

Decision No. 46155

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application )  
of ESTATE OF WALTER GREENING, )  
dba NORWALK WATER COMPANY, to ) Application No. 32364  
increase rates for water service, )  
Norwalk. )

Gordon Greening and E. L. Clark for applicant;  
C. E. Irish for a group of six water users,  
Mrs. A. M. Evans, W. G. Bergstrom, Mrs. Pearl  
Wolfley, Mrs. Roy Fisher, and Vernon Eshom,  
water users, protestants; Phillip F. Walsh  
for Southern California Water Company, interested  
party; Clyde F. Norris, for the Commission staff.

#### O P I N I O N

The Estate of Walter Greening, doing business as Norwalk Water Company, owner and operator of a water system serving domestic and irrigation customers in unincorporated territory in the vicinity of the town of Norwalk, Los Angeles County, filed the above-entitled application on April 30, 1951, asking authority to increase rates for water service.

The application was amended at the hearing by a request by applicant that it be permitted to restate its books to reflect the value and identity of applicant's property as set forth in an appraisal submitted in evidence.

A public hearing on this application was held before Examiner Warner in Norwalk, California, on August 15, 1951.

Norwalk Water Company is now being operated by Gordon Greening, Executor of the Estate of Walter Greening, deceased November 17, 1950, pursuant to Probate No. 312592 in the Superior Court of the State of California, Department 4, Los Angeles County.

Exhibit No. 1 filed at the hearing is an order by the court to Gordon Greening for authority to continue business and is dated January 11, 1951.

The Estate of Walter Greening, doing business as Norwalk Water Company, has been owned and operated as a public utility since 1935 under the fictitious firm name and style, Norwalk Water Company. Prior thereto, the system was known as the "Emily Greening Water System." Certificates of public convenience and necessity were granted by the Commission in 1925, 1935, and 1950 in Decisions Nos. 20953, 28103, and 45105, respectively. Applicant's presently certificated areas are delineated in green on the map attached to the application as Exhibit A and comprise two separate systems. The principal area, comprising about 418 acres, lies generally along both the north and south sides of Firestone Boulevard, but primarily to the north side, between Hoxie Avenue on the northwest and San Antonio Boulevard on the southeast, immediately to the northwest of the town of Norwalk, Los Angeles County. Another small area, comprising about 22 acres, is located near and in the vicinity of West Esther Street and Orr and Day Road. The total gross certificated area comprises 440 acres.

Applicant was furnishing water service to 353 domestic and irrigation consumers as of December 31, 1950, all of whom were being metered except four consumers, who were being served on a flat rate basis. A witness for applicant testified that due to applicant's inability to secure meters which were on order, the four consumers had not been metered but soon would be.

A comparison of applicant's present rates, which were established July 15, 1935, in Decision No. 28103 dated July 8, 1935, in Application No. 19935, and the proposed rates is shown in the following tabulation:

NORWALK WATER COMPANY  
COMPARISON OF PRESENT AND PROPOSED RATES

|   | <u>Domestic Service</u> | <u>Per Meter per Month</u> |                 |
|---|-------------------------|----------------------------|-----------------|
|   |                         | <u>Present</u>             | <u>Proposed</u> |
| Quantity Charge:                            |                         |                            |                 |
| From 0 to 800 cu.ft., per 100 cu.ft..       | \$ 0.155                | \$ -                       |                 |
| From 800 to 1,800 cu.ft., per 100 cu.ft..   | .12                     | -                          |                 |
| From 1,800 to 4,000 cu.ft., per 100 cu.ft.. | .10                     | -                          |                 |
| From over 4,000 cu.ft., per 100 cu.ft.....  | .07                     | -                          |                 |
| First 1,000 cu.ft. or less.....             |                         |                            | 2.00            |
| Next 4,000 cu.ft., per 100 cu.ft.....       |                         |                            | .15             |
| Next 5,000 cu.ft., per 100 cu.ft.....       |                         |                            | .12             |
| Next 40,000 cu.ft., per 100 cu.ft.....      |                         |                            | .10             |
| Over 50,000 cu.ft., per 100 cu.ft.....      |                         |                            | .08             |
| Minimum Charge:                             |                         |                            |                 |
| For 5/8-inch meter .....                    | \$ 1.25                 | \$ -                       |                 |
| For 5/8 x 3/4-inch meter .....              |                         |                            | 2.00            |
| For 1-inch meter .....                      | 2.45                    |                            | 3.00            |
| For 1½ or 1½-inch meter .....               | 3.65                    |                            | 4.50            |
| For 2-inch meter .....                      | 5.00                    |                            | 6.00            |
| For 3-inch meter .....                      | 7.50                    |                            | -               |
| For 4-inch meter .....                      | 12.00                   |                            | -               |

Combination Domestic and Irrigation Use  
 (where not less than a one-inch meter is installed)

|  |          |   |
|--|----------|---|
| Quantity Charge:                             |          |   |
| From 0 to 800 cu.ft., per 100 cu.ft.....     | \$ 0.155 | - |
| From 800 to 1,800 cu.ft., per 100 cu.ft..... | .12      | - |
| Over 1,800 cu.ft., per 100 cu.ft.....        | .04      | - |
| Minimum Charge:                              |          |   |
| Same as above                                |          | - |

Due to the change in nature of the service area from primarily rural and irrigation to primarily suburban and domestic, which, the record shows, is taking place generally and rapidly in the southeast portion of Los Angeles County, applicant requests that the presently filed combination domestic and irrigation rate be eliminated and combined under a single domestic service meter rate.

The record shows that under the present rates the average monthly bill during 1950 was approximately \$1.85. Under the proposed rates it would be \$2.45. It is noteworthy that at the present rates, for a 5/8-inch meter, the amount of water which a consumer receives, for the minimum charge of \$1.25 per meter per month, is 800 cubic feet. At the proposed rates, for

a 5/8 x 3/4-inch meter, the amount of water to which a consumer would be entitled for the minimum charge of \$2 per meter per month would be 1,000 cubic feet.

Applicant's source of water supply is obtained from three drilled wells with a total estimated production capacity of in excess of 1,300 gallons per minute of water. Wells Nos. 1 and 2 provide the water supply for the area north of and lying along Firestone Boulevard, and Well No. 3 provides the source of water supply for the afore-mentioned 22-acre parcel lying along the east side of Orr and Day Road south of W. Esther Street. All wells are located on land owned by applicant. The wells are equipped with automatically operated, electrically driven pumps which deliver water into two 6,000-gallon pressure tanks. The distribution system consists of approximately 32,000 feet of distribution mains varying in size from 2 to 8 inches in diameter. Operating pressures of from 47 to 55 lbs. per square inch are maintained throughout the system. The water system is fully circulating except for a dead end which is located at the extreme northwesterly portion of the principal service area and which serves 10 or 15 consumers.

The characteristics of applicant's service area are now primarily suburban throughout, and include residential properties with attendant commercial establishments such as filling stations, drugstores, restaurants, markets, churches, and schools. The terrain is flat and is gently sloping from north to south.

Applicant maintains a general office in connection with a fertilizer store owned and operated by Gordon Greening and his brother which is located approximately 1½ miles northeasterly and outside of the service area boundary. A protestant at the hearing complained of the location of the afore-mentioned office for the

payment of bills, stating that it was necessary for a consumer without a checking account to go to the post office and buy a money order to mail to the water company office, or, as an alternative, to drive to the office to pay the bill in person. Applicant's witness testified that certain savings in operating expenses were effected by the joint use of the water company and fertilizer company offices and that if the water company were to establish a separate office within the service area, its operating expenses would be increased by about \$125 per month thereby.

At the hearing an engineering witness for applicant submitted as Exhibit No. 6 an original cost appraisal of applicant's properties. He stated that, commencing in 1948, Walter Greening had instructed him to make a field survey of the physical properties and an office review of the records and invoices for the purpose of determining the historical cost of the properties used and useful in the public service. This request was occasioned by an adjustment which had been effected in applicant's books of account in 1943 to reflect the results of a state inheritance tax appraisal. Such adjustment resulted in a reduction of \$29,026.24 in the recorded investment in fixed capital accounts. Exhibit No. 6 also contains an estimated depreciated rate base as of December 31, 1950.

A statement of estimated net revenue and rate of return for the year 1951 at the present and proposed rates was included in the application as Page 4 of Exhibit F. A report on the results of operation of applicant was submitted at the hearing by a Commission staff engineer as Exhibit No. 10 for the year 1950, recorded and adjusted, at the present rates, and for the year 1951 estimated, utilizing for an average depreciated rate base the results of applicant's appraisal contained in Exhibit No. 6,

the amounts reported to the Commission in applicant's Annual Report for the year ending December 31, 1950, and the Annual Report figures adjusted, at the present and proposed rates. The information contained in Exhibits F and No. 10 is summarized in the following tabulation:

NORWALK WATER COMPANY  
SUMMARY OF EARNINGS

| Item              | Year 1950      |                | Year 1951 Estimated |                |               |                |
|-------------------|----------------|----------------|---------------------|----------------|---------------|----------------|
|                   | Recorded       |                | Per Co.             |                | Per PUC       |                |
|                   | Present Rates: |                | Exh. F              |                | Exh. No. 10*  |                |
|                   | Per PUC        | Exhibit No. 10 | Present Rates       | Proposed Rates | Present Rates | Proposed Rates |
| Operating Revenue | \$10,401       | \$11,132       | \$15,744            | \$10,442       | \$15,005      |                |
| Operating Exps.   | 11,498         | 13,446         | 13,386              | 12,237         | 13,075        |                |
| Net Oper. Rev.    | (1,097)        | (2,314)        | 2,358               | (1,795)        | 1,930         |                |
| Rate Base         | 26,355**       | 62,933#        | 62,933#             | 60,780#        | 60,550#       |                |
| Rate of Return    | -              | -              | 3.74%               | -              | 3.19%         |                |

(Red Figure)

\* As corrected to reflect estimated loss of \$135 due to proposed discontinuance of county sewer flushing service and \$480 due to loss of 18 consumers in Santa Ana Freeway proposed construction territory. Also corrected for estimated additional property taxes of \$500.

\*\* Utilizing fixed capital per books.

# Utilizing fixed capital per applicant's appraisal, Exhibit No. 6.

In discussing applicant's estimated earnings, a witness for applicant stated that a loss of annual operating revenues of \$135 was anticipated due to the proposed discontinuance of the county sewer flushing service, and that a further reduction in estimated annual operating revenues of \$480 was anticipated due to the loss of 18 consumers who now are located within the easement territory of the proposed Santa Ana Freeway which will, in the near future, traverse applicant's service area, in the northeasterly corner thereof, with its construction. The anticipated losses are not reflected in Exhibit F. Applicant's

estimate of operating revenues is based on an estimated 3% annual increment in consumers. A witness for applicant testified that although there was some rumored additional subdivision activity within applicant's service area, he knew of no specific plans and could not estimate the extent of possible future development with accuracy.

The record shows that the property tax estimate as shown in Exhibit No. 10 should be increased by \$500 to reflect correctly the current tax bills on applicant's properties which were received from Los Angeles County tax offices too late for inclusion in said exhibit.

The estimates of operating revenues and expenses as shown in Exhibits F and No. 10 appear to be reasonable and are hereby adopted for the purposes of this proceeding.

With respect to the estimated average rate base for the year 1951, a Commission staff engineering witness testified that he had found no error in applicant's Exhibit No. 6, and a rate base of \$60,550 is hereby adopted for the purposes of this proceeding.

At the hearing applicant requested permission to adjust its books of account to reflect the results of applicant's appraisal as set forth in Exhibit No. 6. This is considered to be a reasonable request and in the public interest. In connection therewith, applicant should submit to the Commission copies of its proposed journal entries to effect such accounting adjustments.

Mrs. Wolfley submitted a comparison of her water bills for the months of May, June, and July, 1950, and for the same period in 1951 showing the amounts billed and the cubic feet of water consumption. She stated that at the present time she was operating a 10-unit monthly motor court. Each of the 10 units is

furnished water service by her and the bill to the court is rendered to her by applicant under her name. This motor court has just been completed and prior to its completion her property was irrigated and was therefore subject to billing under the irrigation rate. It appears that the change in character of use of her property has resulted in the increases in her water bills from \$6.45 for 11,800 cubic feet in June, 1950, to \$9.20 for 10,500 cubic feet in June, 1951.

It is apparent from a careful review of the earnings statements submitted in evidence and as summarized herein that applicant is in need of financial relief, and the Commission finds that it is not in the public interest that applicant continue to operate at the annual loss as indicated in the record under the present rates. It is concluded, therefore, that the rates requested are just and reasonable, and they will be authorized by the order herein.

O R D E R

The Estate of Walter Greening, doing business as Norwalk Water Company, having applied to the Commission for an order authorizing an increase in water rates, and having amended its application at the hearing by a request that it be granted permission to restate its books to reflect the results of an appraisal submitted at the hearing as Exhibit No. 6, 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 as follows:

1. 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 rendered on and after October 1, 1951.
2. Applicant, within forty (40) days from the effective date of this order, shall file with this Commission four sets of rules and regulations governing customer relations, each set of which shall contain a suitable map or sketch drawn to an indicated scale upon a sheet 8½ x 11 inches in size, delineating thereupon by distinctive markings the boundary of applicant's present service area and the location thereof with reference to the immediate surrounding territory, provided, however, that such filing shall not be construed as a final or conclusive determination or establishment of the dedicated area of service or portion thereof.
3. Applicant is authorized to restate its books to reflect the results of the appraisal of its properties as set forth in Exhibit No. 6 submitted at the hearing, provided that it shall within ninety (90) days submit to the Commission copies of the proposed journal entries necessary to effect such restatement.

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

Dated at San Francisco, California, this 4<sup>th</sup> day of September, 1951.

[Signature]  
President  
[Signature]  
[Signature]  
[Signature]  
[Signature]  
Commissioners.

## EXHIBIT A

## Schedule No. 1

GENERAL METERED SERVICEAPPLICABILITY

Applicable to all water service furnished on a measured basis.

TERRITORY

Entire area of service near Norwalk, Los Angeles County, as shown on map included in tariff schedules of company.

RATES

| Quantity Charge: |                                      | Per Meter<br>Per Month |
|------------------|--------------------------------------|------------------------|
| First            | 1,000 cu. ft., or less .....         | \$2.00                 |
| Next             | 4,000 cu. ft., per 100 cu. ft. ....  | .15                    |
| Next             | 5,000 cu. ft., per 100 cu. ft. ....  | .12                    |
| Next             | 40,000 cu. ft., per 100 cu. ft. .... | .10                    |
| Over             | 50,000 cu. ft., per 100 cu. ft. .... | .08                    |
| Minimum Charge:  |                                      |                        |
| For              | 5/8 x 3/4-inch meter .....           | \$2.00                 |
| For              | 3/4-inch meter .....                 | 2.50                   |
| For              | 1-inch meter .....                   | 3.00                   |
| For              | 1 1/4 or 1 1/2 -inch meter .....     | 4.50                   |
| For              | 2-inch meter .....                   | 6.00                   |

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