

ORIGINAL

Decision No. 79379

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the matter of the application
of the SOUTHERN CALIFORNIA WATER
COMPANY for an order authorizing
it to increase the rates for water
service in its Ojai District.

Application No. 52204
(Filed September 18, 1970)

O'Melveny & Myers, by Donn B. Miller, Attorney
at Law, for Southern California Water
Company, applicant.
William C. Bricca, Attorney at Law, for the
Commission staff.

O P I N I O N

By this application, Southern California Water Company (Company) requests authority to establish rates in its Ojai District which are designed to increase annual revenues in the year 1971 estimated by \$50,700 over the rates now in effect.

Public hearing was held before Examiner Gillanders in Ojai on August 3, 1971, and the matter submitted. Copies of the application had been served and notice of hearing had been published and posted in accordance with this Commission's rules of procedure.

Oral testimony on behalf of Company was presented by two of its Vice Presidents and an Assistant Secretary. The Commission staff presentation was made by an accountant and an engineer. Five members of the public appeared at the hearing of whom four testified as to various matters.

General Information

Company, a California corporation organized under the laws of the State of California on December 31, 1929, is a public utility rendering water service in various areas in the Counties of Contra Costa, Imperial, Los Angeles, Orange, Sacramento, San Bernardino and Ventura. It also renders electric service in the vicinity of Big Bear Lake in San Bernardino County.

Ojai District Service Area

The Ojai District includes most of the City of Ojai and some adjacent county territory and contains approximately two square miles. As of December 31, 1969, the Ojai system was providing water service to 1,952 customers and, in addition, there were 202 fire hydrants for public fire protection connected to the system. The water supply is obtained from four Company-owned wells and water purchased from the Ventura River Municipal Water District. Each well is equipped with a deep well turbine pump driven by an electric motor. Water purchased from the Ventura River Municipal Water District is taken directly into the distribution system with a portion stored to meet peak system demands. Water produced from the four wells is chlorinated, aerated and a poly phosphate is added to prevent precipitation of manganese. As of December 31, 1969, there were approximately 193,000 feet of distribution mains in the Ojai District ranging in size up to 12-inches in diameter. Storage facilities in the Ojai District consist of six tanks and reservoirs, four of which are steel and two concrete, all on elevated ground with a combined capacity of 1,534,000 gallons.

Present Rate Schedules

Company now renders water service in its Ojai District under three different schedules as follows:

<u>Schedule No.</u>	<u>Service</u>
OJ-1	General Metered Service
OJ-7ML	Metered Public Park Service
OJ-5	Public Fire Hydrant Service

In addition, Company has three Company-wide schedules: AA-4, Private Fire Protection Service; AA-9C, Construction and Other Temporary Flat Rate Service; and AA-10, Service to Company Employees, applicable to the Ojai District.

Proposed Rate Schedules

Company proposes to increase the general metered rates and the public park service rate. The proposal also incorporates a change from a minimum charge form to a service charge rate form.

It is also proposed that the private fire protection service schedule be increased from a charge of \$1.00 per inch to \$2.00 per inch of service size consistent with recent rate proceedings in other districts. No change is contemplated in the public fire hydrant service, in the construction and other flat rate service or in the company employee service schedules.

All present rates that are proposed to be changed are shown in Exhibit B, and all proposed rate schedules are shown in Exhibit C attached to the application.

The proposed service schedules will result in the following dollar and percentage increase to the customers by class of service:

	Present Rates	Proposed Rates	Revenue Year 1971 Estimated Increase	
			Amount	Percent
General Metered Rates				
Commercial	\$184,222	\$231,997	\$47,775	25.93%
Industrial	1,268	1,581	313	24.68
Public Authority	8,410	10,789	2,379	28.29
Total Metered	\$193,900	\$244,367	\$50,467	26.03%
Private Fire Protection	240	480	240	100.00
Public Fire Protection	5,263	5,263	-	-
Miscellaneous Revenue	100	100	-	-
Total	\$199,503	\$250,210	\$50,707	25.42%

Results of Operation

Witnesses for Company and the Commission staff analyzed and estimated Company's operational results (Company Exhibits 3 and 4, Staff Exhibit 5).

As Exhibit 4 contains more current information than either Exhibits 3 or 5, it is reproduced below.

OJAI DISTRICTEffect on Results of Operation of Major Expense Rate Changes
Since Filing Application No. 52204 on September 18, 1970

	<u>Present Rates</u>		<u>Proposed Rates</u>	
	<u>1970</u>	<u>1971</u>	<u>1970</u>	<u>1971</u>
<u>Summary of Earnings Per Table 11-A, Exhibit 3</u>				
Operating Revenue	\$196,303	\$199,503	\$246,168	\$250,210
Total Operating Expenses	<u>153,866</u>	<u>156,081</u>	<u>180,009</u>	<u>182,665</u>
Net Operating Revenue	\$ <u>42,437</u>	\$ <u>43,422</u>	\$ <u>66,159</u>	\$ <u>67,545</u>
Rate Base	\$819,838	\$844,041	\$819,838	\$844,041
Rate of Return	5.18%	5.14%	8.07%	8.00%

Effect of Major Expense Rate Changes

Purchased Water (12.51% increase in Rates of VRMWD)	\$ 699	\$ 708	\$ 699	\$ 708
Pumping Power (17.09% increase in rates of SCECo. - reflects increase of September 1970 and July of 1971)	2,290	2,341	2,290	2,341
Property Taxes (Increase of 4.86% in Effective Tax Rate Per Tax Bills 1970-71)	<u>1,019</u>	<u>1,745</u>	<u>1,019</u>	<u>1,745</u>
Total Expenses Before Taxes and Depreciation	\$ 4,008	\$ 4,794	\$ 4,008	\$ 4,794
Book Depreciation (SLRL Study)	(2,437)	(2,494)	(2,437)	(2,494)

Tax Calculation

Change in Income Before Taxes & Depreciation	\$ (4,008)	\$ (4,794)	\$ (4,008)	\$ (4,794)
Tax Depreciation	<u>2,600</u>	<u>1,400</u>	<u>2,600</u>	<u>1,400</u>
Change in Taxable Income	\$ (1,408)	\$ (3,394)	\$ (1,408)	\$ (3,394)
Tax @ 51.64%	(727)	(1,753)	(727)	(1,753)
Net Change in Expense	844	547	844	547
Change in Net Revenue	(844)	(547)	(844)	(547)
Revised Net Revenue	\$ 41,593	\$ 42,875	\$ 65,315	\$ 66,998
Revised Rate of Return	5.07%	5.08%	7.97%	7.94%

(Red figure)

Rate of Return

A written exhibit presented by Company shows that it believes that a fair rate of return for it would be 8 percent on rate base and a range of 12 1/2 percent to 14 percent on equity with a minimum of three times interest coverage on debt.

A written exhibit presented by the staff shows that it recommended that the rate of return for Company's Ojai District be set in the range of 7.40 percent to 7.70 percent. Such a rate of return would produce earnings on common equity in the range of 11.51 percent to 12.35 percent.

Adopted Results

As Company's revised results of operation reflect the latest known operating conditions as well as incorporating certain other staff recommended changes, we find that its estimates reasonably reflect future conditions except that its proposed rates result in too high a net revenue.

The Company's estimates show an insignificant downward trend in rate of return.

Taking into account the various factors used by Company and staff rate of return experts in determining their recommended rates of return, we find that a rate of return of 7.50 percent on rate base and a return on common equity of 11.79 percent is reasonable.

Based on the above, Company is entitled to an increase in gross revenues of \$42,900, instead of its requested increase of \$50,700.

Service

The record shows that no informal complaints regarding service have been filed with the Commission during 1969, 1970 and through March 15, 1971. A review of applicant's records of complaints

filed in the Ojai District Office revealed 11 service complaints during 1970 and through March 15, 1971. The general nature of those complaints are:

Low Pressure	2
Noisy Meter	1
Hard Water	1
Dirt in the Water	3
No Water	1
Leaks	<u>3</u>
Total	11

A staff investigation revealed that applicant has satisfactorily corrected the condition leading to each of the complaints. Service at the time of the investigation was considered by the staff to be adequate.

No protests regarding service were made at the hearing.

Position of Protestants

The City of Ojai is greatly concerned regarding the proposed increase, especially as the rates charged by other water companies in the general area are substantially less than the existing rates of Southern California Water Company.

Two public witnesses pleaded that the Commission give consideration to the hardships to elderly people and others on fixed incomes caused by high utility rates.

One public witness pointed out the fallacy of discussing average increases when notifying customers of the hearings through published notices.

Findings and Conclusion

The Commission finds that:

1. Company is in need of additional revenues, but proposed rates set forth in the application are excessive.
2. The adopted estimates, previously discussed herein, of operating expense and rate base for the test year 1971 reasonably indicate the results of Company's operations for the future.
3. A rate of return of 7.50 percent on the adopted rate base for the year 1971 and return of common equity of 11.79 percent is reasonable.

4. The increases in rates and charges authorized herein are justified; the rates and charges authorized herein are reasonable; and the present rates and charges, insofar as they differ from those prescribed herein, are for the future unjust and unreasonable.

The rates authorized herein are in the lower zone of reasonableness recommended by the staff and are consistent with the purposes of the Federal Government's economic stabilization program in that applicant's costs require some increases to maintain its financial soundness.

The Commission concludes that the application should be granted to the extent set forth in the order which follows.

O R D E R

IT IS ORDERED that after the effective date of this order, Southern California Water Company is authorized to file the revised rate schedule attached to this order as Appendix A, and concurrently to withdraw and cancel presently effective Schedules Nos. OJ-1 and OJ-7ML. Such filing shall comply with General Order No. 96-A. The effective date of the revised schedule shall be four days after the date of filing. The revised schedule shall apply only to service rendered on and after the effective date thereof.

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

Dated at San Francisco, California, this 23rd day of NOVEMBER, 1971.

William J. Adams, Jr. Chairman
Thomas L. Sturgeon
Edward H. ... Commissioners

-7- Commissioner J. P. Vukasin, Jr., being necessarily absent, did not participate in the disposition of this proceeding.

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Schedule No. OJ-1

Ojai District

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GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service except public parks.

TERRITORY

Ojai and vicinity, Ventura County.

RATES

Quantity Rates:	Per Meter Per Month	
First 10,000 cubic feet, per 100 cubic feet	\$ 0.40	(I)
Over 10,000 cubic feet, per 100 cubic feet	0.27	
Service Charge:		
For 5/8 x 3/4-inch meter	\$ 1.95	
For 3/4-inch meter	2.20	
For 1-inch meter	3.00	
For 1-1/2-inch meter	4.00	
For 2-inch meter	6.00	
For 3-inch meter	9.00	
For 4-inch meter	18.00	
For 6-inch meter	33.00	
For 8-inch meter	45.00	(I)

The Service Charge is a readiness-to-serve charge applicable to all metered service and to which is to be added the quantity charge computed at the Quantity Rate.

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Schedule No. OJ-7ML

Ojai District

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METERED PUBLIC PARK SERVICE

APPLICABILITY

Applicable to all metered water service furnished to public parks.

TERRITORY

Ojai and vicinity, Ventura County.

RATES

Quantity Rate:	Per Meter Per Month	
For all water delivered, per 100 cubic feet	\$ 0.22	(I)
Service Charge:		
For 5/8 x 3/4-inch meter	\$ 1.95	 (I)
For 3/4-inch meter	2.20	
For 1-inch meter	3.00	
For 1-1/2-inch meter	4.00	
For 2-inch meter	6.00	

The Service Charge is a readiness-to-serve charge applicable to all metered service and to which is to be added the quantity charge computed at the Quantity Rate.

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Schedule No. OJ-7ML

METERED PUBLIC PARK SERVICE

SPECIAL CONDITIONS

1. Service under this schedule shall be limited to the City of Ojai, the County of Ventura and the Civic Center Park (Ojai Civic Association, Trustee).
2. The above rates apply to service connections not larger than two inches in diameter.
3. The cost of installation of service pipes and meters shall be borne by the utility. Relocation of such facilities shall be at the expense of the party requesting relocation.

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Schedule No. OJ-4

Ojai District

PRIVATE FIRE PROTECTION SERVICE

APPLICABILITY

Applicable to all water service furnished to privately owned fire protection systems.

TERRITORY

Ojai and vicinity, Ventura County.

RATE

Per Month

For each inch of diameter of service connection \$ 2.00 (I)

SPECIAL CONDITIONS

1. The fire protection service connection shall be installed by the utility and the cost paid by the applicant. Such payment shall not be subject to refund.

2. The minimum diameter for fire protection service shall be four inches, and the maximum diameter shall 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 services 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 shall be installed by the utility and the cost paid by the applicant. Such payment shall not be subject to refund.

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Schedule No. OJ-4

PRIVATE FIRE PROTECTION SERVICE

SPECIAL CONDITIONS - Contd.

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 according 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 and the cost paid by the applicant. Such payment shall not be subject to refund.

5. 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.