

Decision No. 39763

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application
of Toro Canyon Company, Inc., for
Authority to Increase Rates.

Application No. 27399

ORIGINAL

Griffin and Thornberg, by W. C. Gegan, for Applicant.

OPINION AND ORDER

Toro Canyon Company, a corporation, operating a domestic water system in and adjacent to the unincorporated town of Summerland, in Santa Barbara County, asks the Commission for authority to increase its rates for water service.

Applicant alleges that it has installed all improvements directed to be made by the Commission in its Decision No. 28148, dated August 12, 1935, which required the borrowing of \$9,000 on a note bearing interest at the rate of 6% per annum; that the present revenues received are insufficient to meet operating expenses and pay dividends to stockholders or to provide for retirement of the above note within the specified maturity date. It is alleged further that the unpaid balance due on said note is now \$8,000; that the corporate deficit amounts to \$3,601.76, as of December 31, 1945, and that since organization the corporation has never paid a dividend on its outstanding stock.

A public hearing was held before Examiner MacKall at Santa Barbara.

The Office of Price Administration was duly notified of the filing of this application and of the time and place set for the hearing thereof but did not enter an appearance held herein.

The water supply of this system is obtained from a tunnel in Toro Canyon about four miles from Summerland. This tunnel was driven originally in 1888 by William Swift to recover seepage oil. The water encountered in the tunnel became more valuable than the oil and by separation has been made suitable for domestic water purposes.

The transmission system consists of 22,555 feet of pipe varying from 4" to 2" in diameter. The distribution mains include 16,245 feet of pipe ranging from 4" to 3/4" in diameter. Storage is provided by a 210,000 gallon steel tank.

Miss Emeline A. Swift, President and General Manager of Toro Canyon Company, Inc., presented testimony on capital investment and operations, based upon annual reports of the company filed with the Commission, summarized as follows:

Year	Fixed Capital	Operating Revenues	Operating Expenses	Net Revenues	Rate of Return	Consumers Served
1940	\$46,373	\$4,457.11	\$4,209.83	\$247.28	0.5	123
1941	46,922	4,241.18	4,261.27	(20.07)	-	123
1942	46,922	3,922.86	3,765.88	226.98	0.5	123
1943	46,922	3,813.95	3,835.01	(21.06)	-	123
1944	46,922	4,337.41	3,901.07	436.34	0.9	143
1945	46,922	4,754.67	4,454.67	204.58	0.4	149

(Red Figure)

D. L. Duncan, one of the Commission's hydraulic engineers, presented a report covering an appraisal of the utility properties and a study of operations and general service conditions. This report, together with Mr. Duncan's testimony, is summarized below:

Estimated original cost, as of May 23, 1946	\$36,143.00*
Accrued depreciation, 5% sinking fund	10,240.00
Revenues 1945	4,759.00
Expenses	3,098.00
Net revenue	1,661.00
Return on Investment	4.6%
Consumers	149

(*) - Exclusive of water rights.

Analysis of the utility books and records by the Commission's engineer disclosed the fact that many items properly chargeable to capital accounts for improvements and replacements had been entered under operating expenses. No retirements have been made to capital accounts for replacements. In certain instances proper charges to expenses had been omitted.

The testimony of Miss Swift showed that, as the result of orders by this Commission, she had spent \$9,745 to December 31, 1937, for system improvements. An additional sum of \$3,874 has been spent for additions and betterments to

December 31, 1945, making a total of \$13,619 expended for system improvements as of that date. Miss Swift stated that several thousand dollars in new construction will be required for the immediate future, -the actual estimated cost thereof not as yet prepared.

The water supply available on this system is seriously limited. The tunnel is reported to have yielded but 36,000 gallons per day on a flow measurement taken the eighteenth day of June of this year. Some small quantity of water is available from a spring in the early months of the year. There is a possibility of obtaining some additional water by drilling wells. This Company owns 80 acres of land in Toro Canyon. However, the underground water-bearing properties of this area are uncertain and unproven at this time.

The present system performance is fairly satisfactory. However, some complaints were registered by a few consumers to the effect that deliveries of water for the irrigation of commercial tomato-growing this spring had interfered with full service to these domestic water users. The applicant will be expected hereafter to arrange water deliveries to truck garden operators in such a manner and at such times, at night or otherwise, that no further unreasonable restricted service will be given regular domestic customers.

The evidence shows that Miss Swift receives a salary allowance of \$760 per annum for office management, bookkeeping and general supervision. A part-time employee is regularly employed at a salary of \$60 per month. It appears that the labor costs are now quite substantially increasing and will so continue above former levels.

The testimony shows that the operating expenses estimated by the Commission's engineer were based upon the average of past experience of the utility in preceding years and that these expenses, especially labor and salaries, will cost substantially more in the immediate future for the rendering of adequate service.

The record in this proceeding shows that the schedule of rates proposed by applicant is unnecessarily high and would produce revenues unreasonably high at this time. The schedule of rates established in the following order are more fair and

suitable, and should increase the net revenues of this utility to slightly less than 6% upon the capital investment.

ORDER

Application as above having been filed with the Public Utilities Commission of the State of California, a public hearing having been held thereon, the matter having been duly submitted, and the Commission being fully advised in the premises,

IT IS HEREBY FOUND AS A FACT that the rates now charged by the Toro Canyon Company, Incorporated, for water supplied its customers in and adjacent to the unincorporated town of Summerland, Santa Barbara County, are unjust and unreasonable in so far as they differ from the rates herein established, and that the rates herein established are just and reasonable rates to be charged for the service rendered, and basing its Order upon the foregoing findings of fact and upon further statements of fact contained in the Opinion which precedes this Order,

IT IS HEREBY ORDERED that Toro Canyon Company, Inc., a corporation, be and it is hereby authorized and directed to file with the Public Utilities Commission of the State of California, within thirty (30) days from the date of this Order, the following schedule of rates to become effective on and after the first day of January, 1947:

Schedule No. 1

GENERAL METERED RATES

Applicability:

Applicable to all metered water service for domestic, commercial and industrial purposes.

Territory:

In and adjacent to the unincorporated town of Summerland, Santa Barbara County.

Schedule No.1 (Continued)

GENERAL METERED RATES

Rates:

<u>Monthly Minimum Charges:</u>	<u>Per Meter Per Month</u>
For 5/8 x 3/4-inch meter.....	\$2.50
For 3/4-inch meter.....	3.50
For 1-inch meter.....	5.00
For 1 1/2-inch meter.....	7.00
For 2-inch meter.....	12.00

Each of the foregoing "Monthly Minimum Charges" will entitle the consumer to the quantity of water which that monthly minimum charge will purchase at the following "Monthly Quantity Rates."

Monthly Quantity Rates:

From 0 to 500 cubic feet, per 100 cubic feet.....	\$.50
Next 500 cubic feet, per 100 cubic feet.....	.40
Next 1,000 cubic feet, per 100 cubic feet.....	.35
Next 1,000 cubic feet, per 100 cubic feet.....	.30
Over 3,000 cubic feet, per 100 cubic feet.....	.25

IT IS HEREBY FURTHER ORDERED that Toro Canyon Company, Inc., be and it is hereby directed to file with this Commission as follows:

1. Within sixty (60) days from the date of this Order, to file with this Commission for its approval, four sets of rules and regulations governing its relations with its consumers, each set of which shall contain a suitable map or sketch, drawn to an indicated scale upon a sheet 8 1/2 x 11 inches in size, delineating thereupon in distinctive markings the boundaries of its present service area, and the location thereof with reference to the immediate surrounding territory; provided, however, that such map or sketch shall not thereby be considered by this Commission or any other public body as final or conclusive determination or establishment of the dedicated area of service, or any portion thereof.

2. Within sixty (60) days from the date of this Order, to file with this Commission four copies of a comprehensive map, drawn to an indicated scale of not less than 600 feet to the inch, upon which shall be delineated by appropriate markings the territory presently served. This map should be reasonably accurate, show the source and date thereof, and include sufficient data to determine clearly and definitely the location of the property comprising the entire utility area of service, provided, however, that such a map shall not thereby be considered by this Commission or any other public body as a final or conclusive determination or establishment of the dedicated area of service, or any portion thereof.

For all other purposes the effective date of this Order shall be
twenty (20) days from and after the date hereof.

Dated at San Francisco California, this 23rd day of December

1946.

Harold P. Kule
Justin J. Calver
Frank D. ...
W. H. ...
R. I. ...

Commissioners.