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Decision No. 54951**ORIGINAL**

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of)
 LEROY J. LAFRENTZ and EMMA LEE LAFRENTZ,)
 individuals, doing business as DESCANSO) Application No. 38491
 PARK WATER COMPANY, for an order)
 authorizing a change in water rates and)
 tariff schedules.)

LeRoy J. LaFrentz, proprietor, and John A. Cunningham, water consultant, for applicant.
Al Reynolds, in propria persona, protestant.
Mr. and Mrs. Hugh Shaver, Mrs. Elsa Dye,
J. D. High, Mrs. Pearl Glick, Mrs. Esther Burrows, and D. W. Smith, in propria personae, interested parties.
Clyde F. Norris, for the Commission staff.

O P I N I O N

LeRoy J. LaFrentz and Emma Lee LaFrentz, individuals, doing business as Descanso Park Water Company by the above-entitled application filed October 8, 1956, seek authority to increase rates for water service in the unincorporated community of Descanso, San Diego County. Exhibit No. 1, filed at the hearing, amended the application by substituting a new and lower schedule of proposed rates for flat rate service.

A public hearing on this matter was held before Examiner Stewart C. Warner on March 27, 1957, at Descanso. Several consumers entered appearances; one as protestant, the others in support of the application in varying degrees. The consumer who protested conceded that applicant had greatly improved the water service furnished but questioned the selling price which he understood to be approximately \$20,000 for the water system when it was sold by Bernard Jacobs, an individual, to applicants. Under the terms of the agreement of sale authorized by Decision No. 50835,

dated December 7, 1954, in Application No. 35838, the total sale price to be paid was \$12,000. Those consumers who appeared in support of the application, expressed the view that the applicants had improved the water system from a very poor operating system with many shortages and outages of water and inadequate supplies to a water system which furnishes very satisfactory water service at good operating pressures. One consumer requested that, in the interest of equitable distribution of operating costs, all water services be metered.

General Information

Applicants acquired the water system supplying water for domestic purposes in an area comprising approximately 125 acres in Descanso Park Subdivision about 41 miles east of San Diego in San Diego County, from Bernard Jacobs, an individual, by Decision No. 50835, supra. Said Jacobs was granted a certificate of public convenience and necessity to operate a public utility water system and the present rates for water service were established by Decision No. 42678, dated April 5, 1949, in Application No. 29708.

As of February, 1957, 54 consumers were being furnished water service through approximately 24,000 feet of mains from one to three inches diameter.

Applicants' main source of water is a newly drilled, 321-foot deep well, 8 inches in diameter, which is equipped with a 7-1/2 hp turbine pump and an electric motor capable of delivering 80 gallons of water per minute.

Water is discharged by and from the pump to a 12,000-gallon elevated steel tank located on a hill some 1,500 feet distant.

At the tank site there is a 1500-gallon pressure tank, operated by a 2 hp electric motor, which delivers water to the distribution system at pressures ranging from 38 to 50 pounds per square inch.

An emergency source of water supply is a dug well which until late 1955, was the main source of water supply for the water system. This well produces only about 2,400 gallons per hour, and the water therefrom must be chlorinated before delivery into the distribution system.

Rates

As noted hereinbefore, applicants' present rates were established in 1949. Applicants originally proposed herein to increase the present monthly flat rate of \$2.00 for a residence without septic tank, of \$2.50 for a residence with septic tank and no outside sprinkling, of \$3.00 for a residence without septic tank and with outside sprinkling, and of \$3.50 for a residence with septic tank and with outside sprinkling, each to \$9.00 per month, but at the hearing, amended their original proposal to request a flat rate of \$6.00 per month.

The following tabulation compares applicants' present and proposed rates for metered service:

Quantity Rates	Per Meter per Month	
	Present Rates	Proposed Rates
First 200 cubic feet or less	\$2.00	\$ -
All over 200 cubic feet, per 100 cubic feet	.20	-
First 1,200 cubic feet or less	-	6.00
Next 1,300 cubic feet, per 100 cubic feet	-	.35
Next 2,500 cubic feet, per 100 cubic feet	-	.27½
All over 5,000 cubic feet, per 100 cubic feet	-	.20

At the present time all water service is being furnished and billed on a flat-rate basis. However, applicant has installed

a few meters on consumers' services to measure the amount of water usage, for test purposes only.

On cross-examination, the applicant, LeRoy J. LaFrentz, agreed that a seasonal rate, which would apply to week-enders and seasonal users only, would be a desirable type of rate schedule.

Earnings

Applicants' water consultant witness submitted a summary of earnings in a report, Exhibit No. 2. Said summary showed the following estimated results for the year 1957 based upon the present flat rates, the originally proposed flat rate of \$9.00 per customer per month, and the flat rate of \$6.00 per customer per month proposed in the amended application.

<u>Item</u>	<u>Year 1957 Estimated</u>		
	<u>Present Rates*</u>	<u>Proposed Rates*</u>	<u>Proposed Rates* Amended</u>
Operating Revenue	\$ 2,398	\$ 5,420	\$ 3,980
Operating Expenses			
Operating and Maintenance	2,577	2,577	2,577
Depreciation	1,141	1,141	1,141
Taxes	243	300	243
Total Expenses	<u>3,961</u>	<u>4,018</u>	<u>3,961</u>
Net Revenue	(<u>1,563</u>)	1,402	19
Rate Base	35,753	35,753	35,753
Rate of Return	Loss	3.92%	.06%

* Flat Rates

(Red Figure)

A Commission staff engineering witness submitted the following summary of earnings for the year 1957, estimated, based

on the present rates and based on the proposed meter rates, assuming that all services were metered, as shown in Exhibit No. 5.

<u>Item</u>	<u>Year 1957 Estimated</u>	
	<u>Present Rates</u>	<u>Proposed Rates</u>
Operating Revenue	\$ 1,953	\$ 3,888
Operating Expenses		
Operating and Maintenance	2,645	2,645
Depreciation	1,149	1,149
Taxes	465	465
Total Expenses	<u>4,259</u>	<u>4,259</u>
Net Revenue	(2,306)	(371)
Rate Base	36,264	36,264
Rate of Return	Loss	Loss

ø Meter Rates

(Red Figure)

It is noted that, based upon either the flat rate as proposed in the amended application or on the proposed meter rates, applicants will barely break even or will continue to sustain operating losses.

Findings and Conclusions

After a review of the record it is evident that applicants have been sustaining consistent operating losses; that they have added capital equipment to the system to change the physical operations of the water system from operations furnishing poor water service to operations furnishing satisfactory water service; and that applicants are now in need of financial relief. The Commission finds and concludes that applicants cannot and should not be required to continue to sustain financial losses; and that the rates proposed in the application, as amended, will not be

excessive or unreasonable. It appears, however, that week-enders and seasonal users should be required through their charges for water service to bear their fair share of the burden of furnishing water service and maintaining the water system. Therefore, a new schedule of seasonal rates on an annual basis will be authorized hereinafter. Applicants will be directed to substitute such seasonal rates for those proposed in the application as amended.

The Commission finds as a fact that the increases in rates and charges authorized herein are justified, and that present rates and charges in so far as they differ from those herein prescribed, for the future are unjust and unreasonable.

O R D E R

Application as above-entitled having been filed, and said application having been amended with respect to proposed flat rates by Exhibit No. 1, a public hearing having been held, the matter having been submitted and now being ready for decision,

IT IS HEREBY ORDERED that:

1. Applicants be, and they are, 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 June 1, 1957.
2. Applicants, within forty days after the effective date of this order, shall file in quadruplicate with this Commission rules governing customer relations revised to reflect present-day operating

practices, 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. 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.

3. Applicants, within forty 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 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.

4. Beginning with the year 1956, applicants shall determine depreciation expense by multiplying the depreciable fixed capital by a rate of 2.6 percent. This rate shall be used until review indicates it should be revised. Applicants shall review the depreciation rate using the straight-line remaining life method whenever substantial changes in depreciable fixed capital occur and at intervals of not more than five years, and shall revise the above rate in conformance with such reviews. Results of these reviews shall be submitted to the Commission.

5. Applicants shall not deliver into the distribution system any water from the dug well hereinbefore described unless and until this source of water supply is made safe for human consumption as required by the state or local Department of Public Health. Within sixty days after the effective date of this order, applicants shall

file with this Commission a written statement setting forth in detail the requirements of the state or local Department of Public Health for adequate protection of the said dug well water supply.

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

Dated at San Francisco, California, this 7th day of May, 1957.

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

Schedule No. 1

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service furnished on an annual basis.

TERRITORY

The unincorporated area known as Descanso Park Subdivision, and vicinity, San Diego County.

RATES

Quantity Rates:	<u>Per Meter per Month</u>
First 600 cu.ft. or less	\$ 6.00
Next 1,400 cu.ft., per 100 cu.ft.....	.35
Next 3,000 cu.ft., per 100 cu.ft.....	.275
Over 5,000 cu.ft., per 100 cu.ft.....	.20
 Minimum Charge:	
For 5/8 x 3/4-inch meter	\$ 6.00
For 3/4-inch meter	8.00
For 1-inch meter	10.00
For 1-1/2-inch meter	14.00
For 2-inch meter	20.00

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

SPECIAL CONDITION

Service under this schedule will be furnished only on a continuous basis throughout the year.

Schedule No. 1S

SEASONAL GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service furnished on a seasonal basis.

TERRITORY

The unincorporated area known as Descanso Park Subdivision, and vicinity, San Diego County.

RATES

Seasonal Minimum Charge:	<u>Per Meter per Season</u>	<u>Quantity Allowed per Month for Seasonal Minimum Charge</u>
For any eight consecutive months beginning and ending in the same calendar year, or any portion thereof		
For 5/8 x 3/4-inch meter	\$ 60.00	600 cu.ft.
For 3/4-inch meter	79.60	1,300 cu.ft.
For 1-inch meter	99.20	2,000 cu.ft.
For 1-1/2-inch meter	141.00	3,900 cu.ft.
For 2-inch meter	201.40	7,200 cu.ft.
 Monthly Quantity Rates:		<u>Per Meter per Month</u>
First 600 cu.ft. or less included in Seasonal Minimum Charge		
Next 1,400 cu.ft., per 100 cu.ft.		\$0.35
Next 3,000 cu.ft., per 100 cu.ft.275
Over 5,000 cu.ft., per 100 cu.ft.20

SPECIAL CONDITIONS

1. The Seasonal Minimum Charge is due in advance and will entitle the customer to the quantity of water in each of the months that corresponds to the Seasonal Minimum Charge as shown above.

2. The charge for water used in excess of the quantity allowed each month for the Seasonal Minimum Charge may be billed monthly, bimonthly or quarterly at the option of the utility on a noncumulative, monthly consumption basis.

3. Customers who have paid the Seasonal Minimum Charge may obtain service during any other months of the same calendar year under the Quantity Rates in Schedule No. 1, Annual General Metered Service, upon written notice to the utility stating the months in which such service is desired.

Schedule No. 2

ANNUAL FLAT RATE SERVICEAPPLICABILITY

Applicable to all flat rate water service furnished on an annual basis.

TERRITORY

The unincorporated area known as Descanso Park Subdivision, and vicinity, San Diego County.

RATES

	<u>Per Service Connection per Month</u>
1. For a single family residence or church	\$6.00
a. For each additional single family residential unit, including trailer or tent when used as a residence, and served from the same service connection:	
With inside water facilities	3.00
With outside water facilities only	1.50
2. For each animal watering trough	6.00

SPECIAL CONDITIONS

1. Service under this schedule will be furnished only on a continuous basis throughout the year.
2. The above annual flat rate charges apply to service connections not larger than 3/4-inch in diameter.
3. All service not covered by the above classifications will be furnished only on a metered basis.
4. A meter may be installed at option of utility or customer for above classifications in which event service thereafter will be furnished only on the basis of Schedule No. 1, General Metered Service. When a meter is installed at option of a customer, metered service must be continued for at least 36 months before service will again be furnished at flat rates.