system.

Except as hereinbefore noted, no complaints of service are of record. The record shows that the applicant planned substantial capital improvements during the years 1960 and 1961, including the construction of a new reservoir to be known as its Scott reservoir with a capacity of 1,500,000 gallons, and a booster pumping station in connection therewith; the installation of the Fair Oaks pumping station; and the removal and replacement of a 625,000-gallon steel tank to a higher elevation. The replacement and installation of new pipe lines were also budgeted, and were being carried out during 1961.

Rates

The applicant's present rates for general metered service were filed with the Commission by Duarte Domestic Water Company and became effective on April 1, 1952, and were adopted by the applicant on December 31, 1953. The present measured irrigation service rates became effective December 30, 1958.

The following tabulation is a comparison of the applicant's present general metered service rates with those proposed in the application and those authorized hereinafter:

COMPARISON OF PRESENT, PROPOSED AND
AUTHORIZED GENERAL METERED SERVICE RATES

		<u>Present</u>	<u>Proposed</u>	<u>Authorized</u>
		<u>Per Meter</u>	<u>Per Meter</u>	<u>Per Month</u>
Quantity Rates:				
First	800 cu.ft. or less . . .			
Next	1,700 cu.ft., per 100 cu.ft. .15			
Next	7,500 cu.ft., per 100 cu.ft. .10			
Over	10,000 cu.ft., per 100 cu.ft. .08			
First	500 cu.ft. or less . . .	\$2.00		\$2.00
Next	2,000 cu.ft., per 100 cu.ft. .25			.24
Next	7,500 cu.ft., per 100 cu.ft. .17			.16
Over	10,000 cu.ft., per 100 cu.ft. .14			.13

The applicant bills bimonthly.

Under the present rates the monthly charge for water usage of 1,500 cubic feet under general metered service rates is \$2.60. Under the proposed rates such charge would be \$4.50, an increase of 73 percent; and under the rates authorized such charge will be \$4.40, an increase of 69 percent.

Although Exhibit No. 23 shows average monthly usage per general metered service customer to be 2,234 cu. ft., such usage includes four large users, to wit, City of Hope (sanitarium), Westminster Gardens, Santa Teresita (hospital) Presbyterian Homes (senior citizens).

The present rate for gravity irrigation service is equivalent to \$0.0347 per 100 cubic feet, and the proposed and authorized rate is \$0.05 per 100 cubic feet, an increase of 44 percent. The present rate for pressure irrigation service is equivalent to \$0.055 per 100 cubic feet, and the proposed and authorized rate is \$0.09 per 100 cubic feet, an increase of 62 percent.

Earnings

An accounting witness for the applicant submitted earnings data in a report on the application as Exhibit No. 19. A Commission staff engineering witness submitted earnings data in Exhibit No. 23. The following tabulation summarizes such data for the years 1960 and 1961 estimated at present rates, and for the year 1961 estimated at proposed rates submitted by the applicant, and for the year 1961 estimated at present and proposed rates submitted by the staff.

SUMMARY OF EARNINGS					
	Present Rates:		Present Rates		Proposed Rates
	Year		Year 1961 Estimated		
	1960 Est.	Per Co.	Per PUC	Per. Co.	Per PUC
	Per Co.				
Item	Exh. 19	Exh. 19	Exh. 23	Exh. 19	Exh. 23
Oper. Rev.	\$256,030*	\$248,973	\$252,500	\$414,041	\$414,300
Oper. Exp.	138,138	155,433	153,600	155,929	153,600
Depreciation	41,244	46,574	47,800	46,574	47,800
Taxes	36,023	22,165	25,000	107,532	110,700
Subtotal	\$215,455	\$224,172	\$226,400	\$310,035	\$312,100
Net Rev.	40,575	24,801	26,100	104,006	102,200
Rate Base	1,928,211	2,089,593	1,488,000	2,089,593	1,488,000
Rate of Return	2.10%	1.19%	1.7%	4.97%	6.9%
	*Not normalized				

*Not normalized

An analysis of the preceding tabulation indicates inconsequential differences in the estimates of all net revenue components for the year 1961 at both present and proposed rates submitted by the applicant and by the staff.

The difference in the weighted average depreciated rate base for the year 1961 estimated submitted by the applicant and by the staff amounting to \$600,593 is attributable primarily to the fact that the staff included in its rate base an amount of \$321,008 for water rights whereas the applicant included an amount of \$275,000 therefor. The staff water rights amount was based on its appraisal of the original cost of such water rights,

whereas, the applicant based its estimate on an appraisal made by an engineering firm in 1945. Costs associated with operation and maintenance of the applicant's plant and river diversion were considered by the staff as chargeable to operating expense. The record shows that the applicant's water rights were established in the year 1899 by an agreement with a so-called Committee of Nine. Prior to said year, and extending back to the year 1859, the applicant's predecessors were involved in extensive litigation to develop and protect their water rights in the San Gabriel River. The staff development of the original costs of water rights totaling \$321,008 is shown in Exhibit No. 24.

The applicant requested that, as a minimum water-right value, an amount of \$415,688.29 be determined by the Commission to be the value of its water rights for rate-fixing purposes. The principal addition to the original costs presented by the staff, and advocated by the applicant to be included in the rate base, is an amount of \$70,840.29 representing payments to Protection Associations as set forth in Exhibit No. 27. Other items advocated by the applicant to be included are \$7,000 for levee construction; \$12,590 paid by Duarte Mutual Irrigation and Canal Company in the year 1882 for unlined canal and water rights, and \$2,250 paid by Beardslee Water Ditch Company in the year 1881 for the same items; and an amount of \$2,000 of costs relating to the Long Beach-San Gabriel River Court action now pending, which said latter costs were included by the staff in operating expense, but excluded from Account No. 306, Land and Land Rights.

The record shows that the amounts of fixed capital for water rights recorded on the applicant's books were those transferred to it from the Duarte Domestic Water Company in 1958, and to Duarte Domestic Water Company from Duarte Mutual Water Company in 1952. The record shows that, as noted hereinbefore, the applicant is an outgrowth and the ultimate result of the merger of Duarte Mutual Irrigation and Canal Company and Beardslee Water Ditch Company in the year 1947 and the acquisition by the mutual in the year 1950 of the properties of Fair Oaks Mutual Water Company.

The applicant has not claimed in the past, is not claiming, and does not intend to claim in the future, liberalized depreciation for income tax purposes.

Findings and Conclusions

After a careful review of the record the following findings and conclusions are made:

1. That the rate of return for the test year 1961 estimated, which would be produced by the applicant's presently filed rates for water service, is deficient and that the applicant is in need of, and is entitled to, financial relief.

2.a. That the estimate of rate base of \$2,089,593 for the test year 1961 submitted by the applicant, which said estimate includes water rights of \$275,000, based primarily on a 1945 engineering appraisal of such water rights, is unreasonable and does not represent the original cost of such rights to the applicant.

b. That the estimates of operating revenues, operating expenses, depreciation, taxes and net revenue, submitted by the Commission staff for the test year 1961 at the applicant's present rates and at its proposed rates, are reasonable, and that they should be adopted for these proceedings.

c. That the additive water rights items to the staff rate base advocated by the applicant, as hereinbefore outlined, are unrealistic, do not represent any water rights development or protection costs properly capitalized, and are unreasonable.

d. That the estimate of weighted average depreciated rate base for the test year 1961 of \$1,488,000 submitted by the Commission staff is reasonable, and that the amount of \$321,008 included therein by the staff for water rights represents the original cost of such rights to the applicant.

3. That the rate of return of 6.9 percent for the test year 1961, which the staff estimated would be produced by the rates proposed in the application, is excessive, and that the application to increase rates should be granted in part and denied in part.

4. That the applicant should be authorized to file new schedules of rates which will produce gross annual estimated revenues for the test year 1961 of \$401,600, an increase of \$149,100 over the revenues estimated by the staff which would be produced by the present rates for the test year 1961, but \$12,700 less than the amount estimated by the staff would be produced by the proposed rates, and that the following results of operations are reasonable and should be adopted:

Operating Revenue	\$ 401,600
Operating Expenses	153,600
Depreciation	47,800
Taxes	103,800
Subtotal	305,200
Net Revenue	96,400
Rate Base	1,488,000
Rate of return	6.5%

The large quantity usages of City of Hope and others have been considered in the rate schedules authorized to be filed.

5. That the applicant should be directed to carry out the depreciation and tariff filing recommendations of the staff contained in Chapter 6 of Exhibit No. 23.

The Commission further finds as a fact and concludes 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 having been filed, public hearings having been held, the matter having been submitted and now being ready for decision,

IT IS HEREBY ORDERED:

1. a. That Duarte Water Company, a corporation, be, and it is, authorized to file in quadruplicate with the Commission on or 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 water service rendered on and after October 1, 1961.

b. That, concurrently with the filing authorized herein, Duarte Water Company be, and it is, authorized to withdraw and cancel by appropriate advice letter its presently effective rate schedules as follows:

Schedule No. 1, General Metered Service
Schedule No. 3, Measured Irrigation Service

Such cancellation shall become effective upon five days' notice to the Commission and to the public after filing of the advice letter as hereinabove provided.

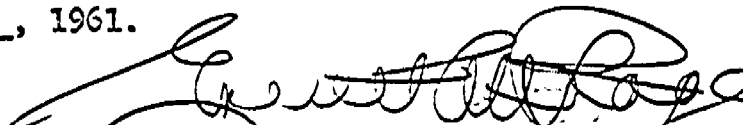
2. That the applicant shall determine the accruals for depreciation by dividing the original cost of depreciable utility plant less estimated future net salvage less depreciation reserve by the estimated remaining life of the plant, and shall review the accruals when major changes in depreciable utility 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.


3. That the applicant shall file in quadruplicate with the Commission, within thirty days after the effective date hereof, in accordance with the provisions of General Order No. 96, and in a form acceptable to the Commission, an up-to-date tariff service area map, rules governing customer relations revised to reflect present-day operating practices, and sample copies of printed forms normally used in connection with customers' services. Such tariff service area map, rules, and sample forms shall become effective upon five days' notice to the Commission and to the public after filing as hereinabove provided.

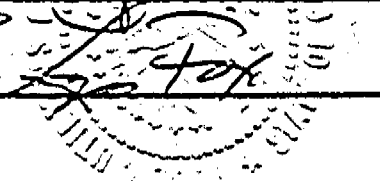
4. That in all other respects the application be, and it is, denied.

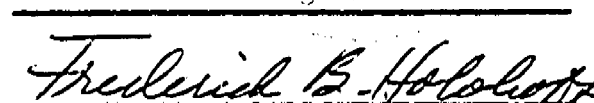
The effective date of this order shall be twenty days after the date hereof.

Dated at San Francisco, California, this 29th day of August, 1961.



President


E. L. Fox




Commissioner

APPENDIX A
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Schedule No. 1

GENERAL METERED SERVICEAPPLICABILITY

Applicable to all metered water service.

TERRITORY

Portions of the Cities of Bradbury, Duarte, Irwindale, Monrovia, and vicinity, Los Angeles County.

RATES

	<u>Per Meter</u> <u>Per Month</u>
Quantity Rates:	
First 500 cu.ft. or less	\$ 2.00
Next 2,000 cu.ft., per 100 cu.ft.24
Next 7,500 cu.ft., per 100 cu.ft.16
Over 10,000 cu.ft., per 100 cu.ft.13
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.	6.00
For 2-inch meter.	8.00
For 3-inch meter.	11.00
For 4-inch meter.	17.50
For 6-inch meter.	25.00
For 8-inch meter.	37.50

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. 3M

MEASURED IRRIGATION SERVICEAPPLICABILITY

Applicable to all measured irrigation service.

TERRITORY

Portions of the Cities of Bradbury, Duarte, Irwindale, Monrovia, and vicinity, Los Angeles County.

RATES

	Per Meter Per Month
A. Pressure Service	
Quantity Rate:	
For all water delivered, per 100 cu.ft. . .	\$ 0.09
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	6.00
For 2-inch meter	8.00
For 3-inch meter	11.00
For 4-inch meter	17.50
For 6-inch meter	25.00
For 8-inch meter	37.50
B. Gravity Service	
Quantity Rate:	
For all water delivered, per 100 cu.ft. . .	Per Delivery \$ 0.05
Minimum Charge	3.50

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 privately owned fire protection systems.

TERRITORY

Portions of the Cities of Bradbury, Duarte, Irwindale, Monrovia, and vicinity, Los Angeles County.

RATE

	<u>Per Service Connection</u> <u>Per Month</u>
For each inch of diameter of service connection	\$ 1.00

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 minimum diameter of service connection for fire protection service will be four inches and the maximum diameter will be not more than the diameter of the main to which the service is connected.

3. If a distribution main of adequate size to serve a private fire protection system in addition to all other normal service does not exist in the street or alley adjacent to the premises to be served, then a service main from the nearest existing main of adequate capacity will be installed by the utility at the cost of the applicant. Such cost shall not be subject to refund.

4. Service hereunder is for private fire protection systems to which no connections for other than fire protection purposes are allowed and which are regularly inspected by the underwriters having jurisdiction, are installed to specifications of the utility, and are maintained to the satisfaction of the utility. The utility may install the standard detector type meter approved by the Board of Fire Underwriters for protection against theft, leakage or waste of water.

(Continued)

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Schedule No. 4

PRIVATE FIRE PROTECTION SERVICE
(Continued)

SPECIAL CONDITIONS

5. For water delivered for other than fire protection purposes, charges will be made therefor under Schedule No. 1, General Metered Service.

6. The utility will supply only such water at such pressure as may be available from time to time as a result of its normal operation of the system.

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Schedule No. 5

PUBLIC FIRE HYDRANT SERVICE

APPLICABILITY

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

TERRITORY

Portions of the Cities of Bradbury, Duarte, Irwindale, Monrovia, and vicinity, Los Angeles County.

RATE

Per Month

For each hydrant \$ 1.50

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 TANK TRUCK SERVICE

APPLICABILITY

Applicable to all water service furnished for construction purposes or delivered to tank trucks.

TERRITORY

Portions of the Cities of Bradbury, Duarte, Irwindale, Monrovia, and vicinity, Los Angeles County.

RATES.

For sidewalk construction, per 100 sq.ft.	\$0.15
For street curb construction, per 100 lin.ft.30
For trench backfill settling, per lin.ft. of trench	
8 sq.ft. cross-sectional area or less01
For each additional 2 sq.ft. or less of	
cross-section area, per lin.ft. of trench.0025
For settling graded street, per 100 sq.ft.05
For water delivered to tank wagon or truck,	
per 100 gals.05

SPECIAL CONDITIONS

1. Applicants for service under this schedule shall be required to pay to the utility in advance the net cost of installing and removing any facilities necessary in connection with furnishing such service. ✓

2. Where water is to be obtained from fire hydrants, a permit must first be obtained from the fire district or other public agency responsible for fire protection. ✓