

ORIGINAL

Decision No. 46756

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)	
)	
M. C. GAULD, sole owner)	
RUBIDOUX VISTA WATER SYSTEM,	)	Application No. 32795
)	
to increase water rates.)	

M. C. Gauld, in propria persona; Sampson Hays and Emos Welke, consumer - protestants, and Jerome L. Richardson, attorney, for a group of consumer - protestants; Roy E. Sutherland, for the Commission staff.

O P I N I O N

M. C. Gauld, an individual, doing business as Rubidoux Vista Water System, owner and operator of a public utility water system in unincorporated territory in West Riverside, Riverside County, by the above-entitled application filed October 3, 1951, seeks authority to increase his rates for water service.

A public hearing in this matter was held before Examiner Warner on January 16, 1952 in Riverside, at which date the matter was submitted.

M. C. Gauld, operating under the fictitious title of Rubidoux Vista Water System, was granted a certificate of public convenience to operate a public utility water system by the Commission's Decision No. 42417, dated January 12, 1949, in Application No. 29747. The system was acquired by Gauld in October, 1946, and has been operated by him since that date. As of January 16, 1952, there were 176 active service connections, all except nine of which are on metered service, in the authorized service area comprising 294 lots in approximately 94 acres

lying west of the Santa Ana River and north of Mission Boulevard, Riverside County. A map showing the service area, location of applicant's two pumping plants, and pipe lines was filed at the hearing as Exhibit No. 1.

The record shows that applicant's sources of water supply are ample, but due to the fact that all distribution system pipe lines are of 2-inch diameter, some low pressure conditions have been experienced during periods of peak demand in evenings, and in the summer, by consumers whose services are located at or near the dead ends of pipe installations. The record also shows that 3/4-inch service pipe lines have been installed by consumers extending long distances, as much as 250 feet in certain instances, to serve as many as three homes, having a total of 17 occupants from one meter.

Protestants to the rate increase application indicated that they desired equitable improvements in service conditions if rates were to be raised.

Applicant testified that he intended to install a 4½-inch main, replacing the existing 2-inch main, between the pumping plants. He estimated this would cost between \$700 and \$800. He also intends to install a 4½-inch main, replacing the existing 2-inch main, in Daly Street to the last east and west lateral pipe line just north of Mission Street as shown on Exhibit No. 1. This installation will cost between \$1,200 and \$1,500. These installations will improve service conditions by providing a greater volume of water for the east and west lateral pipe lines throughout the area. Applicant stated that at present he was losing money on the operation of the water system, and that he was not financially able to make these improvements with the revenues received from the present rates. He stated that

not only was he losing money from the operations of the water system itself, but that he was putting in \$50 per month out of his own pocket to keep the water system in operation. In this connection, however, it may be noted that applicant has kept no regular books of account, either operating revenues or operating expenses, or capital accounts, and it appears that most of his revenue received, except for payment of power bills and out-of-pocket expenses of operation, was utilized to purchase new pipe and meters and to pay off a loan of \$5,000, obtained prior to 1949, the proceeds of which were used to purchase new pumping equipment for well No. 1 and for other capital expenditures. Had applicant kept his books in accordance with the Uniform Classification of Accounts for Water Corporations prescribed by the Commission, his operating results would have been more readily determinable.

The following tabulation is a comparison of applicant's present and proposed rates:

COMPARISON OF APPLICANT'S PRESENT AND PROPOSED RATES

FLAT RATES

Rates:	<u>Per Service Per Month</u>	
	<u>Present</u>	<u>Proposed</u>
For each 3/4-inch service or less per single family residence, including the irrigation or sprinkling of 1,500 square feet of area.	\$.150	\$2.00
For each additional 100 square feet of irrigated or sprinkled area . . .	.02	.02
For each additional family residence on same lot	1.25	1.25
For each trailer connected for water on same lot . . . . .	.75	.75

COMPARISON OF APPLICANT'S PRESENT AND PROPOSED RATES
(Continued)

GENERAL METERED SERVICE

Quantity Rates:	<u>Per Meter</u>	<u>Per Month</u>
	<u>Present</u>	<u>Proposed</u>
First 1,000 cu. ft., or less	\$.15	\$.20
Next 1,500 cu. ft., per 100 cu. ft. . . . .	.08	.15
Over 1,500 cu. ft., per 100 cu. ft. . . . .	.07	.12

The record shows that 54.68% of the consumer months during the year 1951, fell in the consumption block of 1,000 cu. ft., or less, per month. Under the present rates, the monthly bill for water usage of 1,000 cu. ft., is the minimum charge of \$1.50 per month and under the proposed rates the monthly charge for 1,000 cu. ft. of water usage would be the minimum charge of \$2 per month, or an increase of 33 1/3%.

Applicant testified that neither he nor his wife had ever received any compensation for their work performed in operating the water system. The expenses of their cars were divided evenly between personal use and water system use. Mrs. Gauld assists in reading meters and prepares bills. A collection office in the service area is paid \$20 per month to receive payments of consumers' bills.

A report on the results of applicant's operations for the year 1951 was submitted as Exhibit No. 2, by a Commission

staff engineering witness. The earnings information contained therein is shown in the following tabulation:

SUMMARY OF EARNINGS
(Per P.U.C. Exh. No. 2)

<u>Item</u>	<u>Year 1951</u>	
	<u>Present Rates</u>	<u>Proposed Rates</u>
Operating Revenue	\$ 3,679	\$ 5,314
Operating Expenses, before taxes and depreciation	3,193	3,193
Depreciation	701	701
Taxes	128	341
Total Operating Expense	<u>4,022</u>	<u>4,235</u>
Net Operating Revenue	(343)	1,079
Rate Base (Undepreciated)	20,788	20,788
Less Depreciation Reserve	4,791	4,791
Rate Base (Depreciated)	<u>15,997</u>	<u>15,997</u>
Rate of Return	-	6.74%

(Red Figure)

In discussing Exhibit No. 2, the Commission's engineer stated that due to the unreliability of applicant's records of operating expenses and fixed capital it was necessary to estimate normal operating expenses and to make an appraisal of the water system. Among other items, he included in operating expenses an estimated compensation of \$1,800 per year, or \$150 per month, for the combined services of Mr. and Mrs. Gault. The appraisal of the water system was based on estimated historical cost, plus 10% overhead. Depreciation reserve requirement and annual depreciation annuity were computed on a straight-line basis. No allowance was made for estimated additions to fixed capital during 1952. He stated that the water system was not growing rapidly and that operations for 1952, except for the possible capital additions testified to by applicant and referred to hereinbefore, would approximate the operations for 1951, as adjusted by him to reflect estimated normal operating conditions. It appears that if the capital additions which may amount to \$2,300 or more are made during 1952, applicant's

estimated rate of return under the proposed rates will be reduced to 5.9%. This is not considered to be an excessive rate of return in this instance and the order herein will authorize the filing of applicant's schedule of proposed rates.

With respect to the protests of consumers who live along and adjacent to Crestmore Road, regarding the low pressures and inadequacy of water supply to their premises during periods of peak demand, and who, the record shows, may not substantially or adequately benefit from applicant's proposed immediate capital improvements along Daly Street, applicant should, as soon as financially able, consider plans to increase the pressures in and amounts of water deliverable to that particular part of the service area. Applicant should also investigate the source of each complaint in that area at once to determine to what extent small or encrusted service pipes beyond consumers' meter to points of delivery contribute to low pressures or inadequate supplies of water, or both, for individual consumers. He should also consult with each consumer-complainant to determine if possible, to what extent the unusually long 3/4-inch service extensions and multiple-residence connections contribute to the conditions complained of, and attempt to advise each consumer of a possible remedy therefor.

It is evident, that consumers with multiple-residence connections are not required, under applicant's practices, to pay individual monthly minimum charges and, further, it appears that such water users may enjoy a lower individual water rate by reason of the fact that their combined consumption may reach into the lower brackets of applicant's rate structure. From a purely technical standpoint, applicant should install meters on each individual residence, but it is acknowledged that there may

be other factors to consider in those cases and applicant will not be so ordered at this time.

In order that applicant's fixed capital accounts may be set up properly, applicant should submit to the Commission in writing for its approval, the proposed journal entries to place on his books of accounts, the results of the appraisal of his properties as shown in Exhibit No. 2, and the order herein will so provide.

O R D E R

M. C. Gauld, an individual, doing business as Rubidoux Vista Water System, owner and operator of a public utility water system, in unincorporated territory in West Riverside, Riverside County, having applied for an increase in water rates, 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 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 as shown in Exhibit A attached hereto and on not less than five (5) days' notice to the Commission and to the public, to make said rates effective for service rendered on and after March 10, 1952.
2. Applicant shall, within a reasonable length of time, make all necessary improvements to the system in order to render adequate public utility water service.

3. Applicant shall submit in writing to the Commission for its approval, the proposed journal entries to place on his books of accounts the results of the appraisal of his properties as shown in Exhibit No. 2, filed at the hearing in this proceeding.
4. Applicant shall take immediate steps to set up and keep his books of account in accordance with the Classification of Accounts for Water Corporations prescribed by the Commission and shall report to the Commission in writing within one hundred and eighty (180) days when such steps have been taken.

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

Dated at San Francisco, California, this 13th day of February, 1952.

[Signature]
President.

[Signature]

[Signature]

[Signature]

[Signature]
Commissioners.

EXHIBIT A
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Schedule No. 1

FLAT RATES

APPLICABILITY

Applicable to all unmeasured domestic and commercial water service.

TERRITORY

Throughout the authorized service area comprising 294 lots in 94 acres, more or less, in unincorporated territory in West Riverside, west of the Santa Ana River and north of Mission Boulevard, Riverside County.

RATES

	<u>Per Service Per Month</u>
For each 3/4-inch service or less per single family residence, including the irrigation or sprinkling of 1,500 square feet of area	\$2.00
For each additional 100 square feet of irrigated or sprinkled area .....	.02
For each additional family residence on same lot	1.25
For each trailer connected to water on same lot .....	.75

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 the option of the utility or a customer for the above classification in which event service will thereafter be rendered only on the basis of Schedule No. 2, General Metered Service.

EXHIBIT A
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Schedule No. 2

GENERAL METERED SERVICEAPPLICABILITY

Applicable to all measured domestic and commercial water service.

TERRITORY

Throughout the authorized service area comprising 294 lots in 94 acres, more or less, in unincorporated territory in West Riverside, west of the Santa Ana River and north of Mission Boulevard; Riverside County.

RATES

Per Meter
Per Month

Quantity Rates:

First 1,000 cubic feet; or less	\$2.00
Next 1,500 cu. ft.; per 100 cu. ft.....	.15
Over 2,500 cu. ft.; per 100 cu. ft.....	.12

Minimum Charge:

For 5/8 x 3/4-inch meter	\$2:00
For 1-inch meter	4:00
For 1 1/2-inch meter	7:50
For 2-inch meter	12:00

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