

ORIGINALDecision No. 50784

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)	
ELSIE WATSON, doing business as)	
BURL WATSON DOMESTIC WATER COMPANY,)	Application No. 35130
for order authorizing permission to)	(Amended)
amend and increase rates and charges.)	

J. J. Leake, attorney for applicant.
San Gabriel Valley Water Company, by
M. E. Moseley, interested party.
Charles W. Drake, for the Commission
 staff.

O P I N I O N

Elsie Watson, doing business as Burl Watson Domestic Water Company, by the above-entitled application filed February 3, 1954, as amended May 17, 1954, seeks authority to increase rates for water service in and in the vicinity of Baldwin Park, Los Angeles County.

A public hearing in this matter was held before Examiner Stewart C. Warner on August 18, 1954, at Los Angeles. A letter dated August 16, 1954 from H. C. O'Dane, a domestic consumer, protested the application on the grounds that any increase in rates would work a financial hardship on him and on his neighbors. He stated he was unable to appear at the hearing because he would have to take time off from his job. His letter was noted in the record. There were no other protests to the granting of the application.

General Information

Applicant was granted a certificate of public convenience and necessity by Decision No. 38460, dated December 10, 1945, in application No. 26632. By Decision No. 45182, dated December 19, 1950, in Application No. 31080, authority was granted to increase rates. The rates authorized by said decision are those now in effect.

Description of Water System

Applicant's water system comprises three drilled wells from which water is pumped to four hydropneumatic tanks under operating pressures of 45 to 65 pounds per square inch. A report on applicant's results of operations submitted by a Commission staff engineer witness as Exhibit No. 2 indicates that service and water supply appear to be satisfactory. During the year 1953 water service was furnished to an average of three flat rate and 502 meter rate consumers for a total of 505 average consumers. It is estimated that eight additional consumers will be added during 1954. Fifteen fire hydrants are connected to the system and applicant collects \$1.50 per month from a local fire protection district for 15 hydrants. Applicant's service area comprises 220 acres of land originally divided into acreage lots, later resubdivided into residential properties. The service area is very substantially built up and there is little or no prospect for expansion of the water system or increase in the number of consumers.

Rates

Applicant has discontinued charging flat rates and requests that its presently filed Schedule No. 1, Monthly Flat Rates, be withdrawn. The following tabulation compares the present and proposed general metered service rates:

Quantity Rate:	Present Rate	Proposed Rate
First 800 cu.ft. or less	\$1.50	\$ 1.50
Next 1,500 cu.ft., per 100 cu.ft.	.075	.15
Next 2,700 cu.ft., per 100 cu.ft.	.075	.12
Over 5,000 cu.ft., per 100 cu.ft.	.06	.10
Minimum Charge:		
For 5/8 x 3/4-inch meter	\$1.50	\$ 1.50
For 3/4-inch meter	2.00	2.00
For 1-inch meter	2.50	3.00
For 1 1/2-inch meter	3.50	5.00
For 2-inch meter	5.00	7.50
For 3-inch meter	-	14.00
For 4-inch meter	-	22.00
For 6-inch meter	-	40.00

Under the present rates a consumer using 1,500 cubic feet of water would pay \$2.03 per month. Under the proposed rates the charge for such usage would be \$2.55. No change is proposed for applicant's presently authorized Schedule No. 3, Fire Hydrant Rates, or Schedule No. 4, Construction Rate Service.

Earnings

Applicant's accountant witness submitted Exhibit No. 1, which is a report on estimated operating results for the year 1954 based upon proposed rate adjustments. Also contained in Exhibit No. 2, the Commission staff report hereinbefore referred to, were earnings data for the year 1952 recorded, 1953 recorded and adjusted, and for the year 1954 four months recorded, eight months estimated at present and proposed rates. The earnings' information contained in these exhibits is summarized in the following tabulation:

SUMMARY OF EARNINGS

Item	Year 1953		*	Year 1954 Estimated			
	Recorded			Present Rates		Proposed Rates	
	Per Co.	Per PUC		Per Co.	Per Puc	Per Co.	Per PUC
	Exh. 1	Exh. 2	Exh. 1	Exh. 2	Exh. 1	Exh. 2	
Oper. Revenue	\$17,918	\$17,918	*	\$18,165	\$24,735	\$25,226	
Oper. Expense							
Pumping	3,339	3,339	*	3,450	4,049	3,450	
Tr. and Dist.	3,354	3,355	*	3,440	4,612	3,440	
Gen. Office	5,245	4,411	*	5,479	8,545	5,479	
Taxes	1,467	2,213	*	2,389	1,689	4,464	
Depreciation	2,933	2,303	*	2,414	3,175	2,414	
Uncoll.	-	40	*	40	-	56	
Total	16,804#	15,661	*	17,212	22,506ø	19,303	
Net Revenue	1,114	2,257	*	953	2,229	5,923	
Rate Base	42,834	42,263	*	43,582	44,093	43,582	
Rate of Return	2.6%	5.34%	*	2.19%	5.05%	13.59%	

* Not shown.

Includes Amortization of Franchise, \$2, and Interest Expense, \$464.

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The principal difference between applicant's estimated revenues at the proposed rates and those of the staff are due to the inclusion by the staff of fire hydrant rentals in such estimated revenues. Applicant's witness testified that he did not know if he had included fire hydrant rentals in his estimated revenues.

Apparently he had not. The staff's estimated revenues will be adopted for the purposes of this proceeding.

The approximate principal differences in estimated operating expenses for the year 1954 are in pumping expense \$600, transmission and distribution repairs expense \$1,200, general expense \$3,100, depreciation \$700 and taxes \$2,800. In all instances except taxes the staff's estimate was lower than applicant's estimate.

Applicant included in pumping expense an increase in power cost of 20 per cent due to the addition of a new pump in June, 1953 and certain repair and maintenance costs for the painting of pump house buildings and tanks. The staff estimate was based on approximately the 1953 level of pumping expense. It is evident that although a new pump is in use the total power will be approximately the same on a pumped unit basis. The only difference would be in additional standby charges when the standby charge would be greater than the energy charge. The staff estimate will be increased to \$3,600 to cover this instance.

Applicant included in transmission and distribution repair expense certain repairs associated with the relocation of a pipeline under the Ramona Freeway. The staff classified this item as a capital expenditure. The staff estimate of \$3,440 will be increased to \$3,700. Such increased amount is adopted for the purpose of this proceeding.

The record shows that the utility occupies about one half of the office building owned by Burl Watson Realty Company and utilizes most of the garage and workroom space on the realty company's property. The water system office is located on the water system itself and this location is advantageous to the consumers in that water pressures may be read constantly on pipelines passing through the building. A fair rental for the office building would be

\$100 per month. Consequently one half of this represents a reasonable rental to the utility. This amounts to an annual rental charge of \$600.

Applicant included in her 1954 estimate of general office expense an amount of \$1,200 per year for office rent and \$3,000 per year for the manager's salary. The staff estimate included office rent in the amount of \$600 and allowance for the manager's salary of about \$780 per year. The record shows that applicant employs a part-time office girl, the monthly salary for whom, chargeable to water system operations, is \$195, and a general maintenance and repairman and meter reader at a salary of \$240 per month. The total annual salaries proposed by applicant, including a salary of \$250 per month for the manager, would amount to \$8,220. The total annual salaries included in the staff estimate amounted to \$6,060, based on \$1 per customer per month. The staff engineer testified that this amount was representative of other utilities of like size and similar operating conditions. The manager of the water system spends a portion of his time in that occupation. An allowance of \$1.25 per customer per month appears to be reasonable for this utility. The resulting annual pay roll charge is \$7,575, and this will be adopted for the purposes of this proceeding. Consequently the general expense allowance is \$6,700, since \$260 of the difference between the staff estimate of \$6,060 for pay roll and \$7,575, as found reasonable, has been allotted to transmission and distribution expense.

The staff estimate of depreciation expense was based on the straight-line remaining life method of computation, and it will be adopted for the purposes of this proceeding.

Applicant's estimate of taxes for the year 1954 included no provision for federal income tax, because her double personal exemption for being over 65 years of age would preclude her having to

pay any income tax on net income derived from the water system operations. However, applicant's accountant witness later testified that applicant had other personal income from dividends and a pension, the combination of which would place her within income taxable brackets. Estimated taxes for the year 1954, including taxes based on income, in the amount of \$2,400 will be adopted for the purposes of this proceeding.

The staff rate base included working cash capital in the amount of \$2,100 for the estimated year 1954. With the adjustments aforementioned, the working cash capital increases to \$2,300, which will be adopted for the purposes of this proceeding. The staff rate base also included a deduction for consumers' advances for construction in the amount of \$1,817. The record shows that applicant refunded in 1954 all its outstanding consumers' advances. Apparently the staff had neglected this refund in its rate base calculation. The resulting increase in rate base should be \$900. The staff weighted average depreciated rate base as adjusted is hereby adopted for the purposes of this proceeding. Such rate base is \$44,680.

Conclusion

From a review of the record it is evident that applicant's rate of return at the present rates for the year estimated 1954 will be deficient and that applicant is entitled to financial relief. However, the rate of return which would be produced by the gross annual increase in revenues of \$7,100, as applied for, would be excessive. The order which follows will authorize the filing of rates which will produce gross annual revenues of approximately \$22,000 for a gross annual increase of about \$3,900 for the estimated

year 1954. Combining the aforementioned items, the following tabulation for the estimated year 1954 is shown:

<u>Item</u>	<u>Estimated Year 1954</u>
<u>Operating Revenues</u>	
Metered Rate Revenue	\$21,780
Fire Hydrant Rentals	270
Total Operating Revenues	<u>22,050</u>
<u>Operating Expenses</u>	
Pumping	3,600
Transmission and Distribution	3,700
General Office	6,700
Taxes	2,400
Depreciation	2,400
Uncollectibles	100
Total Operating Expenses	<u>18,900</u>
<u>Net Revenue</u>	3,150
<u>Weighted Average Depreciated Rate Base</u>	44,680
<u>Rate of Return</u>	7.05%

The components of the rate of return determination shown hereinabove are found to be just and reasonable.

Applicant's request to discontinue her presently filed Schedule No. 1, Monthly Flat Rate, will be granted by the order which follows.

O R D E R

Application as amended having been filed, a public hearing having been held, the matter having been submitted, the Commission being fully advised in the premises 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 Elsie Watson, doing business as Burl Watson Domestic Water Company, be and she hereby is authorized to file in quadruplicate with this Commission in conformity with General Order No. 96, the schedule of rates as shown in Appendix "A" attached hereto and, on not less than five days' notice to the Commission and the public, to make such rates effective for service rendered on and after January 1, 1955.
- b. At the time of making effective the rates authorized by paragraph 1.a. hereof, applicant may withdraw and cancel Schedule No. 1, Monthly Flat Rate, and transfer the customers on such schedule to the new Schedule No. 1, General Metered Service.
2. That within thirty days after the effective date of this order, applicant shall file with this Commission four sets of up to date rules governing customer relations, together with four copies of a tariff service area map acceptable to the Commission and in accordance with the requirements of General Order No. 96.
3. That within forty days after the effective date of this order applicant shall file with this Commission four copies of a comprehensive map drawn to an indicated scale not smaller than 200 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.
4. 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.

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

Dated at San Francisco, California, this 23rd day of NOVEMBER, 1954.

John E. Maxwell
President

James J. Casper

Warne J. Higgins

Ray G. Winterman

Commissioners

Commissioner Kenneth Patton, being necessarily absent, did not participate in the disposition of this proceeding.

APPENDIX A
Page 1 of 3

Schedule No. 1

GENERAL METERED SERVICEAPPLICABILITY

Applicable to all metered water service.

TERRITORY

Within Tracts 13211, 12441, and 12445, situated east of the town of Baldwin Park, Los Angeles County.

RATES

Quantity Rates:	Per Meter Per Month
First 800 cu.ft. or less	\$ 1.50
Next 1,200 cu.ft., per 100 cu.ft.12
Next 3,000 cu.ft., per 100 cu.ft.10
Over 5,000 cu.ft., per 100 cu.ft.07
Minimum Charge:	
For 5/8 x 3/4-inch meter	\$ 1.50
For 3/4-inch meter	2.00
For 1-inch meter	3.00
For 1 1/2-inch meter	5.00
For 2-inch meter	7.50
For 3-inch meter	14.00
For 4-inch meter	22.00
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.

APPENDIX A
Page 2 of 3

Schedule No. 2

CONSTRUCTION AND TANK TRUCK FLAT RATE SERVICEAPPLICABILITY

Applicable to temporary water service rendered on a flat rate basis for street paving, curb and sidewalk construction, and for all water delivered to tank wagons or trucks from fire hydrants or other outlets provided for such purposes.

TERRITORY

Within Tracts 13211, 12441, and 12445, situated east of the town of Baldwin Park, Los Angeles County.

RATES

Unit Rates:

For sidewalk construction, per 100 sq.ft.	\$0.15
For street curb construction, per 100 lineal ft.30
For trench settling, per lineal foot of section of trench 2 ft. by 4 ft.01
For street paving 5 inches thick, per 100 sq.ft.19
For street paving 6 inches thick, per 100 sq.ft.22
For sprinkling subgrade of street and roadway construction in application of oil or any form of patented oil paving or surfacing, or for rolling and settling subgrade, per 3,000 sq.ft. of roadway	1.60
For water delivered to tank wagon or truck, per 100 gallons05

Minimum Charge:

Per Month

For any service under this schedule \$1.00

The Minimum Charge will entitle the consumer to the use of water which the minimum charge will purchase at the Unit Rates.

SPECIAL CONDITIONS

1. Any consumer wishing to obtain water deliveries under this schedule must obtain a written permit from the Company.
2. In addition, where water is to be obtained from fire hydrants, such permits must first be obtained from the local fire protection district as said district may require.

APPENDIX A
Page 3 of 3

Schedule No. 3

PUBLIC FIRE HYDRANT SERVICEAPPLICABILITY

Applicable to all water service rendered to fire hydrants owned by the local fire protection districts.

TERRITORY

Within Tracts 13211, 12441, and 12445, situated east of the town of Baldwin Park, Los Angeles County.

RATESPer Month

For each fire hydrant connected to a main 4 inches in diameter or larger	\$1.50
For each fire hydrant connected to a main less than 4 inches in diameter	1.00

SPECIAL CONDITIONS

1. The Company will supply only such water at such pressure as may be available from time to time as the result of its normal operation of the system.
2. The customer shall indemnify the Company and save it harmless against any and all claims arising out of service under this schedule and shall further agree to make no claims against the Company for any loss or damage resulting from service hereunder.
3. Fire hydrants will be attached to the Company's distribution mains for public fire protection only upon receipt of proper resolution passed by the local fire protection district. Said resolution must designate the specific location at which each is to be installed.