

ORIGINAL

Decision No. 49066

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application)
of SUNSET LAND & WATER COMPANY,) Application No. 33957
a corporation, for Authority to)
Increase Water Rates.)

M. R. Stansell, attorney, for applicant.
Frederick A. Belcher, president, for Sunset Beach
Chamber of Commerce, interested party.
Theodore Stein and Clyde F. Norris, for the
Commission staff.

O P I N I O N

Sunset Land & Water Company, a corporation, by the above-entitled application filed December 16, 1952, seeks authority to increase rates for water service in Sunset Beach and Surfside Colony in unincorporated territory, Orange County.

A public hearing in this matter was held before Examiner Stewart C. Warner on August 5, 1953, at Seal Beach.

General Information

Applicant furnishes water service to the unincorporated areas known as Sunset Beach and Surfside Colony, comprising approximately 140 acres located about 1 mile southeast of the City of Seal Beach in Orange County. As of March 31, 1953, water service was being furnished to 187 metered consumers and 322 flat rate consumers, or a total of 509 consumers. The area is a semi-resort area and property owners frequently rent seaside cottages to vacationers during the summer season.

Rates

During the summer season property owners are wont to live elsewhere and then water service accounts are usually opened in the

name of the vacation users. This necessitates the application of semi-vacation rates for water service.

Applicant's present flat rates for a single one-family dwelling are \$12 for six months payable in advance, or \$18 for 12 months payable in advance. Applicant proposes a flat rate of \$18 for six months, payable in advance.

Applicant's general metered service rates for a 5/8-inch meter are \$12 per meter for six months payable in advance, \$18 per meter for 12 months payable in advance, and \$1.50 per meter for each consecutive month after the advance yearly payment. Applicant proposes to increase the minimum charge for a 5/8-inch meter to \$18 per meter for six months, payable in advance, and to \$2.25 for each consecutive month after the advance semiannual payment. The minimum charge for a 5/8-inch meter entitles the consumer to 750 cubic feet per month. Other charges and quantity entitlements for larger sized meters are included in applicant's presently filed and proposed rates.

Applicant's metered quantity rates are 15 cents per 100 cubic feet for water usage from 750 to 1500 cubic feet per meter per month, and 12 cents per 100 cubic feet for all water usage over 1500 cubic feet per meter per month. No change in the metered quantity rates is proposed.

Earnings

Exhibits Nos. 1 and 4 filed at the hearing by a witness for applicant include statements of income and expenses for the year ended December 31, 1952. The statements show revenues from water sales in the amount of \$11,505.84 and net income from the water department, before depreciation, in the amount of \$1,797.61 and after depreciation \$91.89.^{1/} The estimated net income from the water

^{1/} Net income from all operations, including the sale of land, is reported at \$887.58.

operations for the year 1953 under proposed rates, is shown at \$3,138.20 before depreciation. No rate base or rate of return for the year 1952 at present rates or for the year 1953 estimated at proposed rates was submitted by applicant.

The following tabulation is a summary of earnings for the year 1952 recorded and adjusted and for the year 1953, estimated at present and proposed rates as shown in Exhibits Nos. 2 and 3 submitted by the Commission staff.

SUMMARY OF EARNINGS

Item	Year 1952		Year 1953-Estimated			
	Recorded	Adjusted	Present Rates		Proposed Rates	
			(1)	(2)	(1)	(2)
Operating Revenues	\$11,506	\$11,219	\$11,367	\$11,367	\$18,418	\$18,418
Operating Expenses	8,346	8,098	10,748	10,748	10,748	10,748
Taxes	1,867	735	655	655	2,555	2,312
Depreciation	1,706	1,930	1,219	1,962	1,219	1,962
Total Expenses	11,919	10,763	12,622	13,365	14,522	15,022
Net Revenue	(713)	456	(1,255)	(1,998)	3,896	3,396
Rate Base (Depreciated)		39,616	-	-	27,290	38,854
Rate of Return		1.15%	-	-	14.28%	8.74%

(Red Figure)

- (1) Depreciation expense computed at rate of 1.74%. Average book depreciation reserve of \$45,752 deducted from average fixed capital to determine average depreciated rate base. (Per PUC Exh. No. 2).
- (2) Depreciation expense computed at rate of 2.80%. Average computed depreciation reserve requirement of \$34,187 deducted from average fixed capital to determine average depreciated rate base (Per PUC Exh. No. 3).

The greatest difference in operating expenses between the year 1952 and 1953 is an increase in the salaries of applicant's secretary-treasurer and its manager and superintendent. Such salary increases became effective January 1, 1953.

The staff engineer testified that he had made an estimated historical cost appraisal of applicant's fixed capital in service as of December 31, 1952, and had computed the remaining life straight-line depreciation reserve requirement applicable to such capital.

The following is a comparison of applicant's fixed capital as recorded on its books, together with the related recorded depreciation reserve, and the staff appraisal, together with the related computed depreciation reserve requirement, each as of December 31, 1952.

Item	As of December 31, 1952	
	Per Books	Per PUC Staff Appraisal
Fixed Capital in Service	\$59,724	\$70,431
Depreciation Reserve	45,142	33,206

A Commission staff accounting witness testified that donations in aid of construction which appeared on applicant's balance sheet in its surplus account amounted to \$7,436 as of December 31, 1952.

Conclusions

It is evident that applicant is in need of financial relief. The recorded and adjusted earnings for the year 1952 indicate that applicant's earnings were deficient. Based on the year 1953 estimated, however, it appears that the proposed rates would yield an excessive rate of return. It further appears that donations in aid of construction, amounting to \$7,436, should be deducted from the estimated average depreciated rate base for the year 1953. The order which follows will authorize applicant to file a different schedule of rates from that proposed in its application. Such rates will produce estimated revenues amounting to \$14,750, or about a 30 per cent increase in revenues. It is estimated that total expenses, including income taxes and depreciation expense, will amount to \$13,320, leaving a net revenue of \$1,430. When related to an average depreciated rate base of \$19,850, a rate of return of about 7 per cent will result. Such rate of return is found to be just and reasonable for this utility, and its components are hereby adopted for the purposes of this proceeding.

Service Conditions and
Staff Recommendations

Applicant's witness testified that 1200 feet of transite pipe will be installed on Coast Highway to replace 3-inch steel main. Other pipelines are in fair to good condition, storage tanks and wells are in good operating condition, and water service to consumers is reported to be satisfactory.

The Commission staff engineer included six specific recommendations in Exhibit No. 2 and these should be carried out.

O R D E R

The above-entitled application having been filed, a public hearing having been held, the matter having been submitted, and the Commission being fully advised in the premises,

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.a. 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, the schedules of rates shown in Exhibit A attached hereto, and on not less than five days' notice to the Commission and to the public to make such rates effective for service rendered on and after November 1, 1953.
- b. That within thirty days after the effective date of this order applicant shall file with this Commission four sets of rules and regulations governing customer relations, together with four copies of a tariff service area map acceptable to the Commission.
- c. That applicant shall file with this Commission within forty days after the effective date of this order, four copies of a comprehensive map, drawn to an indicated scale not smaller than 300 feet to the inch, delineating by appropriate markings the

various tracts of land and territory served and the location of the various properties of applicant.

- 2. That Sunset Land & Water Company shall restate its fixed capital accounts so as to reflect therein the staff appraisal of \$70,431 as of December 31, 1952, segregated to primary accounts, and shall file with the Commission, on or before December 31, 1953, its journal entries used to record such restatement of its accounts.
- 3. That applicant shall base future accruals to the reserve for depreciation upon a spreading of the amounts in its restated fixed capital accounts, less the estimated net salvage and depreciation reserve, over the estimated remaining life of the property; further, applicant shall review such accruals when major changes in plant composition occur and for each plant account at intervals of not more than three years. Results of these reviews shall be submitted to this Commission.

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

Dated at SAN FRANCISCO, California, this 15th day of SEPTEMBER, 1953.

A. E. Anderson
President

Justina F. O'Connell
Harriet P. Kuls

Kenneth Patten
John E. Mitchell
Commissioners

EXHIBIT A
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Schedule No. 1

RESIDENTIAL FLAT RATE SERVICE

APPLICABILITY

Applicable to all residential flat rate water service.

TERRITORY

In the unincorporated areas known as Sunset Beach and Surfside Colony, Orange County.

RATES

	<u>Per Service</u>
Per single family residence for initial six-month period	\$ 15.00
Per single family residence taking continuous service following initial six-month period, per month	2.10

SPECIAL CONDITIONS

1. Charges for flat rate service are payable in advance.
2. Any consumer who has established permanency by having paid the initial six-month period charge in advance may continue service on a monthly basis thereafter as set forth above.
3. Meters may be installed at the option of utility or customer for above classification, in which event service thereafter will be rendered only on the basis of Schedule No. 2, General Metered Service, and must be continued for not less than 12 months before it may again be changed to flat rate service.
4. All service not covered by the above classification will be furnished only on a metered basis.

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Schedule No. 2

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

In the unincorporated areas known as Sunset Beach and Surfside Colony, Orange County.

RATES

Minimum Charge:

	Per Meter For Initial Six-Month Period	Cu.Ft. of Water Included in Charge	Per Meter per Month For Continuous Service Following Initial Six-Month Period	Cu. Ft. of Water Included in Charge
	Charge:	Per Month	Charge:	Per Month
For 5/8x3/4-inch meter	\$13.50	750	\$1.90	750
For 3/4-inch meter	18.00	1,250	2.50	1,050
For 1-inch meter	27.00	2,650	3.50	1,800
For 1 1/2-inch meter	48.00	5,350	5.75	3,700
For 2-inch meter	72.00	8,700	9.00	6,400

Quantity Rates:

	Per Meter Per Month
First 750 cubic feet or less, included in minimum charge.	
Next 750 cubic feet, per 100 cubic feet	\$0.15
Over 1,500 cubic feet, per 100 cubic feet12

SPECIAL CONDITIONS

1. Minimum Charges for initial six-month period are payable in advance.
2. Any consumer who has established his permanency by having paid the initial six-month period minimum charge in advance may continue service on a monthly basis thereafter as set forth above.

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Schedule No. 2

GENERAL METERED SERVICE

SPECIAL CONDITIONS—Contd.

3. Should service be discontinued, either at the consumer's request or for nonpayment of bills, the consumer will be required to re-establish permanency by paying in advance the initial six-month period minimum charge as set forth above.

4. The charge for water consumed in excess of the monthly quantity allowed under any minimum charge will be charged for at the quantity rates and will be payable upon presentation of the monthly bill for such excess quantity.