

ORIGINAL

Decision No. 58056

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

In the Matter of the Application of
PACIFIC WATER CO., a California
corporation, under Section 728 of the
Public Utilities Code, to consolidate
and increase its rates for its Orange
County Water Systems.

Application No. 38402

In the Matter of the Application of
PACIFIC WATER CO., a California
corporation, under Section 728 of the
Public Utilities Code, to increase its
rates for the Westside Water System and
adjoining area in San Bernardino,
California.

Application No. 38441

In the Matter of the Application of
PACIFIC WATER CO., a California
corporation, under Section 728 of the
Public Utilities Code, to increase its
rates for its Hawaiian Gardens Water
System, its Burbank Tract Water System,
and its Independence Square Water System,
all in Los Angeles County, California.

Application No. 38695

(Appearances listed in Appendix A)

INTERIM OPINION AND ORDER

By the above-entitled applications, filed respectively on
September 11, 1956, September 21, 1956, and December 28, 1956, and
thereafter amended, Pacific Water Co., a California corporation,
furnishing domestic water to consumers in 23 systems in Los Angeles,
Orange, San Bernardino and Kern Counties, seeks authority to increase
its rates in 14 of said systems in Los Angeles, Orange and San Bernar-
dino Counties.

Public hearings were held in Los Angeles on the consolidated applications before Commissioner Rex Hardy and Examiner Kent C. Rogers on July 24 and 25 and before Examiner Rogers on July 26 and September 18 and 19, 1957. During these hearings approximately 25 exhibits were filed and testimony explaining said exhibits was heard. At the hearing on September 19, 1957, all exhibits concerning operating results were withdrawn except Exhibit No. 4 which shows service-wide results of operations for the recorded years 1955 and 1956.

On September 19, 1957, applicant filed a document in the above-entitled matters entitled "Amendments and Petition for Interim Rate Increase." A public hearing on this matter was held in Santa Ana on October 9 and in Artesia on October 10, 1957, before Examiner Rogers. Prior to the first of said hearings notice thereof was published as required by this Commission.^{1/} In this petition applicant alleges that it is in dire need of immediate relief for the following reasons:

(1) That it has suffered an operating loss since 1955, in 1956 its net operating loss was \$29,288.18, and to July 31, 1957, its net operating loss was \$16,813.85 and it estimates its operating loss for 1957 will be \$30,000.

(2) That one and one-half years of continued operating losses have seriously impaired applicant's credit and if such losses continue much longer its credit may be permanently damaged.

(3) That applicant's long-term financing for its increase in utility plant has been handled under a trust indenture (Exhibit No. 31)

^{1/} These contained days and places to which the principal applications had been continued. Prior to the first day of hearing notice was mailed to each of applicant's consumers as required by this Commission.

and bonds under this trust indenture have been purchased by Connecticut Mutual Life Insurance Company; that under the trust indenture additional bonds may be issued against property additions in an amount equal to 60 percent of such expenditures provided, however, that net operating earnings of the company for a period of 12 consecutive calendar months immediately preceding the date on which bonds are applied for equal at least twice the bond interest requirements; that the annual bond interest requirement is defined to mean the interest on bonds issued and applied for under the trust indenture; that currently the annual interest requirement on the issued bonds is \$31,985; that before applicant can issue any more bonds it must have net operating earnings of \$63,970 plus twice the interest requirement of the additional bonds issued, and would have to receive such net operating earnings for 12 prior consecutive calendar months; and that even if rate increases are granted immediately on an interim basis it would be at least 12 months before applicant can get back to a sound basis for financing utility plant additions.

(4) That applicant's water systems are mainly located in fast-growing areas of southern California and it is necessary for applicant to make substantial additions to its public utility plants in order to meet normal growth requirements; that in addition, the Commission has required additions to the utility plant such as a required metering program in all of applicant's Orange County systems; that it must maintain a sound basis for financing if it is to make the additions to the utility plant required; and that because of its operating losses applicant is unable to finance the required additions to its utility plant.

- (a) That Connecticut Mutual Life Insurance Company has advised applicant that if applicant's operating loss is not soon remedied it would not purchase additional bonds, and as cash comes in from the consumers' advance trusts it would require these funds to be used to redeem bonds rather than for additions to utility plant.
- (b) That because of lack of earnings, applicant has been partially financing its additions to utility plant by interim financing from Bank of America; that at the present time applicant has exhausted its line of credit with Bank of America in the sum of \$150,000; that by March 1, 1958, Bank of America will require from applicant a plan for the long term financing of the interim financing; and that this is dependent upon applicant re-establishing its net earnings;
- (c) That because of lack of earnings applicant cannot increase its equity capital by the sale of stock.

Individuals and groups opposed to the granting of an interim or any rate increase appeared at the hearings. There was also criticism of the service rendered by the applicant. A representative of the City of Westminster (Orange County) Water Planning Committee also presented figures, largely taken from applicant's withdrawn exhibits, intended to show that applicant is not in need of an interim rate increase.

Conclusions and Findings

Applicant's contentions are based in part on the facts that it has been required by this Commission to improve its systems and hire additional personnel; that before any additional bonds can be issued for improvements applicant must show net operating earnings of \$63,970 (twice the interest on bonds issued) plus twice the interest requirement of any additional bonds issued; that the bondholder has indicated that it is deeply concerned with applicant's continued operating loss and if the loss is continued it not only will not purchase additional bonds, but as funds come into the bond indenture trust from the consumers' advances trusts, it will require that the money be used to redeem outstanding bonds rather than for additions to utility plant.

The record herein shows, among other things, that applicant can find no market for its stock for the reason that its earnings record is poor, that its entire line of credit is very nearly exhausted.

Pacific Water Co.'s capital structure has been the subject of Commission concern for some time, as evidenced in Decision No. 53862, dated October 1, 1956, and in Decision No. 55730, dated October 22, 1957.

Each request for interim rate relief must be determined upon the special facts and circumstances of the case. No hard and fast rule may be prescribed to fit all cases.

The record reflects that there is an existing emergency warranting an interim rate increase. Because of the present financial condition of the applicant we find, from the evidence, that ability of the applicant to continue to furnish reasonable service to customers entitled to receive it is in serious jeopardy. In the circumstances, we find that the public interest requires that applicant's customers be furnished reasonable service. In order to furnish such service the applicant must receive interim rate relief.

Rates in the three general areas will be increased to an amount approximately one half of the over-all amount requested. However, because of the numerous schedules in certain of the systems, individual rates in some instances will not be increased while in others, increases of more than one half will occur. Both flat and metered rate service schedules will be adjusted. The Commission finds as a fact that the increase in rates and charges authorized herein are justified.

The Commission reserves its final findings and conclusions on applicant's operating practices, its adjusted operating revenues and expenses, its rate base, rate of return, final rates and allied matters until the conclusion of applicant's main case for a rate increase, and the issuance of a final decision herein.

INTERIM ORDER

Amendments of the applications as above entitled having been filed, public hearings having been held, the matter having been submitted and now being ready for decision, therefore,

IT IS HEREBY ORDERED that Pacific Water Company 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 B attached hereto, and, upon not less than five days' notice to the Commission and to the public, to make said rates effective for service rendered on and after February 1, 1958.

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

Dated at San Francisco, California, this 7th day of January, 1958.

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

Appendix A

List of Appearances

Moss, Lyon & Dunn, by George C. Lyon, for applicant.

C. M. Saroyan, John R. Gillanders, A. L. Gielegem and Richard R. Entwistle, for the Commission staff.

Susan B. Luddenberg, Mattie Kellogg, Sadie E. Patrick, Bernice Glaze, Margaret D. Kennedy, Mary P. Ross, Arthur Craig, Mrs. Evelyn M. Felton, Mrs. Carl Winkler, Mrs. George Lloyd, J. Leaf, Neal Sprotte, Walter J. Wilson, Homer C. Heater, Mrs. Paul E. Cook, Mrs. Ethel A. Cook, Mrs. Rosemary B. Deur, E. A. Brock, Mrs. Lyla Arellanez, and Mrs. Alice H. Buchholz; interested parties.

APPENDIX B
Page 1 of 5

Schedule No. WS-1

Westside Tariff Area

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

The unincorporated territory of Sections 8, 9, 10, 15, 16, 17, and the Southeast quarter of Section 5, Township 9 North, Range 2 West, S.B.B. and M., west of the town of Barstow, San Bernardino County.

RATES

Quantity Rates:	<u>Per Meter per Month</u>
First 900 cu.ft. or less	\$ 2.35
Next 4,100 cu.ft., per 100 cu.ft. ....	.22
Next 5,000 cu.ft., per 100 cu.ft. ....	.18
Over 10,000 cu.ft., per 100 cu.ft. ....	.13
 Minimum Charge:	
For 5/8 x 3/4-inch meter	\$ 2.35
For 3/4-inch meter	3.00
For 1-inch meter	5.00
For 1-1/2-inch meter	7.50
For 2-inch meter	10.00
For 4-inch meter	30.00

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

Schedule No. LO-1

Los Angeles County Tariff Area

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

Certain areas near the cities and unincorporated communities of Norwalk, Downey, Artesia and Nowlin, and vicinity, Los Angeles County.

RATES

	<u>Per Meter per Month</u>
Quantity Rates:	
First 800 cu.ft. or less	\$ 2.75
Next 2,200 cu.ft., per 100 cu.ft. ....	.25
Next 3,000 cu.ft., per 100 cu.ft. ....	.20
Next 4,000 cu.ft., per 100 cu.ft. ....	.16
Over 10,000 cu.ft., per 100 cu.ft. ....	.13
Minimum Charge:	
For 5/8 x 3/4-inch meter	\$ 2.75
For 3/4-inch meter	4.00
For 1-inch meter	5.00
For 1-1/2-inch meter	10.00
For 2-inch meter	14.00
For 3-inch meter	26.00
For 4-inch meter	38.00

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

Schedule No. LO-2

Los Angeles County Tariff Area

GENERAL FLAT RATE SERVICE

APPLICABILITY

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

TERRITORY

Certain areas near the cities and unincorporated communities of Norwalk, Downey, Artesia and Newlin, and vicinity, Los Angeles County.

RATES

	<u>Per 3/4-Inch Service Connection per Month</u>
1. For each single family residence, including premises not exceeding 10,000 sq. ft. in area	\$3.00
a. For each additional residential unit on the same premises and served from the same service connection	1.50
b. For each 100 sq.ft. of area in excess of 10,000 sq. ft. ....	.02
2. For each store, market or shop	3.00
3. For each service station	3.50

SPECIAL CONDITIONS

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

2. 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. LO-1, General Metered Service.

APPENDIX B
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Schedule No. OR-1

Orange County Tariff Area

GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered water service.

TERRITORY

Certain areas in or near the cities and unincorporated communities of Garden Grove, Westminster, Barber City, Midway City and Santa Ana, and vicinity, Orange County.

RATES

Quantity Rates:	<u>Per Meter per Month</u>
First 1,000 cu.ft. or less	\$ 2.50
Next 2,000 cu.ft., per 100 cu.ft. ....	.20
Next 7,000 cu.ft., per 100 cu.ft. ....	.16
Next 20,000 cu.ft., per 100 cu.ft. ....	.14
Over 30,000 cu.ft., per 100 cu.ft. ....	.12

Minimum Charge:

For 5/8 x 3/4-inch meter	\$ 2.50
For 3/4-inch meter	3.75
For 1-inch meter	6.00
For 1-1/2-inch meter	10.00
For 2-inch meter	14.00
For 3-inch meter	27.00
For 4-inch meter	43.00

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

Schedule No. OR-2

Orange County Tariff Area

GENERAL FLAT RATE SERVICE

APPLICABILITY

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

TERRITORY

Certain areas in or near the cities and unincorporated communities of Garden Grove, Westminster, Barber City, Midway City and Santa Ana, and vicinity, Orange County.

RATES

	<u>Per 3/4-Inch Service Connection per Month</u>
1. For a single family residence, including premises not exceeding 10,000 sq. ft. in area	\$3.00
a. For each additional residential unit on the same premises and served from the same service connection	1.50
b. For each 100 sq. ft. of area in excess of 10,000 sq. ft. ....	.03
2. For each store, market or shop	3.00
3. For each service station	4.00

SPECIAL CONDITIONS

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

2. 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. OR-1, General Metered Service.