

Decision No. 45023

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the matter of the application of  
Gardens Water Corporation for per-  
mission to increase rates:

Application No. 31626  
Amended

Chris N. Kunkle and W. A. Campbell, for applicant; Frank M. Page, James O. Elkins, and H. J. Lumley, for a property owners' committee; Mrs. Beverly Casey, Grant V. Topdahl, and Wallace Hiebert, in propria personae, interested parties.

O P I N I O N

Gardens Water Corporation, a corporation, owner and operator of a water system serving domestic customers in and about the unincorporated community of Oak View, Ventura County, California, filed the above-entitled application on July 3, 1950, asking authority to establish a schedule of increased rates. At the hearing, the rates proposed in the application were amended.

A public hearing on this application as amended was held before Examiner Warner in Ventura on November 2, 1950.

Gardens Water Corporation is a California corporation which has been operating as a public utility under that name since August 27, 1946. On that date, and in accordance with authorization granted by the Commission's Decision No. 39359 in Application No. 26955, the assets of Glen Oak Water Corporation, incorporated October 9, 1933, and the assets of Georgie W. Staire, a neighboring operator of a private water system, were acquired and consolidated by applicant.

Applicant furnishes domestic water service to approximately 325 regular domestic customers. Surplus water is being furnished temporarily, at regular domestic rates, to Arnaz Mutual Water Company through a master meter from which are served 30 customers not considered regular customers of applicant. Fire hydrant service is also furnished.

Applicant's service area comprises approximately 110 acres lying in the Santa Ana Valley, nine miles north of Ventura. There are six wells in production with a total estimated capacity of 360 gallons per minute, and an additional well not in use. Water is pumped directly from the wells to six storage tanks located at three sites throughout the service area and with a total storage capacity of 243,000 gallons. An earthen reservoir with a capacity of 500,000 gallons is under construction. The distribution system consists of approximately 15,000 feet of steel and Transite mains ranging in diameter from 1½ inches to 4 inches.

The present rates specify a minimum charge of \$1.50 per meter per month for a 5/8-inch meter, \$2 for a 3/4-inch meter, \$3 for a 1-inch meter, \$7.50 for a 1½-inch meter, and \$10 for a 2-inch meter. The monthly quantity rates are 20 cents per 100 cubic feet for the first 2,000 cubic feet, 17½ cents per 100 cubic feet for the next 8,000 cubic feet, and 15 cents per 100 cubic feet for all over 10,000 cubic feet.

Applicant's proposed rates as amended at the hearing specify a monthly minimum charge of \$2 per month for a 5/8-inch meter, \$2.70 for a 3/4-inch meter, \$4 for a 1-inch meter, \$10 for a 1½-inch meter, and \$13.30 for a 2-inch meter. The amended proposed monthly quantity rates are \$2 for the first 750 cubic feet of water usage per meter per month, with the next 1,250 cubic feet at 30 cents per 100 cubic feet,

the next 3,000 cubic feet at 25 cents per 100 cubic feet, and all over 5,000 cubic feet at 20 cents per 100 cubic feet.

In its application, applicant also proposed the establishment of service connection charges of \$50 for a 5/8-inch connection, \$50 for a 3/4-inch connection, \$85 for a 1-inch connection, \$120 for a 1½-inch connection, and \$170 for a 2-inch connection.

Several protests were entered at the hearing, but the record shows that these protests were primarily directed at the quality of service with particular emphasis on low pressures experienced in the higher elevations, on hilltops, and at the end of certain small distribution mains. It is evident from the record that there was no major objection to the proposed increase in rates if better service in the form of higher operating pressures could be assured to customers.

Applicant's secretary-treasurer testified that applicant had sustained a deficit totaling approximately \$2,900 over the last three years and that there was a net deficit of approximately \$1,200 during the first five months of 1950. These deficits are calculated after interest. He stated that no salaries had been paid to any of the officers and that there were no other employees; that applicant had been authorized to borrow \$18,000 at 4% interest by the Commission's Decision No. 44746 in Application No. 31627, dated September 1, 1950; and that application before the Reconstruction Finance Corporation to borrow those funds was pending. The money is to be used to construct the aforementioned earthen reservoir at an estimated cost of \$14,000, and to retire a portion of a personal loan from the president amounting to approximately \$11,000, the funds from said loan having been used to drill a new well in 1949 at a cost of

about \$6,000, and to install a pump therein early in 1950 at a cost of \$4,000. He further stated that all taxes on the utility had been paid by the president out of personal funds and had not been charged on applicant's books.

A report on applicant's results of operations was submitted as Exhibit No. 2 by a Commission staff engineer. The earnings data set forth therein is summarized in the following tabulation:

Item	Year 1949	: Estimated : Year 1950
<u>Revenue</u>		
Revenue from Metered Water Sales	\$ 8,449.07	\$12,259*
<u>Operating Expense</u>		
Total Expense before Depreciation and Taxes	4,214.55	6,850
Taxes	50.00	1,195
Depreciation	3,689.10	1,587
Total Operating Expense	7,953.65	9,632
Net Income	495.42	2,627
<u>Rate Base</u>		
Average Fixed Capital	24,501	47,611
Materials and Supplies	-	150
Working Cash	664	803
Average Undepreciated Rate Base	25,165	48,564
Deduct Depreciation on Depreciable Capital	6,247#	8,174
Average Depreciated Rate Base	18,918	40,390
Rate of Return	2.62%	6.50%

\* Utilizing the rates as proposed in the application.

# Adjusted.

The Commission staff engineer testified that in the estimate for 1950, an allowance had been made of \$200 per month to cover general supervision, meter reading, repair and pumping labor, plus \$30 per month for part-time office salary and \$15 per month office rental, including lights, heat, and telephone; that accrued depreciation and

the depreciation expense had been recomputed on the basis of an average 30-year life; that the average rate base included the cost of the reservoir now under construction, together with the transfer during 1950 of the transmission mains of the Staire properties, such transfer having been authorized in 1946 but not effected on applicant's books; and that the new well and pumping equipment installed in 1949 and 1950 also had been included in the rate base.

After a careful review of the record, it is evident that the present rates will not provide a fair rate of return and that applicant is entitled to certain financial relief. The order herein will provide for the establishment of the rates proposed by applicant as amended at the hearing, except for the establishment of the requested service connection charges which are not considered to be proper and would not be just and reasonable. It is estimated that the rates authorized herein will produce domestic revenue of approximately \$11,539 and will result in a rate of return of 5.13% for the year 1950.

With respect to the service complaints of the low pressures, the Commission believes that applicant can and should take immediate measures to effect satisfactory operating pressures throughout its entire system. If it is found to be necessary, applicant should seek outside engineering advice and possibly install booster pumps or pressure tanks in certain areas. The order will provide that applicant shall report its progress in improving its service, such report to be filed with the Commission within a specified period.

O R D E R

Gardens Water Corporation, a corporation, having applied to the Commission for an order authorizing an increase in water rates and charges, 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 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 January 1, 1950.

IT IS HEREBY FURTHER ORDERED as follows:

1. That applicant shall file, within forty (40) days after the effective date of this order, four copies of a comprehensive map, drawn to an indicated scale of not less than 400 feet to the inch, delineating by appropriate markings the various tracts of land and territory served, and the locations of various properties of applicant.
2. That applicant shall file, coincident with the rate filing ordered herein, four copies of rules and regulations, and tariff service area map acceptable to this Commission and in accordance with the requirements of General Order No. 96.

IT IS HEREBY FURTHER ORDERED that Gardens Water Corporation, within sixty (60) days from the effective date of this order, shall file with the Commission detailed plans and specifications for the increase of water pressures in those areas in which low-pressure conditions now exist, and thereafter shall file monthly progress reports until the improvements have been installed and satisfactory operating pressures have been provided.

Schedule No. 1

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

Within the entire service area located in and about the unincorporated community of Oak View, Ventura County, California.

RATES

Quantity Rates:	<u>Per Meter</u> <u>Per Month</u>
First 750 cubic feet, or less .....	\$ 2.00
Next 1,250 cubic feet, per 100 cubic feet .....	.30
Next 3,000 cubic feet, per 100 cubic feet .....	.25
All over 5,000 cubic feet, per 100 cubic feet .....	.20
 Minimum Charge:	
For 5/8 x 3/4-inch meter .....	2.00
For 3/4-inch meter .....	2.70
For 1-inch meter .....	4.00
For 1 1/2-inch meter .....	10.00
For 2-inch meter .....	13.30

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

IT IS HEREBY FURTHER ORDERED that applicant's request that the Commission establish certain service connection charges be denied.

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

Dated at San Francisco, California, this 21<sup>st</sup> day of November, 1950.

R. Z. Johnson  
Justin F. Calver  
Wm. H. Powell  
Harold H. Kula  
Frederick L. Pott  
Commissioners.