

ORIGINALDecision No. 51612

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
 BERLU WATER COMPANY, a corporation,)
 for an order authorizing a change of) Application No. 36785
 water rates and tariff schedules.)

Charles E. Kenner, for applicant.
Robert E. Sowell, attorney, for consumers in the
 so-called low pressure system, protestants.
Theodore Stein and J. D. Reader, for the
 Commission staff.

O P I N I O N

Berlu Water Company, a corporation, by the above-entitled application filed March 7, 1955 seeks authority to increase rates for water service in unincorporated territory in the vicinity of Bellflower, Los Angeles County, by about \$7,800 on an annual basis.

Public hearings in this matter were held before Examiner Stewart C. Warner on May 17 and 18, 1955 at Los Angeles. About 60 consumers, served on applicant's so-called low pressure system, appeared through counsel in protest to the granting of the application due to very poor service conditions. Their attorney stated, however, that should the service conditions complained of be improved, they would not protest the application.

General Information

Applicant furnishes water service to 417 domestic and commercial flat-rate consumers and one metered consumer in an area comprising about 80 acres lying southerly of Center Street, at Lakewood Boulevard, and easterly to Clark Avenue. The area includes one service station and two or three stores. About 205 consumers are furnished water service from a so-called high pressure system

from a 10-inch well, the pumping plant installation in which has a capacity of 180 gallons per minute. Operating pressures of from 40 to 60 pounds per square inch are maintained through 4- and 6-inch Transite and welded steel mains. The balance of the system, including about 210 consumers, have been furnished water service from two 8-inch wells, the pumping plant installations for which have a combined production capacity of 350 gallons per minute. Operating pressures of between 6 and 14 pounds per square inch at the well sites are the maximum pressures that the 8,300 feet of wood stave pipe, which varies in size from 2 to 6 inches in diameter, can withstand.

Service Conditions Complained Of

Several consumers testified regarding and complained of very poor service conditions in the low pressure system. Mains have broken frequently, yards have been flooded, property has been damaged and repairs have taken as long as two weeks to be effected. Domestic water has been dirtied with silt, twigs, splinters and foreign material, it has had an offensive odor and sand and silt have appeared in consumers' appliances and facilities. Water service has been shut off without notice many times in the early evening during meal times, toilet facilities have become unusable, water service has failed for cooking and bathing purposes, and garden sprinkling has frequently been impossible. These conditions have prevailed over the past five years up to the dates of hearings.

No complaints regarding service in the so-called high pressure area were entered.

Applicant's Proposal to Renovate Its Low Pressure System

Applicant admitted the poor service conditions and has taken preliminary steps to renovate the low pressure system through a proposal to install polyvinyl chloride (plastic) pipelines, new

service connections, a surge basin, and two booster pumps with automatic controls. These pipelines and pumping plant installation will cost approximately \$22,092 as shown on Exhibit No. 2. Applicant's engineer plans to use approximately 7,000 feet of the plastic pipe in sizes varying from 5 inches down to 1 inch with the majority being 2½ and 2-inch. According to this witness, the pipe is semi-rigid, very tough, and completely inert since it is made without the use of a plasticizer, does not react with chlorine and has no taste or odor. Applicant's engineering witness testified that approximately 300,000 feet of similar plastic pipe had been installed for service lines in other major water utilities in Southern California with successful results. The method of installing the plastic pipe in applicant's system would be to force the plastic pipe through the inside of the present wood stave pipelines by means of 6-foot trench excavations about every 100 feet.

After renovating the low pressure system it will be interconnected with the high pressure system, providing a completely integrated water system, and normal operating pressures of from approximately 40 to 60 pounds per square inch will be maintained except during infrequent peak demand periods at outlying points on the system.

Plastic pipe is very new in the water works field in the United States and has apparently been in use for only a few years in other countries. It has come into use in California during recent years for service piping, but actual experience relative to the use of larger plastic pipelines appears to be nonexistent. Applicant's engineering witness testified that similar pipe has been used in Germany for about 18 years, but no detailed performance data was presented. Due to this lack of experience and performance data, the Commission's staff included a cost estimate and estimated the results

of operation for a conventionally designed water system including the proposed modification of production facilities and utilizing 4- and 6-inch asbestos-cement pipelines in the public streets. The cost of the more conventional installation was estimated at \$47,810 by the staff.

Applicant's witness testified that he could arrange to finance applicant's proposed plan, probably through a 3-year bank loan of \$25,000 at 5 or 6 per cent, but that he could not finance a greater figure.

Rates

Applicant's present rates were established by Decision No. 20305, dated October 3, 1928, in Application No. 14908, which also granted applicant a certificate of public convenience and necessity and authorized it to issue and sell stock.

Applicant's present flat rates are \$1.50 per month for each house on one lot and \$.50 per month for each additional lot when irrigated. The flat rate is proposed to be increased to \$3 per month.

Applicant has been receiving revenues for fire hydrant rentals, but has filed no tariff therefor. Applicant will be ordered to file a schedule of rates for public fire protection based upon the existing fire hydrant rental charges. Also, applicant has been using an unfiled rate for an additional dwelling on a single lot. A rate for this type service will likewise be ordered filed.

Applicant's meter rates include a quantity charge of \$.25 per 100 cubic feet for usages from 0 to 600 cubic feet; \$.20 per 100 cubic feet, from 600 to 1,500 cubic feet; \$.15 per 100 cubic feet, from 1,500 to 5,000 cubic feet; and \$.10 per 100 cubic feet for usages over 5,000 cubic feet. No change in the meter rate is proposed in the application. In order not to discriminate against flat

rate consumers and not to encourage requests by consumers for meters, the filing of a new schedule of meter rates will be ordered hereinafter.

Earnings

The following tabulation is a comparison of earnings information shown in Exhibit D attached to the application and in Exhibit No. 4, a report on the results of applicant's operations submitted by Commission's staff engineering and accounting witnesses.

Item	Year 1954		Year 1955 Estimated		
	Recorded		Present Rates		Proposed Rates
	Per PUC Exh. 4	Per Co. Exh. D	Per PUC Exh. 4	Per Co. Exh. D	Per PUC Exh. 4
Operating Revenue	\$ 7,895	\$ 7,895	\$ 7,870	\$15,519	\$15,500
Operating Expenses	7,496	10,496	7,650	10,496	7,720
Depreciation	1,672	1,672	805	1,672	805
Taxes	746	746	675	1,528	2,413
Subtotal	9,914	12,914	9,130	13,696	10,938
Net Revenue	(2,019)	(5,019)	(1,260)	1,823	4,562
Rate Base	19,766	29,401	29,716*	29,401	29,716*
Rate of Return	-	-	-	6.20%	15.35%

(Red Figure)

* Utilizing full-year applicant's estimated cost of renovating low pressure system of \$22,092.

Due to abnormal and nonrecurring expenses incurred in repairing the distribution mains, the estimates of adjusted operating expenses submitted by the staff will be and hereby are adopted as reasonable for this proceeding. Such estimates provided, among other things, for the employment of an operator of the water system at \$125 per month and for nominal salaries for bookkeeping and for general officers.

Likewise, the average depreciated rate base and its components submitted by the staff utilizing the company's method of renovating the system will be, and hereby are, adopted as reasonable for this proceeding.

Conclusion

While the company's method of renovating the low pressure system by the installation of plastic pipe and booster pumps has been adopted herein, applicant should understand that the Commission considers the use of this type of pipe as experimental. Should its operating results not prove to be satisfactory in the future, applicant will be expected to take steps to install a conventionally designed system. In view of the evidently poor service conditions, and applicant's poor financial state, its renovation plan appears to be the most expeditious and practical.

Cross-examination of both the staff witness and applicant indicated that the method proposed for the installation of plastic pipe may require the relocation of two out of every four service connections requiring the relocation or extension of customers service piping in many cases. Applicant was unable to state whether or not these customers would be asked to pay any or all of the costs necessary to relocate or extend piping owned by these customers. As any changes in service piping will be the result of changes made by the company in the replacement of facilities serving existing customers, we are of the opinion that existing customers should not be put to any expense in connection with this replacement program.

It is evident that applicant cannot continue to operate at a loss and that it is in need of financial relief. However, the rates proposed in the application which would produce an estimated return of 15.35 per cent are considered to be excessive. The rates authorized hereinafter, which include an increase of the monthly flat rate from \$1.50 per month to \$2.75 per month, will produce estimated gross revenues of \$14,300, which, when related to operating expenses including taxes of \$10,340, will produce net revenues of \$3,960. Such estimated net revenues for the year 1955, when related to an

estimated depreciated rate base of \$30,000, will produce a rate of return of 13.2 per cent. This rate of return under the distress condition of this utility is found to be just and reasonable.

The flat rate charge for a single family residence which includes garden irrigation and the usual water requirements of a single family residence would be \$1.50 per month at the present rates, \$3 per month at the rates proposed by applicant and \$2.75 per month at the rates authorized herein. The proposed rates would have resulted in a 100 per cent increase to this customer while the authorized rates will result in an 83 per cent increase on a monthly or an annual basis.

It is evident, and the Commission so finds, that an emergency with respect to operating conditions in applicant's low pressure system and resultant over-all operations exists and the order hereinafter will become effective on its date.

Applicant should take immediate steps to effect the renovation of its low pressure system in accordance with the plan set forth by its engineer in Exhibit No. 2, and should report to the Commission its progress therein. Further, applicant should carry out the staff recommendations contained in Paragraphs 2, 4, 5, 6 and 9 of Chapter 12, Exhibit No. 4 which provide for the metering of a business establishment, the refunding of certain monies to consumers advanced for meter and oversized services, the employment of an operator of the water system, and the acquisition of title to the well site in the high pressure system.

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.(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 upon 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 1, 1955.
 - (b) That within thirty days after the effective date of this order applicant shall file with this Commission up-to-date rules and four copies of a tariff service area map acceptable to this Commission in conformity with the provisions of the Commission's General Order No. 96. Such rules and tariff service area map shall become effective upon five days' notice to the Commission and to the public after filing as hereinabove provided.
 - (c) That within one hundred twenty days after the effective date of this order applicant shall file 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 various properties of applicant.
- 2.(a) That within one hundred twenty days after the effective date of this order applicant shall complete the installation of the booster pumps, surge basin and main replacement program on the present low pressure system as outlined in Exhibit No. 2 filed at the hearing.
 - (b) That within thirty days after the effective date of this order, and every thirty days thereafter until completed, applicant shall submit in writing to this Commission a report of its progress in renovating its low pressure system.
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 five years. Results of these reviews shall be submitted to this Commission.

4.(a) That within sixty days after the effective date of this order applicant shall carry out the recommendations made by the Commission staff in Paragraphs 2, 4, 5, 6 and 9, respectively, in Chapter 12 of Exhibit No. 4 in this proceeding as follows:

- (1) Install a meter on the service of the Elm Tree Nursery (referred to as a flat rate business customer in Paragraph 2 of the staff recommendations).
- (2) Refund the donation of \$50 accepted from a Shell Oil Company service station (referred to in Paragraph 4 of the staff recommendations).
- (3) Refund all money received from customers for replacement of existing service connections with oversized service connections requested by customers because of low water pressures (referred to in Paragraph 5 of the staff recommendations).
- (4) Improve the management and operation of this water system (referred to in Paragraph 6 of the staff recommendations).
- (5) Acquire title to the property on which the well and tank that serves the high pressure system are located (referred to in Paragraph 9 of the staff recommendations).

(b) That within thirty days after compliance with the above Subparagraphs 4(a)(1), 4(a)(2), 4(a)(3), 4(a)(4) and 4(a)(5), inclusive, applicant shall notify this Commission in writing thereof.

The effective date of this order shall be the date hereof.

Dated at San Francisco, California, this 28th day of June, 1955.

[Signature] President
Matthew J. Cramer
[Signature]
[Signature]
[Signature]
 Commissioners

Schedule No. 1

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

A portion of the unincorporated community of Bellflower, Los Angeles County.

RATES

Quantity Rates:

	Per Meter Per Month
First 600 cu.ft. or less	\$ 2.25
Next 1,900 cu.ft., per 100 cu.ft.30
Next 5,000 cu.ft., per 100 cu.ft.25
Over 7,500 cu.ft., per 100 cu.ft.15

Minimum Charge:

For 5/8 x 3/4-inch meter	\$ 2.25
For 3/4-inch meter	3.00
For 1-inch meter	4.50
For 1 1/2-inch meter	7.50
For 2-inch meter	11.00

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

APPENDIX A
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Schedule No. 2

RESIDENTIAL FLAT RATE SERVICE

APPLICABILITY

Applicable to all residential water service furnished on a flat rate basis.

TERRITORY

A portion of the unincorporated community of Bellflower, Los Angeles County.

RATES

	<u>Per 3/4-inch Service Connection Per Month</u>
1. For one single-family residence on a single lot	\$2.75
a. For each additional single-family residential unit on the same lot	2.00
b. For each additional lot on which water is used to irrigate a garden or lawn75

SPECIAL CONDITIONS

1. All service not covered by the above classifications will be furnished only on a metered basis.

2. Meters may be installed at option of utility or customer for above classification in which event service thereafter will be rendered only on the basis of Schedule No. 1, General Metered Service.

Schedule No. 3

PUBLIC FIRE HYDRANT SERVICE

APPLICABILITY

Applicable to all public fire hydrant service.

TERRITORY

A portion of the unincorporated community of Bellflower, Los Angeles County.

RATE

Per Month

For each fire hydrant \$1.50

SPECIAL CONDITION

The utility 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.