

Decision No. 43744

## BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the matter of the application  
of MOUNTAIN PROPERTIES, INC.,  
a California corporation, to  
increase its rates for Orangewood.

Application No. 30331

George C. Lyon, for applicant; Calhoun E. Jacobson,  
Mrs. Moretta Miller, Ruth Marrs, Mrs. Edward Dallmeier,  
Mrs. Kenneth Andersen, Clark Day, Jas. A. B. Cheney,  
Mrs. Geo. E. Lake, Mrs. Fred Berke, James J. Kelling,  
Mrs. George R. Land, Vernon E. Boyer, Frank J. Horcjs,  
J. L. Monson, C. L. Mains, Harold Dunbar, George W.  
Thompson, Mrs. Harry Anderson, Mrs. Ferdinand Bowen,  
Earle M. Sweet and A. A. Bray, Protestants.

O P I N I O N

This is an application of Mountain Properties, Inc. for authority to increase water rates in its Orangewood service area, which it claims is necessary to permit adequate maintenance and proper operation of the system and to provide a reasonable return on the value of the properties. Public hearings were held on this matter in Los Angeles on September 28, October 18 and November 3, 1949 before Examiner Crenshaw.

Mountain Properties, Inc. was organized in December, 1931, under the laws of the State of California, and is engaged among other things in the operation of public utility water systems in 16 localities in Los Angeles and Orange Counties. Orangewood is an unincorporated community in Los Angeles County, located in the vicinity of Anaheim-Telegraph Road and Rosemead Boulevard, about ten miles easterly of the City of Los Angeles. The population of the area is approximately 1,600.

The original water system was built by the subdivider in 1928 to aid in the sale of lots and was operated by him for a period

of about seven years, when it was sold to Martin and Goold Water Company. The water system was operated by Martin and Goold Water Company for a period of one year. Up to that time, no application for authorization to operate as a public utility had ever been asked of this Commission. When Mountain Properties, Inc. acquired the property, it promptly asked for a certificate of public convenience and necessity, which was granted by Decision No. 29695, dated April 26, 1937, in Application No. 21015.

The service area was extended in 1940 and 1942 to include 244 acres, of which 136 acres were added by Decision No. 33068, dated May 6, 1940, in Application No. 23239. The balance of 108 acres was authorized to be added to the service area by Decision No. 35574, dated July 14, 1942, in Application No. 23985. The total service area consists of approximately 324 acres.

The present water supply is furnished by two deep wells. Stoakes Well, or Plant No. 2, is 12 inches in diameter and 324 feet deep. The pumping plant is powered by a 15 hp motor and delivers water to the distribution system through a 3,000-gallon steel pressure tank.

Rosemead Well, or Plant No. 1, is 14 inches in diameter and is powered by a 20 hp motor. It delivers water to the distribution system through a 5,400-gallon steel pressure tank. Both well pumps are automatically controlled and maintain a water pressure of 45 to 60 pounds per square inch in the winter and 50 to 65 pounds per square inch in the summer.

The County of Los Angeles makes periodic bacterial tests of the water supply and has never reported the water as unpotable.

The company has no franchise in the service area at the present time, as all pipe lines are constructed in easements provided for that purpose. The distribution system consists of 31,201 feet of steel and transite pipe varying from two inches to eight inches in

diameter. At the time of the hearing, 13,505 feet of steel and transite pipe were being installed in Tracts 15537 and 15568. As of July 1, 1949 water has been distributed by applicant to 403 metered and 15 flat rate customers, an increase of 50 metered customers since December 31, 1948 with no increase in flat rate customers.

The meter rates in effect provide for a monthly minimum charge of \$1.50 and permit a use of 1,000 cubic feet of water. The charges for excess use are reduced through four blocks to \$0.072 per 100 cubic feet for all water delivered over 300,000 cubic feet. The present flat rates provide for a monthly minimum charge of \$2 for a residence, including irrigation use on a lot not to exceed 50 x 120 feet in size, and \$0.005 per square yard, for additional irrigation service.

The proposed meter rates provide for a \$2 monthly minimum charge with an allowance of 1,000 cubic feet, and charges for use in excess of the minimum are reduced through three blocks to 12 cents per 100 cubic feet for deliveries over 2,500 cubic feet. The proposed flat rates are the same as those in effect, except that the lot size is increased to 50 x 135 feet and additional irrigation will be supplied at two cents per 100 square feet.

Considerable opposition to the increase in rates was manifested at the hearing by customers of applicant, who questioned the reasonableness of the rate increase applied for and who also complained of the character of service being rendered. Some of the complainants stated that the water supplied contained foreign matter which discolored laundry. During the course of the hearing, J. L. Lyon, president of Mountain Properties, Inc., testified that in an effort to overcome this condition, the mains in the affected area were flushed out, and a careful check was being maintained to avoid a recurrence of this situation.

Applicant, in its Exhibit No. 1 introduced at the hearing and testified to by Mr. Lyon, showed that the net profit earned after depreciation and taxes for the year 1948 amounted to \$35.62. In this exhibit, applicant showed the operating revenues and expenses for the first six months of 1949 which, after depreciation and taxes, showed a net loss of \$163.41. An estimate submitted by applicant for the year 1949, applying its proposed rates, showed a net profit of \$876.88. In the same exhibit, applicant showed fixed capital investment as of June 30, 1949 of \$61,940.94; which does not include materials and supplies of \$1,495.92 or working capital of \$1,200.

Senior Engineer James F. Wilson of the Commission staff introduced a report on the operations of applicant for the year 1948 and estimates for the year 1949, as shown in the following Summary of Earnings:

	Year 1948 (Recorded)	Year 1949 (Estimated)
Revenue	\$ 9,620	\$11,620
Operating Expenses	9,028	10,585
Net Income	592	1,035
Average Undepreciated Rate Base	46,858	69,298
Accrued Depreciation	4,808	6,908
Average Depreciated Rate Base	42,050	62,390
Rate of Return	1.41%	1.66%

Had the rate proposed by applicant been in effect during 1948, it is estimated that the revenues would have been \$11,910, resulting in a net income of \$2,218 or a rate of return of 5.21%. Applying the proposed rates of applicant to 1949, it is estimated that the revenues would have been \$14,395, with a net income of \$3,005, resulting in a rate of return of 4.82%.

When applicant acquired the Orangewood Water System in 1942, the rate schedules originally authorized were continued in effect until February 1, 1946, at which time a decrease in the metered schedules was voluntarily filed by applicant.

According to the record, it appears that applicant is entitled to relief in its rates as it has proposed, and the order will so provide. However, applicant should promptly make the necessary changes and improvements in its water system in the Orangewood area so as to provide a minimum operating pressure of not less than 25 pounds per square inch at the customer's premises, and make every effort to clear up discoloration of the water in certain portions of the system, about which customers have complained.

O R D E R

Mountain Properties, Inc. having applied to this Commission for an order authorizing increases in its rates for water service, public hearings having been held, and the matter having been submitted for decision,

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

IT IS HEREBY ORDERED AS FOLLOWS:

1. 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, the schedule of rates shown in Exhibit A attached hereto, and after not less than five (5) days' notice to the Commission and the public, to make said rates effective by billing periods for service rendered on and after the 28th day of February, 1950.
2. Applicant shall file a progress report on or before March 1, 1950 and each two months

thereafter until a minimum pressure of 25 pounds per square inch at customers' premises has been established, and discoloration of water has been cleared up.

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

Dated at Los Angeles, California, this 1<sup>st</sup> day of February, 1950.

R. F. Indurana  
Justin F. Green  
Gregory Lawrence  
Harold K. Kula  
James H. Potter  
Commissioners.

## Schedule No. 1

MONTHLY FLAT RATEAPPLICABILITY

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

TERRITORY

Within the service area of Orangewood Water System, Los Angeles County.

RATES

	<u>Per Month</u>
For single-family residence on a lot not to exceed 6,750 square feet in area, through a 3/4" service .....	\$2.00
For each additional family unit on a single lot	1.00
For each additional 100 square feet of lot area	.02
For each store, market or shop (service connection not to exceed 3/4") .....	2.00
For each service station (service connection not to exceed 3/4") .....	3.00

SPECIAL CONDITIONS

1. All service not covered by the above classifications will only be furnished on a metered basis.

2. Meters may be installed at option of utility or customer for above classifications in which event service will thereafter be rendered only on the basis of Schedule No. 2, Metered Service.

## Schedule No. 2

GENERAL METERED RATESAPPLICABILITY

Applicable to all metered domestic and industrial water meter service.

TERRITORY

Within the service area of Orangewood Water System, Los Angeles County.

RATES

	<u>Per Meter</u> <u>Per Month</u>
Monthly Minimum Charge:	
For 5/8 x 3/4-inch meter .....	\$ 2.00
For 1-inch meter .....	3.00
For 1 1/2-inch meter .....	4.00
For 2-inch meter .....	6.00
For 3-inch meter .....	15.00
Monthly Quantity Rate:	
First 1,000 cubic feet or less .....	2.00
Next 500 cubic feet, per 100 cubic feet .....	.20
Next 1,000 cubic feet, per 100 cubic feet .....	.15
Over 2,500 cubic feet, per 100 cubic feet .....	.12

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