

**ORIGINAL**Decision No. 49720

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of  
MOUNTAIN PROPERTIES, INC., to increase  
rates for its Mesa Acres Water System.

Application No. 34239  
Amended

DAN R. HODGE, et al.,

Complainants,

vs.

Case No. 5468

MOUNTAIN PROPERTIES, INC., a corpora-  
tion,

Defendant.

(For list of appearances, see Appendix B)

O P I N I O N

Nature of Proceeding

(1)

These cases, consolidated for hearing and decision, involve an application by Pacific Water Co., successor to Mountain Properties, Inc., to increase water service rates on its Bakersfield System and a complaint by 33 consumers of that system, alleging poor service and unreasonable rates because of such inadequate service.

Public Hearing

Both cases were submitted following a public hearing held at Bakersfield December 1 and 2, 1953, before Examiner Gregory.

The Bakersfield System

Pacific Water Co., a consolidation of Mountain Properties, Inc. and Desert Water Company (52 Cal. P.U.C. 570), is presently

(1) Appl. No. 34239 was filed April 13, 1953. Amendments were filed April 20, July 7 and November 13, 1953. The complaint was filed June 2, 1953.

operating 24 public utility water systems in Kern, Orange, Los Angeles and San Bernardino Counties.

The Bakersfield System (formerly Mesa Acres System of Mountain Properties, Inc.) comprises 1,500 acres of land in unincorporated territory east of Bakersfield, Kern County. The company's water supply is obtained from six wells with a total productive capacity of 1,857 gallons per minute. <sup>(2)</sup> As of December 1953, the company served 1,143 metered and 319 flat rate consumers through approximately 140,000 feet of mains varying from 1 to 12 inches in diameter. Storage facilities consist of three steel tanks with a total capacity of about 926,000 gallons.

The terrain in which the system lies rises from the vicinity of the Edison Highway, on the south, at approximately the 425-foot contour, to the Bakersfield Country Club, on the north, at about the 725-foot contour. Development of the area appears to be toward the east, except for five subdivisions in the southwest portion which, when completed, are expected to add 177 services to the company's system.

#### The Complaint Case

During the summer of 1953 a number of consumers, especially those in the higher elevations of the system, experienced low water pressures during periods of peak usage. Also, the water was dirty and had an offensive odor. In the latter part of April there was a water shortage of about two days as a result of delay while changing the pump and motor on Magunden Well No. 7 from 75 hp to 200 hp. Failure to maintain adequate supervisory personnel at the Bakersfield

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(2) An additional well is being drilled in the eastern part of the area. Also, following issuance of an interim order forbidding service to additional subdivisions pending development of a more adequate supply (Dec. No. 49415 herein, dated December 8, 1953), the company arranged to secure a well in the southwest portion of its service area which will add approximately 400 gallons per minute to the existing supply. (See Dec. No. 49587, dated January 18, 1954.)

office has given rise to complaints, as has also the fact that there are still a number of flat rate services on the system which facilitate excessive use of water.

The record shows that with development of new sources of water, replacement of some mains with larger pipe and installation of new mains at various places in the system, together with employment of a responsible office manager, the causes for complaint should be largely removed. Measures recommended by the staff to that end will be discussed later in this opinion. We find, however, that the company's Bakersfield System, in its present condition, is inadequate to serve its consumers and those who may be expected to require service in the near future as a result of anticipated development of the area.

#### The Rate Case

##### a. Introductory

Present and proposed rates and recorded, adjusted and estimated results of operation of the Bakersfield System are set forth in reports placed in evidence by the Commission's staff and by the company. Among these is a supplemental report by the staff, introduced in evidence in the rate proceeding involving the company's Twentynine Palms System (Dec. No. 49434, December 15, 1953, Appl. No. 34200, as amended), which contains allocations of general office accounts to the company's various systems for 1952, as recorded and adjusted, and for 1953, as estimated.

The staff report on the Bakersfield System presents results of an investigation of the company's operations for 1951, recorded; 1952, recorded and adjusted and 1953 as estimated. Earnings for 1952 and 1953 are summarized, using straight-line remaining life depreciation and a depreciated rate base, and are calculated on the

basis of the company's second amendment to its application, filed July 7, 1953.

The company's report includes recorded and adjusted figures for 1952 and 1953, at present and proposed rates, and estimates for the latter year on the basis of rates proposed in both the second and third amendments to its application. <sup>(3)</sup> The company has used the straight-line total life basis for computing depreciation expenses after deducting donations in aid of construction and consumers' advances from total depreciable capital.

b. Present and Proposed Rates

Applicant's present rates for metered service, established for a predecessor in 1940 (Dec. No. 33107, May 31, 1940, Appl. No. 22757) and voluntarily reduced three times between 1940 and 1946, range from \$1 per meter per month for a 5/8 x 3/4-inch meter to \$4 per month for a 2-inch meter, with monthly quantity rates spread from \$0.185 per 100 cubic feet of water, allowing from 0 to 540 cubic feet, through three blocks to \$0.065 per 100 cubic feet for quantities over 4,000 cubic feet. The present basic flat rate for each residence of three rooms or less, including bath and toilet, is \$1.60 per month, for restaurants, \$2 - \$5 per month, and for stores, \$1.50 - \$2.50 per month.

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(3) Both the company and the staff presented estimates for 1953 based upon the third amendment to the application, filed November 13, 1953, just two weeks before the hearing. The rates proposed in the third amendment differ from those in the second only in the monthly minimum charge for a 3/4-inch meter, which is increased from \$2.30 to \$2.50, and in the monthly quantity charges for amounts between 500 and 10,000 cubic feet of water, which are increased from 15 cents to 18 cents per 100 cu. ft. for quantities between 500 and 2,000 cu. ft. and contain an additional block between 2,000 and 10,000 cu. ft.

Proposed meter rates (according to the second amendment to the application) range from \$2 per month, for a 5/8 x 3/4-inch meter, to \$30 per month for a 4-inch meter. Monthly quantity rates commence at the minimum charge of \$2 per month, which allows up to 500 cubic feet of water, and range to 10 cents per 100 cubic feet for quantities in excess of 2,000 cubic feet. The proposed basic flat rate, for a single-family residence on a lot not exceeding 7,500 square feet in area, through a 3/4-inch service, is \$3 per month; for each store, market or shop, \$3 per month; and, for each service station, \$4 per month.

The foregoing requested rates were estimated by the staff to produce increased revenue, in 1953, of \$21,260 for the Bakersfield System, or an increase of 37.8 per cent over the revenue for that year estimated at present rates.

c. Summaries of Earnings - Bakersfield System

Net revenues and rates of return for the Bakersfield System for 1953 are included in both the company's and the staff's studies in evidence. The following table shows the essential features of these studies for 1953, as estimated by the staff and the company.

Item	Staff - 1953 Estimated (a)		Company - 1953 Estimated (a)	
	Present Rates	Proposed Rates	Present Rates	Proposed Rates
Total Revenue	\$ 56,240	\$ 77,500	\$ 54,623.55	\$ 75,500.32
Total Expense	57,688	65,215	63,493.83	67,095.78
Net Revenue	(1,448)	12,285	(8,870.28)	8,404.54
Average Depreciated Rate Base	203,850	203,850	202,462	202,462
Rate of Return	-	6.03%	-	4.15%

(Red Figure)

(a) Based on 2d amendment to application.

The 6.03 per cent rate of return estimated by the staff would be increased to 6.41 per cent if a proposed 5 per cent reduction in federal income tax rates were applied for a full year to the staff estimate of 1953 net revenue of \$12,285.

It will be noted that the staff's estimate of net revenue for 1953, if rates proposed in the second amendment to the application were in effect for the year, is approximately \$4,000 higher than the company's. Gross revenue of \$77,500 for 1953 was estimated by the staff on the basis of 1,646 consumers on the system as of the end of that year. The company, however, in a late-filed exhibit, showed that it had a total of 1,462 customers at the end of the year. While the difference in estimated revenue, together with an expense estimate by the staff amounting to approximately \$2,000 less than that of the company, largely accounts for the difference in net revenue and the resulting difference of 1.88 per cent in the indicated rates of return, the company will shortly be in a position to derive increased revenue from the Harrison Tract, on the eastern end of the system, and from Clerico Park One to Five Tract, in the southwest portion, without the necessity of using booster equipment to the same extent as now, due to additional supplies of water becoming available, resulting in lowered power charges for booster facilities. This, together with probable reduction in the federal income tax rate, not taken into account in the company's calculations, leads us to adopt the staff estimates as being more nearly in accord with the probabilities on this system in the near future. Other differences in the estimated results are not of a degree requiring special comment.

#### Improvements

The company's officials recognize that substantial improvements in water supply and transmission facilities are necessary in

order for the Bakersfield System to keep pace with developments now under way or anticipated in the near future. The evidence indicates that such improvements, many of which are contemplated for 1954, may cost in the neighborhood of \$75,000.

Arrangements for financing the improvement program through issuance of bonds are not expected to mature until June or July of 1954. The company, however, anticipates it will be able to complete before May 1, 1954 (1) installation of an additional well, pumping plant and pressure system in the eastern portion of its service area, at an estimated cost of \$25,000; (2) installation of 1,350 feet of 4-inch Transite pipe south from a 6-inch connection across Morning Drive to the Harrison Tract, to connect with a 4-inch line about 250 feet north of Eucalyptus Drive, at an estimated cost of \$2,700; and (3) installation of 600 feet of 10-inch Transite pipe from McCurdy Drive east, to connect with a 10-inch pipeline serving the Paola Tract north of Nile Street estimated to cost \$3,000.

The company has secured one of two producing wells in Clerico Park Corporation One to Five Tract, in the southwest portion of its service area (see Dec. No. 49587, January 18, 1954, an interim order herein), which has a productive capacity of about 400 gallons per minute. Although there may be some water available from this well for the balance of the system when the subdivision has been completed, the record shows that there is need for further production of water in the western portion to augment the supply and pressure now derived from Magunden Well No. 7, located in the extreme south central portion. Obviously, pipe installations or replacements recommended by the Commission's engineers in their study, or detailed by the company in its post-hearing advice to the Commission of December 8, 1953, (aside from the items which the company states

it can complete by May, 1954) must be deferred until sources of additional water supply have been located and brought to production. In any event, the new sources of water supply now available or shortly to become available to the company, together with the pipe installations to be made by May 1, 1954, should improve conditions on the system to an extent that will render less likely a repetition of the critical shortages during the 1954 summer period which have occasioned numerous complaints in the past. ✓

With respect to new sources of water supply for the immediate future, the records disclose that 1,857 gallons per minute are presently available for some 1,443 customers. On the basis of a customer demand during summer months of two gallons per minute, the Bakersfield System appears to have a deficiency of approximately 1,000 gallons per minute as of the end of 1953, plus such additional water as will be required to furnish service to new consumers.

One other point, involving the production of water and the cost thereof, merits attention. The company's total power and fuel bills for the Bakersfield System for the period January 1 to October 31, 1953 amounted to \$17,661.02. Of that sum, \$6,481 represented the cost of power for four wells (Sterling Pit, Kamprath, McCurdy No. 4 and Zechman) which together produce at a rate less than one-third that of Magunden No. 7, the power cost for which during the same period amounted to \$6,504. The company should make a study to determine whether these low-producing wells could be further developed, either by deepening them, by installing larger pumping equipment, or by both. ✓

The record also indicates that the company, in the interest of improved supervision of its Bakersfield System and its other two systems at Wasco and Lamont, as well as in furtherance of better relations with its consumers, should place an experienced office



manager in its Bakersfield office to supervise properly the handling of billings, bookkeeping and other problems connected with the operation of a domestic water utility system.

Conclusions

It is clear from this record that the company is in need ✓ of additional revenue. The rates proposed in the second amendment to the application, taken in connection with new sources of revenue from subdivision development and the possibility of reducing pumping and distribution costs by improvements mentioned above, should serve to lessen the financial pressure from which the company's Bakersfield System now appears to be suffering.

The operating results as determined by the staff, as set forth in the table earlier in this opinion, are hereby adopted as reasonable for prescribing rates for the company's Bakersfield System. Based upon the evidence in this proceeding, we hereby find that the rates which will be prescribed herein will produce a rate of return of approximately 6.41 per cent on a rate base of \$203,850. Said return and rate base we hereby find to be reasonable.

O R D E R

Pacific Water Co. having applied to the Commission for an order authorizing increases in rates for water service rendered by its Bakersfield System, a public hearing thereon having been held and the matter having been submitted for decision,

IT IS HEREBY FOUND AS A FACT that the increases in rates and charges authorized herein are justified and that the existing rates, in so far as they differ therefrom, are unjust and unreasonable for the future; therefore,

IT IS HEREBY ORDERED that applicant is authorized to file in quadruplicate with this Commission after the effective date of this order, in conformity with General Order No. 96, the schedules of rates shown in Appendix A attached hereto, together with a tariff service area map acceptable to this Commission, and, after not less than five days' notice to the Commission and the public, to make said rates effective for service rendered in its Bakersfield System on and after April 1, 1954.

IT IS HEREBY FURTHER ORDERED that:

1. 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 400 feet to the inch, delineating by appropriate markings the various tracts of land and territory served, the principal water production, storage and distribution facilities, and the location of the various properties of applicant in its Bakersfield System.
2. Applicant shall proceed forthwith: (a) to develop or secure additional sources of water supply for the new development in the eastern portion of its Bakersfield System; (b) to install 1,350 feet of 4-inch cement-asbestos pipe south from the 6-inch connection across Morning Drive to the Harrison Tract to connect with the 4-inch line about 250 feet north of Eucalyptus Drive; (c) to install 600 feet of 10-inch cement-asbestos pipe from McCurdy Drive east to connect with the 10-inch pipeline serving the Paola Tract north of Nile Street; all to be completed on or before May 1, 1954.
3. Applicant shall proceed forthwith to obtain additional sources of water supply for its Bakersfield System as a whole, preferably to be developed substantially in the western portion thereof, of not less than 1,000 gallons per minute to be available not later than July 31, 1954, or, in lieu thereof, as a temporary expedient, to secure an emergency supply of approximately this same quantity, through interconnecting facilities to other sources in applicant's Bakersfield System locality, for use until such time as applicant shall have obtained such additional sources of water supply of its own on a permanent basis. Should applicant fail to obtain its own additional supply of water on a permanent basis as hereinabove provided for, applicant shall, within a reasonable period thereafter and not later than December 31, 1954, so advise this Commission in writing.

4. Applicant is directed to file with the Commission, commencing not later than the first day of the month following the effective date of this order, monthly reports in writing of the progress made in securing additional supplies of water and in completing installation of said pipelines, together with a statement of the cost of securing such additional supplies of water and of installation of said pipelines.
5. Except as authorized by Decision No. 49587 herein, issued January 18, 1954, applicant shall not furnish water to any new or additional subdivisions within or adjacent to its Bakersfield System, without a showing, satisfactory to the Commission, that it has procured or there are available to it, sufficient quantities of water for rendition of adequate service to existing consumers as well as to such new or additional subdivisions, and until the Commission, upon such showing, shall have vacated or modified this order.

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

Dated at South Pasadena, California, this 23rd day of February, 1954.

[Signature]  
President  
Justin J. Caserio  
[Signature]  
[Signature]  
[Signature]  
Commissioners

APPENDIX A  
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Schedule No. 1

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

The unincorporated territory comprising portions of Sections 25, 26, 35, and 36, Township 29 South, Range 28 East, M.D.B. & M., and vicinity, located approximately 5 miles east of the City of Bakersfield, Kern County.

RATES

	<u>Per Meter</u> <u>Per Month</u>
Quantity Rates:	
First 500 cu.ft. or less .....	\$ 2.00
Next 1,500 cu.ft., per 100 cu.ft. ....	.15
Over 2,000 cu.ft., per 100 cu.ft. ....	.10
Minimum Charge:	
For 5/8 x 3/4-inch meter .....	\$ 2.00
For 3/4-inch meter .....	2.50
For 1-inch meter .....	4.00
For 1 1/2-inch meter .....	7.50
For 2-inch meter .....	10.00
For 3-inch meter .....	20.00
For 4-inch meter .....	30.00

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

APPENDIX A  
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Schedule No. 2

TEMPORARY FLAT RATE SERVICE

APPLICABILITY

Applicable to all water furnished on a flat rate basis pending installation of meters.

TERRITORY

The unincorporated territory comprising portions of Sections 25, 26, 35 and 36, Township 29 South, Range 28 East, M.D.B. & M., and vicinity, located approximately 5 miles east of the City of Bakersfield, Kern County.

RATES

	<u>Per 3/4-inch Service Connection Per Month</u>
1. Residential Service:	
a. For each single family residence, including premises not to exceed 7,500 square feet in area	\$3.00
b. In addition, for each additional residential unit served from the same service connection	2.00
c. In addition, for each 100 sq.ft. of premises in excess of 7,500 sq.ft. ....	0.03
2. For each store, market or shop having no plumbing fixtures other than lavatories and toilets	3.00
3. For each service station .....	4.00

SPECIAL CONDITIONS

1. No new applications will be received for service under this schedule.
2. Existing consumers receiving service under this schedule will be placed on metered service as soon as the rearrangement of piping will permit, and thereafter service will be rendered only under Schedule No. 1, General Metered Service.

APPENDIX B

Appearances

Moss, Lyon & Dunn, by George C. Lyon, for Pacific Water Co. James Vizzard, for Dan R. Hodge, et al., complainants and protestants.

A. R. Jebb, for various consumers along Edison Highway, protestants.

Ray N. Shannon, for Clerico Park One to Five, Inc.; Clayton T. Cochran, Deputy County Counsel, for County of Kern; Robert E. Gunning, Asst. Supervisor, for Supervisor Floyd L. Ming, 3rd Supervisorial District, Kern County; Ernest C. Hunter, Asst. Superintendent, Bakersfield City School District, for Bakersfield City School; Mrs. Leland Jones, for Parent Teachers Association, Pioneer Drive School; Leland Gunn, City Manager, for City of Bakersfield, all interested parties.

E. Ronald Foster and Theodore Stein, for the Commission staff.