

Decision No. 50340**ORIGINAL**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application)	
of SUNSHINE WATER CO., a California)	Application No. 34952
corporation, for authorization to)	
increase rates (P.U. Code 454))	

Donald B. Dickson, superintendent, and R. M. Dennis, secretary, for applicant.
C. P. Clark, in propria persona, and for a group of about 50 consumers; Mrs. Arch W. Pitts; Mrs. Earl Milbourn; Mrs. Harold Nesseth; Mrs. Guy Hammons and Roy Leon Hostetter, protestants.
James F. Wilson, Theodore Stein and Reginald H. Knaggs, for the Commission staff.

O P I N I O N

Sunshine Water Co., a corporation, by the above-entitled application filed December 9, 1953 seeks authority to increase rates for water service in unincorporated territory in South Whittier, Los Angeles County, by about \$22,000 annually, based on estimated operations for the year 1954.

A public hearing in this matter was held before Examiner Warner on June 23, 1954 at Los Angeles. Several consumers appeared to protest the application, and complained of service conditions.

General Information

Applicant was granted a certificate of public convenience and necessity by Decision No. 19836 dated May 29, 1928 in Application No. 14612, and its present rates for water service were thereby authorized. As of December 31, 1953 water service was being furnished to 1,501 domestic and industrial consumers, all of whom, except 13 small stores, were metered. It was estimated that the number of active consumers would increase to approximately 1,600 by the end of 1954.

Applicant's source of water supply comprises six wells, one of which is out of operation and without pumping equipment. The five operative wells have pumping plant installations with a combined production capacity of approximately 2,300 gallons per minute. Water is pumped from the wells into four storage tanks having a combined capacity of 222,000 gallons, and a 10,000-gallon steel hydrostatic pressure tank was installed April 19, 1954 into which Pumps Nos. 5 and 6 discharge through a 4,000-gallon steel centrifugal type sand trap. The pumps are all automatically controlled and electrically powered and applicant's witness testified that with the installation of the hydrostatic pressure tank hereinbefore referred to, plus one additional booster pump, operating pressures throughout the entire system would increase from 30 pounds to 60 pounds per square inch during 1954. Distribution mains total approximately 86,000 feet in length and vary in size from 2 inches to 10 inches in diameter. A map included in Exhibit No. 1, a statistical report submitted by applicant's witness, shows the location and size of pipelines, the location of wells and fire hydrants, and the service area boundaries.

Rates

In its application, applicant alleged that an increase in present rates was necessary to pay off existing loans, to pay off any loan necessary to make certain improvements in pipelines and storage facilities, and to pay maintenance costs.

The following tabulation is a summary and comparison of the present and proposed rates, and the rates authorized:

Schedule No. 1
GENERAL METERED SERVICE

Item	Per Meter per Month		
	Present Rate	Proposed Rate	Authorized Rate
<u>Quantity Rates:</u>			
First 1,000 cu.ft. or less	\$1.50	-	\$ 1.75
Next 2,000 cu.ft., per 100 cu.ft....	.12	-	.15
Next 3,000 cu.ft., per 100 cu.ft....	.10	-	.10
Over 6,000 cu.ft., per 100 cu.ft....	.08	-	.10
First 800 cu.ft. or less.....	-	\$2.00	-
Next 2,200 cu.ft., per 100 cu.ft....	-	.20	-
Over 3,000 cu.ft., per 100 cu.ft....	-	.15	-
<u>Minimum Charge:</u>			
For 5/8 x 3/4-inch meter.....	\$1.50	\$ 2.00	\$ 1.75
For 3/4-inch meter.....	2.00	3.00	2.50
For 1-inch meter.....	3.00	4.50	3.50
For 1-1/2-inch meter.....	5.00	7.50	6.00
For 2-inch meter.....	9.00	12.00	10.00
For 3-inch meter.....	-	20.00	20.00
For 4-inch meter.....	-	35.00	30.00
For 6-inch meter.....	-	60.00	50.00

Applicant also requested authority to file a schedule of monthly charges for unmetered standby fire sprinkler service.

At the present rates the charge for monthly water usage of 1,500 cubic feet is \$2.10. Under the proposed rates, such charge would be \$3.40, an increase of \$1.30, or approximately 62 per cent. Under the rates authorized hereinafter this charge would be \$2.50, an increase of \$0.40.

Earnings

The following tabulation summarizes the earnings information contained in Exhibit No. 1 submitted by applicant, and Exhibit No. 4 submitted by a Commission staff engineering witness:

Summary of Earnings

Item	Year 1953		Year 1954 Estimated			
	Present Rates		Present Rates		Proposed Rates	
	Recorded: Adjusted:					
	Per Co. : : Ex. #1	per PUC : : Ex. #4	Per Co. : : Ex. #1	Per PUC : : Ex. #4	Per Co. : : Ex. #1	Per PUC : : Ex. #4
Oper. Rev.	\$ 40,600	\$39,590	\$ 41,440	\$ 42,639	\$ 62,591	\$ 67,733
Oper. Expense	38,383	35,616	46,122	38,343	52,307	46,395
Net Revenue	2,217	3,974	(4,682)	4,296	10,284	21,338
Rate Base	116,903	112,051	126,822	120,747	126,822	123,717
Rate of Return*	1.89%	3.54%	-	3.55%	8.11%	17.24%
Rate of Return#	-	-	-	-	-	18.20%

(Red Figure)

* Utilizing 52 per cent normal federal income tax rate.

Utilizing 47 per cent normal federal income tax rate.

Analysis of the preceding tabulation and a review of the record indicates that the greatest difference between applicant's estimated earnings for 1954 and those of the staff was in operating revenues, operating payroll expense, and the treatment, for rate-making purposes, of the cost to applicant of this proceeding.

Applicant's witness testified with respect to estimated revenues that he had determined a five-year average monthly water usage and had projected it into 1954. The staff witness testified that he had utilized the water use table for the year 1953 contained in Exhibit No. 4, and, after adjusting it for normal rainfall and weather conditions, had projected it into 1954. It appears that the staff method is the more reliable and the staff estimate of revenue will be adopted for the purposes of this proceeding.

With respect to operating payroll expense it appears that the staff witness included judgment amounts of \$16,937 for the adjusted year 1953 and \$18,642 for the estimated year 1954. This payroll estimate covered all types of managerial, superintendence, accounting, office, and field clerks' services. It appears that the staff's payroll estimate is reasonable for a utility of this size and with its characteristics of water system operations. The staff's estimate of operating expenses for the year 1954, including the amortization of the cost of this proceeding over a three-year period in the future, will be adopted for the purposes of this proceeding, except that the estimate for cost of power purchased will be increased by about \$1,000 per year to \$5,000 to provide for increases attributable to the operation of the hydrostatic pressure tank.

Service Complaints

All protestant consumers who appeared at the hearing complained of low water pressures in their homes. They stated that in many instances automatic-washing machines and appliances using water failed to operate or became damaged by the lack of water, especially when sprinklers, spigots and faucets elsewhere in their yards or homes were turned on. Some complained of sand in the water which obstructed water softeners and other appliances. Others complained of the excessive hardness of the water and stated that they had installed water softeners at additional original and operating costs to themselves. One consumer complained of dirt and discoloration in the water which made it necessary to rewash clothes.

In general, the record shows that consumers did not object to a reasonable increase in water rates if the service conditions were improved.

Applicant's superintendent testified that with the operation of the hydrostatic pressure tank installed in April, 1954, water pressures have been and henceforth should be greater than heretofore. He stated that the water system itself and consumers' service connections would not stand high pressures and that when the company had attempted to operate with pressures of 90 to 100 pounds per square inch there were many blowouts. As a result, applicant attempts to maintain pressures of between 25 and 50 pounds per square inch at all times at consumers' service connections.

The record shows that applicant has purchased and has on hand three additional storage tanks which it intends to install at its Well No. 2 location. Their combined storage capacity will be 97,000 gallons and they will be utilized to store water from Wells Nos. 5 and 6 which operate most efficiently and produce the highest quality of water, thereby reducing the need to Pump Wells Nos. 1 and 2 which produce water containing hydrogen sulphide and are less efficient in operation.

The record further shows that applicant proposes to install 5,000 feet of 8-inch mains from the corner of Barrett Street and Carmenita southward to Virginia Avenue at a cost of approximately \$15,000 when funds for this installation become available. It appears that this installation would provide better distribution of water supplies and maintain more adequate operating pressures in the south portion of the service area whence many service complaints originate.

Conclusion

It is evident that applicant has been experiencing and will continue to experience a deficient rate of return at its present rates and that it is in need of financial relief. However, the estimated rate of return of 18.20 per cent which would be

produced by the estimated gross annual increase in revenues of \$25,000 at the proposed water rates is considered excessive. The order which follows will authorize the filing of rates which will produce gross annual revenues of approximately \$50,000 or a gross annual increase of about \$7,500 over present rates, and estimated operating expenses of \$42,000 and net revenues of \$8,000 will result, which are hereby adopted as reasonable. When such net revenues are related to a rate base of \$124,000, which we hereby adopt as reasonable, an estimated rate of return of 6.5 per cent will result. After taking into account applicant's financial requirements and its operating and service problems and the need for their improvement, we find such estimated rate of return to be fair and reasonable. The filing of a new schedule of rates for public fire hydrant service will also be ordered.

Applicant will be required by the order herein to proceed immediately with the improvements to its system outlined by its superintendent in order to provide adequate service to all consumers. The order will further provide that applicant shall develop a firm construction program looking toward the elimination of the fundamental causes of the service complaints entered at the hearing. Applicant will be directed to file reports each 90 days indicating its progress in completing its construction program.

O R D E R

Application as above-entitled having been filed, a public hearing 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 five days' notice to the Commission and to the public to make such rates effective for service rendered on and after August 25, 1954.
- b. That within thirty days after the effective date of this order, applicant shall file with this Commission four copies of a tariff service area map acceptable to the Commission and in conformity with its General Order No. 96.
- c. That applicant shall, within thirty days after the effective date of this order, file four copies of a comprehensive map drawn to an indicated scale not smaller than 500 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 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 50 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 additional storage tanks at elevations sufficient to produce such pressures, including any other new facilities necessary to be installed. The filing required herein shall indicate the estimated costs of these facilities and also the dates when the respective portions of the scheduled improvements will be placed in operation.

- 4. That applicant shall file in writing with the Commission each ninety days after the effective date of this order a report of its progress in completing the program to improve its 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 _____, California, this _____ day of _____, 1954.

Ed E. Mitchell President
Justus F. Adams
Francis Lott
Gene Deegan

Commissioners

APPENDIX A
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Schedule No. 1

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

In unincorporated territory located between Whittier and Norwalk, Los Angeles County.

RATES

	<u>Per Meter per Month</u>
Quantity Rates:	
First 1,000 cu.ft. or less	\$1.75
Next 2,000 cu.ft., per 100 cu.ft.15
Over 3,000 cu.ft., per 100 cu.ft.10
Minimum Charge:	
For 5/8 x 3/4-inch meter	\$ 1.75
For 3/4-inch meter	2.50
For 1-inch meter	3.50
For 1-1/2-inch meter	6.00
For 2-inch meter	10.00
For 3-inch meter	20.00
For 4-inch meter	30.00
For 6-inch meter	50.00

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

FIRE SPRINKLER SERVICE

APPLICABILITY

Applicable to all fire sprinkler service.

TERRITORY

In unincorporated territory located between Whittier and Norwalk, Los Angeles County.

RATES

Per Service
per Month

For each inch of diameter of fire sprinkler service \$1.00

SPECIAL CONDITIONS

1. The consumer will pay, without refund, the entire cost of installing fire sprinkler service.
2. The minimum diameter for fire sprinkler service will be 2 inches and the maximum diameter will be not more than the diameter of the main to which the service is connected.
3. The consumer's installation must be such as to effectively separate the fire sprinkler system from that of the consumer'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 and/or may be grounds for the Company's discontinuing the fire sprinkler service without liability to the Company.
4. There shall be no cross-connection 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. The specific approval will require, at the consumer's expense, a special double check valve installation or other device acceptable to the Company. Any such unauthorized cross-connection may be the grounds for immediately discontinuing the sprinkler service without liability to the Company.

Schedule No. 3

PUBLIC FIRE HYDRANT SERVICE

APPLICABILITY

Applicable to all public fire hydrant service.

TERRITORY

In unincorporated territory located between Whittier and Norwalk,
Los Angeles County.

RATES

	<u>Per Month</u>
For each fire hydrant	\$1.50