

ORIGINAL

Decision No. 47800

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the matter of application of)
Live Oaks Springs Water and Power)
Co., a Public Utility Company, for) Application No. 33411
authority to increase Rates.)

Fred Stomberg, president, for applicant;
Harry W. Horton, attorney, for a group
of water users, Harry Sones, chairman of
a water users' committee, Bill Axemaker,
a consumer, protestants; R. E. Sutherland
for the Commission staff.

O P I N I O N

Live Oaks Springs Water and Power Company, a corporation, by the above-entitled application filed May 10, 1952, seeks authority to increase rates for domestic water service in and about the unincorporated community of Live Oaks Springs, San Diego County. The application was amended at the hearing by a request for the establishment of a different set of rates than those originally applied for.

A public hearing in this matter was held before Examiner Warner on September 11, 1952, at Pine Valley, San Diego County.

General Information

By Decision No. 29365, dated December 15, 1936, in Case No. 4153 and Application No. 20763, Live Oaks Springs Corporation, applicant's predecessor, was declared to be a public utility, was granted a certificate of public convenience and necessity to operate as such, and the present rates were established. Applicant was incorporated June 9, 1939. Decision No. 35603, dated July 21, 1942, in Application No. 25067, authorized the transfer of the water system from Live Oaks Springs Corporation to applicant

and authorized the issuance of \$20,000 of applicant's capital stock in payment of the properties transferred.

Service Area

Applicant's service area contains approximately 40 acres situated roughly 65 miles east of San Diego on Highway 80 and 5 miles north on the Mexican border. The area is a mountain summer resort and as of the date of the hearing there were 86 regular consumers and 23 services to cabins owned by Live Oaks Springs Development Company, ^{1/} present owner of applicant's capital stock. The service area contains 528 lots. The Development Company owns 122 lots, all of which are vacant.

Source of Water Supply and Water System

The source of water supply is two wells with pumping plant installations of 70 gallons-per-minute and 40 gallons-per-minute capacity located on property owned by applicant, two springs of 10 gallons-per-minute and 12 gallons-per-minute capacity located on a near-by Indian reservation use of which springs is under permit from the United States Government, and a well owned by the Development Company with a pumping plant installation of an estimated production capacity of 250 gallons-per-minute. Water is pumped to and stored in two reservoirs located at the springs. These reservoirs have a combined storage capacity of 60,000 gallons. Six fire hydrants are connected to the water system, but no revenue is derived from their use.

Present and Proposed Rates

Applicant's present rate is a flat rate of \$18 per year for a residence or cabin of five rooms or less, including bath and toilet. There are additional charges for additional rooms or

1/ Hereinafter referred to as the Development Company.

baths or toilets. The flat rate for restaurants or cafes is \$24 per year, for stores and shops \$18 per year, and for automobile and service stations \$24 per year.

Applicant's presently filed rate for irrigation service is \$0.01 per square yard of irrigated area per month.

In its application as originally filed, applicant requested the establishment of an annual rate of \$60 per user. This request was amended at the hearing for the establishment of an annual rate of \$24 per year per customer for one house on one lot, with a stand-by charge of \$8 per year for each vacant lot. Applicant also requested the establishment of a metered rate and that the unit of measurement of the irrigation area be changed from square yards to square feet.

Estimates of Earnings and Financial Operations

No balance sheet or financial statement was submitted for the record and applicant submitted only rough estimates of revenues and expenses under the proposed rates. Exhibit No. 1, submitted by applicant, is an estimate of annual expenses. It includes an item of \$700 per year, for a five-year period, for the replacement of 10,000 feet of 6-inch pipe. This is a capital item and should not be included in operating expenses.

Exhibits Nos. 2 and 4 submitted by a Commission engineering witness, include estimates of applicant's earnings for the year 1952 at present rates, at rates proposed in the original application, and on the basis of annual rates of \$36 and \$33 per year. The estimated earnings information contained therein is summarized in the following tabulation:

Year 1952 Estimated

Item	Present Rate	Proposed Rate	Basis of \$36 per Year	Basis of \$33 per Year
Revenue	\$ 2,325	\$ 6,600	\$ 4,160	\$ 3,830
Expenses	2,870	4,093	3,293	3,185
Net Revenue	(545)	2,507	867	645
Rate Base (Depreciated)	13,371	13,371	13,371	13,371
Rate of Return	Nil	18.75%	6.48%	4.82%

(Red Figure)

The Commission engineer testified that applicant's books of account were not reliable, and that his estimates of earnings for the year 1952 had been made on the basis of his judgment of a normal year's operations. In the circumstances, the estimates of the Commission engineer are the only reasonably reliable evidence of record upon which to prescribe rates. Therefore, the estimated operating results and rate base set out in the foregoing table are hereby adopted as reasonable for rate fixing purposes herein.

Conclusion

It is evident that applicant is in need of financial relief. Under the conditions outlined in the record it is not possible to operate successfully a small water system of an average of 110 consumers in a mountain resort area at an annual flat rate of \$18 per consumer (a monthly consumer average of \$1.50).

The record shows that applicant's proposal to establish a stand-by charge for vacant lots is impracticable and such charge will not be authorized. The order which follows will authorize applicant to file annual flat rates of \$36 per residential consumer and \$48 per commercial consumer, respectively. The estimated rate of return of 6.48% which will be produced by these annual rates is considered to be a fair return for this proceeding.

The Commission realizes that the rates of \$36 and \$48 per year (an average of \$3 and \$4 per month, respectively) represents an increase of 100% over the present rates; but the

record shows that applicant under its present manager, who took over operations of the water system August 11, 1951, is furnishing vastly improved water service. There have been no complaints regarding water pressure and, with the exception of one instance due to a power failure, there have been no interruptions to water service this year. This is a radical improvement in water service over that received by consumers prior to August, 1951.

The increase in rates authorized herein should enable applicant to effect the installation of a 200,000-gallon reservoir and the replacement of some 6-inch distribution pipe lines which are planned.

Since no firm meter rate was submitted by applicant, and since its plans for the installation of meters were not definite, a meter rate will not be established at this time.

Applicant should immediately separate its books of account from those of the Development Company and should submit to the Commission a balance sheet as of August 31, 1952, and an income statement for the year 1952 to that date, and the order which follows will so provide. Also, applicant should immediately set up and maintain its books in accordance with the Uniform Classification of Accounts for Water Corporations prescribed by this Commission.

The record shows that applicant has not applied its presently filed irrigation rate properly and a survey of irrigated areas of each consumer should be made and the results of such survey should be submitted to the Commission in writing and the order which follows will so provide. Applicant will be authorized to file a rate for sprinkling of lawns, gardens and shrubbery of \$0.05 per month for each 100 square feet of irrigated area.

O R D E R

Application as above entitled 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 applicant be and it 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 three (3) days' notice to the Commission and to the public to make said rates effective for service rendered on and after November 1, 1952.
2. That applicant shall, within thirty (30) days after the effective date hereof, file with the Commission in writing a balance sheet as of August 31, 1952, and an income statement for the year 1952 to that date.
3. That applicant shall conduct a survey of the irrigated areas of each consumer and, within thirty (30) days after the date hereof, shall submit in writing the results of such a survey to the Commission.

IT IS HEREBY FURTHER ORDERED that applicant, within thirty (30) days from the effective date of this order, shall file with this Commission four (4) sets of rules and regulations governing customer relations.

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

Dated at San Francisco, California, this 7th day of October, 1952.

R. T. [Signature]
President.
Justice J. [Signature]
[Signature]
[Signature]

Commissioners.

EXHIBIT A

Schedule No. 1

ANNUAL FLAT RATES

APPLICABILITY

Applicable to all unmetered water service.

TERRITORY

Throughout the authorized service area comprising approximately 40 acres in unincorporated territory in and about Live Oaks Springs, San Diego County.

RATES

Per Year

Per Residential Consumer	\$36.00
Per Commercial Consumer	48.00

MONTHLY SPRINKLING CHARGE

Per Month

Sprinkling of lawns, gardens and shrubbery, per 100 square feet of irrigated area	\$ 0.05
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