

Decision No. 45705

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application
 of MISSION WATER COMPANY, a cor-
 poration, for Permission to
 Increase rates and for the Estab-
 lishment of Rates for Fire Hydrant
 Service.

Application No. 32152

C. Loy Mason, attorney for applicant;
Leo A. Deegan, for West Riverside Fire
 Protection District; James P. Blanton
 and John Gobreuegge, consumers, pro-
 testants.

ORIGINAL

O P I N I O N

Mission Water Company, a corporation, owner and operator of a water system serving domestic consumers in unincorporated territory in West Riverside, Riverside County, California, filed the above-entitled application on February 21, 1951, asking authority to establish a schedule of increased rates, and to establish rates for fire hydrant service.

A public hearing on this application was held before Examiner Warner in Riverside, California, on May 2, 1951.

Mission Water Company is a California corporation which has been operating as a public utility since January 17, 1950. On that date the Commission, by its Decision No. 43688 in Application No. 30633, granted applicant a certificate of public convenience and necessity, established metered rates, and authorized the issuance and sale of stock.

In the application being considered herein, applicant alleges that under the rates established by said Decision No. 43688, applicant sustained a net loss for the year 1950 of \$2,499, as shown

in the earning statement attached to the application as Page 3 of Exhibit A thereof. It was pointed out at the hearing by a witness for applicant that said statement included, as nonoperating expense, Account No. 107, Other Interest Deductions, in the amount of \$2,773.89. Applicant's witness further alleged at the hearing that the net operating profit for the year 1950 of \$274.89, shown on the statement, did not produce a fair rate of return for the year 1950.

A comparison of the present and proposed rates is shown in the following tabulation:

COMPARISON OF PRESENT AND PROPOSED RATES

		<u>Per Meter Per Month</u>	
		<u>Present</u>	<u>Proposed</u>
Quantity Charge:			
First	1,000 cu.ft., or less	\$ 2.00	\$ -
Next	1,000 cu.ft.; per 100 cu.ft.....	.15	-
Over	2,000 cu.ft.; per 100 cu.ft.....	.10	-
First	700 cu.ft.; or less	-	2.00
Next	800 cu.ft.; per 100 cu.ft.....	-	.20
Next	1,000 cu.ft.; per 100 cu.ft.....	-	.15
Next	2,500 cu.ft.; per 100 cu.ft.....	-	.12
Over	5,000 cu.ft.; per 100 cu.ft.....	-	.10
Minimum Charge:			
For	5/8 x 3/4-inch meter	\$ 2.00	\$ 2.00
For	1-inch meter	4.00	4.00
For	1 1/2-inch meter	7.00	7.00
For	2-inch meter	10.00	10.00

Under the present rates, the record shows, the average monthly bill during 1950 was \$2.64. Under the proposed rates, it would be \$3.01. The average annual bill was \$31.68 during 1950 under the present rates, and might be expected to be \$36.12 under the proposed rates. However, since about 45% of the consumer water use is 800 cubic feet or less each month, such minimum block consumers will receive no increase whatsoever under requested rates, although the minimum amount of allowable water usage is to be reduced. The monthly minimum charge itself remains the same under both the present and proposed rates.

At the hearing, a witness for applicant submitted, as Exhibit No. 1, an analysis of operating revenues and expenses of applicant for the year 1950, actual, for the first three months of 1951, actual, for the last 9 months of 1951, estimated, and for the year 1951, estimated, at both present and proposed rates. A report on the results of operations of applicant was submitted at the hearing by a Commission staff engineer as Exhibit No. 2 for the year 1950, recorded, at the present rates, and for the year 1951, estimated, at the proposed rates. The information contained in said exhibits is summarized in the following tabulation:

SUMMARY OF EARNINGS

Item	Year 1950:			
	Recorded :		Year 1951 Estimated	
	Present :		Per PUC	
	Rates :		Per Co. Exh. No. 1	
	Per PUC :		Exh. No. 2	
	Exh. No. 2:	Rates	Proposed	Proposed
			Rates	Rates
Operating Revenue				
Metered Sales	\$ 6,392	\$ 6,582	\$ 7,495	\$ 7,430
Hydrant Rental	-	-	240	240
Miscellaneous	-	16	16	-
Total Operating Revenue	6,392	6,598	7,751	7,670
Operating Expenses				
Expenses before Taxes and				
Depreciation	4,608	5,640	5,640	5,392
Taxes	186	225	329	382
Depreciation (Straight-line)	1,323	1,395	1,395	1,483
Total Operating Expenses	6,117	7,260	7,364	7,257
Net Operating Revenue	275	(662)	387	413
Rate Base				
Average Fixed Capital	37,464	40,546	40,546	40,639
Materials and Supplies	1,894	1,000	1,000	982
Working Cash	510	921	921	800
Less Average Depreciation Reserve	6,050	7,409	7,409	7,454
Total Rate Base	33,818	35,058	35,058	34,967
Rate of Return	0.81%	Loss	1.1%	1.18%

(Red Figure)

It is apparent from the above tabulation that applicant's earnings for the year 1950 at the present rates did not produce a fair rate of return and, it is further apparent, that the earnings for the year 1951 under the proposed rates will not produce a fair rate of return. Applicant's witness stated that applicant did not intend to request at this time that its rates be increased sufficiently to produce what might be considered a fair rate of return.

In discussing Exhibit No. 1, applicant's witness testified that certain increases in costs of labor applicable to the year 1951 had been effected by applicant; that the cost of the rate case herein had been spread over a five-year period in the future; that applicant paid \$25 per month rent for office space which included the use of a telephone, office machines, office supplies, and light and heat; that applicant paid \$5 per month for the use of a service truck; and that the salaries of general officers and superintendent had been allocated as between Sunny Slope Heights Water Company, Fortsite Mutual Water Company and applicant, to applicant, on a customer-ratio basis. Applicant's witness also testified that the appraisal of applicant's property by the Commission staff in Application No. 30633, plus net additions and betterments through December 31, 1950, and estimated through December 31, 1951, was the basis of determination of the average fixed capital in service included in the rate base amounts shown in Exhibit No. 1.

The estimated revenues and expenses and the rate base as shown in Exhibits Nos. 1 and 2 appear to be reasonable and are hereby adopted for the purposes of this proceeding.

With respect to applicant's request that it be authorized to establish a rate for fire hydrant service, the record shows that although such establishment was protested by West Riverside Fire Protection District, the rates proposed are not unreasonable.

The major basis of the fire district's protest apparently lay in its present financial stress which, the record shows, can be legally alleviated upon the submission of its budget for the fiscal tax year commencing July 1, 1951, through June 30, 1952. The record shows that said budget can be so constructed to include the charges for fire hydrant service requested by applicant herein, and the record further shows that the fire protection provided by the operation of such hydrants is in the public interest.

From a review of the record, it is concluded that the rates requested are just and reasonable and they will be authorized by the order herein.

O R D E R

Mission Water Company, a corporation, having applied to the Commission for an order authorizing an increase in water rates, and having requested the establishment of a rate for a fire hydrant 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 and charges authorized herein are justified, and that present rates, in so far as they differ from those herein prescribed, are unjust and unreasonable; 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 the rates shown in Schedule No. 1 thereof effective for service.

EXHIBIT A
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Schedule No. 1

GENERAL METERED SERVICEAPPLICABILITY

Applicable to all water service furnished on a metered basis.

TERRITORY

Within the service area bounded generally by Riverview Drive, 34th Street, Wallace Street and Mission Boulevard, West Riverside, Riverside County, as delineated on map of service area.

RATES

Quantity Rates:	Per Meter Per Month
First .800 cu.ft. or less.....	\$ 2.00
Next 700 cu.ft., per 100 cu.ft.....	.20
Next 1,000 cu.ft., per 100 cu.ft.....	.15
Next 2,500 cu.ft., per 100 cu.ft.....	.12
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.....	4.00
For 1½-inch meter.....	7.00
For 2-inch meter.....	10.00

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

EXHIBIT A
Page 2 of 2

Schedule No. 2

FIRE HYDRANT RATE

APPLICABILITY

Applicable to fire hydrants throughout the system.

TERRITORY

Within service area bounded generally by Riverview Drive, 34th Street, Wallace Street and Mission Boulevard, West Riverside, Riverside County, as delineated on map of service area.

RATES

Per Month

✓ For each single outlet hydrant head..... \$1.00
For each ~~multiple~~ outlet hydrant head..... 2.00

rendered on and after June 16, 1951, and the rates shown in Schedule No. 2 thereof effective for service rendered on and after July 1, 1951.

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

Dated at San Francisco, California, this 15th day of May, 1951.

R. E. Smidman
Justus F. Calver
Harold A. Kils
John E. Mitchell

Commissioners.