

Decision No. 43751

O P I N I O N

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
MOUNTAIN PROPERTIES, INC. to increase
water rates of Barber City.

Application No. 30333

George C. Lyon, Attorney for applicant;
R. A. Brock, for Westminster Chamber of
Commerce.

O P I N I O N

This is an application by Mountain Properties, Inc., for authority to increase water rates in its Barber City District, which it claims is necessary to permit the adequate maintenance and proper operation of the system, and to give a reasonable return on the value of the properties.

A public hearing was held on this matter in Santa Ana on September 16, 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.

Barber City is an unincorporated community in Orange County, located in the vicinity of Westminster Avenue and Rancho Place, is about six miles west of Santa Ana, and has a population of approximately 600.

The original water system was installed in 1924 by Ira C. Barber, owner and subdivider of Tract 661, located in Orange County. Later, the water system was operated as a community project until 1935, when W. L. Russell became the owner of the system and a number of unsold lots of the subdivision. Upon taking over the property,

Mr. Russell applied to this Commission for a certificate of public convenience and necessity in Application No. 19740 which was granted by Decision No. 27804, dated March 11, 1935.

In 1942, applicant herein acquired the water system from the W. L. Russell estate through a decree of the Superior Court of Los Angeles County and obtained authorization for the acquisition from the Commission by Decision No. 35574, dated July 14, 1942, in Application No. 23985. During the time the water system was operated by Mr. Russell, another tract was added to the service area.

The present water supply is furnished by two drilled wells. Well No. 1 is six inches in diameter and 120 feet deep. A turbine pump direct connected to a five hp electric motor delivers water to the distribution system through a 2,355-gallon steel pressure tank. Well No. 2 is 12 inches in diameter and the depth is not known at the present time. Installed in this well is a turbine pump direct connected to a 7½ hp electric motor which discharges into the distribution system through a 2,000-gallon steel pressure plant. Both pumping plants are automatic in operation. The service area consists of approximately 40 acres. The pipe lines are installed on easements provided for that purpose.

The distribution system consists of 8,439 feet of steel and transite pipe, varying from two inches to six inches in diameter. According to the record, water has been distributed by applicant to 133 flat rate customers and to two metered customers as of June 30, 1949.

Testimony was introduced by a number of customers who stated that in some areas the pressure conditions were very poor and in their opinion applicant should not be permitted to charge the increased rates proposed in the application unless an adequate water supply is available at reasonable pressures.

Mr. J. L. Lyon, President of Mountain Properties, Inc., testified that some of the instances of poor pressure recited by the customers had not come to his attention; however, he stated that steps would be taken immediately to correct the condition.

In reply to a brief submitted by Mr. Morris in behalf of certain water users, applicant pointed out that since the hearing it had installed in the Barber City tract a new pump with approximately four times the pumping capacity of the old pump and adapted to higher pressures. At the time the new pump was installed, the well and tanks were cleaned. The installation of the new pump, in the opinion of the applicant, should eliminate any trouble from oil and should give adequate pressure to all of its water users in this locality. It was brought out, however, that such improvements naturally increase the capital investment in applicant's property and were not included in the rate base submitted at the hearing. The brief submitted by Mr. Morris raised questions regarding the reasonableness of operating expenses and certain fixed capital items. In addition, he brought out that the physical condition of the system should be improved as there seemed to be an excessive amount of oil and sand in a portion of the distribution system.

In its Exhibit No. 1, introduced at the hearing and testified to by Mr. J. L. Lyon, applicant brought out that it sustained a loss for the year ending December 31, 1948, of \$319.14. In this exhibit, applicant showed a net profit of \$53.47 for the six months ending June 30, 1949. An estimate submitted by applicant for the year 1949 showed a net profit of \$106.84.

An engineer of the Commission's staff introduced a report on the operations of applicant for the year 1948 and estimates for the year 1949. He stated that just before the hearing he discovered that Accounts C-10 Wells, C-14 Pumping Equipment, and C-18 Distribution Mains, in the company's books did not include a number of items

of property now in use. Mr. J. L. Lyon, president of applicant company, requested and obtained permission to file an exhibit showing the cost of this property. The report of the Commission engineer, adjusted to reflect these sums, showed the following Summary of Earnings:

<u>Item</u>	<u>Year 1948</u>		<u>Year 1949</u>	
	<u>Recorded</u>	<u>Proposed Rates</u>	<u>Recorded</u>	<u>Proposed Rates</u>
Operating Revenues	\$ 2,591	\$ 3,370	\$ 3,045	\$ 4,055
Operating Expenses	<u>2,869*</u>	<u>3,109*</u>	<u>3,004*</u>	<u>3,304*</u>
Net Income	(278)	261	41	751
Rate Base	12,763#	12,763#	14,871#	14,871#
Rate of Return	-	2.04%	-	5.05%

* Depreciation Expense and Reserve calculated on straight-line basis.

Depreciated Rate Base.

(Red Figure)

The estimates submitted by applicant and the Commission staff do not include any investment for the new pump installed subsequent to the hearing as referred to in applicant's brief.

According to the record, it appears that applicant is entitled to relief in its rates for flat rate water service and the order will grant rates which include a charge for the irrigation of gardens on lots in excess of 5,400 square feet. These rates are estimated to produce approximately the same revenue as those sought by applicant. However, applicant should promptly make the necessary changes and improvements in its water system in Barber City so as to provide a minimum operating pressure of not less than 25 pounds per square inch at the customer's premises.

O R D E R

Mountain Properties, Inc., having applied to this Commission for an order authorizing increases in its rates for water service, a public hearing 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. 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, the schedule of rates shown in Exhibit A attached hereto, and after not less than one (1) day's 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.

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

Dated at Los Angeles, California, this 1st day of February, 1950.

A. J. Anderson
Justice J. Casper
Irving S. Powell
Harold P. Kille
Benjamin H. Patten

CERTIFIED AS A TRUE COPY

Secretary, Public Utilities Commission of the State of California.

Schedule No. 1

MONTHLY FLAT RATE

APPLICABILITY

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

TERRITORY

Within the service area of Barber City, Orange County, water system.

RATES

	<u>Per Month</u>
For single-family residence on a lot not to exceed 5,400 square feet in area, through 3/4" service	\$ 2.00
For each additional family unit on lot	1.00
For each additional 100 square feet of lot area02
For small business lots where service connection does not exceed 3/4"	2.00

A meter may be installed on any flat rate service at the option of the consumer or the utility.

Schedule No. 2

GENERAL METERED RATES

APPLICABILITY

Applicable to all domestic and industrial water meter service.

TERRITORY

Within the service area of Barber City, Orange County, water system.

RATES

	<u>Per Meter</u> <u>Per Month</u>
<u>Monthly Minimum Charge:</u>	
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
<u>Monthly Quantity Rate:</u>	
First 1,000 cubic feet or less	2.00
Next 500 cubic feet, per 100 cubic feet20
Next 1,000 cubic feet, per 100 cubic feet15
Over 2,500 cubic feet, per 100 cubic feet12

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