

Decision No. 46320

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of )  
ERNEST E. HANSEN and NANCY HANSEN, )  
his wife, for an Order authorizing )  
a change of Water Rates and Tariff )  
Schedules. )

Application No. 32612

Ernest E. Hansen and Nancy Hansen in propria personae, and W. L. Arnold, accountant, for applicants; Jack Walker in propria persona, protestant, Claude Sanders, William Copland, Mrs. C. E. Rigney and Madeline Preston, in propria personae, interested parties; James F. Wilson, for the Commission staff.

O P I N I O N

Ernest E. Hansen and Nancy Hansen, individuals, doing business as Meadowbrook Water Association, by the above-entitled application filed July 23, 1951, seek an order authorizing an increase in rates for water service in their service area located approximately two miles south of Lake Arrowhead in unincorporated territory known as Meadowbrook Woods and vicinity, San Bernardino County, California.

A public hearing in this matter was held before Commissioner Huls and Examiner Warner on October 4, 1951, at Lake Arrowhead, California.

Applicants are engaged in the business of furnishing public utility water service under the fictitious firm name and style of Meadowbrook Water Association, in accordance with a certificate of public convenience and necessity granted by the Commission in its Decisions Nos. 35108 and 38149 dated

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March 10, 1942, and August 14, 1945, respectively, both in Application No. 24524 and as further extended by Decision No. 41133 dated January 19, 1948, in Application No. 28725.

The service area comprises 80 acres in the N $\frac{1}{2}$  of the NW $\frac{1}{4}$  of Section 28, Township 2 north, Range 3 west, S.B.B. and M., and includes Inspiration Park, Subdivision No. 1944 and Meadowbrook Woods Subdivisions Nos. 3044 and 3224, San Bernardino County, plus approximately 43 acres of unsubdivided territory. There are 450 small recreational area lots in the subdivided areas.

Applicants' rates are on an annual basis. During the year 1950 there were 39 general metered service accounts, and 35 minimum charge accounts.

The following tabulation is a comparison of applicants' present rates, which were authorized by Decision No. 41133 and became effective February 1, 1948, and applicants' proposed rates:

Schedule No. 1

GENERAL METERED SERVICE  
COMPARISON OF PRESENT AND PROPOSED RATES

	<u>Present</u> <u>Rates</u> <u>Per Meter</u>	<u>Proposed</u> <u>Rates</u> <u>Per Year</u>
Quantity Charge: (Annual)		
First 4,000 cu.ft., or less .....	\$24.00	\$ -
Next 2,000 cu.ft., per 100 cu.ft.....	.30	-
Over 6,000 cu.ft., per 100 cu.ft.....	.20	-
First 4,800 cu.ft., or less .....	-	48.00
Next 1,200 cu.ft., per 100 cu.ft.....	-	.60
Over 6,000 cu.ft., per 100 cu.ft.....	-	.40
Minimum Charge: (Annual)		
For 5/8 x 3/4-inch meter .....	24.00	48.00
For 3/4-inch meter .....	28.00	55.00
For 1-inch meter .....	32.00	65.00
For 1 1/2-inch meter .....	36.00	-
For 2-inch meter .....	42.00	-

Applicants requested by their proposed Schedule No. 2, the establishment of an annual flat rate of \$48 per single residence on a lot.

Applicants requested that the annual minimum charge period be changed from the present period January 1 through December 31, to May 1 through April 30, on account of difficulty experienced in reading meters during the snow season. This is considered to be a reasonable request and will be authorized by the order herein.

The record shows that during the year 1950, all but 12 of the consumers used 4,000 cubic feet or less, thereby paying the annual minimum charge, only.

Applicants' water supply is obtained from wells Nos. 1 and 2 which are dug wells, and wells Nos. 3 and 4 which are drilled wells, the latter being 144 feet and 120 feet in depth, respectively. Water from well No. 2 is discharged into well No. 1 and pumping plants installed in wells Nos. 1, 3, and 4 discharge into the distribution system. The main reservoir, a 14,000-gallon wood stave tank is located on a hill adjacent to the south boundary of the service area and floats on the line. All pumping plants are controlled automatically by a float switch in the main reservoir.

A report on applicants' recorded operations as indicated on their books of account for the years 1947 and 1948, as adjusted for the years 1949 and 1950, and as estimated for the year 1951, the latter at the present and proposed rates, was submitted as Exhibit No. 1 by an accounting witness for applicants. A report on the results of operation of applicants for the year 1950, recorded, and for the year 1951, estimated, the latter at the present and proposed rates, was submitted as Exhibit No. 2 by a

Commission staff engineering witness. The following tabulation is a summary and comparison of the earnings information contained in Exhibits Nos. 1 and 2:

ERNEST E. AND NANCY HANSEN  
(MEADOWBROOK WATER ASSOCIATION)  
SUMMARY OF EARNINGS

Item	Year 1950		Year 1951 Estimated		
	Recorded	Per Co. Ex. No. 1	Per PUC Ex. No. 2	Present	Proposed
	Ex. No. 2	Rates	Rates	Rates	Rates
Operating Revenues	\$1,862	\$ 1,862	\$ 3,674	\$ 1,900	\$ 3,673
Operating Expenses inc.					
Taxes & Depreciation	2,797	2,943	2,943	2,943	2,861
Net Operating Revenue	(935)	(1,081)	731	(1,043)	812
Rate Base (Depreciated)	-	19,445	19,445	19,800	19,800
Rate of Return	-	-	3.76%	-	4.10%

(Red Figure)

The construction estimate for 1951 contained in Exhibit No. 1 includes the construction of a pump house and a 1½-inch pipe line to connect the well with the main, such pipe line to replace an existing 1-inch main. Applicant Ernest E. Hansen testified, however, that, depending upon weather conditions, the pipe-line construction might not be completed until 1952.

Applicants' accounting witness testified that applicants' books of account had not been kept in accordance with the Uniform Classification of Accounts prescribed by the Commission for water corporations and that necessarily he had adjusted the recorded amounts for the years 1949 and 1950. The record shows that there were certain errors in classification of accounts as between capital and expenses and in the distribution of expenses and that applicants' accounting witness had eliminated \$47 of expense which was not supportable by the records as being a legitimate charge against the utility operations.

Applicants operate the public utility in connection with their real estate activities in Meadowbrook Park and have not charged the utility for telephone, office space, the use of office equipment, or officers' salaries. A \$215 annual allowance for officers' salaries, accountant and auto expense was included in the Commission engineer's estimated expenses.

It is evident that applicant is in need of immediate and certain financial relief. However, the rates as proposed, which would effect a 100% increase over the present rates, are considered to be unreasonable and not practicable of application at this time. If applicants' books had been kept properly, their true financial condition might have been disclosed earlier and an earlier application for rate relief might have been filed. As it is now, the Commission does not consider it in the public interest to authorize the full increase requested at this time.

A new schedule of rates which is found to be just and reasonable and will produce gross revenues amounting to \$3,134, net operating revenues after taxes and depreciation of \$389, and a rate of return of 1.96%, will be authorized by the order herein.

The protestant Walker requested that the restriction contained in the presently filed and proposed tariff schedule applying to household usage, only, be removed from said tariff. This does not appear to be necessary in view of the testimony of the witness Ernest Hansen that water usage for the watering of flowers and shrubs would not be restricted.

#### O R D E R

Application having been filed by Ernest E. Hansen and Nancy Hansen, individuals, doing business as Meadowbrook Water Association, for authority to increase rates for water service

EXHIBIT A  
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## Schedule No. 1

GENERAL METERED SERVICEAPPLICABILITY

Applicable to all measured water service rendered for household residential purposes only.

TERRITORY

Within the service area in unincorporated territory located approximately two miles south of Lake Arrowhead, known as Meadowbrook Woods and vicinity, San Bernardino County, and comprising the entire NW $\frac{1}{4}$  of the NW $\frac{1}{4}$  of Section 28, Township 2 north, Range 3 west, S.B.B.&M.

RATES

Quantity Rates:	Per Meter Per Year
First 4,000 cu.ft. or less.....	\$40.00
Next 2,000 cu.ft., per 100 cu.ft.....	.60
Over 6,000 cu.ft., per 100-cu.ft.....	.40
Minimum Charge:	
For 5/8 x 3/4-inch meter.....	\$40.00
For 3/4-inch meter.....	55.00
For 1-inch meter.....	65.00

The Annual Minimum Charge will entitle the customer to the quantity of water which that annual minimum charge will purchase at the Annual Quantity Rates.

SPECIAL CONDITIONS

1. The annual minimum charge per meter for each year, May 1, to April 30, shall be due and payable on or before May 10 of that year and shall become delinquent June 1.
2. Meters will be read about the last day of August, November, February and April and within ten (10) days thereafter, each customer having used water in excess of that quantity which his annual minimum charge will purchase, will be rendered a statement, payable upon presentation, which will show the meter readings and the charges due at the annual rates.

EXHIBIT A  
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Schedule No. 2

FLAT RATE SERVICE

APPLICABILITY

Applicable to all unmeasured water service rendered for household residential purposes only.

TERRITORY

Within the service area in unincorporated territory located approximately two miles south of Lake Arrowhead, known as Meadowbrook Woods and vicinity, San Bernardino County, and comprising the N $\frac{1}{2}$  of the NW $\frac{1}{4}$  of Section 28, Township 2 north, Range 3 west, S.B.B.&M.

RATES

Annual Flat Rate:	<u>Per Year</u>
For each single residence on lot.....	\$40.00

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

SPECIAL CONDITION

Flat Rate Service is payable annually, in advance, on or before May 10 and becomes delinquent on June 1.

in unincorporated territory near Lake Arrowhead, San Bernardino County, California, a public hearing having been held, the matter having been submitted and now being ready 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 Schedules Nos. 1 and 2 thereof effective for service rendered on and after December 1, 1951.

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

Dated at San Francisco, California, this 23<sup>rd</sup> day of October, 1951.

R. J. [Signature]  
 President.

Justin F. Coe

Harold P. Hill

John E. Mitchell

Commissioners.