

**ORIGINAL**

Decision No. 55625

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

TWIN LAKES PROPERTY OWNERS, INC. )

Complainant, )

vs. )

Case No. 5736

TWIN LAKES PARK CO. and WILLIAM E. LAWRENCE )  
(a corporation), )

Defendant. )

Elmer E. Howlett, attorney, for defendant  
Twin Lakes Park Co., and William E. Lawrence,  
president, in propria persona, defendant.

Leroy D. Lowrey, president, for Twin Lakes  
Property Owners, Inc., complainant.

Mrs. Sophie Todd and Mrs. Catherine Leverton,  
in propria personae, complainants.

Clyde F. Norris and A. L. Gielegem, for the  
Commission staff.

OPINION ON REHEARING

The above-entitled complaint<sup>1/</sup> was filed on February 29, 1956, by a group of 64 property owners and water service consumers. They complained that defendants should be declared a public utility water company; that they were forced to sign an agreement with defendants setting forth the conditions of water service; that they had voluntarily contributed funds for needed improvement of the water system; that there was an insufficient yearly supply of water, and an unequal distribution of water; that air registered in meters; that defendants neglected the

1/ William E. Lawrence is President of Twin Lakes Park Company.

water system; and that unqualified personnel managed the water system. They requested the Commission to investigate the complaint, and to declare the defendants to be a public utility and to issue an order to defendants to comply with the rules and regulations of the Public Utilities Code with particular respect to inspecting the books and accounts of the defendants to determine what their operating costs are, or should be, and on the basis of these, set fair and equal rates; inspecting the water system, its general serviceability, and making recommendations to the defendants regarding needed changes and improvements; recommending to the defendants that water be pumped directly to a reservoir before being distributed to individual residents; insisting that defendants hire additional and qualified personnel; and considering individual complaints regarding meter readings.

The complaint was answered by defendants on March 31, 1956, and a public hearing was held on May 23, 1956, following which, Decision No. 53328, dated July 10, 1956, was issued. Said decision was an interim order declaring the defendant, Twin Lakes Park Company to be a public utility water corporation, and ordering further hearings on the matter.

On January 22, 1957, a further hearing was held and as a result thereof, Decision No. 54708, dated March 26, 1957, was issued. Said decision established rates for water service; required defendant to file certain operating maps; ordered the defendant company to install and put into operation, prior to July 31, 1957, certain improvements, including the rehabilitating of well No. 4 or otherwise developing an additional water supply

of at least 50 gallons per minute, installing pumping equipment capable of delivering at least 50 gallons per minute from well No. 4, or a similar water supply, into a 3,000-gallon aeration tank to be located at the well site, and, if aeration were required, installing a booster pump at the tank site capable of delivering 50 gallons per minute into defendant's 34,000-gallon concrete reservoir; installing chlorination equipment in wells Nos. 2 and 3 and at well No. 4 or the alternate supply developed in compliance with Paragraph (3)(a) of the order. Said decision further required defendant to file a report with the Commission as to the status of the improvements ordered to be effected; ordered defendant to set up on its books of accounts the plant accounts and depreciation reserve as of October 1, 1956, substantially as shown in Table 4-A of Exhibit No. 2, and file copies of journal entries with the Commission; ordered defendant to determine depreciation expense by multiplying the depreciable utility plant by a rate of 2.9%; and directed certain depreciation practices.

Defendants filed a petition for rehearing on April 15, 1957, alleging therein, that Decision No. 54708 (supra) failed to make a proper finding in respect to the evidence concerning the cost of reservoirs; that no allowance had been made nor consideration given to management costs and office expenses in the calculation of maximum reasonable rates for water; that the schedules of rates for water service ordered to be filed were not based upon a just and reasonable evaluation of the capital improvements; that the finding that a rate of return of 1.29%

was, prima facie, just and reasonable, was not sustained by the evidence, and was unjust and unreasonable; that the requirement to file rates was objectionable on the grounds heretofore set forth; that the orders to effect the improvements to defendant's water system were unnecessary, unjustified, and unreasonable; and that no finding had been made limiting the furnishing of water for domestic purposes notwithstanding the data contained in Exhibit No. 2, the report of the investigation by the Commission staff. Defendants requested that a rehearing be granted, and that the effective date of the order in Decision No. 54708 (supra) be extended for the pendency of the petition for rehearing, and that enforcement of the order be stayed for a reasonable length of time.

On May 21, 1957, the Commission issued its order granting a rehearing.

A public rehearing was held before Examiner Stewart C. Warner on July 19, 1957, at Los Angeles.

Evidence on Rehearing

Defendant, Twin Lakes Park Company, furnishes water service to approximately 65 consumers in unincorporated territory of Los Angeles County, approximately 2 miles distant from Chatsworth (within the limits of the City of Los Angeles). All water service connections are metered. Said Company also operates a real estate business, and has developed 700 lots in Twin Lakes Park, of which 200 have been sold, and of which latter lots 65 are occupied.

Defendants submitted as Exhibit No. 4, a statement purporting to be the cost of installation of 2- and 1-inch galvanized pipe during the period of October, 1927, when defendant's water system was originally installed.

Exhibit No. 5 is an estimate of the cost of defendant's transmission and distribution mains adjusted to the costs set forth in Exhibit No. 4 (supra), and further adjusted for the costs set forth in Exhibit No. 2 (supra), to account for alleged shortages of footage of 2- and 1-inch galvanized pipe.

Exhibit No. 6 purports to be an estimate of the reasonable value of the construction, in 1946, of defendant's reinforced concrete reservoir.

Exhibit No. 7 is an adjustment of expenses, by defendants, to the estimated reasonable operating expenses set forth by the staff engineer in Exhibit No. 2 (supra).

All of the aforementioned Exhibits Nos. 4 to 7, inclusive, were introduced by defendants in an attempt to substantiate their charges of the unreasonableness of the rates for water service ordered to be filed by Decision No. 54708 (supra).

By his testimony, the staff engineer reaffirmed his estimates of reasonable operating expenses, fixed capital, and rate base submitted by him, at the January 1957 hearing, as Exhibit No. 2 (supra).

Exhibit No. 8 is a schedule of the number of times and of the percentage of total time (55.02%) that one pump was turned on, and of the total time that said pump was turned off (44.98%), during the period December 3, 1956, to April 23, 1957. Said exhibit

also contains the statement that, during the period shown, only one pump was operating; that a second pump was installed as a standby in case of fire; that it had never been necessary to use both pumps at the same time, except for a period of four days in July, 1957, during a fire when water was being used excessively by the property owners and 24 pumpers of the fire department; that one of defendant's two pumps would produce 632,406 cubic feet annually, or 2.823 times the 1955 consumption; that, according to the pump manufacturer, the capacity of the pumps could be doubled or tripled by increasing the size of the cylinders of defendant's pumps and/or by increasing the horsepower of the motors; and that defendant's 34,000-gallon reservoir takes care of peak periods, and, on the basis of 1955 consumption, would store water sufficient for 7½ days.

Late-filed Exhibit No. 9 is a report to defendants, dated August 6, 1957, from Peerless Pump Division of Food Machinery and Chemical Corporation. Said exhibit was ordered by the examiner to be filed, and was to have been a well and pump test of wells Nos. 2 and 3.

The record shows in Exhibit No. 2 (supra) that defendant's wells Nos. 2 and 3 have a combined presently installed pumping plant capacity of 18 gallons per minute; that the pumping plants discharge directly into the distribution system with the surplus being delivered to the 34,000-gallon concrete reservoir.

The statement is contained in Exhibit No. 9, that, in the opinion of defendant's pump manufacturers, installers, and maintainers, defendant has "more than ample water production

without modifying or supplementing your (defendant's) present pumping equipment." Said exhibit also contains the contention that, if required to meet increased demands, the present pump capacities could be increased by 120% by increasing by 5 inches, the size of the cylinder of the pump in defendant's well No. 2. Said pump manufacturer contended that it could not quote to defendant the accurate cost of effecting such increase in pumping plant capacities.

#### Additional Complaints

By a letter dated July 22, 1957, three consumers complained that they had been without water for three afternoons and evenings on June 22, 23, and 24, 1957, and that the water was so dirty and rusty colored that they could not bathe in it.

Other customers complained about defendant's billing practices.

#### Modified Staff Recommendations

A staff engineer modified his recommendations in Exhibit No. 2 (supra) to the extent that, if defendant could show that it had adequate sources of water supply from its wells Nos. 2 and 3, his recommendations that well No. 4 be rehabilitated, that a 3,000-gallon aeration tank be installed, and that a booster pump be installed at the aeration tank site were withdrawn. This witness affirmed his recommendation that chlorination equipment be installed at wells Nos. 2 and 3.

A staff accountant recommended that Paragraph (5) of the order in Decision No. 54708 (supra) be rescinded for the reason that any error in the appraisal of utility fixed assets

ordered to be placed on the books of the utility would require a supplemental order to correct it, and that the end result could be accomplished, informally, between the staff and defendant.

Findings and Conclusions

After a careful review of the record of the rehearing on this matter the Commission finds as a fact and concludes as follows:

1. That Decision No. 54708 should remain in full force and effect, except as modified hereinafter.

2. That the allegations of defendant, as they relate to the provisions of the order in Decision 54708 requiring that defendants shall file and place in effect the schedules of rates contained in Appendix A attached to said order, are not supported by the record.

3. That defendant should increase the size of the cylinder in its pump in well No. 2 to 5 inches.

4. That when defendant has increased the cylinder in its pump as hereinbefore outlined, the improvements to defendant's water system ordered to be effected by Paragraphs (3)(a) and (b) of Decision No. 54708 (supra) will not be necessary, and that, when defendant has reported to the Commission in writing, the completion of the increases in its pumping plant capacities hereinbefore noted, said ordering paragraphs should be rescinded.

5. That defendant should install chlorination equipment at its wells Nos. 2 and 3, and should report to the Commission when such installation has been effected.

6. That defendant should, regularly, flush water mains to remove dirt and discoloration; should, whenever possible, notify consumers in advance of possible outages of water service expected



to be caused by construction or maintenance of pipe lines; and should exercise diligence and care in the reading of meters and in the preparing and submitting of monthly bills for water service.

ORDER ON REHEARING

Petition for rehearing on the above-entitled matter having been filed, a rehearing having been granted and held, the matter having been submitted, and now being ready for decision,

IT IS HEREBY ORDERED as follows:

1. That Decision No. 54708, dated March 26, 1957, be and it is amended;
  - a. That Twin Lakes Park Company, a corporation, shall within ninety days after the effective date hereof, increase the size of the cylinder of its pump in its well No. 2 and shall perform tests to determine the capacity of the modified pumping installation.
  - b. That Paragraphs (3) (a) and (b) of the order in Decision No. 54708 shall be deemed rescinded at such time as defendant shall have filed herein a statement evidencing compliance with Paragraph 1. a. hereinbefore set forth.
  - c. That Paragraph (3) (c) of Decision No. 54708 is rescinded, and that instead thereof, defendant shall within one hundred eighty days after the effective date hereof, install chlorination equipment at its wells Nos. 2 and 3.
  - d. That within ten days after compliance with paragraphs 1a. and 1c. herein, defendant shall report to the Commission in writing of its compliance therewith together with the results of the tests of the modified pumping installation.

e. That ordering Paragraph (5) of Decision No. 54708 is rescinded.

2. That in all other respects Decision No. 54708 shall remain in full force and effect.

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

Dated at San Francisco, California, this 1st day of October, 1957.

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