

ORIGINAL

63905

Decision No. \_\_\_\_\_

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 for water service in its Calipatria-Niland District.

Application No. 43810 (Filed October 2, 1961)

O'Melveny & Myers, by Donn B. Miller, for applicant.

Cyril M. Saroyan and Robert W. Beardslee, for the Commission staff.

O P I N I O N

Public Hearings

This application is one of four, filed during the year 1961 by Southern California Water Company, seeking rate increases in various of its operating districts. Public hearing in this matter was held before Examiner F. Everett Emerson on March 14 and 15, 1962, at Calipatria. Eighteen of applicant's customers attended the hearing.

Applicant's showing respecting its over-all operations is contained in the record made in Application No. 43574, which record is by reference a part of the record herein.<sup>1/</sup>

Applicant's Calipatria-Niland District

Applicant's Calipatria-Niland District operations comprise two separate water systems, one serving the City of Calipatria and vicinity and one serving the unincorporated

<sup>1/</sup> Decision No. \_\_\_\_\_ was issued in said application on \_\_\_\_\_, 1962 and pertains to applicant's Southwest District.

community of Niland. The water supply for each of the systems is purchased as open canal deliveries from the Imperial Irrigation District. In Calipatria the water is delivered into open-air settling basins, there chlorinated, and pumped into an elevated steel tank from which the water flows into the distribution mains. In Niland the water is delivered into open-air settling basins, where it is treated with copper sulphate, from which, after chlorination, it flows by gravity into the distribution system. The two systems serve approximately 660 customers, of which about 604 are served at flat rates.

Applicant's Request and Rate Proposal

Applicant seeks increased revenues, amounting to approximately \$23,860 on an annual basis, in order to yield what it considers to be a just and reasonable return on its properties devoted to public utility water service within the district. According to applicant's showing, such an increase would provide a normal-year rate of return of 7.21 percent on its claimed depreciated rate base of \$270,000.

Applicant's existing flat rates have been in effect since August 31, 1949. Its rates for metered service became effective on June 1, 1945. Applicant reports that its present flat rate schedule, consisting of charges for 26 different usages, is cumbersome and difficult to maintain and administer. It proposes a greatly simplified flat rate schedule. In general, applicant's proposed new schedule would increase existing flat rate charges by 47 percent. For a typical metered service minimum consumption of 1000 cubic feet, applicant's proposal is to increase the present monthly charge of \$2.90 to \$5.78 per month.

Customer Participation

Of the eighteen customers at the hearing, seven testified respecting service matters and commented on applicant's rate proposal. In general, the Niland water users, speaking for others as well as for themselves, complained of water turbidity, heavy chlorination, odors, and unsuitability for drinking and laundering. Many persons in the Niland area purchase bottled water for drinking and cooking purposes. They object to increased rates until the quality of the water is improved and also to the amount of increase, in general voicing the opinion that gradually increasing rates through the years would have been preferable to the large increase now sought by applicant.

Results of Operations

In this proceeding applicant and the Commission staff presented exhibits and testimony respecting all phases of the operations of this district. The showings respecting earnings are summarized and compared in the following tabulations:

SUMMARY OF EARNINGS  
Test Year 1961

Under Existing Water Rates

<u>Item</u>	<u>Applicant</u>	<u>CPUC Staff</u>
Operating Revenues	\$ 50,560	\$ 52,360
Operating Expenses	41,630	39,334
Net Revenue	8,930	13,026
Rate Base (depreciated)	270,000	267,600
Rate of Return	3.31%	4.87%

Under Water Rates Proposed by Applicant

Operating Revenues	\$ 74,420	\$ 77,120
Operating Expenses	54,945	53,194
Net Revenue	19,475	23,926
Rate Base (depreciated)	270,000	267,600
Rate of Return	7.21%	8.94%

Applicant has conclusively demonstrated, as the above tabulation illustrates, that its earning position under existing rates for water service is below that which is fair and reasonable. The Commission finds that applicant is in need of and is entitled to increased revenues.

The making of rates is a prospective process; that is, new rates are applicable to the future. Not only has the test year 1961 passed but any new rates which may be authorized cannot now be made effective for the full year following the test period. Further, in view of the testimony respecting water turbidity, odor and taste problems it appears that applicant's physical plant must be improved and its investment in the systems thereby further increased. The capital costs associated therewith are presently unknown but the Commission finds it to be fair and reasonable at this time to include in the rate base, on which applicant is accorded the opportunity to earn a return, an additional nominal amount of \$10,000 for such purposes. The Commission finds that the fair and reasonable depreciated rate base for applicant's Calipatria-Niland District is \$277,862. Such sum is derived by adopting the staff-calculated amount, adjusting the same for contributions in aid of construction consistent with the adjustment made in applicant's Southwest District, and by adding thereto the improvement amount of \$10,000.

The staff's estimate of revenues under existing water rates is \$1,800 higher than that of applicant. The major difference lies in the expected usage of water by the High School in Calipatria. Applicant assumed that the school would receive free water from the Imperial Irrigation District for watering of

lawns, playing fields and shrubs, whereas the staff assumed that the school would continue to use applicant's water for such purposes. Actual system revenues recorded in 1961 totaled \$51,628. During the year 1962, the school will begin year-round operation of a new swimming pool for general community recreation as well as school purposes and will use applicant's water for its operation. In view of the testimony on this subject, the Commission believes that the staff's revenue estimate will be closely approached in actuality in a normal future year and therefore finds that the same is fair and reasonable for the purposes of this proceeding.

It may be noted from the above tabulation that applicant and staff estimates of total operating expenses differ by \$2,296 under existing water rates. The basic differences lie in the categories of source of supply, water treatment, maintenance of mains, collection, and regulatory commission expenses. Of these categories, the Commission finds that the estimates of applicant for source of supply, water treatment and maintenance of mains are fair and reasonable and that the staff-calculated amounts should be adopted for the remaining categories. In view of the evidence, therefore, the Commission finds that total operating expenses of \$40,300 under existing water rates is a fair and reasonable estimate for the rate-making purposes of this proceeding.

Rate of Return and Authorized Rate Increase

In view of the evidence respecting applicant's Calipatria-Niland District operations, the Commission finds as a fact that a rate of return of 6.5 percent related to a

depreciated rate base of \$277,862 is warranted and is fair and reasonable.

Applying such rate of return to the adopted rate base indicates a need for \$18,060 in net revenues, or approximately \$6,000 more than the net revenues produced at existing rate levels. An increase of approximately \$13,620 in gross revenues is required to produce such net revenue increase and the rates hereinafter authorized should produce such amount. The Commission 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 authorized herein, for the future are unjust and unreasonable.

Service Matters

The testimony indicates that the water which applicant serves is satisfactory from the standpoint of meeting the requirements of the health authorities. The water is tested frequently by a private testing laboratory and regularly by the local health authorities. It is heavily chlorinated as a matter of protecting the public health. At times of wind or sandstorms, the water at Niland is turbid, disagreeable and unpalatable, as the uncontroverted testimony of the customers discloses.

The Commission finds that applicant should be required to undertake a program of improvement in such regard. However, since the record does not contain such a program or indicate by what means a satisfactory degree of improvement may be attained, applicant will be required to undertake both engineering and economic feasibility studies which will lead to a specific

improvement program. Applicant's studies should include, but not necessarily be limited to, such items as wind-breaks by means of trees or fencing, the screening of basin inlets, the covering of the outlet basins, the lining of basins, the installation of baffles within the basins, the installation of traps or appropriate filters and any other means by which the existing problem may be alleviated. Such studies should be undertaken at once so that a substantial improvement may be assured by not later than December 31, 1963.

O R D E R

Based upon the evidence and the findings contained in the foregoing opinion,

IT IS ORDERED as follows:

1. Southern California Water Company is authorized to file in quadruplicate with this Commission, on or after the effective date of this order and in conformity with the provisions of General Order No. 96-A, the schedules of rates and charges attached to this order as Appendix A and, on not less than five days' notice to the public and to this Commission, to make said schedules of rates and charges effective for service rendered in its Calipatria-Niland District on and after August 1, 1962.

2. Southern California Water Company shall inform this Commission in writing, by not later than October 31, 1962, of the engineering and economic features and the feasibility of means by which improvement in water quality may be accomplished and, further, by not later than December 31, 1962, shall present

to this Commission a written and specific plan or program by which it will assure appropriate improvement by not later than December 31, 1963.

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

Dated at San Francisco, California, this 10<sup>th</sup> day of July, 1962.

[Signature] President  
[Signature]  
[Signature]  
[Signature]  
Commissioners

APPENDIX A  
Page 1 of 2

Schedule No. CN-1

Calipatria-Niland Tariff Area

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

(T)

TERRITORY

Portions of Calipatria, Niland, and vicinity, Imperial County.

(T)

RATES

Quantity Rates:	<u>Per Meter</u> <u>Per Month</u>	
First 1,000 cu.ft. or less .....	\$ 4.00	(I)
Next 4,000 cu.ft., per 100 cu.ft. ....	.30	
Next 5,000 cu.ft., per 100 cu.ft. ....	.25	
Next 10,000 cu.ft., per 100 cu.ft. ....	.20	
Over 20,000 cu.ft., per 100 cu.ft. ....	.12	

Minimum Charge:

For 5/8 x 3/4-inch meter .....	\$ 4.00	
For 3/4-inch meter .....	5.30	
For 1-inch meter .....	6.60	
For 1 1/2-inch meter .....	9.00	
For 2-inch meter .....	12.50	
For 3-inch meter .....	25.00	
For 4-inch meter .....	40.00	
For 6-inch meter .....	60.00	
For 8-inch meter .....	100.00	(I)

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 2

Schedule No. CN-2

Calipatria-Niland Tariff Area

GENERAL FLAT RATE SERVICE

APPLICABILITY

Applicable to all flat rate water service.

TERRITORY

Portions of Calipatria, Niland, and vicinity, Imperial County. (T)

RATES

	<u>Per Service Connection Per Month</u>	
1. For each residence or building with inside plumbing, served through a 3/4-inch service connection .....	\$6.00	(I)
a. For each additional residence or building, with inside plumbing, on the same premises and served from the same service connection ....	3.25	
2. For each residence or building, without inside plumbing, served through a 3/4-inch service connection ...	3.00	
3. For each residence or building, with inside plumbing, served through a 1-inch service connection .....	7.50	(I)

SPECIAL CONDITIONS

1. The above flat rates apply to service connections not larger than one inch in diameter. (N)
2. All service not covered by the above classifications shall be furnished only on a metered basis. (N)
3. For service covered by the above classifications, if either the utility or the customer so elects, a meter shall be installed and service provided under Schedule No. CN-1, General Metered Service. (T)