

ORIGINAL

Decision No. 49410

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application)	
of NARBONNE RANCH WATER CO.)	Application No. 33913
NO. 2 for an order authorizing)	(Amended)
increased rates for water service.)	

Robert E. Moore, attorney, for applicant.
Mr. and Mrs. David Fay, C. E. Jeter, Mr. and Mrs. Raymond Irvin, Thomas Rico, Joseph L. Puerta, Mrs. S. M. Freeligh, Mrs. Antonio Elorriaga, Mr. and Mrs. Ralph H. Tintle, protestants.
Joseph Bader, for Lomita Chamber of Commerce, interested party.
James F. Wilson and R. E. Sutherland, for the Commission staff.

O P I N I O N

Narbonne Ranch Water Co. No. 2, a corporation, by the above-entitled application filed December 1, 1952, as amended April 10, 1953, seeks authority to increase rates for water service in the City of Torrance and in and about the unincorporated town of Lomita, Los Angeles County.

Public hearings in this matter were held before Examiner Warner on August 26, 1953 and October 21, 1953 at Los Angeles. Several consumers appeared in protest to the application and a petition signed by 103 consumers was filed at the hearing, also in protest to the application. Said protests were based on alleged inadequate water service. They complained particularly of insufficient water pressure throughout applicant's entire service area.

General Information

Applicant's water system was installed in 1907 by the original subdivider of this area which is located in the southern

part of Los Angeles County and known as Narbonne Ranch No. 2. The system was operated as a mutual water company until 1935 when operating procedures were reorganized and the present management was installed. As of December 31, 1952, water service was being furnished to an average of 695 consumers, all of whom, except four, were metered.^{1/} The service area comprises about 360 acres of slightly rolling land. About 15 per cent of the consumers are within the limits of the City of Torrance.

Applicant's principal source of water supply is a 16-inch well located within the service area. The pumping plant installation in said well is automatically controlled and discharges into two 100,000-gallon steel tanks. The water supply is augmented by a connection with the facilities of the Metropolitan Water District. During 1952, 96.31 per cent of the total water production was pumped and 3.69 per cent was purchased from the Metropolitan Water District.

The distribution system is gravity fed from tanks through approximately 50,000 feet of pipe ranging in diameter from 1 to 8 inches. The record shows that the water system was originally installed to furnish agricultural service and has been converted during recent years to furnish domestic service. Many pipelines are old, are of inadequate diameter, and are in poor condition. Because of this, and the low elevation of the distribution storage tanks, applicant has had difficulty in maintaining adequate water pressure in certain parts of the system. Exhibit No. 10 is a pressure recording chart which was placed at an elevated location on Eshelman Avenue for a 24-hour period, July 14 to July 15, 1953. Said chart indicated pressure variances from approximately 13 to 20 pounds per square inch.

^{1/} As of the date of the October 1953 hearing, all services were metered except fire hydrants.

Rates

Applicant's present rates were established by Decision No. 38130, dated August 14, 1945, in Application No. 26220.

In support of the instant application, applicant alleged, and evidence was introduced at the October hearing to show, that its earnings under present rates were deficient.

The following is a summary of present and proposed rates for general metered service and fire hydrant rentals:

<u>Item</u>	<u>Per Meter per Month</u>	
	<u>Present Rates</u>	<u>Proposed Rates</u>
<u>Quantity Rates</u>		
First 800 cu.ft. or less	\$ 1.25	\$ -
Next 1,200 cu.ft., per 100 cu.ft....	.125	-
Over 2,000 cu.ft., per 100 cu.ft....	.05	-
First 500 cu.ft. or less	-	1.25
Next 1,500 cu.ft., per 100 cu.ft....	-	.22
Over 2,000 cu.ft., per 100 cu.ft....	-	.10
<u>Minimum Charges</u>		
For 5/8-inch meter	\$1.25	\$ 1.25
For 3/4-inch meter	1.25	1.69
For 1-inch meter	2.50	2.90
For 1 1/2-inch meter	3.50	3.56
For 2-inch meter	6.00	6.04
For 3-inch meter	9.00	9.04
For 4-inch meter	14.00	14.04
For 6-inch meter	20.00	20.04

Fire Hydrant Rental

	<u>Monthly Charges</u>	
	<u>Present Rates</u>	<u>Proposed Rates</u>
For hydrants on mains 6 inches in diameter or larger	\$2.00	\$3.00
For hydrants on mains 4 inches and less than 6 inches in diameter	1.50	3.00
For hydrants on mains less than 4 inches in diameter	1.00	3.00

The record shows that, as of the date of the hearing, 35 fire hydrants were connected to the system.

A consumer water use tabulation for the year 1952 included in Exhibit No. 8, an engineering report on applicant's results of operation introduced by a staff engineer, indicates that the average

water usage was about 2,100 cubic feet per month. At the present rates the charge for such consumption would be \$2.80 per meter per month; at the proposed rates it would be \$4.65, an increase of \$1.85 per month.

Earnings

Evidence regarding past, present and estimated future earnings was submitted by applicant in Exhibits Nos. 1 through 7, and by a staff engineer in Exhibit No. 8. Such evidence is summarized in the following tabulation.

Summary of Earnings

Item	P.U.C. Staff Exhibit No. 8		Co. Exh. No. 7		
	Year 1952	Year 1953 Estimated	Year 1954 Estimated	Year 1953 Proposed	Year 1954 Proposed
	Present Rates Recorded	Present Rates Adjusted	Present Rates	Proposed Rates	Proposed Rates
Operating Revenues	\$19,930	\$19,918	\$22,743	\$33,138	\$30,960
Operating Expenses	14,114	16,871	17,541	17,541	25,088
Taxes	1,384	1,111	3,168	6,578	1,711
Depreciation	2,710	1,860	2,200	2,200	2,500
Total Operating Exps.	18,208	19,842	22,909	26,319	29,299
Net Revenues	1,722	76	(166)	6,819	1,661
Rate Base	37,002	37,002	46,849	46,849	*
Rate of Return	4.65%	.02%	-	14.55%	*

(Red Figure)

* Not shown

The staff engineering witness testified that, with respect to his estimate of operating revenues, he had utilized the consumers' use tabulation for the year 1952 hereinbefore referred to and had added 25 consumers for the average year 1953. Applicant's estimate of revenues for the year 1954 was based on a consumers' use tabulation for the year 1950, and included an estimated 3 per cent increase in consumers. The staff estimate of revenues appears to be the more realistic and up to date and will be adopted for the purposes of this proceeding.

Both the staff's and applicant's witnesses reflected substantial increases in salaries and wages in their estimates of

operating expenses for the years 1953 and 1954, respectively. Applicant's witness also included increased costs of Metropolitan Water District water, power, legal and auditing service, truck expense and office rent in his 1954 estimate of operating expenses. These additional increases account primarily for the difference in estimated operating expenses as shown in the tabulation hereinbefore contained. It appears that some allowance should be made for the cost of increased amounts of water purchased from Metropolitan Water District, and that some increases in pumping power expense, the cost of the current rate proceeding, and increased rent should be allowed. These increased costs will be reflected in the final determination of rate of return which follows hereinafter.

The staff witness testified that he had found applicant's fixed capital records unreliable and had utilized a Commission appraisal introduced in Application No. 26220, hereinbefore referred to, as a starting point for determining a rate base for the instant proceeding. He testified further that he had made a physical appraisal of applicant's distribution pipelines and had reduced by adjustments in his exhibit the recorded amounts of such capital by about \$4,000. This witness also testified that he had recalculated the depreciation reserve requirement according to the straight-line remaining life method and had also determined the annual depreciation accrual according to the same method. He determined that a composite annual straight-line remaining life depreciation rate of 2.1 per cent was applicable.

Conclusions

Applicant's witness testified that an outside engineering consultant had advised him that rehabilitation of the water system, to provide adequate water service and operating pressures ranging from 25 to 50 pounds per square inch throughout the service area,

would cost about \$80,000. He further testified that with applicant's present earnings it was unable to obtain outside financing to effect such rehabilitation.

The protestant consumers who appeared at the hearing unanimously requested that water service be improved. One such protestant suggested that rates be established higher than those applied for in order to attract capital to improve the system.

Applicant's present and proposed rates are substantially lower than those of surrounding utilities. It appears that because of applicant's compact service area, its relatively low-fixed capital investment, and its economical operations, it is able to furnish water service at a relatively low unit cost.

It is evident that applicant is in need of financial relief. An average depreciated rate base of \$87,000 for the year 1954, which includes applicant's estimated capital improvements, is hereby adopted. Applicant will be authorized by the order which follows to file its proposed meter rates, except that the filing of different monthly minimum charges will be authorized. Public fire hydrant service and private fire sprinkler service schedules, similar to those now on file, will also be authorized. Schedules other than those contained in Appendix A attached hereto appear to be unnecessary under present-day operations and should be cancelled. When estimated operating revenues of \$33,000 and estimated operating expenses of \$26,900 are related, net operating revenues of \$6,100 will result. Such net operating revenues will produce a rate of return of 7 per cent on the rate base hereinbefore adopted. This is found to be a just and reasonable rate of return for the purposes of this proceeding.

Applicant will be required by the order herein to make substantial improvements to its system in order to provide adequate service to all consumers. The rate base adopted in this opinion includes full allowance for applicant's estimated capital improvements during 1954 and the rates authorized contemplate that such improvements will be installed and that adequate service will be provided. It therefore follows, and applicant is so placed upon notice, that the continued collection of the higher rates herein established is conditioned upon the completion of the improvements during 1954. Applicant will be directed to file reports every 90 days, indicating its progress in completing its construction program as outlined by its witness at the hearing on October 21, 1953. In the event the improvements are not installed during the year or in the event applicant does not make reasonable progress toward completion of the work during 1954, we will consider reopening this proceeding, and re-examining the rate structure in the light of service conditions then prevailing, and making such further order with respect to rates as may appear to be proper.

O R D E R

An application, as amended, having been filed by Narbonne Ranch Water Co. No. 2 for authority to increase its rates for water service in the City of Torrance and in and about the unincorporated town of Lomita, Los Angeles County, public hearings 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.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 Appendix A attached hereto, and on not less than three days' notice to the Commission and to the public to make such rates effective for service rendered on and after January 1, 1954.
- 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 600 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 applicant shall base future accruals to the reserve for depreciation upon a spreading of the original cost of the plant, less 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 five years. Results of these reviews shall be submitted to this Commission.
3. That applicant shall file in writing with this Commission within thirty days after the effective date of this order a detailed plan, scheduling the improvements necessary to provide adequate water service at an average working pressure throughout the entire service area of 40 pounds per square inch at consumers' service connections, and in no event less than 25 pounds per square inch at any consumer's connection. Said plan shall include the necessary reconstruction of the water mains to withstand the higher operating pressures and the provision of storage tanks at elevations sufficient to produce such pressures, including any other new facilities necessary to

be installed, as outlined by the applicant's witness at the hearing of October 21, 1953. The filing required herein shall indicate the estimated costs of these facilities and also the dates when the respective portions of the scheduled improvements are to be completed and placed in operation.

- 4. That applicant shall file in writing with the Commission every ninety days, after the effective date of this order, a report of its progress in completing the program to improve its entire water system referred to in Ordering Paragraph 3 above.

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

Dated at San Francisco, California, this 8th day of December, 1953.

R. J. [Signature]
President

Justus J. [Signature]

[Signature]

[Signature]

[Signature]
Commissioners

Schedule No. 1

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

The unincorporated town of Lomita and a portion of the City of Torrance, Los Angeles County.

RATES

Quantity Rates:

	<u>Per Meter per Month</u>
First 500 cu.ft. or less	\$ 1.25
Next 1,500 cu.ft., per 100 cu.ft.22
Over 2,000 cu.ft., per 100 cu.ft.10

Minimum Charge:

For 5/8 x 3/4-inch meter	\$ 1.25
For 3/4-inch meter	1.70
For 1-inch meter	3.00
For 1-1/2-inch meter	5.50
For 2-inch meter	8.00
For 3-inch meter	15.00
For 4-inch meter	23.00
For 6-inch meter	40.00

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

Schedule No. 2

PUBLIC FIRE HYDRANT SERVICE

APPLICABILITY

Applicable to service to publicly owned fire hydrants.

TERRITORY

The unincorporated town of Lomita and a portion of the City of Torrance, Los Angeles County.

RATES

Per Hydrant
per Month

For all fire hydrant connections \$3.00

SPECIAL CONDITIONS

1. Bills for fire hydrant service are payable in advance.
2. Water use is limited to that required for fire fighting purposes and as may be used during scheduled fire drills.
3. Fire hydrant heads and risers shall be installed and maintained at the expense of the governmental agency contracting for the fire protection service.
4. The Company will supply only such water at such pressure as may be available from time to time as a result of its normal operation of the system.

Schedule No. 3

PRIVATE FIRE SPRINKLER SERVICE

APPLICABILITY

Applicable only for water service to privately owned fire sprinkler systems, where water is to be used in case of fire.

TERRITORY

Within the unincorporated territory of Lomita, and in the vicinity thereof, Los Angeles County, California.

RATE

The charge for fire sprinkler service is \$1.00 per month per inch of diameter of the service.

SPECIAL CONDITIONS

1. The customer will pay, without refund, the entire cost of installing and maintaining the fire sprinkler service.
2. The minimum diameter for fire sprinkler service will be 3 inches and the maximum diameter will be not more than the diameter of the main to which the service is connected.
3. The customer's installation must be such as to effectively separate the fire sprinkler system from that of the customer's regular water service. As a part of the sprinkler service installation there shall be a detector check or other similar device acceptable to the Company which will indicate the use of water. Any unauthorized use will be charged for at the regular established rate for General Metered Service, Schedule No. 1, and may be grounds for the Company's discontinuing the fire sprinkler service without liability to the Company.
4. There shall be no cross-connections between the fire sprinkler system supplied by water through the Company's fire sprinkler service to any other source of supply without the specific approval of the Company. This specific approval if given will require, at the customer's expense, a special double check valve installation or other device acceptable to the Company. Any such unauthorized cross-connection may be grounds for immediately discontinuing the sprinkler service without liability to the Company.