

ORIGINAL

Decision No. 42462

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
BARTON F. McGLOTHLEN and MARY JANE
McGLOTHLEN, his wife, for a certificate
of Public Convenience and Necessity and
for authority to increase rates for
water service in San Bernardino County

Application No. 29418
(Amended)

Gordon, Knapp and Hennessy, by Wyman C. Knapp, for
applicant; Knauf and Farrell, by Robert J. Farrell,
for a group of customers, protestants.

INTERIM OPINION

An application was filed by Pioneer Gardens Water Company on June 9, 1948, which requested an increase in rates for water service and the granting of a certificate of public convenience and necessity in an extended area surrounding its presently certificated areas in San Bernardino County. On September 26, 1949, the application was amended for an interim rate adjustment; the amended application being further amended at the original hearing.

Public hearings were held before Examiner Warner, in San Bernardino, on October 5 and 14, 1949.

Pioneer Gardens Water Company is operated under that fictitious firm name by Barton F. McGlothlen and Mary Jane McGlothlen, husband and wife. The territory served includes two separate water systems lying both north and south of Base Line Street and east of Waterman Avenue, just outside the city limits of San Bernardino. This territory is more particularly delineated on the map filed as Exhibit A, attached to the original application, in which are shown the presently certificated areas, the contiguous areas now being served, and additional proposed areas.

The hearings, on request of applicant, were limited to the taking of evidence regarding the need for increase in rates, and hearing on the certificate matter has been deferred to a later date. This opinion, therefore, will consider the rate question only.

Earnings

Applicant's witness presented, as Exhibit No. 1, a report of the results of operation for the years 1945, 1946, and 1947, based upon applicant's annual reports to the Commission. In addition thereto, actual operations for the year 1948, and 1949 through August, together with estimates covering the last four months of 1949 and the year 1950 were also shown. With respect to the years 1945, 1946, and 1947, the evidence indicates that applicant's records cannot be relied upon as indicative of applicant's operations during those years.

With respect to the actual year 1948, and for periods subsequent thereto, applicant's accounting witness, W. L. Arnold, a public accountant, stated that he had been able to reconstruct the books for the year 1948, and that, since January 1, 1949, the company's books had been kept in accordance with the Commission's classification of accounts.

The results of operation for the actual year 1948, the estimated year 1949, and the estimated year 1950 normal, based on rates as proposed in the amended application, are shown in the following tabulation:

<u>REVENUES:</u>	<u>Actual 1948*</u>	<u>Total Year 1949**</u>	<u>Estimated Normal 1950 ø</u>
R-1A Domestic Sales, Flat Rate			
1. Water Sales	\$25,702.37	\$29,225.98	\$50,460.00
2. Cooler Sales	-	-	1,662.00
R-1B Domestic Sales, Metered	-	-	691.00
	<u>25,702.37</u>	<u>29,865.97</u>	<u>52,813.00</u>
<u>OPERATING EXPENSES:</u>			
Source of Supply Expense	23.73	164.00	360.00
Pumping Expense	9,234.36	8,998.42	12,477.00
Transmission & Distrib. Expense	1,450.98	1,552.86	2,517.00
Commercial Expense	3,677.16	3,951.24	4,023.00
General Expense (1)	2,796.33	6,207.27	13,527.00
Taxes-General	600.96	770.47	985.00
Bad Debts	-	-	270.00
Total Operating Expense before Deprec. & Fed. Tax	<u>17,783.52</u>	<u>21,644.26</u>	<u>34,159.00</u>
Depreciation (Straight line)	7,250.00	7,500.00	7,750.00
Federal Income Tax	-	-	1,360.00
Total Operating Expenses	<u>25,033.52</u>	<u>29,144.26</u>	<u>43,269.00</u>
NET OPERATING PROFIT OR LOSS	668.85	721.71	9,544.00

Notes:

(1) No executive salary included in 1948 or 1949.

* Based on present rates.

Eight months actual, four months estimated.

ø Based on proposed rates per amended application and as amended at the original hearing.

The evidence shows that included in the 1950 estimate for "source of supply expense" is considerable expense to be incurred for sand pumping wells, prorated over a five-year period. The estimate of 1950 pumping expense includes a prorata share of Mr. McGlothlen's time, some additional labor, and considerable repairs to pumping equipment, station and buildings. The latter repairs have been deferred for several years because of lack of funds, and the testimony indicates that such repairs as had been effected were provided from borrowing by McGlothlen in his own name. This estimate also includes the expense of pulling and reinstalling two of the 14 pumps each year, this work also having been deferred because of lack of funds. The major item of expense in this group, however, is for power purchased.

In the 1950 estimate for transmission and distribution expense, allowances have been made for the painting and cleaning of pressure tanks, repairs to tank and tower, and a prorata share of McGlothlen's salary for superintendence. The general expense estimate likewise includes a proration of his salary. The record shows that no salary has ever been paid to him and that no personal expenses incurred by either his wife or him have ever been paid out of revenues from the water system. Other additional expenses included in the 1950 general expense estimate are for the employment of an accountant; operation of a general office since, prior to 1949, no regular office was maintained; legal expense; the amortization, over a five-year period, of certain expenses pertaining to this application; some engineering and mapping expense; and insurance and automobile expense, most of which are either new expenses for applicant but certain of which were previously incurred but not properly accounted for.

The annual report of applicant to this Commission for 1947 shows fixed capital in the amount of \$191,670 and a depreciation reserve of \$25,600 as of December 31, 1947. As a question exists as to the reliability of the capital records, the evidence shows, no rate base has as yet been determined, and applicant has retained expert engineering services to appraise the properties. The Commission's staff is likewise engaged in making such an appraisal, the results of which will probably not be available until some time in February, 1950.

Protestants presented evidence purporting to show the existence of donated capital with respect to wells. The taking of evidence relating thereto was not completed at the first two hearings, but it is concluded that, regardless of the effect upon the rate base determination of the treatment of these items, applicant would not earn an excessive return, using the estimated net revenues with the rates proposed in the application, as amended. Further, it is concluded that interim relief is justified, and, pending further hearings on all aspects of this matter, the rates as later discussed and as set forth in Exhibit A will be authorized.

Service

Considerable evidence was introduced which showed that there is sand in mains which results in clogging of lines and lowering of water pressures. The evidence further indicates that water pressures are considerably below minimum standards of 20 pounds per square inch during peak demands on the system in the summertime. This may be attributable to excessive usage for watering lawns and gardens during hot spells, without restriction of use by applicant. This is one of the usual troubles encountered under flat-rate service which allows unlimited use of water, and since the system is not generally metered at this time, such abuse may occur if restrictions are not imposed. The evidence shows that, at times, it was necessary to draw on a warm well producing water of a temperature of about 82 degrees to supplement other sources during periods of heavy demand. About 100 customers are affected by the injection of this warm water, but Mr. McGlothlen stated that if he were financially able to utilize all other water sources by sand pumping and repairs to pumping equipment, as proposed in the 1950 estimate, this condition would be relieved. We are of the opinion that every effort should be pursued by applicant to rehabilitate the water system and provide satisfactory service. A witness for the protestants testified that he believed customers, generally, would not object to a rate increase if service were improved.

Rates

As noted hereinbefore, applicant, at the original hearing, withdrew the request for increased meter rates; however, a new proposed meter rate was offered which would increase the monthly minimum charge to make it equal to the basic flat rate charged but would not increase the water bills of present metered customers. The proposal to establish a rate for coolers also was withdrawn at the hearing.

The record shows that as of August 31, 1949, service was rendered to 1,357 flat-rate customers and three metered customers. The present flat-rate schedule consists of a basic charge of \$1.50 per month per residence on a lot of not more than 10,000 square feet in area. The meter schedule includes a monthly minimum charge of \$1.25 for the first 700 cubic feet. The rates ordered herein will include a basic flat rate of \$2 per month for 6,500 square feet of area. The minimum in the metered rate will be increased from \$1.25 per meter per month to \$1.75 per meter per month for a 5/8 by 3/4-inch meter, minimum charges for other sized meters also being increased. The minimum quantity allowable will be increased from 700 cubic feet to 1,000 cubic feet.

INTERIM ORDER

Pioneer Gardens Water Company having applied to this Commission for an order authorizing increases in rates and for a certificate, a public hearing having been held, applicant having requested interim rate relief, and the matter having been submitted for decision as to such interim rates,

IT IS HEREBY FOUND AS A FACT that the increases in rates and charges authorized herein are justified; therefore,

IT IS HEREBY ORDERED that applicant is authorized to file in quadruplicate with this Commission after the effective date of this order in conformity with the Commission's General Order No. 96, a schedule of rates shown in Exhibit A attached hereto and on not less than five (5) days' notice to the Commission and the public to make said rates effective for service rendered on and after December 1, 1949.

IT IS HEREBY FURTHER ORDERED that Application No. 29418 be continued to permit the holding of such further hearings and receipt of such additional evidence as may be deemed proper before final determination of said application is made.

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

Dated at San Francisco, California, this 1st day of November, 1949.

R. Z. [Signature]
Justus Z. [Signature]
Leopold [Signature]
Harold F. [Signature]
[Signature]
Commissioners.

Schedule No. 1

FLAT RATESAPPLICABILITY

Applicable to unmeasured water service for domestic, commercial, irrigation and other purposes.

TERRITORY

Within unincorporated territory easterly of San Bernardino, San Bernardino County, as elsewhere delineated on Tariff Area Maps.

RATES

	<u>Per Month</u>
Single residence on one lot not to exceed 6500 sq. ft. of area . .	\$ 2.00
For each additional 500 sq. ft. or fraction thereof of area of lot	.10
For each additional residence on lot	1.00

SPECIAL CONDITION

A meter may be installed on any service at the option of the customer or the utility.

Schedule No. 2

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all measured water service for domestic, commercial, irrigation and other purposes.

TERRITORY

Within unincorporated territory easterly of San Bernardino, San Bernardino County, as elsewhere delineated on Tariff Area Maps.

RATES

Monthly Minimum Charges:

For 5/8 x 3/4-inch meter	\$ 1.75
For 1-inch meter	3.00
For 1 1/2-inch meter	5.00
For 2-inch meter	7.50
For 3-inch meter	15.00
For 4-inch meter	25.00

Each of the foregoing monthly minimum charges will entitle the customer to the quantity of water which that monthly minimum charge will purchase at the following "Monthly Quantity Rates":

Monthly Quantity Rates:

First 1000 cubic feet or less	\$ 1.75
Next 1000 cubic feet, per 100 cubic feet12
All over 2000 cubic feet, per 100 cubic feet10