

ORIGINAL

Decision No. 42300

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
COAST WATER COMPANY, a corporation,
to adjust rates for water service at
Bell Gardens, California.

Application No. 29593

Everett L. Clark, for applicant;
Lawrence Gollatz, for the consumers;
Richard M. Thompson, for Bell Gardens
Taxpayers' Association.

O P I N I O N

Coast Water Company, a public utility corporation, engaged in the business of supplying water in and near the unincorporated territory of Bell Gardens, Los Angeles County, California, applies for an increase in rates. Rising costs of labor and materials, together with an increase in demand upon the system for water, are given as the reasons for the relief requested. Applicant alleges that the service area is nearly saturated, with but 36 remaining vacant lots, and that the present rates will not produce sufficient revenue to meet operating expenses.

A public hearing in this matter was held before Examiner Warner in Los Angeles, California, on Tuesday, November 9, 1946.

This company is owned by its president and sole stockholder, Mr. Melville L. Brown, who acquired all of the 10,000 outstanding shares of stock approximately one year ago. It serves water for domestic, commercial, and industrial purposes in the Bell Gardens District, an area of about 320 acres, located a mile east of the city of Bell, California.

As of July 1, 1948, there were 688 flat rate customers, 26 fire hydrant services, and 144 metered customers, making a total of 858 active service connections, plus 366 extra houses served.

Water is supplied from a 12-inch well, 528 feet in depth, and a 14-inch well drilled to a depth of 595 feet. These are 46 feet apart and are located in the highest and northeast quarter of the service area. The two deep-well pumps are belt-driven by natural gas engines which discharge into two steel tanks of 550,000- and 220,000-gallon capacity, making a total storage of 770,000 gallons. Pressure of about 50 pounds per square inch on the distribution system at the plant is maintained through the use of a 3,500-gallon steel pressure tank filled from the storage tanks, either individually or together, as needed, by two booster pumps. The distribution system contains approximately 24,400 feet of four-inch O.D. steel pipe and 15,000 feet of 5½-inch O.D. steel pipe laid in alleys and in easements reserved for that purpose.

The flat rate schedule now in effect provides for a basic minimum charge of \$1.50 per month for a ¾-inch service per single family residence, including the irrigation and sprinkling of 2,000 square feet of area. A charge of two cents for each additional 100 square feet of irrigated or sprinkled area is also provided, and there is a charge of 50 cents for each additional family residence on a lot. For each lot without a residence a charge of \$1 is made for irrigation or sprinkling of not more than 5,000 square feet, and two cents for each additional 100 square feet of irrigated or sprinkled area.

A rate of \$1.50 per month per hydrant furnished by the district and installed by the company at no additional cost to the district is contained in a contract applying to the Bell Gardens County Fire Protection District which is governed by the Board of Supervisors of Los Angeles County.

The general metered rate schedule now in effect provides for a basic minimum charge of \$1.25 per month for a 5/8 x 3/4-inch meter; the quantity charge is 15 cents per 100 cubic feet for the first 1,000 cubic feet and seven cents per 100 cubic feet for all water in excess thereof:

Testimony was presented by the applicant showing the actual results of operation for the year 1947 adjusted to reflect nonrecurring sales to Park Water Company, an adjacent utility, during 1947, together with recorded and estimated revenues and expenses for the year 1948.

A report was introduced by Mr. J. D. Reader of the Commission's staff showing the recorded revenues and expenses for the years 1944 through 1947 and estimated adjusted expenses for 1948. The following tabulation shows the results for the years 1947 and 1948, for comparison:

	Year 1947 Co. Exh. No. 5	Year 1948 Co. Exh. No. 10 Present Rates	Year 1948 P.U.C. Estimate Present Rates
Operating Revenue	\$19,323.07	\$20,076	\$20,150
Operating Expenses	11,582.21	24,000	16,242
Taxes	575.51	816	519
Depreciation	<u>3,727.78</u>	<u>1,500*</u>	<u>1,642**</u>
Total Oper. Expenses	15,885.50	26,316	18,403
Net Operating Revenue	3,437.57	<u>(6,240)</u>	1,747

(Red Figure)

* Straight Line Computation.

** 5% Sinking Fund Computation.

The applicant testified that the 1947 operations are not representative, since there was a change of management-ownership and policy during the year, and maintenance and repairs were deferred by lack of funds and by the inadequacy in the number of employees

necessary to conduct the business. The company estimated that, at rates proposed in its application, the operating expenses would so closely approximate operating revenues that the rate of return would be zero per cent, whereas Mr. Reader estimated that, at applicant's proposed rates, the rate of return for 1948 would be 8.21%, the main difference being in the proper amount of estimated total pay roll. At the present time, the company records salaries paid to four employees, including the president and superintendent, a bookkeeper, an office clerk, and a field maintenance man, whose total 1948 salaries it was estimated by the company, would amount to \$18,791. Mr. Reader testified, however, that a pay roll of \$12,000 for the maintenance and the operation of the system for the year 1948 would be more in line with the operating demands.

Since there was no significant difference in rate base estimates presented, and other expense estimates approximated each other, the amount to be considered reasonable for pay roll expense will, in a large measure, determine the level for the setting of reasonable rates.

Rates now in effect do not produce a fair rate of return, and should be adjusted. However, a lesser increase than that sought by the applicant will be authorized. The increase in rates authorized herein will produce estimated additional gross revenues of \$4,466 over 1948 revenues estimated at present rates.

By applying the revised schedule of rates included in the order herein to (a) an estimated average water usage of 2,500 cubic feet per month per consumer for the 245 estimated metered accounts as of December 31, 1948, (b) an estimated 559 flat rate customers

as of December 31, 1948, and (c) the estimated fire hydrant services, and using the consequent estimated expenses and taxes as shown, the following net revenue is obtained, which produces the rate of return calculated:

<u>Item</u>	<u>Year 1948 Estimated</u>
Operating Revenue	\$24,616
Operating Expenses, Including Taxes and Depreciation	<u>19,312</u>
Net Revenue	5,304
Rate Base	80,000
Rate of Return	6.63%

O R D E R

Application as entitled above having been filed with the Public Utilities Commission, 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 increased rates established herein, to be charged by Coast Water Company for water supplied its customers within the unincorporated community of Bell Gardens, County of Los Angeles, are justified and should be authorized; therefore,

IT IS HEREBY ORDERED as follows:

- (1) That Coast Water Company be and it is authorized to file in quadruplicate, with this Commission, in conformity with the Commission's General Order No. 96, within twenty (20) days from the effective date of this order, the schedule of rates shown in Exhibit A, appended hereto, such rates to be charged for all water service rendered on and after January 1, 1949.

- (2) That Coast Water Company, within sixty (60) days from the effective date of this order, shall 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 to be 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 filing shall not be construed as a final or conclusive determination or establishment of the dedicated area of service or any portion thereof.

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

Dated at San Francisco, California, this 7th day of December, 1948.

R. J. [Signature]
Justice J. [Signature]
[Signature]

Commissioners

EXHIBIT A

Schedule No. 1

FLAT RATES

APPLICABILITY

Applicable to all flat rate water service.

TERRITORY

Within the entire area of service.

RATES

Per Month

For each 3/4-inch service connection to a single family residence on one lot, including irrigation of not exceeding 2,000 sq. ft. of area \$ 1.80

For each additional single family residence on the same lot, or single family living quarters in a duplex, flat or apartment building 1.00

All other classes of service to be on a metered basis.

SPECIAL CONDITIONS

1. A meter may be installed on any flat rate service connection at the option of the company or the customer.

2. All charges for flat rate service are payable in advance.

EXHIBIT A

Schedule No. 2

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

Within the entire area of service.

RATES

Quantity Charge:		Per Meter Per Month
First	1,000 cubic feet, or less.	\$ 1.50
Next	2,000 " " , per 100 cubic feet	.12
Next	47,000 " " " " " "	.10
Next	150,000 " " " " " "	.08
Over	200,000 " " " " " "	.07

Minimum Charge:

For	5/8 x 3/4-inch meter	\$ 1.50
For	3/4-inch meter	1.50
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

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

SPECIAL CONDITIONS

Bills for metered service are payable upon presentation.

EXHIBIT A

Schedule No. 3

FIRE HYDRANT RATES

APPLICABILITY

Applicable to public and private fire hydrant service from direct connections to distribution mains.

TERRITORY

Within the entire area of service.

RATES

	<u>Per Hydrant</u> <u>Per Month</u>
1. For each hydrant on mains 4 to 6 inches in diameter.	\$ 2.00
2. For each direct connection to distribution mains for service to private fire sprinkler systems or hydrants within buildings:	
(a) 2-inch service connection to main.	5.00
(b) 4-inch service connection to main.	10.00
(c) 5-inch service connection to main.	15.00
(d) 6-inch service connection to main.	20.00

SPECIAL CONDITIONS

1. Public fire hydrant service under this schedule is limited to duly organized public bodies or organizations, corporate and politic, such as a County Fire Protection District or similar organization.
2. Fire hydrants of standard manufacture will be owned and installed and maintained by the company under written contract.
3. Use of all public fire hydrants and private fire sprinkler systems is limited to authorized fire fighting apparatus.