

ORIGINALDecision No. 41949

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
E. R. CAPSTAFF, operating under the
fictitious name of LAKE BROOK PARK
WATER SYSTEM, for authority to
increase rates for water service in
unincorporated territory in the
County of San Bernardino, California.

Application No. 29167

E. L. Clark, for applicant;
N. M. Nadau, interested party;
F. R. Nadau, interested party.

O P I N I O N

The applicant, E. R. Capstaff, engaged in the business of furnishing public utility water service under the fictitious firm name of Lake Brook Park Water System, near Lake Arrowhead, San Bernardino County, seeks authority to increase rates.

A public hearing in this matter was held before Examiner Thompson at San Bernardino on June 28, 1948.

The service area of 160 acres lies along Hook Creek, and in general is located about three-quarters of a mile southeasterly from the shore of Lake Arrowhead. On December 31, 1947, there were 245 active services attached to the system.

The principal source of water supply is from a dug well located just above Hook Creek in Lot 22-C, Tract 2469. This well is about ten feet square and deep and produces approximately 20,000 gallons per day. The well is provided with a four-inch overflow. Applicant testified that the water level has never been substantially reduced by pumping. Two standby wells have an estimated total capacity of 15,000 gallons per day. There are eight tanks providing

a total of 45,000 gallons of storage, situated at various locations and elevations. The distribution system consists of about 31,000 feet of pipe ranging from three inches to one inch in diameter. There are 12,489 feet of one inch pipe and 9,170 feet of one and one-half inch pipe used as mains. These pipe lines are installed in easements and rights of way reserved for that purpose. The applicant states that the County of San Bernardino has not required a franchise, and that permits may be secured whenever it is necessary to cross dedicated roads.

The present rates in effect were established by the Commission in its Decision No. 26515, dated November 13, 1933, Application No. 18984, and provide for an annual flat rate of \$12 and a minimum annual meter rate of \$12. The quantity rates vary from 33-1/3 cents per 100 cubic feet for the first 3,600 cubic feet in the first block, to ten cents per 100 cubic feet for use over 10,000 cubic feet.

The requested schedule provides for a \$24 annual flat rate and a \$24 minimum annual charge for meter service. The quantity rates vary from 60 cents for the first 4,000 cubic feet to 20 cents for use in excess of 6,000 cubic feet.

The evidence shows that applicant's records of capital and expenses are incomplete. Testimony at the hearing indicates that the utility's records and the annual reports to this Commission do not accurately portray the amount of fixed capital in service, nor operating expenses. Applicant testified that this condition was largely the result of unfamiliarity with accounting methods, and because the revenues have been insufficient to permit employment of a qualified accountant.

Exhibit B, attached to the application, shows the fixed capital of the Lake Brook Park Water System, as reported in its annual

report to the Commission, to be \$17,500 as of December 31, 1947. Exhibit 4, introduced by Witness Ralph U. Fitting, purports to show an estimated original cost of total fixed capital in service of \$39,547. Sufficient facts were not introduced in the record to support the accuracy of such an estimate. Supporting data were not presented to show a proper inventory of distribution system, dates of installation, nor character and condition of the pipe lines when installed. No finding, therefore, is made in this proceeding of the historical cost of fixed capital in service.

There was introduced into the record Exhibit G, attached to the application, which showed the operating revenues and expenses as reported in the annual reports to the Commission for the years 1938 to 1947, inclusive. The data from that exhibit for the last three years are as follows:

<u>Account</u>	<u>1945</u>	<u>1946</u>	<u>1947</u>
<u>OPERATING REVENUES</u>			
R-1A Commercial Earnings-Flat Rate	\$2,280.00	\$2,640.00	\$2,928.00
Total Operating Revenues	2,280.00	2,640.00	2,928.00
<u>OPERATING EXPENSES</u> (Class C, water utility)			
E1-7 Source of Water Supply Expenses	-	-	-
8-18 Pumping expenses, labor & repairs	960.64	1,056.70	1,561.17
19-21 Purification expenses & repairs	-	-	-
22-27 Transmission & Distribution	-	961.75	600.00
28-33 Repairs to Trans. & Dist. System	-	325.00	1,235.39
34-35 Collection & Promotion of Business	-	210.00	635.00
36-49 General Expense	-	75.00	600.00
50 Taxes	41.67	31.16	96.27
51-52 Depreciation	-	-	525.00*
Total Operating Expenses	1,002.31	2,659.61	5,252.83
NET OPERATING REVENUES	1,277.69	(19.61)	(2,324.83)

(Red Figure)

* Depreciation Expense for 1947 is computed at 3% per annum by the straight line method.

The testimony shows that repairs to transmission and distribution system expense, Account No. 28-33, for the year 1947, in the amount of \$1,235.39, included over \$800 capital charge. It was further indicated that operating expenses for the year 1947 included the personal services of E. R. Capstaff at the rate of \$200 per month, but that prior to 1945 no such charges were made. Mr. Capstaff testified that he spent on the average of four days a week throughout the year in the performance of necessary duties on the water system. Considerable objection was raised by consumers to this testimony regarding the amount of time which Mr. Capstaff actually was engaged in work on the water system.

It appears that the operating expenses and revenues, as set forth in Exhibit G, are inaccurate not only as to the proper classification of expenses but as to the amounts charged.

Applicant, in Exhibit H attached to the application, submits an estimate of immediate future annual revenue, expenses, and results of operation. The evidence did not support these estimates by the facts of actual operations. They cannot therefore be accepted as representing this utility's operations.

From the evidence upon this record it is clear that applicant needs, and his operations do require increased revenues. In view of the record, applicant's proposed rates as shown in Exhibit F, attached to the application, must be adjusted and the Commission will authorize the flat rate and metered schedules set forth in the Order herein, which will yield an increase in gross revenue of approximately \$1,500.

The testimony indicates that present water service during the summer and fall months is unsatisfactory both as to adequacy of deliveries and working pressures. The schedule of rates hereinafter established will improve the earning position of this utility to the extent that the poor service conditions complained of can be remedied.

The Commission has considered the request for an increase in water rates, and upon the facts presented is of the opinion that an increase is justified to the extent set forth in the schedules contained in the Order herein.

O R D E R

E. R. Capstaff, operating under the fictitious name of Lake Brook Park Water System, having filed his application requesting authority to increase rates, a public hearing having been held, the matter having been submitted for decision, and the Commission being fully advised in the premises, and hereby finding that an increase in rates to the extent hereinafter ordered is justified and should be authorized, therefore,

IT IS HEREBY ORDERED as follows:

1. That applicant E. R. Capstaff, operating under the fictitious firm name of Lake Brook Park Water System, is authorized to file, on or before the effective date of this Order, the schedules of rates and special conditions set forth in Exhibit A, attached hereto, said schedules to be applicable to and charged for all water service rendered on and after September 1, 1948.

The effective date of this Order shall be twenty (20) days from and after the date hereof.

Dated at San Francisco, California, this 10th day of August, 1948.

Grant Russell
Harold P. Kuhl
Kenneth Potter

Commissioners.

EXHIBIT A

Schedule No. 1

ANNUAL FLAT RATES

APPLICABILITY

Applicable to flat rate water service for household residential purpose only.

TERRITORY

In the unincorporated area within Tracts Nos. 2026, 2172, 2191, 2293, 2322, 2411, 2344, and 2469, being a portion of the S½ of Section 14, T2N., R2W., SBB&M., near Lake Arrowhead, San Bernardino County.

RATES

	<u>For Annun</u> <u>Per Unit</u>
For each single family residence.....	\$ 18
For each single family residential living quarters in a duplex, flat, or apartment building.....	18

SPECIAL CONDITIONS

1. Flat rates for each year, January 1 to December 31, shall be due and payable on or before January 10.
2. A separate service connection is required for each single family residence.
3. A meter may be installed on any flat rate service at the option of the Company or of the consumer.
4. This schedule does not include water for irrigation of lawns and gardens or similar uses; such service is obtainable only under Schedule No. 2.

EXHIBIT A

Schedule No. 2

ANNUAL METER RATES

APPLICABILITY

Applicable to all metered water service for household residential purposes, including irrigation of lawns and gardens by sprinkling, and for commercial or retail establishments.

TERRITORY

In the unincorporated area within Tracts Nos. 2006, 2172, 2191, 2293, 2322, 2411, 2344 and 2469, being a portion of the S $\frac{1}{2}$ of Section 14, T2N., R3W., SBB&M., near Lake Arrowhead, San Bernardino County.

RATES

<u>Quantity Rates:</u>	<u>Per Meter Per Year</u>
First 4,500 cubic feet, or less.....	\$ 18.00
Next 1,500 cubic feet, per 100 cubic feet.....	0.30
Over 6,000 cubic feet, per 100 cubic feet.....	0.20
 <u>Annual Minimum Charge per Meter:</u>	
For 5/8 x 3/4-inch meter.....	13.00
For 1-inch meter.....	25.00
For 1 1/2-inch meter.....	40.00
For 2-inch meter.....	50.00

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

SPECIAL CONDITIONS

1. The annual minimum charge per meter for each year, January 1 to December 31, shall be due and payable on or before January 10.
2. Meters will be read on or about the last day of March, June, September, and December, and within ten (10) days thereafter each customer having used water in excess of that quantity which his annual minimum charge will purchase, will be rendered a statement, which will show the meter readings and the charges due at the annual rates. Payment for excess water used is due and payable 15 days after presentation of statement.