

at

Decision No. 54771

ORIGINAL

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application)
of PETERSON WATER COMPANY, a)
Corporation, for an Order Author-)
izing a Change in Water Rates and)
Tariff Schedules.)

Application No. 37985
(Amended)

Eric C. Pepys, attorney for applicant.

Jack W. Rose, Mrs. Robert C. Davis, Mr.
and Mrs. Robert E. Mott, Mrs. Phyllis M.
Wood, Mrs. Mario Amabile, and Mr. Howard
W. Little, in propria personae, inter-
ested parties.

James G. Shields, for the Commission Staff.

O P I N I O N

Peterson Water Company, a corporation, by the above-entitled application filed May 1, 1956, as amended May 21, 1956, seeks authority to increase rates for water service in unincorporated territory in San Bernardino County in the so-called Mountain View subdivision about three miles west of the City of Redlands. The requested increase in rates, assuming that all water service was furnished on a flat-rate basis, as is now the case, amounts to approximately \$1,845 over the estimated gross annual revenue for the year 1957 at the present rates; an overall increase of approximately 55.6 per cent. The requested increase in rates would amount to approximately \$2,864 of gross annual revenue for the year 1957 estimated if the water system were entirely metered, which is proposed.

A public hearing on this matter was held before Examiner Stewart C. Warner on February 14, 1957, at Redlands. Several consumers appeared to protest the application unless applicant eliminated the conditions of low water pressure which have existed in

the past. Also, a petition containing approximately 104 consumers' signatures was presented for the Commission's consideration. Said petitioners likewise protested the application unless service conditions were improved. Those protestants who appeared indicated that they would not object to the proposed increase in rates for water service if such service were satisfactory as to pressure, quantity, and quality of water.

General Information

Applicant was granted a certificate of public convenience and necessity by Decision No. 45920, dated September 5, 1951, in Application No. 32262 to construct, extend, and operate a public utility water system in an area bounded on the north by U. S. Highway No. 99, on the west by Mountain View Avenue, on the south by Cottonwood Row, and on the east by a line 1,320 feet east of and parallel to Mountain View Avenue, all comprising approximately 50 acres. The northern portion of the service area, designated as Tracts Nos. 3558 and 3466 and comprising approximately 32 acres, has been developed as subdivisions, and water service is being furnished to 122 consumers therein. Five hydrants are also connected to the system. It was estimated that five new services may be added within the subdivision in the next two years.

Applicant's original president, Oscar Peterson, now deceased, has been succeeded by his two sons, George Peterson, President, and Roy Peterson, Secretary and Treasurer, who own all of applicant's 1,000 shares of outstanding capital stock.

Corporate offices of applicant have been maintained in the offices of Central Lumber Co., in Compton, where administration and bookkeeping have been carried on. Applicant has employed a serviceman on a part-time basis to operate and maintain the water plant and water distribution system.

Negotiations and Agreements for Sale of Applicant's
Stock to Passmore Development Company.

Applicant's president testified that negotiations were being conducted, and certain agreements have been reached, for the sale of all of applicant's stock to Passmore Development Company, owned by John Moore Robinson, who is the operator of Rancho Ramon Water Company and La Mirada Water Company, public utility water corporations operating in southern California, furnishing water service to approximately 3,000 consumers in Orange and Riverside counties, and who also is doing business as Public Water Company.

The record shows that if and when the Robinson interests secure control of applicant through stock ownership, applicant will install meters on all consumers' premises; said meter installations to be completed during the year 1957.

Water System Operations

Applicant's water system operations include a well, located on Lot 36, Tract No. 3466 (supra), in which is installed a pump driven by a 7-1/2 HP motor. Said pump and motor have been operating at an overall efficiency of only 19 per cent. Originally, said pumping plant produced approximately 270 gallons of water per minute. Water is pumped by said pump and motor into two adjacent and interconnected reservoirs with a combined storage capacity of approximately 80,000 gallons. Water is then pumped from said reservoirs into two interconnected 1,000-gallon hydropneumatic tanks by two booster pumps, one of which, with a 7-1/2 HP motor, is normally in operation and is controlled by a pressure switch to maintain operating pressures between 20 and 40 pounds per square inch. During periods of heavy demand, a second booster pump, with a 20 HP motor, is put into operation manually by the serviceman. When on the line, this unit is controlled by a pressure switch with a 40 to 60 pounds per square inch setting. Water is distributed

from the pressure tanks through two 5-inch pipe lines and into approximately 5,250 feet of mains which vary in size from 5 to 1-1/2 inches in diameter. All consumers serviced are furnished through 3/4-inch connections.

The record shows that because of the inefficiency of the pumping plant, insufficient amounts of water have been supplied to the storage tanks to meet periods of heavy demand on the water system, particularly during the summer peak load. This has caused consumers to lack water for laundry, cooking, toilet, bathing, gardening, and other domestic uses at critical and sometimes for extended periods.

Applicant has purchased water, on a stand-by basis, from the City of Redlands at three 5/8 x 3/4-inch metered connections. The purchase of such water has supplemented the sources of water supply from applicant's well. The record shows, however, that such purchases have been insufficient to eliminate the service deficiencies complained of.

On February 12, 1957, applicant acquired an undivided 13/30 interest in the so-called "New Langford" well located just across U. S. Highway No. 99 in the vicinity of but outside of applicant's service area. Said well has a tested production capacity of approximately 1,000 gallons per minute and is available for use in applicant's water system.

Applicant's water consultant witness testified that applicant intended to rehabilitate or to repair the pumping unit in the main well, and that such repairs would enable said main well to deliver more than adequate quantities of water to the storage tank and to meet all peak load demands. The cost of such rehabilitation and repairs was estimated to be \$875.

Rates

Applicant's present rates were established in 1951 by Decision No. 45920 (supra).

As noted hereinbefore, applicant furnishes water service on a flat-rate basis, only, at the present time. However, as also noted, applicant's proposed new owner intends and plans to install meters on all consumers' premises.

The following tabulation compares applicant's present and proposed metered service rates:

Quantity Rates:	Per Meter Per Month	
	Present	Proposed
First 1,500 cu. ft. or less	\$2.00	
Next 500 cu. ft., per 100 cu. ft. ....	.12	
Over 2,000 cu. ft., per 100 cu. ft. ....	.10	
First 1,000 cu. ft. or less		\$2.50
Next 1,500 cu. ft., per 100 cu. ft. ....		.225
Next 2,500 cu. ft., per 100 cu. ft. ....		.20
Next 5,000 cu. ft., per 100 cu. ft. ....		.17
Over 10,000 cu. ft., per 100 cu. ft. ....		.14

Under the proposed rates the monthly charge for a metered consumption of 1,800 cubic feet would be \$4.30.

Applicant's present flat rate is \$2.25 per month for a 3/4-inch connection. The proposed flat rate is calculated by multiplying the metered monthly minimum charge by 1.4, and the flat rate for a 3/4-inch service connection is proposed to be based upon the monthly minimum charge for a 5/8 x 3/4-inch meter; thus the proposed flat rate for all present consumers is calculated to be \$3.50 per month. The effect of the proposed meter rates and general metering program would be to increase the monthly charge to the consumer from \$2.25 at the present flat rate to \$4.30 at meter rates for an estimated average monthly consumption of 1,800 cubic feet.

Earnings

The following tabulation compares the earnings information for the year 1957, estimated, based on the assumption that

applicant's system had been completely metered prior to the year 1957, as contained in a report submitted by applicant, (Exhibit No. 1), and the earnings information contained in a report on applicant's operations submitted by the Commission staff, (Exhibit No. 5).

SUMMARY OF EARNINGS
Year 1957, Estimated
(Based on Metering Program)

<u>Item</u>	<u>Present Rates</u>		<u>Proposed Rates</u>	
	<u>Per Co. Ex. No. 1</u>	<u>Per P.U.C. Ex. No. 5</u>	<u>Per Co. Ex. No. 1</u>	<u>Per P.U.C. Ex. No. 5</u>
Operating Revenues	\$ 3,483	\$ 3,483	\$ 6,347	\$ 6,347
Operating Expenses				
Maintenance & Operation	4,378	2,873	4,378	2,873
Depreciation	680	622	680	622
Taxes	169	107	519	991
Total Operating Expenses	<u>5,227</u>	<u>3,602</u>	<u>5,577</u>	<u>4,486</u>
Net Operating Revenues	(1,744)	(119)	770	1,861
Rate Base	18,922	17,219	18,922	17,219
Rate of Return	-	-	4.07%	10.8%

(Red Figure)

Exhibit No. 5, based on applicant's operations for the year 1956, recorded, shows that at applicant's present flat rates, its net operating loss was \$781.

While it appears that the estimated components of applicant's earnings for the year 1957, except operating revenues at both the present and proposed rates, differ widely between those submitted by the applicant and the staff, such differences are clearly set forth in the record. The staff estimate did not include in the rate base the net cost to applicant of the acquisition of an interest in the "New Langford" well amounting to \$5,430.16; the staff estimate included only \$1,710 of payroll expense, whereas applicant estimated that its payroll expense would be \$2,400 per year, plus accounting expense of \$135 per year; the staff included an amount of \$300, only, for the cost of the instant rate proceeding, whereas applicant estimated such cost to be \$600; and the staff included the annual

amount of \$80, only, for general supplies and miscellaneous costs, whereas applicant estimated such annual costs to be \$300.

The staff estimate of payroll expense, which includes accounting expense, is found to be reasonable for this water system. Other differences, some of which were due to failure on the part of applicant to provide the necessary information in time to be included in the staff's report, should be considered. Revision of the staff's estimated summary of earnings for 1957 to allow an additional amount of \$300 for the cost of the instant proceeding, and an additional annual amount of \$220 for general supplies and miscellaneous expense, and to include in the rate base \$5,430 for the "New Langford" well, and an estimated \$1,000 for the cost of plant improvement recommended by the staff, would result in an estimated rate of return of 6.9 per cent.

Findings and Conclusions

It is evident that applicant's present rates are not producing sufficient revenues for it to meet its normal operating expenses, and that applicant is in need of financial relief. It is further evident, and the Commission finds and concludes, that it would be adverse to the public interest for applicant to continue to operate at a loss, with the resultant deficiency in water service.

Applicant has submitted specific details and practical plans for rehabilitating and improving its water system and has indicated its real intention and its ability, if provided the financial opportunity, to conform its water system operations to standards recognized and required by the Commission. The meeting of such standards would eliminate most and, probably, all of the complaints of service conditions registered at the hearing.

It is further evident from the record and the Commission finds and concludes, that applicant's proposed rates are reasonable and would not produce an excessive rate of return in view of

applicant's intended financial outlays for the needed improvements to its water system. The order which follows will authorize applicant to file the schedules of rates proposed in the application.

The Commission further finds 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 will, for the future, be unjust and unreasonable.

Staff Recommendations

The staff recommended in Chapter 12 of Exhibit No. 5 as follows:

1. That the 7-1/2 HP well pump should be overhauled to bring its efficiency to a reasonable figure, and that periodic tests should be made on all pumping units in order to provide data for a maintenance schedule which will insure efficient operation.
2. That the pressure switch on the 7-1/2 HP booster pump should be set to cut in at 35 pounds per square inch and to cut off at 55 pounds per square inch.
3. That the 20 HP booster pump should be kept operative at all times; its pressure switch should be set to cut in when the small booster cannot maintain minimum pressure; and a relay should be installed which would automatically cut out the 7-1/2 HP booster when the 20 HP booster cuts in.
4. That the "New Langford" well should be used to provide stand-by water.
5. That the pump plants and reservoirs should be fenced.
6. That the flat-rate service tariff schedule should be submitted in standard form.
7. That applicant should obtain a deed to Lot 36, Tract No. 3466.
8. That depreciation accruals should be determined according to the straight-line-remaining life method and reviewed at intervals of not more than five years and when major changes in plant composition occur.
9. That up-to-date rules and a tariff service area map should be submitted to the Commission.
10. That applicant should submit to the Commission a comprehensive map of facilities and services.

Items 2 and 3 above make specific recommendations concerning pressure settings and interconnection of the two booster pumps. The objective of the recommended changes is to correct present unsatisfactory pressure conditions and to obtain adequate pressures throughout the applicant's system. The order which follows will not specify particular pressure settings, but will require that the settings be made to maintain pressures throughout the system conforming to the Commission's General Order No. 103.

The record shows that applicant intends and plans to carry out all of the staff recommendations, and Exhibit No. 2 is a copy of a grant deed, dated February 11, 1957, for Lot 36, Tract No. 3466.

The order which follows will provide that applicant shall effect the improvements to its water system substantially as contained in the staff recommendations, and shall report to the Commission when such improvements have been made.

One consumer protested that applicant did not cash checks promptly. Applicant should improve this service deficiency by depositing consumers' checks promptly after receipt of payment by consumers of their water bills.

O R D E R

Application, as amended, having been filed, a public hearing having been held, the matter having been submitted, and now being ready for decision,

IT IS HEREBY ORDERED that Peterson Water Company, a corporation, 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 May 1, 1957.

IT IS HEREBY FURTHER ORDERED, as a condition subsequent to the foregoing authorization, as follows:

(1) That applicant shall overhaul its 7-1/2 HP well pump to bring its efficiency to a reasonable figure.

(2) That applicant shall make, or cause to be made prior to July 1 of each of the years 1958 and 1959, a test of each pumping unit to determine overall operating efficiency; and that applicant shall file with the Commission copies of the results of each test within thirty days after completion of tests. Applicant shall continue such tests on an annual basis, or such other period as it deems necessary, to assure efficient operation of its pumping units.

(3) That applicant shall set, or cause to be set, the pressure switches on the booster pumps to maintain operating pressures throughout the system in conformity with the pressure requirements set forth in the Commission's General Order No. 103. Applicant shall maintain and keep the 20 HP booster pump in an operative condition at all times and shall set, or cause to be set, the pressure switch to cut in when the small booster cannot maintain pressure, and shall install, or cause to be installed, a relay which will cut out the 7-1/2 HP booster when the 20 HP booster cuts in.

(4) That applicant shall connect to its system and use the "New Langford" well to provide a stand-by water supply.

(5) That applicant shall fence, or cause to be fenced, the pumping plants and reservoirs on applicant's Lot 36.

(6) That applicant shall effect the improvements to its water system as ordered hereinabove in paragraphs (1), (3) and (5) within ninety days after the effective date hereof, and shall report to the Commission, in writing, within fifteen days after each such improvement has been made.

(7) That applicant shall determine the accruals for depreciation by dividing the original cost of the 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 the Commission. The depreciation study, resulting in the depreciation accruals to be used initially, shall be submitted in writing to the Commission prior to September 1, 1957.

(8) That applicant, within thirty days after the effective date of this order, shall file in quadruplicate with this Commission up-to-date rules of a tariff service map acceptable to it in accordance with the provisions of General Order No. 96. Such rules and tariff service area map shall become effective on five days' notice to the Commission and the public after filing as herein provided.

(9) That applicant, within one hundred twenty days after the effective date of this order, shall file with this Commission four copies of a comprehensive map drawn to an indicated scale not smaller than 100 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.

(10) That any failure or omission on the part of applicant to faithfully comply with the foregoing conditions shall be cause for such further order by the Commission as shall be appropriate.

at - A. 37985 (Amd)

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

Dated at San Francisco, California, this 2nd
day of April, 1957.

[Signature]
President
[Signature]
[Signature]
[Signature]
Commissioners

APPENDIX A
Page 1 of 2

Schedule No. 1

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

The unincorporated area known as Mountain View subdivision, located approximately 3 miles west of the City of Redlands, San Bernardino County.

RATES

Quantity Rates:	<u>Per Meter Per Month</u>
First 1,000 cu.ft. or less	\$ 2.50
Next 1,500 cu.ft., per 100 cu.ft. ....	.225
Next 2,500 cu.ft., per 100 cu.ft. ....	.20
Next 5,000 cu.ft., per 100 cu.ft. ....	.17
Over 10,000 cu.ft., per 100 cu.ft. ....	.14
 Minimum Charge:	
For 5/8 x 3/4-inch meter	\$ 2.50
For 3/4-inch meter	3.50
For 1-inch meter	5.00
For 1 1/2-inch meter	8.00
For 2-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.

Schedule No. 2

GENERAL FLAT RATE SERVICEAPPLICABILITY

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

TERRITORY

The unincorporated area known as Mountain View subdivision, located approximately 3 miles west of the City of Redlands, San Bernardino County.

RATES

	<u>Per Service Connection</u> <u>Per Month</u>
For 3/4-inch connection	\$ 3.50
For 1-inch connection	7.00
For 1 1/2-inch connection	11.20
For 2-inch connection	16.80

SPECIAL CONDITION

Meters may be installed at option of utility or customer in which event service thereafter will be furnished on the basis of Schedule No. 1, General Metered Service.