

ORIGINAL

Decision No. 47665

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of )  
SUNNY SLOPE HEIGHTS WATER COMPANY, )  
a corporation, for Permission to )  
Increase Rates. )

Application No. 33307  
(Amended)

C. Lov Mason, attorney, for applicant; Mrs. B. M. Bliss, Mrs. E. LaMothe, John C. Pace, Doris Dickson, Henry Sevaly, Mrs. Harlan L. Bechtold, Mrs. James Gunn, Mrs. Steve Matson, Mrs. Katri Tinomen, Mrs. V. W. Miller, Mrs. Howard Arnold, Mike Hirvnan, G. I. Hicks, H. A. Porger, Mrs. Robert E. Boyles, Ray E. Peterson, Mrs. John Mazzacchi, Mrs. Lester Christianson, Mr. and Mrs. C. Joseph J. Spindler, John T. Hodson, E. A. Saczynski, Mrs. Ray Scherzinger, Mrs. W. E. Gilmore, M. E. Wilson, Donald F. Sevaly, Mr. and Mrs. James M. Carris, Jack T. Hearn, protestants; Charles E. Smith, Mrs. B. A. Vandell, Hazel D. Postelwaite, interested parties; James F. Wilson, for the Commission staff.

O P I N I O N

Sunny Slope Heights Water Company, a corporation, by the above-entitled application filed April 11, 1952, as amended June 25, 1952, seeks permission to increase rates for water service in unincorporated territory in West Riverside, Riverside County.

A public hearing in this matter was held before Examiner Warner on August 13, 1952, at Riverside.

General Information

Sunny Slope Heights Water Company, a California corporation, was organized September 16, 1925, as Sunny Slope Mutual Water Company. On May 20, 1949, the Articles of Incorporation were amended, changing the name of the corporation, and application was filed with the Commission on June 29, 1949, for authority to operate as a public utility. By its Decision No. 43887, dated March 7, 1950, in

Application No. 30415, applicant was granted a certificate of public convenience and necessity and authority was granted to sell stock. Said decision also authorized the establishment of rates which are presently in effect.

Water System Operations

Applicant furnishes water service throughout its authorized service area comprising approximately 1,550 acres situated approximately 3 miles west of Riverside, along Mission Boulevard. The water supply is obtained from two wells and pumping plant installations of an aggregate production capacity of 810 gallons per minute. Water is stored in two concrete reservoirs with a combined storage capacity of 669,300 gallons. In a small section of the service area, water service is provided by a small booster pump. The storage for this section is provided by a 35,000-gallon steel tank. The distribution system consists of approximately 79,690 feet of steel water mains 2½- to 8-inches in diameter. Fire hydrants are located throughout the service area. No revenue is received for fire protection service; there being no fire protection district for the area.

As of December 31, 1951, water service was furnished to 558 consumers, all on a metered basis.

The record in this proceeding shows that the operations of the water system, from the standpoints of water supply, operating pressures, reliability of service and quantity and quality of water, have been greatly improved since applicant became a public utility.

Rates: Present, Proposed, and Authorized by the Order Herein.

The following tabulation is a comparison of applicant's present rates with those proposed in its amended application, and with those authorized by the order herein:

<u>Quantity Rates:</u>	<u>Per Meter Per Month</u>		
	<u>Present</u>	<u>Proposed*</u>	<u>Authorized</u>
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	--	--
First 600 cu.ft., or less.....	--	2.40	--
Next 1,400 cu.ft., per 100 cu.ft.....	--	.35	--
Next 1,500 cu.ft., per 100 cu.ft.....	--	.30	--
Next 1,500 cu.ft., per 100 cu.ft.....	--	.25	--
Next 2,500 cu.ft., per 100 cu.ft.....	--	.20	--
Over 7,500 cu.ft., per 100 cu.ft.....	--	.15	--
First 600 cu.ft., or less.....	--	--	2.10
Next 1,400 cu.ft., per 100 cu.ft.....	--	--	.30
Next 2,000 cu.ft., per 100 cu.ft.....	--	--	.25
Next 2,000 cu.ft., per 100 cu.ft.....	--	--	.20
Over 6,000 cu.ft., per 100 cu.ft.....	--	--	.15

Minimum Charge:

For 5/8 x 3/4-inch meter	\$ 2.00	\$ 2.40	\$ 2.10
For 1-inch meter	4.00	5.00	5.00
For 1 1/2-inch meter	7.00	8.00	8.00
For 2-inch meter	10.00	12.00	12.00

\* Per amended application filed June 25, 1952.

The record shows that 37% of the consumer months for the year 1951 fall within the monthly consumption bracket of 600 cu.ft., or less. Under the present rates the charge for this consumption is \$2. Under applicant's proposed rates, it would be \$2.40, an increase of 20%, and under the rates authorized herein, it would be \$2.10, an increase of 5%.

The record further shows that approximately 52% of the consumer months for the year 1951 fall within the monthly consumption bracket of 900 cu.ft., or less. Under the present rates the charge for this consumption is \$2.20. Under the proposed rates it

would be \$3.45, an increase of 56.8%, and under the rates authorized herein, it would be \$3, an increase of 36.4%.

The monthly consumptions for the year 1951 are average figures and individual monthly consumption during the summer months usually exceeds the average monthly amounts computed on a 12 months' period. The present charge for monthly consumption of 1,700 cu.ft. is \$3.70. Under the proposed rates it would be \$6.25, an increase of 68.9%, and under the rates authorized herein, it would be \$5.40, an increase of 46.0%.

#### Consumer Appearances and Representations

At the hearing, some 29 consumers entered protests, claiming that the proposed rates were excessive, and would work an undue hardship on them. Some complained of inadequate water pressure at their residences.

Three consumer-stockholders appeared in support of the application. They claimed that, when the water company changed from a mutual water company to a public utility, they had invested funds and had bought stock in the utility, but that, since that time, they had received no return on their investment whatsoever, and no dividends had been paid on their stock.

#### Basis of Application

In its application, applicant alleged that its statement of earnings showed a loss of \$2,596.29 for the year ending December 31, 1951. It is noted that such loss included nonoperating interest expense of \$1,148.91, and nonoperating revenue of \$552.44. It is also noted that operating expenses included Salaries of General Officers amounting to \$4,800. The record shows that such salaries were accrued on applicant's books, but were not paid during 1951 and had not been paid as of the date of the hearing. These accrued and unpaid salaries amounted to \$7,200 as of June 30, 1952.

However, the record further shows that applicant's three general officers are also the principal stockholders who would benefit by any improved earning ability of applicant.

Earnings

Applicant's public accounting witness submitted, as Exhibit No. 1, an analysis of operating revenues, operating expenses, and fixed capital. This analysis showed net earnings, depreciated rate base, and rate of return for the year 1951 at present rates, and for the year ending December 31, 1952, at proposed rates. A Commission engineering witness submitted, as Exhibit No. 2, a report on the results of applicant's operations for the year 1951. This report showed operating revenues, operating expenses, and average depreciated rate base for the year 1951, at both present and proposed rates. The Commission witness also submitted, as Exhibit No. 3, an estimate of earnings for the year 1952, at proposed rates. The earnings information contained in Exhibits Nos. 1 and 3 is summarized in the following tabulation:

Item	Year 1951:		Year 1952 Estimated	
	Actual	Present Rates:	Proposed Rates	
	Per Co.	Per Co.	Per Co.	Per PUC
	Exh.No. 1:	Exh.No. 1	Exh.No. 1:	Exh.No. 3:
Operating Revenues	\$ 22,874	\$ 25,588	\$ 41,056	\$ 39,196
Operating Expenses, excl. taxes and Deprec.	17,440	19,411	19,411	15,331
Taxes	822	740	5,294	6,645
Depreciation	6,070	6,183	6,183	6,183
Total Oper Exp.	24,332	26,334	30,888	28,159
Net Operating Revenue	(1,458)	(746)	10,168	11,037
Rate Base (Deprec.)	162,470	163,841	163,841	165,162
Rate of Return	-	-	6.2%	6.68%

(Red Figure)

The record shows that applicant's estimate of operating revenues at the proposed rates was based on an estimate of 608

consumers as of December 31, 1952, whereas the staff estimate was based on the average number of consumers for the year 1952.

Applicant's estimate of operating expenses included, among other things, provision for the full salaries of \$4,800 per year for general officers as noted hereinbefore. The staff estimate included a provision of \$2,000 for such salaries. Since the record shows that applicant's water system is widely spread, and that it may be some time before the consumer-density of the service area is sufficient to provide earnings to pay full salaries to officers, the staff estimate for such salaries will be adopted for the purposes of this proceeding. In this connection it is noted that, as shown in Exhibit No. 1, applicant employs a superintendent, a stenographer-clerk, and a maintenance and service man on a full-time basis, and extra help as required. The salaries of such full-time employees are charged 60% to applicant and 40% to Mission Water Company, an adjoining utility whose officers include some of applicant's officers.

From a review of the record it is evident that applicant is in need of financial relief. As of January 1, 1952, its outstanding 1,882 shares of 5% cumulative preferred stock, of a par value of \$50 per share, totaled \$94,100. Its outstanding 5,000 shares of common stock, of \$5 par value per share, totaled \$25,000. Other indebtednesses included trust deeds on an office building and lot, and on Well No. 4 lot, totaling \$2,340.35; four 6% demand notes payable, totaling \$3,835.97; and a 5% note payable to Citizens National Trust and Savings Bank, due May 2, 1952, payable at the rate of \$200 per month plus interest, totaling \$8,200.

Authorization of New Schedule of Rates, and  
Estimated Rate of Return Thereunder

The order which follows will authorize the filing of a new schedule of rates which, it is estimated, will produce gross annual

revenues of \$33,600. It is estimated that operating expenses will amount to \$25,800, and that net operating revenues will be \$7,800. When related to a depreciated rate base of \$164,000, an estimated rate of return for the year 1952 of 4.76% will result. This is considered to be a fair rate of return for applicant based on the record of the proceeding in this application. It will enable applicant to meet all of its operating expenses and to meet most, if not all, of its financial requirements. As the area grows in population and new consumers are added, applicant's earnings under the rates authorized herein should increase.

Estimated Fixed Capital Additions and Retirements and Improvements in Service

As shown in Exhibit No. 1, estimated fixed capital additions and retirements for the period May 1, 1952 to January 1, 1953, include the black-topping of the office parking area, the fencing of the storeroom lot and of reservoirs, the installing of a new pump and motor at Corona Well No. 3 (to increase production capacity of this plant), and the installation of 1,300 feet of 4-inch main on Mears Avenue and 1,700 feet of 4-inch main on 38th Street, as replacements. Gross estimated additions will amount to \$11,390. The present pump and motor at Well No. 3 will be retired at \$3,007, and 3,000 feet of 2½-inch pipe laid in 1930 will be retired at \$1,710. Net estimated additions to fixed capital will amount to \$6,673.

Applicant's witness, C. A. Ray, vice president, testified that the company was aware of the deficiencies in water pressure in those areas complained of at the hearing by consumers, particularly those conditions in the Mountain View Avenue and Scenic Drive region at higher elevations. He stated that the company, for some months, had had plans to alleviate these conditions by the installation of new and larger water mains, and, if necessary, a booster pump, but

had been without funds to effect such improvements. However, he stated that applicant planned to borrow additional money from the bank for this purpose, and he promised that this work would commence at once.

Applicant should file with the Commission in writing periodic reports on its progress in effecting the estimated additions to fixed capital and the planned improvements in service outlined hereinabove, and the order herein will so provide.

O R D E R

The above-entitled application, as amended, having been filed, a public hearing having been held, the Commission being fully advised in the premises, 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. That Sunny Slope Heights Water Company 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 to the public to make said rates effective for service rendered on and after October 15, 1952.
2. That Sunny Slope Heights Water Company shall, within sixty (60) days, and every sixty (60) days thereafter until completed, file with this Commission in writing



a report of its progress in effecting the estimated additions to fixed capital and the planned improvements in service as outlined in the foregoing opinion.

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

Dated at San Francisco, California, this 2nd day of September, 1952.

A. J. [Signature]  
President.  
Justin J. Cassin  
Herbert Patten  
John E. [Signature]

Commissioners.

EXHIBIT A

Schedule No. 1

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all measured water service.

TERRITORY

Throughout the authorized service area comprising approximately 1,550 acres in unincorporated territory in West Riverside, Riverside County.

RATES

Quantity Rates:	<u>Per Meter</u> <u>Per Month</u>
First 600 cu.ft. or less.....	\$ 2.10
Next 1,400 cu.ft., per 100 cu.ft.....	.30
Next 2,000 cu.ft., per 100 cu.ft.....	.25
Next 2,000 cu.ft., per 100 cu.ft.....	.20
Over 6,000 cu.ft., per 100 cu.ft.....	.15
 Minimum Charge:	
For 5/8x3/4-inch meter.....	\$ 2.10
For 1-inch meter.....	5.00
For 1 1/2-inch meter.....	8.00
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.