

Decision No. 45182

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
 Elsie Watson, doing business as
 Burl Watson Domestic Water Company,
 for Order Authorizing Permission to Amend
 and Increase Rates and Charges.

Application No. 31080

J. J. Leake for applicant; E. J. Norman,
 protestant.

O P I N I O N

In this proceeding Elsie Watson, doing business as Burl Watson Domestic Water Company, by the above application filed March 1, 1950, requests an order of the Commission authorizing an increase in water rates to customers located in subdivisions about 3 miles east of the City of El Monte. Copies of the proposed rates are attached to the application and marked Exhibit E for flat rate service and Exhibit F for metered service.

Public hearings were held on this application before Examiner Crenshaw on August 24, and September 27, 1950, respectively, at El Monte, California.

At the hearing on August 24, applicant requested that the application be amended to provide an additional increase in the metered rates as subsequent analysis indicated that the rates for metered service, as proposed in the application, would not provide sufficient revenue to permit the rendering of adequate and efficient service.

In Application No. 26632, filed March 29, 1945, applicant asked the Commission to grant a certificate of public convenience and necessity to operate a public utility system, and to sell water to residents of subdivisions located about 3 miles east of the

City of ElMonte In Decision No. 38460, dated December 10, 1945, a certificate was granted and the rates presently in effect were established for water service in this area. During the marketing of the lots in the subdivisions the water system was operated at a loss, which applicant alleges can no longer be sustained.

There are 558 residential lots in the company's service area, of which approximately 85% are improved. In December, 1949, applicant embarked upon a program of installing meters on all services. As of December 31, 1949, the record shows 244 meters had been installed and 56 flat rate consumers were being served.

All of the consumers are supplied by applicant through 31,330 feet of 1½-inch to 6-inch mains, located in public streets and private easements. Water is furnished by two wells located at opposite ends of the service area. To augment the diminishing water supply, as provided by Well No. 1, Well No. 3 was drilled on the rear portion of the Bess and Leorita well site and completed the latter part of this year.

Well No. 1 is 100 feet deep and 12 inches in diameter and is operated by a 25 horsepower motor. Well No. 3 is 224 feet deep and has a diameter of 16 inches. Both of these wells are located at Bess and Leorita Streets. Well No. 2 is located at Athol and Francisquito Streets and is 214 feet deep, 16 inches in diameter, and is operated by a 30 horsepower motor.

The hearings were attended by a large number of consumers of the company who objected to the rates originally proposed in the application, which were testified to at the hearing held on the morning of August 24. At the afternoon hearing on the same date, applicant submitted an amendment to its application, materially increasing the rates above those originally proposed for metered service only. The originally proposed flat rate was not changed.

Some of the protestants asserted that in marketing the lots the salesmen had stressed the minimum of \$1.50 per month for water service and the purchasers apparently were given the impression that this rate would continue indefinitely. This is one of the objections of the customers to the increase in rates.

At the present time applicant has a flat rate for domestic and commercial water service of \$1.50 per month per connection, 50 cents for each additional lot of one-quarter acre or less, and \$1 for each additional residence on a lot.

The metered rates in effect at present provide for a minimum charge of \$1, which increases for the various sizes of meters to a maximum of \$5 for a 2-inch meter. The monthly meter rates are \$1 for the first 1,000 cubic feet or less, 7½ cents per 100 for the next 1,000 cubic feet, and 5 cents for all over 2,000 cubic feet. In addition to the above rates, applicant has a flat rate for fire hydrants and for construction service. No change is requested in the two latter rates and they are to remain as now filed.

The new rates proposed by applicant are for flat rate and metered rate service for domestic and commercial uses. It is applicant's plan to meter all of the flat rate services. The flat rate proposed by applicant is double the present rate, or \$3 per residence and \$1 for each additional lot, and \$2 for each additional residence on a lot.

The meter rate, as amended at the hearing, provides for a minimum charge of \$1.50, which increases for the various sizes of meters up to \$5 for a 2-inch meter. The monthly quantity rates start with the first 800 cubic feet or less for \$1.50, the next 4,200 cubic feet at 7½ cents per 100 cubic feet, and all over 5,000 cubic feet at 6 cents per 100 cubic feet.

In its Exhibit No. 1, introduced at the hearing and testified to by Mr. Rulofson, applicant showed that a net loss was

experienced after depreciation and taxes, for the years beginning with April 8, 1946 through July 31, 1950, varying from \$588.71 in 1948 to \$3,426 in 1949. An estimate submitted by applicant for the year 1950 indicated a net loss of \$1,493.47. The following tabulation shows a summary of the earnings during the above-mentioned period:

<u>Year</u>	<u>Gross Revenue</u>	<u>Operating Expenses</u>	<u>Net</u>
Apr. 9 to Dec. 31, 1946	\$ 281.72	\$ 1,885.46	\$(1,603.74)
1947	1,169.90	3,217.19	(2,047.29)
1948	2,772.15	3,360.86	(588.71)
1949	5,007.27	8,433.46	(3,426.19)
Jan. 1 to July 31, 1950	4,944.20	6,189.76	(1,245.56)
Estimate 1950	10,254.20	11,747.67	(1,493.47)

(Red Figure)

The fixed capital, as shown in applicant's Exhibit No. 1, amounts to \$53,757.78 as of July 31, 1950.

As of August 1, 1950, applicant was supplying 111 flat rate customers and 329 metered customers.

In Exhibit No. 2, presented by an engineer for the Commission, the actual revenues and expenses are the same as those presented by applicant for the years 1947, 1948, and 1949. The average number of customers set forth in the Commission's exhibit was 92 for 1947, 200 for 1948, and 250 for 1949. The fixed capital, as estimated for the year 1950 by the Commission engineer, was \$70,900, and the average fixed capital was \$53,005. The staff estimate under the proposed rates for the year 1950, using an average of 261 customers, shows an estimated revenue of \$10,837, with corresponding operating expenses of \$10,670, leaving a net operating revenue of \$167, which would yield a return of .43% on the average depreciated rate base of \$38,799.

Mr. E. J. Norman, appearing as a protestant, contended that, since the rates of the company are to be established for the

future, and as the major portion of the year 1950 has now passed, an estimate for the year 1951 should be made. He pointed out that applicant, as of August 1, 1950, had 440 customers which, with the addition of other houses to be constructed in the very near future, could very well result in an average in excess of 440 customers for the year 1951, and to this extent the revenues of the company would be increased. Under the new amended rates this would yield a gross revenue, in his opinion, of \$17,700. Mr. Norman did not bring out in detail the corresponding substantial increase in capital depreciation and operating expenses including taxes which also affect the net return for the coming year. Operating expenses, including depreciation, would total \$14,060 and result in an estimated net revenue of \$3,610 for the year.

All of the evidence indicates that an increase in capital investment is necessary to provide service to these additional new customers amounting to approximately \$73,000. This sum, less \$10,000 advanced by the subdividers, would leave \$62,800 in fixed capital chargeable to the consumers, which, together with the estimated net revenue of \$3,610, would produce a 5.8% return to applicant for the coming year under the rates established in the following order.

It is apparent from an analysis of the evidence in this proceeding, that applicant would not earn an adequate return under the present rates and is entitled to some relief through increased revenues. To the extent the present rates differ from the rates hereinafter prescribed, said existing rates are hereby found to be unjust and unreasonable. The requested flat rates will not be granted in light of the fact that flat rate service is being discontinued, but will be modified to some extent to cover the interim period of changeover. The meter rates will be established as requested.

Applicant shall immediately take steps to improve the water service by correction of existing low pressures at consumers' premises

and the elimination of air in the lines, which conditions were the subject of complaint at the hearings attended by customers of applicant.

O R D E R

Elsie Watson, doing business as Burl Watson Domestic Water Company, having applied to this Commission for an order authorizing increases in her 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 that applicant is authorized to file in quadruplicate with this Commission after the effective date of this order, in conformity with General Order No. 96, the schedule of rates as 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 for service rendered on and after ~~January~~ ^{February} 1, 1950. *R32*

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

Dated at San Francisco, California, this 19th day of December, 1950.

R. E. Ingraham
Justice J. Calver
Wesley S. Darnell
Harold P. Hills
Herbert P. Pottier
Commissioners.

Schedule No. 1

MONTHLY FLAT RATE

APPLICABILITY

Applicable to all domestic and commercial flat rate water service.

TERRITORY

Within Tracts Nos. 13211, 12441, and 12445, as set out in the certificate and as delineated on the map included in the tariff schedules as Map No. 1.

RATES

	<u>Per Month</u>
For each residence on a lot, of one-half acre or less .	\$1.75
For each additional lot or one-quarter acre or less . .	.75
For each additional family residence on a premises. . .	1.00

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 SERVICE

APPLICABILITY

Applicable to all domestic and commercial metered water service.

TERRITORY

Within Tracts Nos. 13211, 12441, and 12445, as set out in the certificate and as delineated on the map included in the tariff schedules as Map No. 1.

RATES

	<u>Per Meter</u> <u>Per Month</u>
Quantity Rate:	
First 800 cubic feet or less	\$ 1.50
Next 4,200 cubic feet, per 100 cubic feet075
Over 5,000 cubic feet, per 100 cubic feet06
Minimum Charge:	
For 5/8 x 3/4-inch meter	\$ 1.50
For 3/4-inch meter	2.00
For 1-inch meter	2.50
For 1 1/2-inch meter	3.50
For 2-inch meter	5.00

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

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

Schedule No. 3

FIRE HYDRANT RATES

APPLICABILITY

Applicable to all service rendered for fire hydrant use.

TERRITORY

Within Tracts Nos. 13211, 12441, and 12445, as set out in the certificate and as delineated on the map included in the tariff schedules as Map No. 1.

RATES

	<u>Per Month</u>
For each fire hydrant connected to a 4-inch main or larger	\$1.50
For each fire hydrant connected to a main of less than 4 inches in diameter	1.00

Schedule No. 4

CONSTRUCTION RATE SERVICE

APPLICABILITY

Applicable to all water service for street paving, curb and sidewalk construction where service is temporary during period of construction.

TERRITORY

Within Tracts Nos. 13211, 12441, and 12445, as set out in the certificate and as delineated on the map included in the tariff schedules as Map No. 1.

RATES

Street Paving:

For street paving 5 inches thick, per 100 square feet \$0.19
For street paving 6 inches thick, per 100 square feet22

Curb Construction:

For street curb, per 100 lineal feet.30

Sidewalk Construction:

Per 100 square feet of sidewalk15

Trench Settling:

For each lineal foot of section of trench 2 feet x 4 feet01

Street and Roadway Construction:

For sprinkling subgrade in application of oil or any form of patented oil paving or surfacing, or for rolling and/or settling subgrade, per 3,000 square feet of roadway 1.60