

**ORIGINAL**Decision No. 51409

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of MARGARET R. UTT )  
 (TUSTIN WATER WORKS) for an )  
 order authorizing a change of )  
 water rates and tariff schedules. )

Application No. 35711

Utt and Hubbard, by James B. Utt and  
Royal E. Hubbard, attorneys; and  
W. L. Arnold, public accountant,  
 for applicant.  
Cecil Suddaby, in propria persona,  
 interested party.  
Theodore Stein and Charles W. Drake,  
 for the Commission staff.

O P I N I O N

Margaret R. Utt, an individual, doing business as Tustin Water Works, by the above-entitled application filed August 16, 1954, seeks authority to increase rates for water service in and in the vicinity of Tustin. By Decision No. 51280, dated April 5, 1955, in Application No. 36768, Tustin Water Works, a corporation, was authorized to acquire the water system assets of Margaret R. Utt. The opinion and order which follows will reflect the acquisition of the water system herein by the corporation. The application was amended at the hearing by requests: (1) for a combined meter rate for each of two cemeteries and a high school; (2) to withdraw all of applicant's presently filed tariffs except Items 3(e) and 3(f), Exhibit C, Page 2, Fire Hydrant Rates, and Exhibit C, Page 3, Haulage Rates, as shown in the application; and (3) that a flat rate of \$2 per consumer per month be authorized for water service during building construction.

Public hearings in this matter were held before Examiner Stewart C. Warner on March 2 and 7, 1955, at Tustin. Although notices were mailed to all consumers and published in the newspapers, there

were no protests to the granting of the application. One consumer appeared in its support.

#### General Information

Applicant and its predecessors have been furnishing domestic water service in the vicinity of Tustin since 1887. Prior to applicant's incorporation on September 7, 1951, as amended February 8, 1955, Margaret R. Utt, an individual, managed and operated the system in accordance with the terms of a trust agreement with the First National Bank of Santa Ana pursuant to Decision No. 24574, dated March 14, 1932, in Application No. 17968. The area served comprises some 7,500 acres throughout which 50 miles of transmission and distribution pipelines have been installed. The sources of water supply comprise two wells owned by applicant, one of which pumps approximately 630 gallons per minute directly into a 180,000-gallon concrete reservoir, out of which a 50-hp pump boosts the water from the reservoir into the system at a pressure of about 80 pounds per square inch. The second well, completed in 1951, utilizes a 100-hp pump to discharge into a 1,250,000-gallon reservoir located in the northeast portion of the service area. The use of this reservoir is shared jointly with Tustin Mutual Water Company. Records are kept of water interchanged between the two companies. As of December 31, 1954, water service was being furnished to 2,025 commercial consumers and applicant estimated that this number would increase to 2,385 by December 31, 1955, an increase of 17.8 per cent.

The service area, formerly devoted primarily to citrus groves and other agricultural uses, is being developed rapidly for residential use, and the growth in active services in the last four years has been from 1,258 average active commercial services in the year 1951, to 2,205 for the estimated average year 1955.

Sales to industrial consumers included those to orange packing houses, and, due to the aforementioned increase in the number of residential subdivisions, such sales have been decreasing, and it is estimated they will decrease further in the future.

Fire hydrant rentals are obtained from the City of Tustin for use of fire hydrants within the City limits only. No rental is obtained from Orange County for the use of fire hydrants in unincorporated county territory; there being no organized fire protection district to which such rentals could be charged.

Rates

Applicant's last rate increase was granted by Decision No. 45132, dated December 12, 1950, in Application No. 31509.

The instant application is based on the allegations: (1) that a 1953 Orange County Water District Act pumping tax of \$3.50 per acre-foot covering all of the water pumped by applicant from the underground basin, became effective July 1, 1954; (2) that the cost of labor and materials to applicant has continuously increased since the last rate increase granted in 1950; (3) that it would be necessary to employ an additional person to do the clerical work necessary for the maintenance of adequate records; (4) that it was anticipated that electric power purchased expense would be increased by a general rate increase granted to the Edison Company; and (5) that approximately \$151,000 would be spent in the immediate future to enlarge water system facilities which have become inadequate and that in order to borrow this money it would be essential that applicant show adequate earnings.

The record shows that, when compared with rates for water service being charged by other public utilities in Orange County, both applicant's present and proposed general metered service quantity rates are somewhat lower in all instances. The record

further shows that no complaints regarding applicant's service or rates have been filed with the Commission since 1935.

The following tabulation is a summary and comparison of applicant's present and proposed meter rates:

Quantity Rates:	Per Meter Per Month	
	Present	Proposed
First 1,000 cu.ft. or less	\$1.50	
Next 9,000 cu.ft., per 100 cu.ft.	.12	
Next 10,000 cu.ft., per 100 cu.ft.	.10	
Next 30,000 cu.ft., per 100 cu.ft.	.08	
Over 50,000 cu.ft., per 100 cu.ft.	.07	
First 1,000 cu.ft. or less		\$2.00
Next 2,000 cu.ft., per 100 cu.ft.		.16
Next 7,000 cu.ft., per 100 cu.ft.		.13
Over 10,000 cu.ft., per 100 cu.ft.		.10

At the present rates, the charge for monthly consumption of 1,500 cubic feet is \$2.10. At the proposed rate such charge would be \$2.80, or an increase of 44-1/3 per cent.

Earnings

Applicant's accounting witness submitted a report on its earnings as Exhibit No. 1. A report on the results of applicant's operations for the years 1953 recorded, 1954 estimated and adjusted, and 1955 estimated, was submitted by Commission staff engineering and accounting witnesses. The earnings information contained in Exhibits Nos. 1 and 3 is summarized in the following tabulation:

SUMMARY OF EARNINGS

Item	:Year 1954*:		:Year 1955 Estimated		
	: Present		: Rates		
	: Rates		: Present Rates		: Proposed Rates
	: Co.Exh.1	: Co.Exh.1	: PUC Exh.3	: Co.Exh.1	: PUC Exh.3
Operating Revenues	\$ 62,115	\$ 71,833	\$ 73,940	\$ 92,465	\$ 94,970
Operating Expenses	34,758	38,103	32,470	38,103	32,470
Depreciation	9,604	11,466	11,290	11,466	11,290
Taxes	10,689	13,757	15,170	21,680	25,030
Subtotal	55,051	63,326	58,930	71,249	68,790
Net Oper. Revenue	7,064	8,507	15,010	21,216	26,180
Rate Base	256,827	319,702	297,450	319,702	297,450
Rate of Return	2.75%	2.66%	5.05%	6.64%	8.80%

\* 9 months actual, 3 months estimated.

The difference of approximately \$2,500 in estimated operating revenues for the year 1955, at the proposed rates between applicant and the staff, is primarily due to differences in estimated average consumer monthly usage. The staff estimate appears to have utilized the soundest estimating methods. Gross estimated operating revenues of \$94,400 for the year 1955 will be, and hereby are adopted as reasonable for this proceeding.

On the basis of the record before us we adopt as reasonable total operating expenses of \$71,000 for applicant's normal operations. Such total includes appropriate provisions for the operation and maintenance of the transmission and distribution facilities together with reasonable allowances for office supplies, accounting, Orange County Pumping Tax, Federal Unemployment Insurance Tax and other federal and local taxes, regulatory expense, depreciation and other general expenses of utility operation.

With respect to rate base, amounts appropriate to reflect, on an annualized basis for the year 1955, full operation of a booster pump, provision for certain plant held for future use together with an allowance for necessary working cash capital must be provided. In view of the evidence, we find a total average depreciated rate base of \$305,000 to be fair and reasonable upon which to establish an allowable rate of return and base new water rates.

Conclusion

After a careful review and consideration of the record, it is evident that applicant's present rates do not and will not produce a fair rate of return, and that applicant is in need of financial relief. As noted hereinbefore, it is estimated that the rates proposed in the application would produce gross annual revenues of \$94,400. Operating expenses for the year 1955 are estimated to be \$71,000 and net operating revenue is estimated to be \$23,400. When such net revenue is related to the 1955 estimated average depreciated rate base of \$305,000, a rate of return of 7.7 per cent would result. This rate of return is found to be just and reasonable in this proceeding. The order which follows will authorize applicant to file the schedule of rates proposed in the application as amended at the hearing.

O R D E R

Application as above-entitled having been filed, 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. That applicant, Tustin Water Works, a corporation, substituted herein for Margaret R. Utt, an individual, doing business as Tustin Water Works, 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 two days' notice to the Commission and to the public to make such rates effective for service rendered on and after May 25, 1955.

2. That within forty days after the effective date of this order, applicant shall file four copies of a comprehensive map drawn to indicated scales 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 various properties of applicant.
3. That applicant shall determine the accruals for depreciation by dividing the original cost of plant less estimated future net salvage less depreciation reserve by the estimated remaining life of the plant; applicant shall review the 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 3rd day of May, 1955.

Arthur E. Mitchell  
President

James D. Caserio

Paula Int. Service

William H. Decker

Commissioners

APPENDIX A  
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Schedule No. 1

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

Within the incorporated limits of the City of Tustin and adjacent territory, Orange County.

RATES

Quantity Rates:

	<u>Per Meter</u> <u>Per Month</u>
First 1,000 cu.ft. or less .....	\$ 2.00
Next 2,000 cu.ft., per 100 cu.ft. ....	.16
Next 7,000 cu.ft., per 100 cu.ft. ....	.13
Over 10,000 cu.ft., per 100 cu.ft. ....	.10

Minimum Charge:

For 5/8 x 3/4-inch meter .....	\$ 2.00
For 1-inch meter .....	3.50
For 1½-inch meter .....	5.00
For 2-inch meter .....	8.00
For 3-inch meter .....	12.00

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

SPECIAL CONDITION

The billings to each of Orange County Cemetery, Tustin High School and Lutheran Cemetery will be based upon combining the monthly consumptions indicated by the several meters through which service is rendered to each of said customers. The monthly minimum charges will be determined by adding the minimum charges for the separate meters serving each of the above customers.



Schedule No. 2

PUBLIC FIRE HYDRANT SERVICE

APPLICABILITY

Applicable to fire hydrant service to municipalities and other political subdivisions.

TERRITORY

Within the incorporated limits of the City of Tustin and adjacent territory, Orange County.

RATE

	<u>Per Hydrant</u> <u>Per Month</u>
For fire hydrants irrespective of size ...	\$1.00

SPECIAL CONDITIONS

1. The municipality or political subdivision shall select the location, size and type of hydrant to be installed.
2. Relocation of any hydrant shall be at the expense of the party desiring the hydrant relocated.

Schedule No. 4

CONSTRUCTION FLAT RATE SERVICE

APPLICABILITY

Applicable to water service for construction purposes.

TERRITORY

Within the incorporated limits of the City of Tustin and adjacent territory, Orange County.

RATE

	<u>Per Service Connection Per Month</u>
For use of water for construction purposes only .....	\$2.00

Schedule No. 5

PRIVATE FIRE PROTECTION SERVICE

APPLICABILITY

Applicable to all water service rendered for private fire protection purposes.

TERRITORY

Within the incorporated limits of the City of Tustin and adjacent territory, Orange County.

RATES

	<u>Per Connection</u> <u>Per Month</u>
For 4-inch connection .....	\$5.00
For 6-inch connection .....	9.00

SPECIAL CONDITION

The above rates are applicable only to fire hydrants and fire sprinkler systems to which no connections for other than fire protection purposes are allowed.