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ORIGINAL

Decision No. _____

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the matter of the Application of
LA GRANADA WATER COMPANY, a corpora-
tion, for an order authorizing a change
of water rates and tariff schedules.

Application No. 38560

Best, Best & Krieger, attorneys, by Enos C. Reid; and
Richard H. Millen, vice president, secretary-treasurer
and attorney, for applicant.

S. W. Shepard, secretary, for Rohr Aircraft Corporation;
Mrs. Ralph Kirby, interested parties.

Albert A. Goldstein, in propria persona and for a group
of consumers; A. C. Stahnke, in propria persona and for
Faith Lutheran Church; William A. Hawkins, in propria
persona and for Anza Fire Protection District; Ruth F.
Vorwerk, in propria persona and for a group of consumers;
Carl S. Wilson, Earl Cherry, Maurice B. Hawkins,
Mrs. John W. Myers, Mrs. Leslie Modin, Hazel N. Miner,
Jack Stanley Thomas, Mrs. Regina Fittsley, and S. J.
Goldman, in propria personae, protestants.

James G. Shields and L. L. Thormod for the Commission staff.

O P I N I O N

La Granada Water Company, by the above-entitled application
filed November 7, 1956, seeks authority to increase its rates for
water service in unincorporated territory of Riverside County, known
as Anza Village, located west of the city of Riverside, by a gross
annual amount of approximately \$12,000.

Public hearings were held before Examiner Stewart C. Warner
on July 31, and August 1, and 2, 1957, at Riverside. About 60
consumers appeared in protest to the application, many of them basing
their primary objection on the poor quality of service rendered.

Two petitions containing a total of approximately 800 names were presented by protestant consumers. One petition alleged that a majority of the people in the district represented were purchasing bottled water for drinking purposes and renting water softeners for domestic purposes, and alleged that the present rates for water service were excessive. The other petition, containing the greater number of names of residents and home owners of Arlanza, protested the proposed increase in rates because of:

- (1) Low water pressure endangering lives and property in the event of fire.
- (2) Foreign particles in water.
- (3) Corrosion of plumbing fixtures and discoloration of wash bowls and sinks.
- (4) The requirement of a water softener at \$4.75 per month and up in order to exist.
- (5) Unpleasant odor and very unpleasent taste.

These petitioners alleged that they would consider a reasonable raise in rates if the service conditions complained of were greatly improved by a softening plant. A representative of Rohr Aircraft Corporation, the employer of about 4,000 employees at its plant in Anza, appeared as an interested party in the matter of the quality of the water furnished and the amount of the proposed increase in rates as it might affect the terms of an agreement dated May 20, 1952 (Exhibit No. 9) between the corporation and applicant when applicant was operating under its former name of Anza Water Company.

Anza Fire Protection District, represented by William A. Hawkins, protested applicant's charges for fire hydrant service.

General Information

Applicant, under its former name of Anza Water Company, changed to La Granada Water Company on August 9, 1956, was granted a certificate of public convenience and necessity to operate a water system, the present rates were established, and authority was granted to issue 100 shares of no par value stock by Decision No. 47434, dated July 8, 1952, in Application No. 33048. Prior to the date of said decision, the water system had been operated for approximately four years by Anza Realty Company, said company having purchased, on September 30, 1947, the water system installed in 1942 by the U. S. Army Engineers at Camp Anza.

The Camp Anza properties, including electric lighting, water, and sewer facilities, had been purchased from Mr. Edward Schultz and associates for approximately \$610,000, Mr. Schultz having in turn purchased said properties for \$510,000 from the War Assets Administration in September 1947. Said properties had an acquisition cost of \$4,716,293 to the Government (Exhibit No. 5-A). The officers and directors of applicant and Anza Realty Company are identical and have been since applicant's incorporation.

By Decision No. 47434 (supra) applicant was authorized to issue no par value stock to the realty company for the water system plant, and applicant's plant as shown on its books as of December 31, 1956, is summarized as follows:

December 31, 1956			
Item	:Total Plant :Excluding :Overheads	: Total Plant: : Including : Overheads	:Overhead :Charges
1. Plant installed by U. S. Army Engineers	\$288,905.03	\$316,745.53	\$27,840.50
2. Plant installed by Anza Realty Company	26,981.02	29,679.51	2,698.49
3. Plant installed by La Granada Water Company	<u>177,775.82</u>	<u>191,285.49^a</u>	<u>13,509.67</u>
Total	<u>\$493,661.87</u>	<u>\$537,710.53</u>	<u>\$44,048.66</u>

a. Included herein are overhead charges of \$5,909.51 on plant of \$73,277.35 installed by subscribers (Advances for Construction).

Item 1, hereinbefore shown, represents the original cost of the properties installed by the U. S. Army as such costs were developed in an appraisal by W. P. Rowe & Son, consulting engineers, as of April 1, 1952, revised as of December 31, 1956, to delete certain properties retired between 1952 and 1956, including, among other things, a 250,000-gallon elevated storage tank, retired in 1953, and including land costs of \$10,500.

Item 2, hereinbefore shown, represents applicant's estimated historical cost of the plant installed by Anza Realty Company between the years 1948 and 1952.

Item 3 represents the construction costs incurred by applicant between January 1, 1953, and December 31, 1956.

Description of Service Area and Water System

Applicant's service area comprises approximately 1,100 acres in unincorporated territory of Riverside County, in which there was an average of 1,069 active service connections during the year 1956, of which 1,057 were metered. Applicant was furnishing free water service to Anza Realty Company and Arlington Utility Company,

and flat rate service was being furnished to three commercial customers, Girlstown School (a charitable rehabilitation center for girls), and the motor pool and ball park of Rohr Aircraft Corporation.

Applicant's present sources of water supply are two wells located approximately one mile outside the service area with an individual production capacity of 970 gallons per minute for well No. 1, and 1,350 gallons per minute for well No. 3, and a combined production capacity, when both wells are operating at the same time, of 1,600 gallons per minute. Water is pumped directly into a 500,000-gallon ground storage reservoir whence it is boosted by means of a 60-HP and a 40-HP electric booster, together with a 298-HP gasoline powered booster, into the distribution system area to a 750,000-gallon distribution reservoir which rides on the line at an elevation of approximately 127 feet above the booster station. As of December 31, 1956, there were 93,852 feet of distribution pipe lines in the system of which 36.4 percent were 8 inches or larger in diameter, the remainder being 3 to 6 inches in diameter.

Basis of Application

Applicant based its application on its contention that its present rates were not producing and would not produce sufficient revenues, when considered together with its operating expenses, to enable it to earn a fair rate of return on its estimated rate base, and that lacking such fair rate of return, applicant had been unable to obtain financial assistance from anyone other than Anza Realty Company to which it was indebted in the amount of \$55,000; that it was in need of additional capital, but that the realty company was unable to render further financial assistance to applicant because of

its own financial condition and needs; that applicant's most critical need was the expansion of its source of water supply; that a rate base and rates approaching a reasonable return would facilitate the acquisition of loans necessary for expansion costing between \$50,000 and \$100,000 in order to render proper and secure service; that the present sources of water supply comprise a critical situation for the reason that should one of applicant's wells not be available for service, there would be a shortage of water which would seriously inconvenience the population, create a dangerous fire hazard, and impair the operations of Rohr Aircraft Corporation, to the detriment of the national defense.

Rates

As noted hereinbefore applicant's present rates were established by Decision No. 47434 (supra). The following tabulation compares applicant's present rates with those proposed in the instant application:

Quantity Charge:		<u>Per Meter Per Month:</u>	
		<u>Present Rates</u>	<u>Proposed Rates</u>
First	1,500 cu. ft. or less	\$ 2.50	-
Next	8,500 cu. ft., per 100 cu. ft. ...	.15	-
Next	40,000 cu. ft., per 100 cu. ft. ...	.13	-
Next	100,000 cu. ft., per 100 cu. ft. ...	.10	-
Next	350,000 cu. ft., per 100 cu. ft. ...	.08	-
Over	500,000 cu. ft., per 100 cu. ft. ...	.05	-
First	1,000 cu. ft. or less		\$ 2.50
Next	9,000 cu. ft., per 100 cu. ft. ...		.15
Next	40,000 cu. ft., per 100 cu. ft. ...		.13
Over	50,000 cu. ft., per 100 cu. ft. ...		.10

Exhibit No. 19 shows that 51.19 percent of the consumer months for the year 1956 fell in the consumption block 0 - 1800 cubic

feet. In general, this means that approximately 51 percent of the consumers used an average of 1800 cubic feet or less of water per month. Under the present rates the monthly charge for consumption of 1800 cubic feet is \$2.95; under the proposed rates said charge would be \$3.70, an increase of 75 cents per month or 25.4 percent.

Earnings

Applicant's vice president and consulting engineering witness submitted summaries of earnings for the year 1956, recorded, at present rates, and the year 1957, estimated, at present and proposed rates, as Exhibits Nos. 13, 13-A, and 13-B. A Commission staff engineering witness submitted as Exhibit No. 19 (supra), a report on applicant's results of operations for the year 1955, recorded, 1956, recorded, 1956, adjusted, and 1957, estimated, at present and proposed rates. The earnings data for the year 1956, actual at present rates, and the year 1957, estimated, at present and proposed rates shown in Exhibits Nos. 13-A and 19, are summarized in the following tabulation:

SUMMARY OF EARNINGS

Item	Year 1956		Year 1957 Estimated			
	Actual		Present Rates		Proposed Rates	
	Present Rates		Per Co.	Per PUC	Per Co.	Per PUC
	Ex. 13-A	Ex. 13-A	Ex. 19	Ex. 19	Ex. 13-A	Ex. 19
Operating Revenues	\$ 59,512	\$ 62,495	\$ 70,840	\$ 75,669	\$ 82,620	
Operating Expenses	30,848	45,868	31,940	45,868	31,940	
Depreciation	11,085	11,085	10,552	11,085	10,552	
Taxes	7,078	3,936	13,055	6,999	19,405	
Total Oper. Exp.	49,011	60,889	55,547	63,952	61,897	
Net Oper. Rev.	10,501	1,606	15,293	11,717	20,723	
Rate Base	448,817	439,581	339,211	439,581	339,211	
Rate of Return	2.34%	0.37%	4.5%	2.62%	6.1%	

The differences between the estimates for the year 1957 of operating revenues at the present rates and at the proposed rates between those submitted by applicant and those submitted by the staff are attributable to differences in estimates of the growth of the area and the probable addition of new and newly metered consumers to the water system.

The differences between the estimates of operating expenses for the year 1957 between those submitted by applicant and those submitted by the staff are attributable, for the most part, to estimates by applicant of its salaries, pay roll, and regulatory commission expenses paid or to be paid during the year 1957 and estimates by the staff of such items on an adjusted basis after considering applicant's number of consumers, the territory served, and the extraordinary circumstances surrounding the costs of preparation for the instant proceeding.

The differences in estimated average depreciated rate base are primarily attributable to the elimination by the staff of overhead charges applied by applicant to its construction costs as reflected in its capital accounts, and advances for construction.

Applicant's Proposals for Expansion of Its Water Resources

Exhibit No. 6 contains two proposals by applicant for expansion of its water resources. Proposal No. 1 contemplates a connection with and utilization of Metropolitan Water District facilities and water for a total cost of \$109,000. Proposal No. 2 contemplates a three-step program of (1) paralleling existing 16-inch water main facilities from applicant's well site to a sand trap reservoir, (2) drilling an additional well, and (3) increasing

booster pumping plant capacities, all for a total of \$65,315. Neither proposals Nos. 1 nor 2 contemplates the installation of water softening equipment.

Findings and Conclusions

It is evident from the record that applicant's present rates are not producing an adequate rate of return, that applicant is in need of financial relief, and that the application should be granted in part.

The Commission is of the opinion and finds and concludes that the estimates of operating revenues, expenses, and average depreciated rate base for the year 1957, as submitted by the Commission staff, are reasonable and they are hereby adopted for the purpose of this proceeding.

The Commission further finds, however, that applicant's proposal to increase the lowest block of its rates for water service from 5 cents per one hundred cubic feet to 10 cents per one hundred cubic feet, or 100 percent, in view of the fact that such rate is principally applicable to Rohr Aircraft Corporation and further, in view of the fact that no study of the cost of service to said corporation was submitted, is unreasonable. Applicant will be authorized to file a new schedule of rates which, after considering the increased revenues estimated to be derived from Girlstown School when such school is served on a metered basis instead of the present flat rate basis, and when meters are installed on all of applicant's services, will offset the loss in revenues due to the reduction in proposed rate to Rohr Aircraft Corporation.

From a review of the record the Commission finds and concludes that the schedules of rates authorized hereinafter to be filed will produce estimated operating revenues of \$83,000 which, when related to total operating expenses of \$62,000, will result in net operating revenues of \$21,000. When such net operating revenues are related to the estimated depreciated rate base for the year 1957 of \$339,000, a rate of return of 6.2 percent will result. Such rate of return and its components are found to be just and reasonable.

The Commission finds as a fact and concludes that the public interest requires that all water service be furnished on a metered basis, and the order hereinafter will so provide.

Applicant should file with the Commission a copy of its contract with the Anza Fire Protection District and should charge Arlington Utility Company applicant's presently filed private fire hydrant rental rate, each in accordance with the provisions of General Order No. 96.

Applicant will be ordered hereinafter to diligently pursue its efforts to expand its water resources and to eliminate the poor service conditions complained of, particularly the low pressures, the odors, and the excessive hardness of water, and to formulate a program for such expansion of water resources and elimination of poor service conditions and to report to the Commission, in writing, every 90 days after the effective date of the order hereinafter, its progress in completing such program until such program is completed.

Because of the serious and wide-spread nature of the service complaints of record in this proceeding, the Commission is of the opinion and finds and concludes that the public interest

requires that the authorization to file new schedules, providing for increases in rates for water service, be subject to the condition, precedent thereto, that the firm program for the improvement of service conditions hereinabove outlined be not only submitted to the Commission but be initiated by applicant to the satisfaction of the Commission.

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

O R D E R

Application as above-entitled having been filed, public hearings having been held thereon, the matter having been submitted and now being ready for decision,

IT IS HEREBY ORDERED as follows:

(1) That La Granada Water Company, a corporation, will be authorized to file the schedules of rates shown in Appendix A attached hereto, as provided for in the conditions hereinafter set forth.

(2) That applicant shall install meters on all water service connections except those for fire hydrants or fire protection systems, and shall furnish general water service on a metered basis, only.

(3) That applicant shall determine the accruals for depreciation by dividing the original cost of utility 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 utility 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.

IT IS HEREBY FURTHER ORDERED as a condition precedent to the foregoing authorization:

(1) That applicant shall, within ninety days after the effective date hereof, submit to the Commission, in writing, a program to eliminate the poor service conditions complained of, particularly low pressures, odors, and hardness of water, and report to the Commission its progress in connection therewith every ninety days thereafter until such program is completed.

(2) That when applicant has filed a report of its program and has initiated such program to the satisfaction of the Commission, and has metered all general service connections, the Commission will then issue its supplemental order setting the date on which the authorization to applicant to increase its rates for water service will become effective.

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

Dated at San Francisco, California, this 10th day of December, 1957.

[Signature]
President

[Signature]

[Signature]

[Signature]

[Signature]
Commissioners

APPENDIX A

Schedule No. 1

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

The unincorporated community of Anza Village and vicinity, Riverside County.

RATES

Quantity Rates:	<u>Per Meter per Month</u>
First 1,000 cu.ft. or less	\$ 2.50
Next 9,000 cu.ft., per 100 cu.ft. ....	.15
Next 40,000 cu.ft., per 100 cu.ft. ....	.13
All over 50,000 cu.ft., per 100 cu.ft. ....	.075

Minimum Charge:

5/8 x 3/4-inch meter	\$ 2.50
1-inch meter	3.50
1-1/2-inch meter	5.00
2-inch meter	7.50
3-inch meter	15.00
4-inch meter	20.00
6-inch meter	30.00
8-inch meter	50.00

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