

Decision No. 45537

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
 Uehling Water Co., Inc., for an Order)
 Authorizing a Change of Water Rates)
 and Tariff Schedules.)

Application No. 31966

W. L. Arnold, public accountant, and
F. H. Uehling, president, for applicant.

O P I N I O N

Uehling Water Co., Inc., a corporation, owner and operator^{1/} of a water system serving domestic customers in unincorporated territory in the vicinity of Compton, Los Angeles County, California, filed the above-entitled application on December 5, 1950, seeking authority to establish a schedule of increased rates.

A public hearing on this application was held before Examiner Warner in Los Angeles, on March 19, 1951.

Uehling Water Co., Inc. is a California corporation which was organized December 1, 1944, and was authorized by the Commission's Decision No. 38237, dated September 25, 1945, in Application No. 26614, to acquire the water systems operated by F. H. Uehling, doing business as F. H. Uehling Water System and Four Tracts Water Corporation, F. H. Uehling Water System having been granted a certificate of public convenience and necessity to operate a water system by the Commission's Decision No. 24177, dated November 2, 1931, in Application No. 17409, and Four Tracts Water Corporation having been granted

^{1/} Applicant's service areas include a portion of a 100-foot strip of incorporated territory in the City of Compton. The service areas are further delineated on the map filed at the hearing as Exhibit No. 2.

a certificate of public convenience and necessity to operate a water system by the Commission's Decision No. 33676, dated November 19, 1940, in Application No. 23531. The water rates now charged by applicant became effective September 1, 1946, by Commission Resolution No. W-220.

Domestic water service is furnished in two separated areas comprising a total of approximately 325 acres. The areas are separated by an intervening area which is about 1,000 feet long on the east and 1,500 feet long on the west, the intervening area being served by Park Water Company. The service areas are flat in terrain, comprise primarily small residential dwellings, and are suburban in character. It appears that there are no particular service or operating problems connected with the furnishing of water service thereto. As of December 31, 1950, water service was furnished to 1,216 flat rate consumers and 20 metered consumers, and 41 fire hydrants were connected to the distribution mains. The service areas are substantially fully developed, and there are no prospects for large-scale future expansion. The record shows that it is estimated that 25 new consumers will be added to the system during 1951.

The sources of water supply consist of six wells varying in diameter from 8 to 12 inches, and in depth from 156 to 400 feet. Their combined estimated capacity is 2,850 gallons per minute. Wells Nos. 1 and 3 are located at one 5,000-gallon pressure tank; Wells Nos. 2 and 4 are located at another 5,000-gallon pressure tank; and Wells Nos. 5 and 6, which are situated in the northernmost service area and which furnish water thereto, are located at separate 5,000-gallon pressure tanks. A 10-inch main connects the tanks at Wells Nos. 5 and 6. The distribution system consists of 53,412 feet of steel and cast-iron pipe ranging in diameter from 2 inches to 10 inches. A witness for applicant testified that, except for about

10,000 feet of 2-inch steel welded pipe, which, the record shows, applicant plans to replace with 3- or 4-inch Transite pipe over the next three to five years, the system is in sound physical operating condition.

Applicant's witness testified that there had been few service complaints, and the Commission's records reveal none, in the recent past. In the past, algae have appeared in the water, and applicant has been conducting chlorination operations for about 75 days, or 20%, of each year. These chlorination operations will be expanded to a continuous process throughout the year 1951 and thereafter.

Applicant bases its request for authorization of a change of rates on the following allegations: That it has sustained operating financial losses during the past three years under the present rate schedule; that labor and material costs have been and are increasing; that costs of necessary replacements of its properties will be considerably greater in the immediate future than the costs in effect at the time of the original installation of such properties; and that a change in rates is essential to provide a reasonable net revenue for the payment of dividends to its stockholders, thus establishing a sound credit position and providing a satisfactory basis for essential new construction.

The following tabulation summarizes applicant's present and proposed rates:

FLAT RATES

	<u>Per Month</u>	
	<u>Present</u>	<u>Proposed</u>
One residence on one lot, comprising one-quarter acre or less	\$1.50	\$ -
Served through 3/4-inch service	-	2.00
Served through 1-inch service	-	3.50
Served through 1 1/2-inch service	-	5.00
Served through 2-inch service	-	8.00
For each additional residence	1.00	-
For each additional residence on lot	-	1.35
For each additional quarter-acre or fraction thereof	1.00	1.35
Courts, duplexes, apartments, per family75	1.00
For auto courts, per trailer50	.70
For irrigation of each 1,000 square feet, or fraction thereof, on a lot occupied by a residence25	-
Parkway watering, per lot facing thereon	-	.25

An allowance equal to one month's charge will be granted to consumers if they elect to pay the flat rate charge on an annual basis in advance.

METER RATES

	<u>Per Meter Per Month</u>	
	<u>Present</u>	<u>Proposed</u>
<u>Quantity Rates</u>		
First 1,000 cubic feet	\$1.50	\$2.00
Next 4,000 cubic feet, per 100 cu. ft.10	.15
Over 5,000 cubic feet, per 100 cu. ft.05	.08

Minimum Charges

5/8 x 3/4-inch meter	1.50	2.00
1-inch meter	2.50	3.50
1 1/2-inch meter	-	5.00
2-inch meter	5.00	8.00

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

A witness for applicant testified that applicant does not intend to install meters, generally, throughout the system.

Although the record shows notices of the hearing in this matter were mailed to all consumers, none made an appearance at the hearing and no objection was entered by any party.

A report on applicant's operations for the years 1949 and 1950 recorded and reclassified, and for the year 1951 estimated at the present and proposed rates, was introduced as Exhibit No. 1 by a witness for applicant. A report by a Commission staff engineer on the results of operation for the years 1949 and 1950 recorded, and for the year 1951 estimated at the proposed rates, was submitted as Exhibit No. 3. The earnings information contained therein is summarized and compared in the following tabulation:

UEHLING WATER COMPANY
SUMMARY OF EARNINGS
YEAR 1950 RECORDED AND RECLASSIFIED
YEAR 1951 ESTIMATED, PRESENT AND PROPOSED RATES

					:Per P.U.C.:
					:Exh. No. 3:
					: Year 1951:
					: Year 1951 Estimated: Estimated:
					: Reclassi-: Present : Proposed : Proposed :
Item	: Recorded:	fied	: Rates	: Rates	: Rates :
<u>Operating Revenues</u>					
Flat	\$22,200	\$23,993	\$24,822	\$33,275	\$33,265
Metered	835	772	772	1,100	1,087
Uncollectibles	-	-	-	-	(100)
Total Oper. Rev.	23,035	24,765	25,594	34,375	34,252
<u>Operating Expenses</u>					
Pumping	4,110	6,205	7,428	7,428	6,775
Purification	-	552	1,076	1,076	925
Distribution	1,449	1,472	2,593	2,593	1,665
Commercial	300	2,888	3,615	3,615	3,050
General	14,253	8,300	10,958	10,980	9,110
Subtotal	20,112	19,417	25,670	25,692	21,525
Taxes	1,684	1,971	2,172	2,910	4,552
Depreciation (Straight-line)	2,842	3,053	3,161	3,161	3,053
Total Oper. Exp.	24,638	24,441	31,003	31,763	29,130
Net Operating Revenue	(1,603)	324	(5,409)	2,612	5,122
<u>Rate Base</u>					
Average Fixed Capital				87,822	87,822
Materials and Supplies				2,279	2,500
Working Cash				3,407	2,500
Donations in Aid of Constr.				(734)	(734)
Accrued Depreciation				(27,213)	(27,128)
Rate Base (Depreciated)				65,561	64,960
Rate of Return				3.98%	7.88%

(Red Figure)

In explaining Exhibit No. 1, applicant's witness testified that applicant's books of accounts had not been kept in accordance with the uniform classification of accounts prescribed by the Commission for water corporations for the years prior to 1951, and for that reason it had been necessary to reclassify the recorded entries to conform thereto. The effects of such reclassification for the year 1950 are reflected in the summary tabulation. Another witness for applicant testified that applicant had employed an outside bookkeeper to set up the accounts properly, and that it was intended to conform with the prescribed accounting procedure in the future.

Because of the afore-mentioned accounting differences, it was also necessary to reappraise applicant's properties. An accountant consultant prepared such an appraisal, to the results of which he testified in submitting Exhibit No. 1 in evidence. The record shows that this appraisal was prepared on the basis of accounts, records, and invoices in applicant's possession. The results of the appraisal are also reflected in the rate base figures shown in the earnings summary tabulation.

The following tabulation is a summary, by accounts, of applicant's fixed capital and related depreciation reserve requirements as of December 31, 1950, together with the annual depreciation expense as shown in Exhibit No. 1:

UEHLING WATER COMPANY
SUMMARY OF FIXED CAPITAL AND DEPRECIATION RESERVE
REQUIREMENT AS OF DECEMBER 31, 1950

Ac. No.	Item	:Estimated :Depreciation:		
		:Historical: Reserve :		
		: Cost :	: Requirement:	: Annual :
		: Per Co. :	: Per Company :	: Depreciation:
		: Exh. No. 1:	: Exh. No. 1 :	: Expense :
		: as of :	: as of :	: Per Company :
		: 12-31-50 :	: 12-31-50 :	: Exh. No. 1 :
C-1	Organization	\$ 629.65	\$ -	\$ -
C-2	Franchise	159.56	-	-
C-5	Land	1,766.50	-	-
C-6B	Pumping Station Buildings	831.26	301.52	22.40
C-6D	Shop and Storeroom	939.54	107.36	26.84
C-10	Wells	5,378.50	2,231.40	134.47
C-14	Pumping Equipment	7,821.60	3,184.28	260.75
C-15	Misc. Pumping Station Equipment	175.57	8.78	8.78
C-16	Purification Equipment	333.43	66.68	33.34
C-18	Distribution Mains	46,861.89	14,378.43	1,356.65
C-19	Tanks	2,304.16	630.18	65.83
C-20	Fire Hydrants	200.63	143.06	6.68
C-21	Services	14,816.60	3,257.96	591.93
C-22	Meters	258.00	154.80	10.32
C-23	Miscellaneous Dist. Equipment	577.18	174.47	79.60
C-24A	General Office Equipment	305.85	75.09	19.65
C-24C	General Store Equipment	110.00	22.00	5.50
C-24D	Automobile Equipment	2,152.88	1,291.74	430.58
	Total	85,622.80	26,027.75	3,053.32

The record shows that these fixed capital amounts were checked by the Commission staff and found to be conservative. A rate base of \$65,000 is hereby adopted for the purposes of this proceeding.

If applicant wishes to enter the appraisal on its books, it should file with the Commission, for the Commission's approval, copies of its proposed journal entries to effect such action.

The estimates of operating expenses for the year 1951 as submitted by applicant and the staff appear not to be too far apart, except that the salary of the president is included in the applicant's showing at \$7,200 per year and in the staff showing at \$4,800 per year.

We believe that \$5,400 per year is a reasonable salary for the president of a utility of this size with the responsibilities attendant thereto, as shown in the record, and that amount is hereby adopted for the purposes of this proceeding. No salary was paid during 1950 not included in the 1951 estimates to other officers. An amount of \$900 was charged to operating expense in 1950, and an amount of \$600 was included in applicant's 1951 estimates, for directors' fees.

In explaining Exhibit No. 1, applicant's witness testified regarding the estimated increased purification expense hereinbefore alluded to in the comment on the chlorination of water due to the presence of algae therein.

The other major increase in estimated operating expenses for the year 1951 is attributable to the necessity to employ a full-time, qualified bookkeeper who could also act as clerk and secretary in applicant's office. The record shows that the present clerk is paid \$150 per month and that there has been a considerable turnover in this job within the past several months. The employment of a full-time bookkeeper would increase expenses about \$3,600 per year over the year 1950, but, in view of the condition of the books of account, this should be effected at once.

It is evident from the record that the present rates will not produce a fair rate of return and that applicant is entitled to certain financial relief. However, the consumers desired lower monthly minimum charges for one inch service connections and larger. Applicant agreed to this proposal. Accordingly these charges will be lowered, reducing the annual gross revenue approximately \$1,150. It is, therefore, concluded that the rates authorized to be filed by the order herein, which will produce estimated annual gross revenues of \$33,102 and which will result in a rate of return of approximately 5.94% for the year 1951, are just and reasonable.

O R D E R

Uehling Water Company, Inc., 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 May 1, 1951.

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 the 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.
3. That applicant is hereby authorized to adjust its books so as to include in its fixed capital accounts the historical cost appraisal submitted at the hearing as Exhibit No. 1, and shall file with the Commission,

Schedule No. 1

FLAT RATES

APPLICABILITY

Applicable to all water service rendered on a flat rate basis.

TERRITORY

In and in the vicinity of Compton, Los Angeles County.

RATES

	<u>Per Month</u>
Single residence on one lot not exceeding one-quarter acre	
Served through 3/4-inch service.....	\$2.00
Served through 1-inch service.....	2.75
Served through 1 1/2-inch service.....	4.00
Served through 2-inch service.....	6.00
For each additional one-quarter acre or fraction thereof.....	1.35
For each additional residence on lot.....	1.35
Courts, duplexes, apartments - per family.....	1.00
For auto courts, per trailer.....	.50
Parkway watering - per lot facing thereon.....	.25

A 3/4-inch service will be installed unless customer requests a larger size.

An allowance equal to one month's charge will be granted to consumers if they elect to pay the flat rate charge on an annual basis in advance.

Schedule No. 2

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all water service rendered on a metered basis.

TERRITORY

In and in the vicinity of Compton, Los Angeles County.

RATES

Quantity Charge:	Per Meter Per Month
First 1,000 cu.ft., or less.....	\$2.00
Next 4,000 cu.ft., per 100 cu.ft.....	.15
Over 5,000 cu.ft., per 100 cu.ft.....	.10

Minimum Charge:

For 5/8 x 3/4-inch meter.....	\$2.00
For 1-inch meter.....	2.75
For 1 1/2-inch meter.....	4.00
For 2-inch meter.....	6.00

The Minimum Charge will entitle the consumer to the quantity of water which that monthly minimum 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.

for its approval, a copy of each journal entry used to adjust its books in accordance with the authority herein granted.

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

Dated at San Francisco, California, this 3rd day of April, 1951.

[Signature]
Justus Z. Casner
Harold P. Hild
[Signature]
[Signature]
Commissioners.